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OVERVIEW

We are a PRC specialty environmental protection service provider, focused on the biomass and hazardous waste treatment industries. We have a leading position in these markets in the PRC, with the fourth largest aggregate biomass power generation designed capacity and the third largest aggregate hazardous waste disposal designed capacity in China as of December 31, 2016 for projects in operation, under construction and at the planning stage, according to Frost & Sullivan. As environmental issues in China, especially air pollution and smog, together with their adverse impact on health, increasingly draw national and global attention, and with building an eco-friendly society featuring prominently as one of the core goals of the 13th Five-Year Plan, we believe that our commercial goals are well aligned with China's policy targets and social welfare and we are positioned to benefit from the continued growth of the environmental protection industry and rural development in China.

As of the Latest Practicable Date, we had a diversified portfolio of 68 projects, including 24 projects in operation, 14 projects under construction and 30 projects at the planning stage, in the following three business segments:

- *Biomass.* We utilize biomass raw materials, such as agricultural waste and forestry residue, to generate electricity and heat. As of the Latest Practicable Date, we had 37 biomass projects, including seven projects in operation, 12 projects under construction and 18 projects at the planning stage, with an aggregate power generation designed capacity of 810 MW, an aggregate biomass raw material processing designed capacity of 7,099,800 tons per annum, and an aggregate household waste processing designed capacity of 1,679,000 tons per annum. We target regions with abundant biomass resources and favorable government support such as Jiangsu Province and Anhui Province. Our operations tackle the escalating air pollution and smog issues in China by converting biomass raw materials into electricity and heat instead of burning them in the open air, as is commonly the case in many parts of China. At the same time, we provide benefits to farmers and the rural economy with employment opportunities during the course of biomass raw material purchases. In addition to electricity and heat generation from biomass raw materials, we have developed a unique business model of integrated biomass and waste-to-energy projects to provide one-stop services for local governments to handle both biomass raw materials and household waste at the same location. According to Frost & Sullivan, we were the only company to employ such integrated business model in China as of December 31, 2016. This business model is expected to not only maximize environmental service output but also to lower the overall costs of development and operation as compared with developing and operating these projects on a standalone basis, thereby increasing the overall investment returns of the relevant projects. As of the Latest Practicable Date, we had 12 pairs of integrated biomass and waste-to-energy projects accounting for 23 of our projects⁽¹⁾, among which one pair of

⁽¹⁾ Note: For Zhongjiang Integrated Biomass and Waste-to-Energy Projects, we will sign another concession agreement for the Waste-to-Energy project and therefore we did not calculate the Waste-to-Energy Project into the total number of projects at the current stage.

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such integrated projects were in operation and the remaining 11 pairs were under construction or at the planning stage. With increasingly severe air pollution, in particular, the smog across China and abundant biomass resources in the rural area, we believe that our biomass business will continue to benefit from strong policy support and has the potential to achieve rapid and sustainable growth.

- *Hazardous waste treatment.* We collect and safely dispose of hazardous waste to minimize its environmental impact. As of the Latest Practicable Date, we had 22 hazardous waste treatment projects, including eight projects in operation, two projects under construction and 12 projects at the planning stage, with an aggregate hazardous waste disposal designed capacity of 504,150 tons per annum. We target regions with a high degree of industrialization and waste production such as Jiangsu Province and Shandong Province and seek to build waste treatment facilities in or close to industrial zones to ensure continuous and stable demand for our services. We currently have the ability to treat 42 out of 46 categories of hazardous waste listed in the National Catalog of Hazardous Waste. According to Frost & Sullivan, the hazardous waste disposal industry in China is highly fragmented and has a shortage of treatment capacity. We believe that our hazardous waste treatment business has strong growth potential driven by the increasingly stringent pollution discharge standards and rigorous enforcement in China.
- *Solar energy and wind power.* We operate solar energy and wind power facilities to generate electricity. As of the Latest Practicable Date, we had seven solar energy projects and two wind power projects in operation with an aggregate power generation designed capacity of 125.9 MW.

We benefit from favorable policies and industry trends. The PRC environmental protection industry as a whole, and the biomass and hazardous waste treatment industries in particular, have grown rapidly. According to Frost & Sullivan, the biomass energy generation capacity and the hazardous waste output in China grew at a CAGR of 16.3% and 5.3%, respectively, from 2011 to 2016. We believe the actual number for output of hazardous waste and its growth in China could be higher due to the large quantity of illegal disposal of hazardous waste. Favorable policy support, including preferential on-grid tariffs, mandatory offtake of electricity, governmental subsidies and beneficial tax treatment, as well as the increasingly stringent environmental standards and intensified enforcement, have all contributed to the rapid growth of the environmental protection industry in the PRC as well as our own growth. According to Frost & Sullivan, supported by the favorable policy environment, growing public awareness and heavy investment from the PRC government, the environmental protection industry in China is expected to continue to grow, and investment in this industry is expected to grow at a CAGR of 17.5% from RMB1,600.0 billion in 2017 to RMB3,049.4 billion in 2021. We believe that our diversified and strategically located portfolio and strong project pipeline will enable us to capitalize on these favorable industry trends to further expand and achieve sustainable growth in the future and we plan to focus on the biomass and hazardous waste treatment segments for our future growth.

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We have expanded rapidly during the Track Record Period. The following table sets forth certain key statistics regarding our projects during the Track Record Period:

	As of January 1, 2014	Year ended December 31,			As of the Latest Practicable Date
		2014	2015	2016	
Projects in operation	11	13	15	24	24
Biomass	1	2	2	7	7
Hazardous waste treatment	3	4	4	8	8
Solar energy and wind power	7	7	9	9	9
Projects under construction	2	5	9	14	14
Biomass	1	—	5	12	12
Hazardous waste treatment	1	3	4	2	2
Solar energy and wind power	—	2	—	—	—
Projects at the planning stage	7	11	21	25	30
Biomass	—	6	16	13	18
Hazardous waste treatment	5	5	5	12	12
Solar energy and wind power	2	—	—	—	—
Total designed capacity ⁽¹⁾ :					
Power generation (MW)	185.9	290.9	573.9	807.9	935.9
Hazardous waste treatment (ton/year)	230,000	271,150	293,150	504,150	504,150

Note:

(1) Includes designed capacity of projects in operation, under construction and at the planning stage.

Our total revenue increased from HK\$1,057.8 million in 2014 to HK\$1,203.2 million in 2015, and further increased to HK\$3,000.1 million in 2016. Our profit for the year increased from HK\$199.7 million in 2014 to HK\$271.4 million in 2015, and further increased to HK\$629.5 million in 2016. Our EBITDA increased from HK\$306.4 million in 2014 to HK\$441.8 million in 2015, and further increased to HK\$982.6 million in 2016.

OUR STRENGTHS

We believe that the following competitive strengths distinguish us from our competitors:

A leader in the fast-growing environmental protection industry with substantial potential for further growth

We are a PRC specialty environmental protection service provider, focused on the biomass and hazardous waste treatment industries. We have leading position in these markets in the PRC, with the fourth largest aggregate biomass power generation designed capacity and the third largest aggregate hazardous waste disposal designed capacity in China as of December 31, 2016 for projects in operation, under construction and at the planning stage, according to Frost & Sullivan. We had the largest market

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share in terms of hazardous waste disposal designed capacity for all projects in operation, under construction and at the planning stage in East China, the region with the highest volume of hazardous waste output in China in 2016, according to Frost & Sullivan. As of the Latest Practicable Date, we had 24 projects in operation, 14 projects under construction and 30 projects at the planning stage, with an aggregate power generation designed capacity of 935.9 MW and an aggregate hazardous waste disposal designed capacity of 504,150 tons per annum.

Since the reform and opening-up of China, China's economy has experienced stable and fast growth during the past 30 years, and China's economic output tops the global ranking. However, China has been suffering from environmental issues as a result of its industrialization and economic development. During the rapid development of the economy, China's ecosystem has experienced environmental pollution due to large amounts of emissions of industrial exhaust gases and the incineration of agricultural waste, which have become a health concern. Both the Chinese government and the general public are deeply concerned about environmental issues. Building an eco-friendly society and strengthening environmental protection have been elevated as national development goals and feature prominently as core goals of the 13th Five-Year Plan. Various laws, regulations and policies were recently adopted by different levels of the PRC government, including the Action Plan to Prevent and Control Air Pollution (《大氣污染防治行動計劃》) promulgated in September 2013, the amended Environmental Protection Law (《環境保護法》) that became effective in January 2015, the Guidance on Promoting Agricultural Waste Control and Utilization in Rural Areas (《促進農村農業廢棄物控制及利用的指導意見》) promulgated in November 2015, and the Action Plan to Prevent and Control Soil Pollution (《土壤污染防治行動計劃》) promulgated in May 2016, all of which indicated that the PRC government is devoting more efforts to environmental protection. With the strong support of the PRC government, the environmental protection industry is experiencing rapid development. According to Frost & Sullivan, investment in the PRC environmental protection industry is expected to grow at a CAGR of 17.5% from RMB1,600.0 billion in 2017 to RMB3,049.4 billion in 2021.

The biomass and hazardous waste treatment industries in the PRC are in the relatively early development stage and have huge growth potential. The size of the biomass power generation industry is still small and the total cumulative biomass power generation capacity represented only 0.4% of the total power generation capacity in operation in China in 2016, according to Frost & Sullivan. After slow development during the 12th Five-Year Plan, the biomass industry is expected to experience fast development during the 13th Five-Year Plan. According to Frost & Sullivan, the total cumulative biomass power generation capacity is expected to grow at a CAGR of 17.0% from 8,190 MW in 2017 to 15,367 MW in 2021, which is far above 6.0%, the expected growth rate of total power generation capacity in the PRC. In the hazardous waste treatment industry, the treatment capacity of hazardous waste is smaller than the output volume in China. Given that a large volume of illegally disposed of hazardous waste will cause environmental issues, the PRC government has been imposing more rigorous regulatory supervision and higher environmental protection standards on the hazardous waste treatment industry. According to Frost & Sullivan, the treatment rate for hazardous waste will reach 90.5% in 2020 compared to 83.7% in 2016. The annual disposal capacity of hazardous waste treatment is also expected to grow rapidly at a CAGR of 11.7% from 27.2 million tons in 2017 to 42.3 million tons in 2021, according to Frost & Sullivan.

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As a result of the government support for the environmental industry, our biomass, solar energy and wind power projects currently enjoy preferential on-grid tariffs, mandatory offtake of electricity, governmental subsidies, and favorable tax treatment. Our hazardous waste treatment projects benefit from favorable tax treatment and government subsidies, as well as benefiting from demand driven by the increasingly stringent pollution emission standards and intensified enforcement.

We believe that the bright prospects of the environmental protection industry and strong support from the PRC government have provided us with unprecedented opportunities for development. Our biomass projects help the local government solve the problems of agricultural waste disposal, and bring economic benefits to the local farmers. Our hazardous waste treatment projects provide solutions to treat the discharges of waste by local enterprises, which substantially reduces the pollution to the environment such waste may otherwise cause. As a market leader in the biomass and hazardous waste industries, we believe that we will benefit from the rapidly growing environmental protection industry.

Diversified business segments with strategically selected project portfolio

We have three main business segments, including biomass and hazardous waste treatment business segments with rapid growth and substantial growth potential and solar energy and wind power projects with high returns and stable cash flow. Our forward-looking and diversified business portfolio allows us to seize the opportunity presented by the rapid development of the environmental protection industry. Against the backdrop of favorable industry trends, we have built a diversified portfolio of biomass, hazardous waste treatment, solar energy and wind power projects at strategic locations depending on the local resources and market conditions. We have been able to provide multiple services at the same location to satisfy various demands for the same client and achieve synergies among multiple projects in various business segments to improve overall profitability and accelerate our growth. For example, in Suqian, Jiangsu Province, where we have a recurring working relationship with the local government, we have secured a solar energy project, a hazardous waste treatment project and a biomass project from the local government since August 2010. We believe that our suite of services offered by these projects has been well received by the Suqian government and has helped solidify our relationship with them and governmental customers in nearby areas. We have replicated our comprehensive sourcing capability in Guanyun County, Lianyungang, Jiangsu Province, where we acquired a hazardous waste incineration project in January 2014, and also have a hazardous waste landfill project in operation and we are currently planning to expand this facility and construct a pair of integrated biomass and waste-to-energy projects. We believe that our multi-project sourcing capability has enabled us to achieve synergies by lowering our management and operational costs.

- *Biomass business with unique business model and raw material price control capability*

We have developed a unique business model of integrated biomass and waste-to-energy projects to provide one-stop services for local governments to handle both biomass waste and household waste at the same location. We believe that this model has allowed us to design each project to fully exploit the available resources and meet market demand in the relevant region. According to

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Frost & Sullivan, we were the only company to employ such integrated business model in China as of December 31, 2016. We have benefited from our experience in operating waste-to-energy projects as part of the “Everbright” platform prior to the Spin-off, and have the capability to select, implement and integrate different technologies into our biomass and waste-to-energy projects. By sharing grid connection systems, water treatment systems and other ancillary systems between the biomass facility and the household waste-to-energy facility, this business model is expected to not only maximize environmental service output but also to lower the overall costs of development and operation as compared with developing and operating these projects on a standalone basis, thereby increasing the overall investment returns of the relevant projects and improving our competitiveness. We share management teams between the biomass and waste-to-energy operations of each pair of integrated projects to achieve management efficiency. As a result, under such model, we could develop waste-to-energy projects together with biomass projects in places where standalone waste-to-energy projects are not commercially viable, and thus are able to expand our operations and presence in regions that may be unattractive to our peers without such integrated capabilities.

For our biomass business, in addition to our unique business model, we also have biomass raw material price control capability. Our comprehensive utilization of biomass raw materials is supported by our strategically selected project locations and our robust biomass supply networks which lowers our total cost and improves project efficiency.

- *Strategic locations.* We assess, design, operate and manage each project on both the project and regional level, taking into consideration the available biomass resources, accessibility, government policies, utilization methods, and regional synergies and scale. We focus on regions with severe air pollution, abundant biomass supply and convenient access and have been securing new projects in these areas such as Anhui, Jiangsu, Sichuan, Hubei, Tianjin, Henan and Jiangxi Provinces. In addition, taking advantage of the NDRC’s policy that principally allows the establishment of only one biomass project in an area within a radius of 100km or within a county, we carefully select the site of each project by evaluating the biomass resources under a conservative estimate, and conducting geographic surveys to ensure that there are convenient transportation networks and sufficient biomass supply throughout the catchment area.
- *Robust biomass supply network.* In order to support efficient utilization, we have established a robust supply network to comprehensively cover collection, storage, transportation, management and utilization of biomass materials in the relevant region. We reach a large number of individual farmers primarily through a network of biomass brokers who handle collection, storage and transportation, so as to achieve economies of scale. We provide incentives to our suppliers in the form of quality-based price adjustments and timely payment. We also allocate raw materials among our biomass projects based on our estimate of the available biomass supply and inventory data of each project, which helps realize the efficient management of, and synergies among, our projects throughout the different stages of our supply chain. We match the supply of and demand for biomass raw

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materials and lower the transportation cost by locating biomass collection points near our facilities to shorten the transportation distance. We centrally manage our biomass projects and biomass suppliers through the relevant regional management center to share resources and coordinate among projects to achieve efficiency.

Our strategically selected project locations and our robust biomass supply networks allow us to comprehensively utilize biomass raw materials and lower our cost, so that we can control biomass raw material cost at a stable level.

- *Hazardous waste treatment business in strategic locations with strong technical capabilities*
 - *Prudent project selection in strategic location.* When we source hazardous waste treatment projects, we target regions with high concentrations of hazardous waste production. According to Frost & Sullivan, East China had the highest volume of hazardous waste output in China in 2016, and we ranked first in terms of hazardous waste disposal designed capacity for projects in operation, under construction and at the planning stage in East China as of December 31, 2016.
 - *Strong technical capabilities.* We currently have the ability to safely treat 42 out of 46 categories of hazardous waste listed in the National Catalog of Hazardous Waste. Our waste treatment technology encompasses the entire process from landfill construction, pretreatment sorting and repackaging, to waste incineration, landfill storage, salvage, and treatment of sewage and sludge. We believe that our one-stop treatment capability has allowed us to fully capture the demand of our customers in each of our target areas, enhanced operational efficiency, and created a high entry barrier for the local market.
 - *Clean safety track record.* We have established an ESHS department to oversee matters related to the environment, safety, health and social responsibility. We closely monitor the heavy metal content of underground and aboveground water at our facilities to detect leakage of pollutants and comply with all relevant laws and regulations through our heightened internal standards and specifications relating to discharge. Due to our strict quality and safety standards, we have a clean safety track record at our hazardous waste facilities since the inception of our hazardous waste treatment business.
- *Solar energy and wind power projects with high return and stable cash flow*

Taking advantage of the timing and local variation in governmental policies for the solar energy and wind power industries, we have assembled a portfolio of seven solar energy and two wind power projects. For solar energy, six of our solar energy projects were developed in 2010 and 2011 in China, when the solar energy industry in China was at an early stage of development and enjoyed strong policy support. We secured long-term preferential on-grid tariffs for these projects, with an average on-grid tariff of RMB2.25/kWh during the Track Record Period, which is higher than the highest on-grid tariff of RMB0.85/kWh available to solar energy projects built in China after August 2013. For wind power, we secured our first two wind power projects in Ningwu, Shanxi Province, a region with

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locally rich wind resources despite its location in a resource zone that has the highest price bracket of on-grid tariff for wind power in China at RMB0.61/kWh. Most of our six solar energy projects in China are located near our projects in other business segments, enabling us to achieve synergies in management and customer coverage.

Rapid historic growth and significant growth prospects founded on the “Everbright” brand

Our Controlling Shareholder, CEIL, is a market leader in the environmental protection industry in China. CEIL (including China Everbright Water and us) has a total of 213 projects covering 17 provinces, autonomous regions and municipalities in Northeast, North, East, Central, South, Southwest and Northwest China as of December 31, 2016. The parent company of CEIL, China Everbright Group, is a large-scale conglomerate among the Fortune Global 500 and has a well-recognized brand image. China Everbright Group has a diversified business portfolio covering banking, securities, insurance, funds, finance leasing and industries, and has an outstanding track record for its business performance with a national presence.

As a member of China Everbright Group, we have benefited from the reputation, business network and the strong track record of China Everbright Group and CEIL, and have been able to grow rapidly in the environmental protection service industry. We have strategically selected East China which has severe environment problems and advanced industrial development, and Central China and Southwest China where there are abundant biomass resources, to develop our biomass and hazardous waste treatment projects. For example, we started our biomass project in Anhui Province where biomass projects enjoy favorable government support in the form of direct subsidies on biomass raw materials to take advantage of this local policy. In our expansion, we strategically selected Sichuan Province in Southwest China, where biomass resources are abundant, the geography is flat and convenient for transportation, and government support is strong. For our hazardous waste treatment business, we entered Jiangsu Province and Shandong Province in East China, where the density of industrial enterprises and volume of hazardous waste output is the highest in the country according to Frost & Sullivan.

As of January 1, 2014, we had a total of 20 projects for biomass, hazardous waste treatment and solar energy and wind power, including 11 projects in operation, two projects under construction and seven projects at the planning stage. As of the Latest Practicable Date, we had a diversified portfolio of 68 projects, including 24 projects in operation, 14 projects under construction and 30 projects at the planning stage. The aggregate power generation designed capacity of our projects increased more than four times from 185.9 MW at January 1, 2014 to 935.9 MW as of the Latest Practicable Date. The aggregate hazardous waste disposal designed capacity increased by 119.2% from 230,000 tons per annum at January 1, 2014 to 504,150 tons per annum as of the Latest Practicable Date. Our total revenue increased by 13.7% from HK\$1,057.8 million in 2014 to HK\$1,203.2 million in 2015 and further increased by 149.3% to HK\$3,000.1 million in 2016. Our net profit increased by 35.9% from HK\$199.7 million in 2014 to HK\$271.4 million in 2015 and further increased by 131.9% to HK\$629.5 million in 2016.

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We believe, as part of the leading “Everbright” platform, we will continue to benefit from the recognition of the “Everbright” brand. We will continue to expand our business in East, Central and Southwest China and other regions by leveraging our experience across multiple fields of environmental protection services and the diversification of our business portfolio to develop and operate multiple projects in various business segments at the same locations. In addition, by leveraging the “Everbright” brand and reputation, we will further expand our business in areas with abundant resources, strong government support and an expected high rate of return to establish a national presence.

Strong project pipeline, efficient execution capabilities and strong financing capacity to achieve rapid growth

Against the backdrop of favorable industry trends, we have built a strong project pipeline of biomass, hazardous waste treatment, solar energy and wind power projects at strategic locations. As of the Latest Practicable Date, we had 14 projects under construction and 30 projects at the planning stage, among which, we have developed biomass projects mainly in Jiangsu, Anhui and Sichuan where there is advanced agricultural development. We had 30 pipeline biomass projects and integrated biomass and waste-to-energy projects, including 12 projects under construction and 18 projects at the planning stage, with an aggregate power generation designed capacity of 276 MW and 383 MW respectively. After the commencement of commercial operation of our pipeline biomass projects, our aggregate power generation designed capacity is expected to increase by 436.4% from 151 MW for all of our biomass projects in operation as of the Latest Practicable Date to 810 MW. We developed a unique business model of integrated biomass and waste-to-energy projects in April 2014 with our first pair of such integrated projects, Dangshan Integrated Biomass and Waste-to-Energy Projects. Among our 30 pipeline biomass projects, 21 are integrated biomass and waste-to-energy projects, which is the focus of our development in the future. As of the Latest Practicable Date, we had 14 pipeline hazardous waste treatment projects, including two projects under construction and twelve projects at the planning stage, with an aggregate disposal designed capacity of 40,000 tons per annum and 333,170 tons per annum respectively. After the commencement of commercial operation of the pipeline hazardous waste treatment projects, the aggregate disposal designed capacity is expected to increase by 284.9% from 130,980 tons per annum for all of our hazardous waste treatment projects in operation as of the Latest Practicable Date to 504,150 tons per annum.

We have efficient execution capabilities. We will set a progress schedule for each project before the start of construction of the project and have not encountered any delay in completion of construction of a project as of the Latest Practicable Date. According to the current estimated progress, the aggregate power generation designed capacity of our biomass projects in operation will reach 289 MW, 523 MW and 810 MW at the end of 2017, 2018 and 2019 respectively representing a CAGR of 67.4%, and the aggregate hazardous waste disposal designed capacity of our hazardous waste treatment projects in operation will reach 170,980 tons per annum, 213,980 tons per annum and 358,980 tons per annum at the end of 2017, 2018 and 2019 respectively, representing a CAGR of 44.9%. See “Business — Our Biomass Business — Our Biomass Project Portfolio” and “Business — Our Hazardous Waste Treatment Business — Our Hazardous Waste Treatment Project Portfolio.”

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Except for our existing projects under construction and at the planning stage, our management team is actively discussing with local governments regarding the development of new projects in order to further expand our project pipeline. Given that several of our biomass projects and hazardous waste treatment projects are named as key projects locally, our brand has earned a good reputation in the area around such projects, which we believe helps the development of our new projects and increases our bargaining power to obtain more favorable terms during the contract negotiation with the local governments.

We have strong financing capability. We raise funds through several domestic and foreign banks and have stable funding sources. As of the Latest Practicable Date, we had unutilized banking facilities of HK\$3,555.9 million. Moreover, our parent company, CEIL, has signed a Strategic Cooperation Agreement on Supporting the Construction of Eco-friendly Society by Green Financial (綠色金融支持生態環境建設戰略合作協定) with China Development Bank in October 2016 to explore the strategic cooperation between the two parties in the energy saving and environmental protection fields. According to this agreement, China Development Bank will provide financial support during 2016 to 2020 of RMB20.0 billion to CEIL, of which RMB5.0 billion will be used for CEIL's greentech business segment, i.e. our Company, which will provide strong financial support for our development. The provision of the RMB5.0 billion financial support is subject to the entry into definitive agreements between our Company and China Development Bank.

We believe that with our widely recognized brand, efficient execution capabilities and strong financing capacities, we will be able to further expand our project pipeline and timely complete the development of our projects. Our strong project pipeline can also further increase our brand influence and help us to achieve further growth.

Experienced and market-driven management team with strong execution capabilities

Our management team contributes a wealth of experience and in-depth industry knowledge as we execute our market-oriented business strategies. Our senior management team comprises a group of experts with strong execution capabilities and an average of over ten years of experience in the environmental protection industry in assessing, developing and managing environmental protection projects. Most of them have a tenure of over ten years at CEIL and have witnessed, promoted and shaped the growth of our environmental protection business from its inception.

Our Chairman, Mr. Chen Xiaoping, has been instrumental in the development of our business from a strategic standpoint, having served at CEIL prior to the Spin-off for more than 15 years, as well as being a standing director of the China Environmental Culture Promotion Association. His contribution also comes from his rich experience and extensive knowledge in banking, capital markets and management, as he is also a senior economist, served in executive roles at China Everbright Bank, and is currently engaged as a research scholar at the China International Economic Development Research Centre. In addition, our Chief Executive Officer, Mr. Qian Xiaodong, has served at CEIL for more than 13 years. He has been extensively involved in all the processes across all of our business segments, engaging in projects development, raw material purchase, facility construction, and daily operation and has assumed key roles at 19 project companies, overseeing key steps in the lifecycle of each project, fostering an experienced and specialized workforce and contributing tremendously to our business development. He has rich experience and extensive knowledge in the environmental

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protection market, policies and industry trends in China. We believe that the Spin-off will further enhance the commitment and accountability of our senior management, promote their responsiveness in the decision-making process, and improve our management efficiency.

We also focus on the development of our talent pool and maintain a sustainable corporate culture. Our project management team is composed of seasoned managers who bring along a wide array and depth of experience in project sourcing, planning, construction, operation, and research and development. We implement in-house and external training programs to develop and broaden the expertise and skills of our employees. We are committed to providing our employees with competitive compensation, creating a harmonious workplace and healthy lifestyle, and helping our employees achieve work-life balance. We believe that our robust talent reserve and corporate culture are our strategic and valuable assets that are critical to the efficient and safe operation of our projects and our future growth.

OUR STRATEGY

We aim to execute the following strategies to expand our business and maintain and enhance our position in China's environmental protection industry:

Seize policy opportunities in the environmental protection industry, further expand market share and develop a more diversified project portfolio

In recent years, due to China's increasingly serious environmental pollution and building an eco-friendly society being elevated as a national strategy, the PRC government has adopted various policies to promote the rapid development of environmental protection industry. We will explore new markets and expand our market share in addition to our project pipeline by leveraging these favorable policies. For our biomass projects, we will continue to explore opportunities in regions with rich biomass resources, flat terrain and strong local policy support. We plan to focus on rural areas surrounding major cities in regions with the most severe air pollution and smog, such as Beijing, Tianjin, Hebei Province, East China around Yangtze River Delta, Sichuan Province, Hubei Province, Henan Province and Jiangxi Province. For our hazardous waste treatment projects, we will continue to target regions with high concentrations of industrial companies, large volumes of waste production and shortage of disposal capacity as well as strong government support, and strengthen our current leading position in existing markets while expanding into new markets.

In light of the consolidation trend in China's environmental protection industry, we plan to pursue business expansion by exploring opportunities to acquire attractive existing projects to expand into new markets. For example, we acquired a hazardous waste treatment facility in Lianyungang, Jiangsu Province in January 2014. We may consider similar acquisitions that could immediately give us access to new markets with growth opportunities. While we continue to grow domestically, when suitable opportunities arise, we may also "go out", and by leveraging our project strength and the "Everbright" brand and taking advantage of the "Silk Road Economic Belt" and "21st Century Maritime Silk Road" initiatives of the PRC government, or "One Belt, One Road", expand into overseas markets and acquire overseas targets based on a case-by-case assessment. For example, we acquired our German Ground Solar Energy Project in April 2011, through which we gained experience in overseas acquisitions.

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In addition, to take advantage of policy opportunities in the environmental protection industry, on the basis of our existing business segments, we also plan to further expand our business segments to enrich our business portfolio and enhance profitability. For example, we plan to develop a soil remediation business if we find any suitable market opportunity that is beneficial to us. Soil remediation is the technologies and measures to restore contaminated soil by physical, chemical or biological methods including fixing, transferring, absorbing, degrading and transforming contaminations in the soil to reduce contamination to an acceptable level or to remove the toxic and harmful elements in the contamination. As of the Latest Practicable Date, the Company has not entered into any letter of intent, memorandum of undertaking, agreement or contract and is not in discussion with any party in relation to the development of a soil remediation business.

Improve operational efficiency and technology research and development to strengthen our organic growth

We will continue to enhance our operational efficiency and maintain or reduce operating costs with a view to achieving stable and sustainable profitability. For our biomass facilities, we aim to continue to optimize the regional coordination efforts of our supply networks in order to further achieve economies of scale in collection, storage and transportation of biomass raw materials and reduce the impact of volatility in biomass raw material prices. We plan to further optimize the efficiency of our equipment by reducing the auxiliary power consumption rate in order to generate a higher proportion of electricity for sale. For our hazardous waste treatment facilities, we aim to further improve the operational efficiency of our hazardous waste treatment facilities and to form regional networks for our projects. At the group level, we intend to diversify our sources of project funding to control the overall financing costs.

We will also strive to further reduce our overall operating costs, enhance our operational efficiency and increase profitability through technology research and development. We intend to focus on optimizing our operational efficiency and improving the emission performance of our projects through technology research and development either by our in-house research and development efforts or through the introduction of advanced technologies. With respect to our biomass business, we plan to focus our research and development efforts on optimizing equipment design and materials in order to lengthen the operation life cycle, improve energy conversion efficiency, enhance compatibility with diverse biomass raw materials and minimize emissions and residues to meet higher industry standards. With respect to our hazardous waste treatment business, we plan to focus our research and development efforts on pollutant monitoring technologies and minimizing emissions and residues from the incineration of hazardous waste. At the same time, we will be committed to the application and development of advanced technologies, such as the application of plasma gasification technology, with the aim of enhancing efficiency and technical level. In order to meet the needs of our business expansion in the future, we may establish relevant research and development institutions. We signed a strategic cooperation agreement in January 2017 with InEnTec Inc., a U.S. company, to jointly develop and promote the technology of plasma gasification for treatment of hazardous waste across the PRC on an exclusive basis. This technology is more efficient and safer than traditional hazardous waste incineration technology and reduces the amount of gas emission and residue compared to incineration. For details of the strategic cooperation agreement with InEnTec Inc., see “Business — Research and

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Development.” We believe, by improving operational and management efficiency and technology research and development, we will be able to reduce our overall operating costs, enhance operational efficiency and increase profitability to further strengthen our organic growth.

Enhance our integrated service capability and achieve synergies of multiple business segments

Leveraging our experience in developing and operating a portfolio of diversified projects as well as our relationships with existing customers, we plan to continue to cross-sell our services at locations with existing projects to realize inter-segment synergies. For example, we may seek additional biomass projects at locations where we have existing hazardous waste treatment projects. We have successfully developed such projects in Suqian and Lianyungang, and plan to continue replicating such strategies elsewhere. We also plan to continue our efforts in securing integrated biomass and waste-to-energy projects under our unique business model. In addition, we plan to strengthen the coordination among different projects in a region by pooling our management, financial and other resources to better control costs, improve management efficiency and achieve inter-segment synergies.

Continue to implement ESHS system and risk management system to ensure our sustainable and stable development

We started to establish our ESHS system and risk management system in 2016 to ensure compliance with applicable laws and regulations related to safety, environment, health and social responsibility and controllability of operational risks including finance, market, reputation, operation, construction, regulatory and human resources. We have established relevant department responsible for implementation of ESHS system and risk management system and plan to further improve and strengthen these two systems, including to enhance these two systems at the headquarters, regional and project levels to improve operational management, better control operational risks and ensure our sustainable and stable development.

OUR BUSINESSES

Our business consists of three segments: (1) biomass business, (2) hazardous waste treatment business, and (3) solar energy and wind power business. The table below sets forth a breakdown of our revenue by business segment for the periods indicated.

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(HK\$ in thousands, except percentages)</i>					
Biomass	532,641	50.4	946,320	78.7	2,449,253	81.6
Hazardous waste treatment	453,091	42.8	164,194	13.6	335,763	11.2
Solar energy and wind power	72,052	6.8	92,684	7.7	215,115	7.2
Total	1,057,784	100.0	1,203,198	100.0	3,000,131	100.0

We account for most of our biomass and hazardous waste treatment projects as service concession arrangements under HKFRS. For these projects, we recognize revenue during both the construction phase and the operational phase. There is a mismatch between our revenue and the underlying cash flows for such projects, because we generally do not receive actual payments for our

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construction services and only receive payments for our operational services. Such accounting treatment and the substantial subjective judgment in connection with such treatment has had and will continue to have a material impact on our results of operations and financial position. For more information on the accounting treatment of our projects, including the nature of construction service revenue, operation service revenue and finance income, see “Financial Information — Impact of Accounting Treatment of Service Concession Arrangements” and “Risk Factors — Risks Relating to our Business and Industry — Our results may fluctuate due to our accounting treatment with respect to service concession arrangements.”

PROJECT MODELS

As of the Latest Practicable Date, we had a total of 68 projects, including 24 projects in operation, 14 projects under construction and 30 projects at the planning stage. Of these projects, 66 are projects under either BOO or BOT model with local government as customers. In addition to our projects under BOO or BOT models, we acquired one hazardous waste treatment project, Lianyungang Hazardous Waste Incineration Project (Phase I) in Lianyungang, Jiangsu Province, and one ground solar energy project, the German Ground Solar Energy Project, in Germany, both from an independent third party.

BOO Model

Under this model, the project company is responsible for designing, financing, constructing, operating and managing the project. Our management and key technicians are actively involved in each step, assuring a high level of business efficiency and regulatory compliance throughout our operations. During the operating period, the project company owns and operates the facility independently and retains all operation revenue. Under the BOO model, we obtain the ownership of the relevant facilities developed and operated by us. The relevant central or local government authorities may offer financial incentives for BOO projects, such as preferential on-grid tariffs, mandatory electricity offtake, tax exemptions and refunds, and governmental subsidies. As of the Latest Practicable Date, we had 58 projects under the BOO model, including 17 projects in operation, 14 projects under construction and 27 projects at the planning stage. For further details of contractual terms, see “— Our Customers — BOO and BOT Models.”

BOT Model

Similar to the BOO model, the project company is responsible for designing, financing, constructing, operating and managing the project. Our management and key technicians are actively involved in each step, ensuring high levels of business efficiency and regulatory compliance throughout our operations. During the concession period, which usually lasts between 20 to 30 years, the project company has the concession rights and owns and operates the facility independently and retains all operation revenue. Unlike the BOO model, the ownership of the facility under the BOT model will be transferred to the government at the end of the concession period at nil consideration. The relevant central or local government authorities may offer financial incentives for BOT projects, such as preferential on-grid tariffs, mandatory electricity offtake, tax exemptions and refunds, and governmental subsidies. As of the Latest Practicable Date, we had eight projects under the BOT

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model, including five projects in operation and three projects at the planning stage. For further details of contractual terms, see “— Our Customers — BOO and BOT Models.”

Regardless of whether they are under the BOO or BOT model, most of our projects have the following characteristics:

- We develop biomass project in regions with appropriate demand for power, supply of land and raw materials, and support from local and regional governments. Similarly, we develop hazardous waste treatment project in the regions with appropriate demand for hazardous waste treatment services, supply of land and landfill, and support from local and regional governments.
- We enter into long-term contracts with government customers or private-sector customers under which the customers commit to purchase power, household waste or hazardous waste treatment services respectively. Typically, the purchase price for electricity is fixed when our biomass, solar energy and wind power projects commence commercial operation, while the contracts for household waste or hazardous waste treatment specify the minimum volumes and prices, or establish parameters to determine future prices.
- We fund the upfront construction cost of each project.
- We receive payments from customers in the operational phase of each project, typically 20-30 years.
- Through the payment received from customers, we recoup project construction cost, cover our operational cost, and earn profits.
- As a result of this business model, we incur significant cash outflows in the early years of a project, and are exposed to operational risk and the credit risk of our customers until the end of the service period as stipulated in the contract.
- In addition, due to the accounting treatment of some of our projects, there is a substantial difference between the accounting revenue and the cash flow over the life of the project. Generally, in the early years of such projects, the project revenue, as recognized on the income statement, is significantly higher than the cash flow from that project. See “Financial Information — Impact of the Accounting Treatment for Service Concession Arrangements — Projects Accounted for as Service Concession Arrangements.”

OUR BIOMASS BUSINESS

Under our biomass business, we process biomass raw materials, including agricultural waste and forestry residue, through direct combustion to generate electricity, and sell electricity to the power

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grid companies. We also process biomass raw materials to generate steam for sale to industrial customers. We also have various pipeline projects that are designed to provide integrated biomass and household waste-to-energy solutions, and our first integrated facility in Dangshan started to generate operation revenue in April 2016. See “— Biomass Project Business Models — Integrated biomass and waste-to-energy projects.”

Revenues from our biomass business amounted to HK\$532.6 million, HK\$946.3 million and HK\$2,449.3 million for the years ended December 31, 2014, 2015 and 2016, respectively, which accounted for 50.4%, 78.7% and 81.6% of our total revenues for such years, respectively. As of the Latest Practicable Date, we had 37 biomass projects located across Anhui Province, Jiangsu Province, Hubei Province, Sichuan Province, Tianjin City, Henan Province and Jiangxi Province, including seven projects in operation, 12 projects under construction and 18 projects at the planning stage, with an aggregate power generation designed capacity of 810 MW. According to Frost & Sullivan, we ranked fourth among all biomass companies in China as of December 31, 2016 in terms of aggregate power generation designed capacity of projects in operation, under construction and at the planning stage and ranked eighth among all biomass companies in China as of December 31, 2016 in terms of aggregate power generation designed capacity of projects in operation.

The following table sets forth certain key operating data for the years indicated:

	Year ended December 31,		
	2014	2015	2016
Number of projects at period end:			
Projects in operation	2	2	7
Projects under construction	—	5	12
Projects at the planning stage	6	16	13
Total	8	23	32
Electricity sold (MWh)	271,167	440,641	618,718
Average on-grid tariff (RMB/kWh)	0.75	0.75	0.75
Biomass material processed (ton)	359,576	520,159	728,142
Household waste processed (ton)	—	—	73,526
Utilization rate (%)	82.2%	90.8%	86.8%

Biomass Project Business Models

In addition to the core utilization method of generating electricity through direct combustion, we develop each type of our biomass facilities to capitalize on the available biomass resources and market demand to integrate various additional biomass and household waste utilization solutions to improve overall efficiency. We have the following three types of projects.

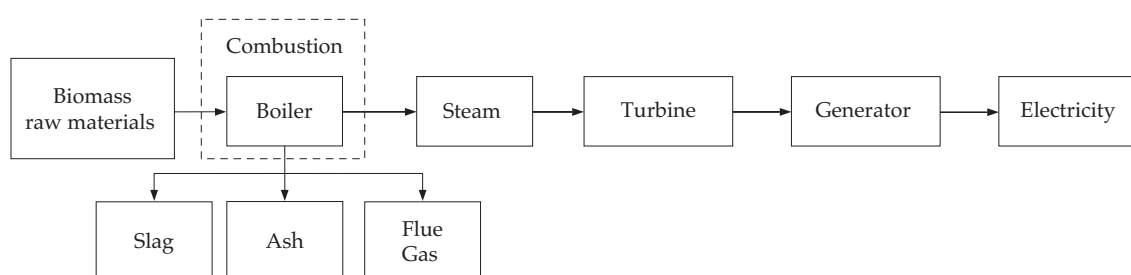
Biomass direct combustion projects

At our biomass direct combustion projects, we incinerate biomass raw materials only to generate electricity, sell that electricity to power grid companies, and receive on-grid tariff payments. In general,

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the process involves transforming the chemical energy in biomass raw materials, such as agricultural waste or wood residue, into thermal energy through controlled direct combustion, and transforming the released thermal energy into kinetic energy using boilers and turbines, and then to electricity through generators. This process is similar to thermal electricity generation from other sources such as coal, oil, natural gas and nuclear power and is the traditional and core utilization method of biomass raw materials. As of the Latest Practicable Date, we had seven biomass direct combustion projects, including three projects in operation, two projects under construction and two projects at the planning stage.

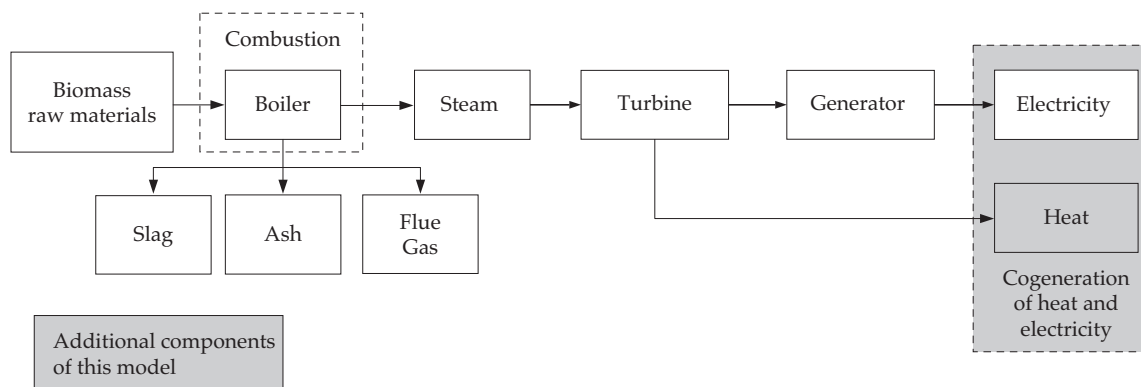
The following diagram shows a simplified process for our biomass direct combustion projects:



Biomass provision of heat or electricity and heat cogeneration projects

At these projects, we incinerate biomass raw materials to generate heat, typically in the form of steam, for sale to industrial companies. Our biomass provision of heat project will not generate electricity. For our electricity and heat cogeneration project, the heat generation system will be integrated into a biomass electricity generation system to recover waste heat from the electricity generation system and achieve overall higher energy utilization efficiency. As of the Latest Practicable Date, we had one biomass provision of heat project in operation, and one biomass electricity and heat cogeneration project in operation and one biomass electricity and heat cogeneration project under construction, and four biomass electricity and heat cogeneration projects at the planning stage.

The following diagram shows a simplified process for our biomass projects with heat generation systems:



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Integrated biomass and waste-to-energy projects

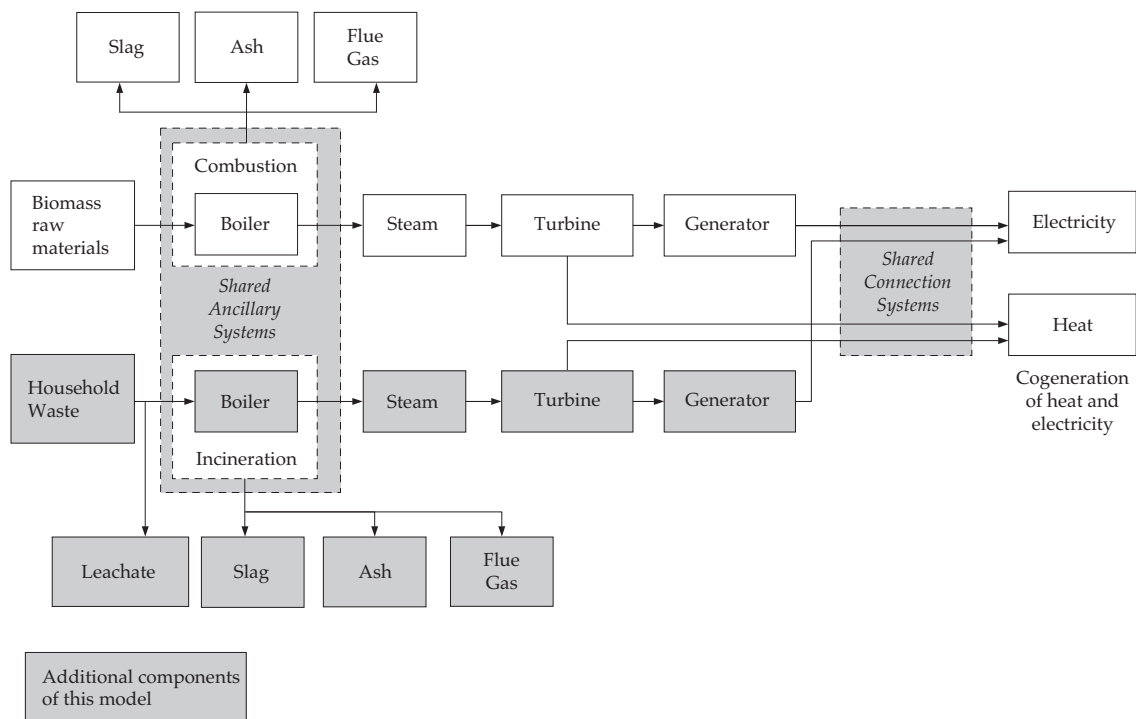
We develop unique integrated biomass and waste-to-energy projects with the aim of integrating biomass and waste-to-energy systems to form an integrated biomass and waste-to-energy facility. These projects are developed in pairs of one biomass project and one waste-to-energy project, in stages or concurrently. We do not develop standalone waste-to-energy projects. For our integrated biomass and waste-to-energy projects, in addition to processing biomass raw materials as described above, we will process household waste through incineration to generate electricity or heat. We will receive waste treatment fees from the relevant local government for household waste treated, as well as on-grid tariff payments and steam purchase payments for electricity and steam sold. Through these integrated projects, we will have the ability to provide one-stop services to handle both biomass raw materials and household waste at the same location. By sharing grid connection systems, water treatment systems and other ancillary systems between the biomass facility and the household waste-to-energy facility, this integrated type of project is expected to not only maximize environmental service output but also to lower the overall costs of development and operation as compared with developing and operating these projects on a standalone basis, thereby increasing the overall investment returns of the relevant projects. We also share management teams between the biomass and waste-to-energy operations of each integrated project to achieve management efficiency. Under this model, we could develop waste-to-energy projects together with biomass projects in places where standalone waste-to-energy projects are not commercially viable, and expand our operations and presence in regions that are unattractive to our peers without such integrated capabilities.

As of the Latest Practicable Date, we had 12 pairs of integrated biomass and waste-to-energy projects accounting for 23 of our projects⁽¹⁾. The waste-to-energy facility of our first pair of integrated biomass and waste-to-energy projects, Dangshan Integrated Biomass and Waste-to-Energy Projects, has been integrated with our biomass facility and started to generate operation revenue in April 2016. The remaining 21 projects are currently under construction or at the planning stage.

⁽¹⁾ Note: For Zhongjiang Integrated Biomass and Waste-to-Energy Projects, we will sign another concession agreement for the Waste-to-Energy project and therefore we did not calculate the Waste-to-Energy Project into the total number of projects at the current stage.

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The following diagram shows a simplified process for our integrated biomass and waste-to-energy projects:



Revenue Sources and Preferential Policies

On-grid tariffs

We sell electricity generated from biomass raw materials processed by our biomass projects and household waste processed by the waste-to-energy facility of our integrated biomass and waste-to-energy projects to power grid companies at applicable on-grid tariffs set by the NDRC. See “— Our Customers — Power Grid Customers.” According to the Notice on Improving the Pricing Policy Regarding Electricity Generated from Agricultural Waste and Forestry Residue (關於完善農林生物質發電價格政策的通知) issued by the NDRC in July 2010, a uniform benchmark on-grid tariff of RMB0.75/kWh is applicable to electricity generated from biomass raw materials. According to the Notice in Relation to the Optimization of Waste-to-Energy Power Tariff Policy (關於完善垃圾發電價格政策的通知) issued by the NDRC, which became effective in April 2012, a uniform benchmark on-grid tariff of RMB0.65/kWh is currently applicable to electricity generated from household waste, subject to adjustment based on electricity output of waste-to-energy projects. See “Regulatory Overview — Policy on Biomass, Solar and Wind Energy.”

Steam supply fees

We supply heat in the form of steam to industrial customers under the applicable heat supply agreements. Our customers pay the purchase price to us on a monthly basis based on a fixed steam price per ton. The price will generally be determined by the relevant local government, subject to adjustments by the local government according to steam supply fees, fuel prices and consumer

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purchase index in surrounding areas. The initial steam supply prices for our projects range from RMB202/ton to RMB240/ton. The heat supply agreements typically include a minimum heat usage amount. If the use of steam by a customer is below such amount, the supply price will be determined based on a fixed percentage of the minimum amount as specified in the heat supply agreement. These heat supply agreements have a term of one year with an option for renewal.

Waste treatment fees

Since our Dangshan Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy) commenced revenue generation in April 2016, we receive waste treatment fees from the local government for the household waste we process under the applicable concession agreement and the waste treatment service agreement entered into with the local government. Under these agreements for this project and other waste-to-energy projects, the local governments agree to pay waste treatment fees on a monthly basis based on a fixed treatment fee per ton of waste and the actual amount of waste processed. The waste treatment fees are negotiated with the local governments, subject to adjustments based on consumer price index and producer price index. Our agreements with the local government typically include a minimum guaranteed volume of household waste to be supplied by the local government to ensure a certain minimum level of utilization and operational efficiency of our facilities. In this case, we are entitled to receive waste treatment fees based on the guaranteed minimum volume of waste even if the amount of waste actually treated is less than such guaranteed volume.

Preferential tax treatment

According to the Implementation Rules on the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例), as biomass raw materials are listed in the Catalog of Resources Entitled to Beneficial Enterprise Income Tax Treatment for Comprehensive Utilization (2008) (資源綜合利用企業所得稅優惠目錄 (2008年)), the revenue of an eligible operating company under PRC GAAP is deemed to be 90% of the actual revenue for the purposes of calculating the amount of its enterprise income tax. According to the Notice on Issuing the Catalog of Value-Added Tax Preferential Policies for Products and Labor Services Involving Comprehensive Utilization of Resources (關於印發《資源綜合利用產品和勞務增值稅優惠目錄》的通知), which replaced the previous notice and became effective in July 2015, a biomass operating company is entitled to a 100% refund of VAT for electricity and heat generated from biomass raw materials and a waste-to-energy operating company may be entitled to a 70% refund of VAT for household waste treatment service fees. Our operating companies for certain biomass projects currently benefit from these preferential tax treatments.

Government subsidies

Government subsidies may apply to a project or to biomass raw materials we receive and utilize within a particular region. The form and amount of subsidies may vary from region to region. Most of our biomass projects are located in Jiangsu and Anhui Provinces. According to the Application Guidance on Agriculture Competitive Projects with Jiangsu Support and Protection (江蘇省級農業支持與保護競爭類項目申報指南) jointly issued by Jiangsu Agricultural Committee and Jiangsu Finance Bureau in March 2014, Jiangsu Province will grant RMB500,000 as subsidies to each biomass project. According to the 2014 Implementation Plan for Mid-to-Small Straw Utilization Projects (2014年中小型秸稈利用項目實施方案) jointly issued by Jiangsu Agricultural Committee and Jiangsu Finance Bureau

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in March 2014, each straw collection and storage project is entitled to RMB100,000 in subsidies from the Jiangsu government, and each straw pre-treatment station project is entitled to RMB80,000 in subsidies from the Jiangsu government. According to the Opinion on Granting Fiscal Subsidy to Agricultural Straw for Electricity Generation (關於對農業物秸稈發電實施財政獎補的意見) jointly issued by Anhui Finance Bureau and Anhui Development and Reform Committee in July 2014, the local government will grant a subsidy of RMB50 per ton with respect to rice straw, RMB40 per ton with respect to wheat straw and RMB30 per ton with respect to other types of straw. All of our biomass projects in operation in Anhui Province are entitled to these subsidies.

In addition to the subsidies applicable within a province, each project may enjoy additional government subsidies pursuant to the investment agreement with the local government with respect to such project. See “— Our Biomass Project Portfolio.”

Construction service revenues

Most of our biomass projects are accounted for as service concession arrangements under HKFRS. As a result, we recognize revenues while not receiving any cash payment during the construction phase of these projects. For more information on such accounting treatment, see “Financial Information — Impact of Accounting Treatment of Service Concession Arrangements” and “Risk Factors — Risks Relating to our Business and Industry — Our results may fluctuate due to our accounting treatment with respect to service concession arrangements.”

Our Biomass Supply Networks

We have established comprehensive biomass supply networks covering collection, storage, transportation, utilization and management.

- *Collection and Storage.* In order to achieve economies of scale, we reach a large number of individual farmers primarily through a network of biomass brokers who handle collection and storage. We enter into written biomass supply agreements with major biomass brokers who are committed to supplying to us a minimum quantity of biomass materials satisfying a minimum quality standard. From time to time, we also purchase biomass materials directly from smaller brokers and individual farmers who offer biomass materials on an ad hoc basis and in small amounts. For more information, see “— Our Suppliers — Raw Materials Suppliers.” We collect a wide variety of biomass raw materials from our suppliers, and pay them based on a fixed unit price and the weight purchased. The price with respect to a particular batch of materials is adjusted according to the quality of the biomass raw materials, such as moisture and ash content. We seek to establish mutually beneficial relationships with individual farmers by coordinating collection and making timely payment to our brokers for purchases and encouraging the brokers to pay the farmers promptly. Based on the distance between collection points and our facilities, we coordinate among our suppliers so that, as the biomass raw materials are collected and consolidated in storage warehouses, they are sorted, packed and processed to achieve more efficient storage and gradually become ready for utilization. We maintain an inventory of biomass raw materials at our own storage facilities to minimize the impact

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of expected fluctuations in the availability of biomass raw materials and our demand on a rolling basis. At different times of year, we may increase or reduce our inventory, from a few days of inventory to over a month, to ensure uninterrupted operation of our projects. In this fashion, we coordinate regional collection and storage across different counties in the same region to centrally manage our biomass supply to our facilities in the region.

- *Logistics.* We intend to allocate available raw material sources among our projects based on our estimate of the available biomass supply and inventory data of each project, which will help us to efficiently manage, and achieve synergies among, our projects. We match the supply and demand of raw materials by locating biomass collection points near our facilities to shorten the transportation distance and thereby lower our transportation cost. Our suppliers transport biomass raw materials to our facilities or our collection points at their own cost upon our request. Upon arrival, we weigh the raw materials, examine water and ash content of the batch to determine the applicable purchase price based on a fixed unit price and the weight. The price with respect to a particular batch of materials is adjusted according to the quality of the biomass raw materials, such as water and ash content, and we keep a sample for each batch of the biomass raw materials for our records and for future reference by our suppliers. We seek to establish open communication channels and good relationships with our suppliers to foster a stable and responsive supplier community.
- *Utilization.* We have the ability to utilize a wide spectrum of biomass raw materials. See “— Biomass Project Business Models.” As a result, we collect a wide variety of biomass raw materials, including agricultural waste such as straw and husks, and forestry residues such as waste wood and debris from construction and demolition, tree trimmings and other manufacturing wood waste. With respect to individual farmers, we collect all types of biomass raw materials they have without requesting them to categorize and separate their biomass raw materials. After we collect and gather the biomass raw materials from various collection points, we centrally allocate their end use among our projects based on their nature and quality to achieve economies of scale between our projects.
- *Management.* We centrally manage our biomass projects and biomass suppliers in each region at a regional management centre. Through the relevant regional management center, we share management teams, financial resources, and biomass supply sources, and coordinate among projects for project sourcing, management, and operation. We currently have two regional management centers in Anhui Province and Jiangsu Province for our biomass projects. We believe that such regional management centers will help reduce administrative costs and improve management efficiency.

During the Track Record Period, we did not experience any interruption of our operation due to shortages of biomass supply. Certain areas of Jiangsu Province have experienced serious drought in 2016 which may have affected biomass raw material supplies in those areas, but this drought has not affected us since we did not source any biomass raw materials in those affected areas during the Track Record Period.

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Our Biomass Project Portfolio

The following table sets forth certain key operating information for each of our biomass projects in operation (which are solely owned by us) as of the Latest Practicable Date. All of our biomass projects in operation are under BOO model. In addition, other than Huaiyuan Biomass Direct Combustion Project, all of our biomass projects in operation are accounted for as service concession arrangements. See “Financial Information — Impact of Accounting Treatment of Service Concession Arrangements.”

No.	Project	Project Location	Business Model	Service Concession Arrangements	Date of Commencement of Commercial Operation or Commencement of Operating Revenue Generation	Designed Capacity			
						Biomass Material Processing <i>(tons per annum)</i>	Household Waste Processing <i>(tons per annum)</i>	Power Generation <i>(MW)</i>	Steam Generation <i>(tons per annum)</i>
1	Dangshan Integrated Biomass and Waste-to-Energy Project (Biomass)	Anhui Province	BOO	✓	September 2011	300,000	N/A	30	N/A
2	Hanshan Biomass Direct Combustion Project	Anhui Province	BOO	✓	August 2014	300,000	N/A	30	N/A
3	Dangshan Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy)	Anhui Province	BOO	✓	April 2016	N/A	146,000	6	N/A
4	Huaiyuan Biomass Direct Combustion Project	Anhui Province	BOO	×	September 2016	280,000	N/A	30	N/A
5	Sucheng Biomass Heat Supply Project	Jiangsu Province	BOO	✓	September 2016	120,000	N/A	N/A	350,400
6	Xuyi Biomass Electricity and Heat Cogeneration Project	Jiangsu Province	BOO	✓	November 2016	300,000	N/A	25	175,200
7	Dingyuan Biomass Direct Combustion Project	Anhui Province	BOO	✓	November 2016	300,000	N/A	30	N/A
Total						1,600,000	146,000	151	525,600

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The following table sets forth certain key operating information for each of our biomass projects under construction (which are solely owned by us) as of the Latest Practicable Date. All of our biomass projects under construction are under BOO model. Other than Rugao Biomass Direct Combustion Project, all of our biomass projects under construction are accounted for as service concession arrangements. See “Financial Information — Impact of Accounting Treatment of Service Concession Arrangements.”

No.	Project	Project Location	Business Model	Service Concession Arrangements	Estimated Date of Commencement of Commercial Operation	Designed Capacity			
						Biomass Material Processing <i>(tons per annum)</i>	Household Waste Processing <i>(tons per annum)</i>	Power Generation <i>(MW)</i>	Steam Generation <i>(tons per annum)</i>
1	Lingbi Integrated Biomass and Waste-to-Energy Project (Biomass)	Anhui Province	BOO	✓	2017	300,000	N/A	30	N/A
2	Lingbi Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy)	Anhui Province	BOO	✓	2017	N/A	146,000	9	N/A
3	Nanqiao Biomass Direct Combustion Project	Anhui Province	BOO	✓	2017	300,000	N/A	30	N/A
4	Xiao County Integrated Biomass and Waste-to-Energy Project (Biomass)	Anhui Province	BOO	✓	2017	300,000	N/A	30	N/A
5	Xiao County Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy)	Anhui Province	BOO	✓	2017	N/A	146,000	9	N/A
6	Guanyun Integrated Biomass and Waste-to-Energy Project (Biomass)	Jiangsu Province	BOO	✓	2018	289,800	N/A	30	N/A

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No.	Project	Project Location	Business Model	Service Concession Arrangements	Estimated Date of Commencement of Commercial Operation	Designed Capacity			
						Biomass Material Processing <i>(tons per annum)</i>	Household Waste Processing <i>(tons per annum)</i>	Power Generation <i>(MW)</i>	Steam Generation <i>(tons per annum)</i>
7	Guanyun Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy)	Jiangsu Province	BOO	✓	2018	N/A	182,500	9	N/A
8	Mianzhu Integrated Biomass and Waste-to-Energy Project (Biomass)	Sichuan Province	BOO	✓	2017	300,000	N/A	30	N/A
9	Rugao Biomass Direct Combustion Project	Jiangsu Province	BOO	×	2018	280,000	N/A	30	N/A
10	Fengyang Integrated Biomass and Waste-to-Energy Project (Biomass)	Anhui Province	BOO	✓	2018	300,000	N/A	30	N/A
11	Fengyang Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy)	Anhui Province	BOO	✓	2018	N/A	146,000	9	N/A
12	Yeji Biomass Electricity and Heat Cogeneration Project	Anhui Province	BOO	✓	2018	300,000	N/A	30	438,000
Total						2,369,800	620,500	276	438,000

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The following table sets forth certain key operating information for each of our biomass projects at the planning stage (which are solely owned by us, except the Luhe Integrated Biomass and Waste-to-Energy Project) as of the Latest Practicable Date. 16 out of 18 biomass projects at the planning stage are under BOO model. The remaining two projects are under BOT model. For projects at the planning stage, accounting treatment as to whether the relevant project can be accounted for as service concession arrangement cannot be confirmed at this stage.

No.	Project	Project Location	Business Model	Service Concession Arrangements	Estimated Date of Commencement of Commercial Operation	Designed Capacity			
						Biomass Material Processing <i>(tons per annum)</i>	Household Waste Processing <i>(tons per annum)</i>	Power Generation <i>(MW)</i>	Steam Generation <i>(tons per annum)</i>
1	Mianzhu Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy)	Sichuan Province	BOO	N/A	2018	N/A	109,500	6	N/A
2	Luhe Integrated Biomass and Waste-to-Energy Project (Biomass) ⁽¹⁾	Jiangsu Province	BOO	N/A	2019	150,000	N/A	18	N/A
3	Luhe Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy) ⁽¹⁾	Jiangsu Province	BOO	N/A	2019	N/A	182,500	N/A	N/A
4	Huaiyin Integrated Biomass and Waste-to-Energy Project (Biomass)	Jiangsu Province	BOO	N/A	2019	150,000	N/A	18	N/A
5	Huaiyin Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy)	Jiangsu Province	BOO	N/A	2019	N/A	182,500	9	N/A
6	Yu'an Biomass Electricity and Heat Cogeneration Project	Anhui Province	BOO	N/A	2018	300,000	N/A	30	N/A
7	Shayang Biomass Direct Combustion Project	Hubei Province	BOO	N/A	2018	300,000	N/A	30	N/A
8	Ji County Biomass Direct Combustion Project	Tianjin	BOO	N/A	2018	280,000	N/A	30	N/A

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No.	Project	Project Location	Business Model	Service Concession Arrangements	Estimated Date of Commencement of Commercial Operation	Designed Capacity			
						Biomass Material Processing <i>(tons per annum)</i>	Household Waste Processing <i>(tons per annum)</i>	Power Generation <i>(MW)</i>	Steam Generation <i>(tons per annum)</i>
9	Xiayi Integrated Biomass and Waste-to-Energy Project (Biomass)	Henan Province	BOO	N/A	2019	150,000	N/A	15	N/A
10	Xiayi Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy)	Henan Province	BOT for 30 years	N/A	2019	N/A	146,000	9	N/A
11	Puyang Biomass Electricity and Heat Cogeneration Project	Henan Province	BOO	N/A	2019	300,000	N/A	30	N/A
12	Zhongjiang Integrated Biomass and Waste-to-Energy Projects (Biomass)	Sichuan Province	BOO	N/A	2019	300,000	N/A	30	N/A
13	Guixi Biomass Electricity and Heat Cogeneration Project	Jiangxi Province	BOO	N/A	2019	300,000	N/A	30	47,450
14	Hubei Zhongxiang Integrated Biomass and Waste-to-Energy Projects (Biomass)	Hubei Province	BOO	N/A	2019	300,000	N/A	40	N/A
15	Hubei Zhongxiang Integrated Biomass and Waste-to-Energy Projects (Waste-to-Energy)	Hubei Province	BOO	N/A	2019	N/A	146,000	9	N/A
16	Sheqi Integrated Biomass and Waste-to-Energy Projects (Biomass)	Henan Province	BOO	N/A	2019	300,000	N/A	40	262,800
17	Sheqi Integrated Biomass and Waste-to-Energy Projects (Waste-to-Energy)	Henan Province	BOT for 30 years	N/A	2019	N/A	146,000	9	N/A

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No.	Project	Project Location	Business Model	Service Concession Arrangements	Estimated Date of Commencement of Commercial Operation	Designed Capacity			
						Biomass Material Processing <i>(tons per annum)</i>	Household Waste Processing <i>(tons per annum)</i>	Power Generation <i>(MW)</i>	Steam Generation <i>(tons per annum)</i>
18	Lianshui Biomass Electricity and Heat Cogeneration Project	Jiangsu Province	BOO	N/A	2019	300,000	N/A	30	N/A
Total						3,130,000	912,500	383	310,250

Note:

- (1) For the Luhe Integrated Biomass and Waste-to-Energy Project, we and Nanjing Ji Mu Investment Company Limited (南京極目實業投資有限公司), an independent third party, hold 90% and 10%, respectively, of the equity interest in the relevant project company.

We set out further information on each of our projects below. All projects are 100% owned by us unless stated otherwise.

Dangshan Integrated Biomass and Waste-to-Energy Projects

The following two projects form an integrated biomass and waste-to-energy facility in Dangshan, Anhui Province, which is our first integrated biomass and waste-to-energy facility in operation.

Biomass. In February 2010, we entered into an investment agreement with the government of Dangshan, Anhui Province with respect to the initial Dangshan biomass direct combustion project under the BOO model. The power generation facility has a biomass processing designed capacity of 300,000 tons per annum and a power generation designed capacity of 30 MW. We employ water-cooled vibrating grate boiler technology for the biomass power generation system. This project had a total investment amount of approximately RMB307.0 million and commenced commercial operation in September 2011.

Waste-to-Energy. In April 2014, we entered into an additional concession agreement with Dangshan government with respect to an additional waste-to-energy project under the BOO model. The waste-to-energy power generation facility has a household waste processing designed capacity of 146,000 tons per annum and a power generation designed capacity of 6 MW. We employ moving grate boiler technology for the additional household waste-to-energy power generation system. This project had a total investment amount of approximately RMB250.8 million and started generating operation revenue in April 2016.

Hanshan Biomass Direct Combustion Project

In February 2011, we entered into an investment agreement with the government of Hanshan, Anhui Province with respect to the biomass direct combustion project under the BOO model. The

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power generation facility has a biomass processing designed capacity of 300,000 tons per annum and a power generation designed capacity of 30 MW. We employ water-cooled vibrating grate boiler technology for the biomass power generation system. The project had a total investment amount of approximately RMB322.1 million and commenced commercial operation in August 2014.

Huaiyuan Biomass Direct Combustion Project

In August 2014, we entered into an investment agreement with the government of Huaiyuan, Anhui Province with respect to a biomass direct combustion project under the BOO model. The power generation facility is designed to have a biomass processing capacity of approximately 280,000 tons per annum and a power generation capacity of 30 MW. We employ water-cooled vibrating grate boiler technology for the biomass power generation system. Under the investment agreement, Huaiyuan government provided RMB7.0 million to support our construction of the facility. The estimated total investment for this project is approximately RMB330.0 million. The project started generating operation revenue in September 2016.

Sucheng Biomass Heat Supply Project

In June 2014, we entered into an investment agreement with the government of Sucheng District of Suqian, Jiangsu Province with respect to a biomass heat supply project under the BOO model. The project is designed to have a biomass processing capacity of 120,000 tons per annum and a steam generation capacity of 350,400 tons per annum. We will employ circulating fluidized bed boiler technology for the biomass steam generation system. This project had a total investment amount of RMB174.6 million. We are currently applying to the government of Jiangsu Province for recognition of this project as a pilot biomass heat supply project under the Notice of Constructing Pilot Heat Provision Projects Employing Boilers Using Biomass Fuel (關於開展生物質成型燃料鍋爐供熱示範項目建設的通知) issued by the NEA and MEP in June 2014. If approved, this project may be entitled to additional grants from the PRC National Renewable Energy Fund. The project commenced commercial operation in September 2016. This project has been granted a subsidy of RMB4.0 million for 2016 Investment Plan within the Central Investment Budget for Resource Recycling Key Projects from national government.

Xuyi Biomass Electricity and Heat Cogeneration Project

In July 2015, we entered into an investment agreement with the government of Xuyi, Jiangsu Province with respect to a biomass electricity and heat cogeneration project under the BOO model. The biomass power and heat cogeneration facility is designed to have a biomass processing capacity of 300,000 tons per annum, a power generation capacity of 25 MW, and a steam generation capacity of 175,200 tons per annum. We employ fluidized bed boiler technology for the biomass power and heat cogeneration system. Xuyi government provided approximately RMB6.2 million to support our construction of the facilities. The estimated total investment for this project is approximately RMB301.4 million. The project started generating operation revenue in November 2016.

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Dingyuan Biomass Direct Combustion Project

In September 2014, we entered into an investment agreement with the government of Dingyuan, Anhui Province with respect to a biomass direct combustion project under the BOO model. The power generation facility is designed to have a biomass processing capacity of 300,000 tons per annum and a power generation capacity of 30 MW. We plan to employ water-cooled vibrating grate boiler technology for the biomass power generation system. Under the investment agreement, Dingyuan government will provide a grant of RMB6.0 million to support our construction of the facility. The estimated total investment for this project is approximately RMB320.0 million. The project started generating operation revenue in November 2016.

Lingbi Integrated Biomass and Waste-to-Energy Projects

The following two projects will form an integrated biomass and waste-to-energy facility in Lingbi, Anhui Province.

Biomass. In October 2014, we entered into an investment agreement with the government of Lingbi, Anhui Province with respect to a biomass direct combustion project under the BOO model. The power generation facility is designed to have a biomass processing capacity of 300,000 tons per annum and a power generation capacity of 30 MW. We plan to employ water-cooled vibrating grate boiler technology for the biomass power generation system. The estimated total investment for this project is approximately RMB320.0 million. The facility is currently under construction and is expected to commence commercial operation in 2017.

Waste-to-Energy. In October 2014, we entered into an additional concession agreement with the government of Lingbi, Anhui Province with respect to a waste-to-energy project under the BOO model. The waste-to-energy power generation facility is designed to have a household waste processing capacity of 146,000 tons per annum and a power generation capacity of 9 MW. We plan to employ moving grate boiler technology for the project. The estimated total investment for this project is approximately RMB250.0 million. This project has been granted a subsidy of RMB23.9 million for 2016 Investment Plan within the Central Investment Budget for Water Pollution of Key Regions from national government. The facility is currently under construction and is expected to commence commercial operation in 2017.

Nanqiao Biomass Direct Combustion Project

In January 2015, we entered into an investment agreement with the government of Nanqiao, Chuzhou, Anhui Province with respect to a biomass direct combustion project under the BOO model. The power generation facility is designed to have a biomass processing capacity of 300,000 tons per annum and a power generation capacity of 30 MW. We plan to employ water-cooled vibrating grate boiler technology for the project. Under the investment agreement, Nanqiao government will provide a grant of RMB10.0 million to support our construction of the facility, and a grant of RMB840,000 each

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year for three years after we obtain the land use rights for the project. The estimated total investment for this project is approximately RMB320.0 million. The project is currently under construction and is expected to commence commercial operation in 2017.

Xiao County Integrated Biomass and Waste-to-Energy Projects

The following two projects will form an integrated biomass and waste-to-energy facility in Xiao County, Anhui Province.

Biomass. In August 2015, we entered into an investment agreement with the government of Xiao County, Anhui Province with respect to a biomass direct combustion project under the BOO model. The power generation facility is designed to have a biomass processing capacity of 300,000 tons per annum and a power generation capacity of 30 MW. We plan to employ vibrating grate boiler technology for the project. The estimated total investment for this project is approximately RMB320.0 million. The project is currently under construction and is expected to commence commercial operation in 2017.

Waste-to-Energy. In August 2015, we entered into a concession agreement with the government of Xiao County, Anhui Province with respect to a waste-to-energy project under the BOO model. The waste-to-energy power generation facility is designed to have a household waste processing capacity of 146,000 tons per annum and a power generation capacity of 9 MW. We plan to employ moving grate boiler technology for the project. The estimated total investment for this project is approximately RMB250.0 million. The project is currently under construction and is expected to commence commercial operation in 2017.

Guanyun Integrated Biomass and Waste-to-Energy Projects

The following two projects will form an integrated biomass and waste-to-energy facility in Guanyun, Jiangsu Province.

Biomass. We entered into an investment agreement with the government of Guanyun, Jiangsu Province in June 2015, with respect to a biomass direct combustion project under the BOO model. The power generation facility is designed to have a biomass processing capacity of 289,800 tons per annum and a power generation capacity of 30 MW. The estimated total investment for this project is approximately RMB320.0 million. The project is currently under construction and is expected to commence commercial operation in 2018.

Waste-to-Energy. We entered into a concession agreement with the Administration Bureau of Guanyun, Jiangsu Province in June 2015, with respect to a waste-to-energy project under the BOO model. The waste-to-energy power generation facility is designed to have a household waste processing capacity of 182,500 tons per annum and a power generation capacity of 9 MW. The estimated total investment for this project is approximately RMB270.0 million. The project is currently under construction and is expected to commence commercial operation in 2018.

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Mianzhu Integrated Biomass and Waste-to-Energy Projects

The following two projects will form an integrated biomass and waste-to-energy facility in Mianzhu, Sichuan Province.

Biomass. In January 2015, we entered into an investment agreement with the government of Mianzhu, Sichuan Province with respect to a biomass direct combustion project under the BOO model. The power generation facility is designed to have a biomass processing capacity of 300,000 tons per annum and a power generation capacity of 30 MW. The estimated total investment for this project is approximately RMB320.0 million. The project is currently under construction and is expected to commence commercial operation in 2017.

Waste-to-Energy. In January 2015, we entered into an additional concession agreement with the government of Mianzhu, Sichuan Province with respect to a waste-to-energy project under the BOO model. The waste-to-energy power generation facility is designed to have a household waste processing capacity of 109,500 tons per annum and a power generation capacity of 6 MW. The estimated total investment for this project is approximately RMB180.0 million. The project is currently at the planning stage and is expected to commence commercial operation in 2018.

Rugao Biomass Direct Combustion Project

In June 2015, we entered into an investment agreement with the government of Rugao, Jiangsu Province with respect to a biomass direct combustion project under the BOO model. The power generation facility is designed to have a biomass processing capacity of 280,000 tons per annum and a power generation capacity of 30 MW. Under the investment agreement, the Rugao government will provide a grant of RMB4.0 million annually for three years after this project commences operation. The estimated total investment for this project is approximately RMB320.0 million. The project is currently under construction and is expected to commence commercial operation in 2018.

Fengyang Integrated Biomass and Waste-to-Energy Projects

The following two projects will form an integrated biomass and waste-to-energy facility in Fengyang, Anhui Province.

Biomass. In September 2015, we entered into an investment agreement with the government of Fengyang, Anhui Province with respect to a biomass electricity and heat cogeneration project under the BOO model. The power generation facility is designed to have a biomass processing capacity of 300,000 tons per annum and a power generation capacity of 30 MW. The estimated total investment for this project is approximately RMB320.0 million. The project is currently under construction and is expected to commence commercial operation in 2018.

Waste-to-Energy. In September 2015, we entered into a concession agreement with the government of Fengyang, Anhui Province with respect to a waste-to-energy project under the BOO

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model. The waste-to-energy power generation facility is designed to have a household waste processing capacity of 146,000 tons per annum and a power generation capacity of 9 MW. The estimated total investment for this project is approximately RMB230.0 million. The project is currently under construction and is expected to commence commercial operation in 2018.

Yeji Biomass Electricity and Heat Cogeneration Project

In February 2016, we entered into an investment agreement with Lu'an Yeji Sustainable Development Zone Management Committee and Lu'an Yeji Economic Development Zone Management Committee with respect to a biomass electricity and heat cogeneration project under the BOO model. The biomass power and heat cogeneration facility is expected to have a biomass processing capacity of 300,000 tons per annum, a power generation capacity of 30 MW, and a steam generation capacity of 438,000 tons per annum. The estimated total investment for this project is approximately RMB351.7 million. The facility is currently at the planning stage and is expected to commence commercial operation in 2018.

Luhe Integrated Biomass and Waste-to-Energy Projects

The following two projects will form an integrated biomass and waste-to-energy facility in Luhe, Nanjing, Jiangsu Province. We and Nanjing Ji Mu Investment Company Limited (南京極目實業投資有限公司), an independent third party, hold 90% and 10%, respectively, of the equity interest in the relevant project company. In September 2015, we entered into an investment cooperation agreement with the Management Committee of Nanjing New Materials Industrial Park, Luhe, Nanjing, Jiangsu Province and Nanjing Ji Mu Investment Company Limited with respect to a pair of integrated biomass and waste-to-energy projects under the BOO model. We also entered into two additional separate agreements with respect to the biomass project and waste-to-energy project, respectively, as further described below.

Biomass. In September 2015, we entered into a biomass comprehensive utilization agreement with the Bureau of Agriculture of Luhe, Nanjing, Jiangsu Province with respect to a biomass electricity and heat cogeneration project under the BOO model. The power generation facility is designed to have a biomass processing capacity of 150,000 tons per annum and a power generation capacity of 18 MW. The estimated total investment for the biomass electricity and heat cogeneration project is approximately RMB245.0 million. The project is currently at the planning stage and is expected to commence commercial operation in 2019.

Waste-to-Energy. In September 2015, we entered into a concession agreement with the Municipal Management Committee of Luhe, Nanjing, Jiangsu Province with respect to a waste-to-energy project under the BOO model. The waste-to-energy facility is designed to have a household waste processing capacity of 182,500 tons per annum and a power generation capacity of 12 MW. The estimated total investment for this project is approximately RMB280.0 million. The project is currently at the planning stage and is expected to commence commercial operation in 2019.

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In August 2016, due to the negative public response to our Luhe Integrated Biomass and Waste-to-Energy Projects, the Luhe government has decided to relocate such projects. We are in discussion with the Luhe government regarding the new location.

Huaiyin Integrated Biomass and Waste-to-Energy Projects

The following two projects will form an integrated biomass and waste-to-energy facility in Huaiyin, Jiangsu Province.

Biomass. In December 2015, we entered into an investment agreement with the government of Huaiyin, Huai An City, Jiangsu Province with respect to a biomass direct combustion project under the BOO model. The power generation facility is designed to have a biomass processing capacity of 150,000 tons per annum and a power generation capacity of 18 MW. The estimated total investment for this project is approximately RMB240.0 million. The project is currently at the planning stage and is expected to commence commercial operation in 2019.

Waste-to-Energy. In December 2015, we entered into a concession agreement with the government of Huaiyin, Huai An City, Jiangsu Province with respect to a waste-to-energy project under the BOO model. The waste-to-energy power generation facility is designed to have a household waste processing capacity of 182,500 tons per annum and a power generation capacity of 9 MW. The estimated total investment for this project is approximately RMB250.0 million. The project is currently at the planning stage and is expected to commence commercial operation in 2019.

Yu'an Biomass Electricity and Heat Cogeneration Project

In February 2016, we entered into an investment agreement with the government of Yu'an, Anhui Province and the Management Committee of Yu'an Economic Development Zone with respect to a biomass electricity and heat cogeneration project under the BOO model. The biomass power and heat cogeneration facility is designed to have a biomass processing capacity of 300,000 tons per annum and a power generation capacity of 30 MW. The estimated total investment for this project is approximately RMB340.7 million. The facility is currently at the planning stage and is expected to commence commercial operation in 2018.

Shayang Biomass Direct Combustion Project

In May 2016, we entered into an investment agreement with the Shayang Bureau of Land and Resources, Hubei Province with respect to a biomass direct combustion project under the BOO model. The power generation facility is designed to have a biomass processing capacity of 300,000 tons per annum and a power generation capacity of 30 MW. Under the investment agreement, the Shayang Bureau of Land and Resources will provide a grant of no more than RMB10 million for three years to support our construction of the facility. The estimated total investment for this project is approximately RMB320.0 million. The facility is currently at the planning stage and is expected to commence commercial operation in 2018.

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Ji County Biomass Direct Combustion Project

In August 2016, we entered in to an investment agreement with the government of Ji County in Tianjin with respect to a biomass direct combustion project under the BOO model. This project is designed to have a biomass processing capacity of 280,000 tons per annum and a power generation capacity of 30MW. According to the supplement to the investment agreement, the government of Ji County agreed to provide subsidy of RMB10.08 million to this project. The estimated total investment for this project is approximately RMB320.0 million. The project is currently at the planning stage and is expected to commence commercial operation in 2018.

Xiayi Integrated Biomass and Waste-to-Energy Projects

The following two projects will form an integrated biomass and waste-to-energy facility in Xiayi, Henan Province.

Biomass. In September 2016, we entered into an investment agreement with the government of Xiayi County in Henan Province with respect to a biomass direct combustion project under the BOO model. The power generation facility is designed to have a biomass processing capacity of 300,000 tons per annum in two phases with 150,000 tons per annum capacity in phase one and a power generation capacity of 15MW. The estimated total investment for this project is approximately RMB228.0 million. The project is currently at the planning stage and is expected to commence commercial operation in 2019.

Waste-to-Energy. In September 2016, we also entered into a concession agreement with the government of Xiayi County in Henan Province with respect to a waste-to-energy project under the BOT model for a concession period of 30 years. The waste-to-energy facility is designed to have a household waste processing capacity of 255,500 tons per annum and 700 tons per day in two phases with 400 tons daily capacity in phase one. Phase I of this project is designed to have a power generation capacity of 9MW. The estimated total investment for this project is approximately RMB230.0 million. The project is currently at the planning stage and is expected to commence commercial operation in 2019.

Puyang Biomass Electricity and Heat Cogeneration Project

In October 2016, we entered into an investment agreement with the government of Hualong District, Puyang City, Henan Province, with respect to a biomass electricity and heat cogeneration project under the BOO model. This project is located in Hualong District. The power generation facility is designed to have a biomass processing capacity of 300,000 tons per annum, a power generation capacity of 30MW. The estimated total investment for this project is approximately RMB306.0 million. Pursuant to the concession arrangement, we have the exclusive right to operate Electricity and Heat Cogeneration Project in Hualong District. The project is currently at the planning stage and is expected to commence commercial operation in 2019.

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Zhongjiang Integrated Biomass and Waste-to-Energy Projects

In November 2016, we entered into an investment agreement with the government of Zhongjiang, Sichuan Province with respect to a pair of integrated biomass and waste-to-energy projects (Phase I and Phase II respectively) under the BOO model. The estimated total investment for the projects is approximately RMB530.0 million. The following two projects will form an integrated biomass and waste-to-energy facility in Zhongjiang, Sichuan Province.

Biomass (Phase I). The estimated total investment amount for Phase I is approximately RMB300.0 million. The biomass facility is designed to have a power generation capacity of 30 MW. We expect that the designed biomass processing capacity of this project will be 300,000 tons per annum. The biomass project is currently at the planning stage and is expected to commence commercial operation in 2019.

Waste-to-Energy (Phase II). We will enter into another concession agreement for the waste-to-energy project after the confirmation of the government planning regarding waste treatment. This waste-to-energy project is part of our Zhongjiang Integrated Biomass and Waste-to-Energy Projects.

Guixi Biomass Electricity and Heat Cogeneration Project

In December 2016, we entered into an investment agreement with the government of Guixi, Jiangxi Province with respect to a biomass electricity and heat cogeneration project under the BOO model. This project is located in Jiangxi Guixi Economic Development District. The power generation facility is designed to have a biomass processing capacity of 300,000 tons per annum, a power generation capacity of 30MW and a steam generation capacity of 47,450 tons per annum. The estimated total investment for this project is approximately RMB296.0 million. The project is currently at the planning stage and is expected to commence commercial operation in 2019.

Hubei Zhongxiang Integrated Biomass and Waste-to-Energy Projects

The following two projects will form an integrated biomass and waste-to-energy facility in Zhongxiang City, Hubei Province.

Biomass. In February 2017, we entered into an investment agreement with the government of Zhongxiang City in Hubei Province with respect to a biomass direct combustion project under the BOO model. The power generation facility is designed to have a biomass processing capacity of 300,000 tons per annum with a power generation capacity of 40MW. The estimated total investment for this project is approximately RMB301.2 million. The project is currently at the planning stage and is expected to commence commercial operation in 2019.

Waste-to-Energy. In February 2017, we also entered into a concession agreement with the government of Zhongxiang City in Hubei Province with respect to a waste-to-energy project under the

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BOO model. The waste-to-energy facility is designed to have a household waste processing capacity of 292,000 tons per annum and 800 tons per day in two phases with 400 tons daily capacity in phase one and another 400 tons daily capacity reserved for phase two. Phase one of this project is designed to have a power generation capacity of 9MW. The estimated total investment for phase one is approximately RMB231.3 million. The project is currently at the planning stage and is expected to commence commercial operation in 2019.

Sheqi Integrated Biomass and Waste-to-Energy Projects

The following two projects will form an integrated biomass and waste-to-energy facility in Sheqi County of Nanyang City, Henan Province.

Biomass. In February 2017, we entered into an investment agreement with the government of Sheqi County in Nanyang City, Henan Province with respect to a biomass electricity and heat cogeneration project under the BOO model. The power generation facility is designed to have a biomass processing capacity of 300,000 tons per annum, a power generation capacity of 40 MW, and a steam generation capacity of 30 tons per hour. The estimated total investment for this project is approximately RMB306.0 million. Pursuant to the investment agreement, we have the exclusive right to operate electricity and heat cogeneration project in Sheqi County. This biomass project is part of our Sheqi Integrated Biomass and Waste-to-Energy Projects. The project is currently at the planning stage and is expected to commence commercial operation in 2019.

Waste-to-Energy. In February 2017, we also entered into a concession agreement with the government of Sheqi County in Nanyang City, Henan Province with respect to a waste-to-energy project under the BOT model for a concession period of 30 years. The waste-to-energy facility is designed to have a household waste processing capacity of 800 tons per day in two phases with 400 tons daily capacity in phase one. Phase one of this project is designed to have a power generation capacity of 9MW. The estimated total investment for this project is approximately RMB233.0 million. This waste-to-energy project is part of our Sheqi Integrated Biomass and Waste-to-Energy Projects. The project is currently at the planning stage and is expected to commence commercial operation in 2019.

Lianshui Biomass Electricity and Heat Cogeneration Project

In February 2017, we entered into an investment agreement with the government of Lianshui County, Jiangsu Province with respect to a biomass electricity and heat cogeneration project under the BOO model. The power generation facility is designed to have a biomass processing capacity of 300,000 tons per annum and a power generation capacity of 30 MW for phase one. The estimated total investment for phase one is approximately RMB318.0 million. Pursuant to the investment agreement, we have the exclusive right to operate electricity and heat cogeneration projects in Lianshui County. The project is currently at the planning stage and is expected to commence commercial operation in 2019.

OUR HAZARDOUS WASTE TREATMENT BUSINESS

We collect and safely dispose of hazardous waste. We provide services to industrial companies and medical facilities and receive waste treatment fees from them. Revenues from our hazardous

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waste treatment business amounted to HK\$453.1 million, HK\$164.2 million and HK\$335.8 million for the years ended December 31, 2014, 2015 and 2016, respectively, which accounted for 42.8%, 13.6% and 11.2% of our total revenues for such years, respectively. As of the Latest Practicable Date, we had 22 hazardous waste treatment projects located across Jiangsu Province, Anhui Province and Shandong Province in East China and one hazardous waste treatment project located in Sichuan Province, including eight projects in operation, two projects under construction and 12 projects at the planning stage, with an aggregate hazardous waste disposal designed capacity of 504,150 tons per annum. According to Frost & Sullivan, we ranked first in East China and third in China, respectively, in terms of aggregate disposal designed capacity for all the projects in operation, under construction and at the planning stage among all centralized hazardous waste treatment companies as of December 31, 2016, and fifth in terms of aggregate disposal designed capacity in operation among all hazardous waste treatment companies in China as of December 31, 2016.

The following table sets forth certain key operating data for the years indicated:

	Year ended December 31,		
	2014	2015	2016
Number of projects at year end:			
Projects in operation	4	4	8
Projects under construction	3	4	2
Projects at the planning stage	5	5	12
Total	12	13	22
Hazardous waste collected (ton)	60,740.3	52,340.7	99,639.7
Average waste treatment fee (RMB/ton)	1,490.7	2,171.9	2,413.6

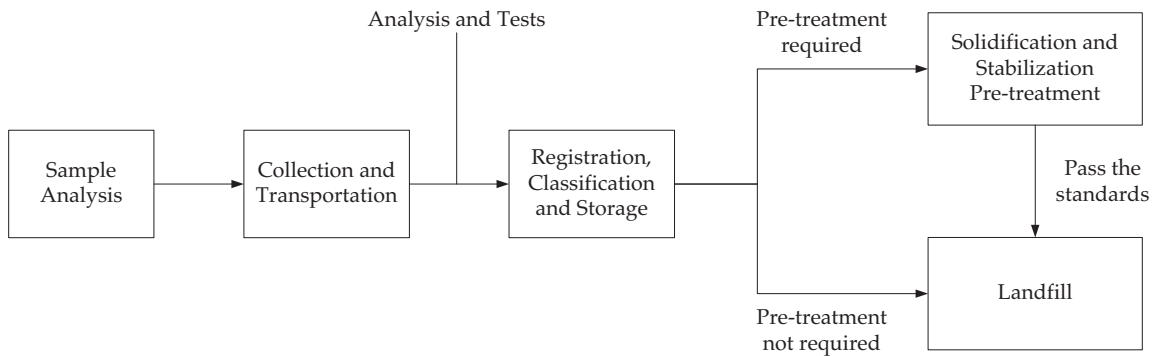
Waste Treatment Methods and Process

We currently have the capability to process various types of industrial hazardous waste and medical waste, covering 42 out of 46 types of industrial and medical hazardous waste according to the National Catalog of Hazardous Waste (國家危險廢物名錄). Our treatment methods mainly include landfill disposal and incineration disposal. Other treatment methods include comprehensive disposal which recycles certain hazardous waste after removing its hazardous nature, and disposes of it by incineration, landfill or other method. Prior to the final treatment, a pretreatment process may need to be conducted through a physical-chemical process such as solidification and stabilization to remove or reduce its hazardous characteristics through a physical-chemical process.

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Landfill disposal

Among our hazardous waste treatment projects, five projects in operation and four projects at the planning stage used or planned to use landfill disposal as of the Latest Practicable Date. This method is suitable for industrial waste such as heavy metal waste, acid-based waste salt, and inorganic waste and can process up to 23 types of waste under the National Catalog of Hazardous Waste. The following chart sets forth the process of hazardous waste landfill disposal:

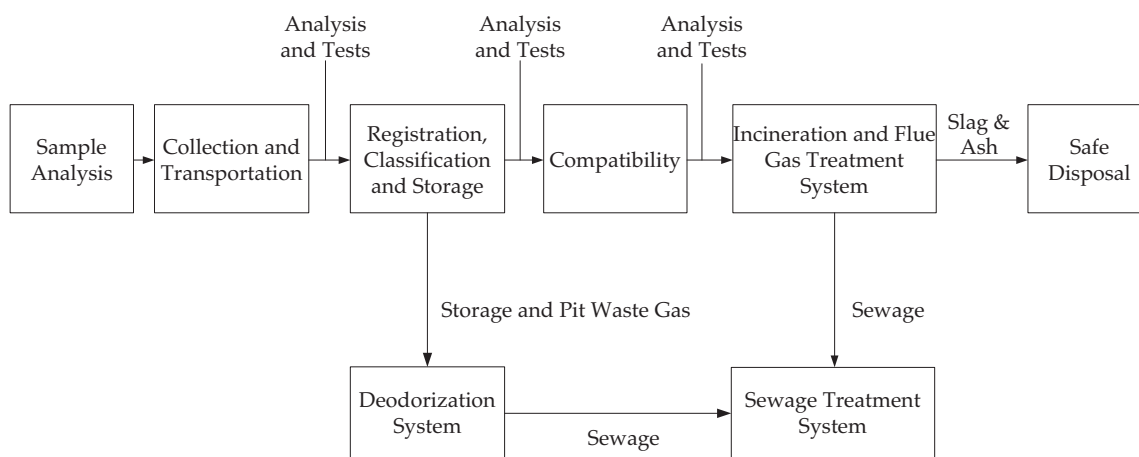


We obtain the land use rights for the landfill sites for terms ranging from 30 to 50 years from the relevant local government pursuant to the relevant investment or concession agreements, and construct the relevant landfills based on the types of hazardous waste to be treated by the relevant project. We sample and test hazardous waste at its origin, and the waste is then collected and transported to our landfills. We examine and analyze the waste, record its information, and classify it into different categories for a pretreatment process when required, and safely dispose of it at our landfills. Before treatment, hazardous waste may be temporarily stored at our facilities.

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Incineration

Among our hazardous waste treatment incineration projects, three projects in operation, two projects under construction and nine projects at the planning stage used or planned to use incineration as of the Latest Practicable Date. This method is suitable for hazardous waste such as package bags, organic sludge and chemical slag and can process up to 26 types of waste under the National Catalog of Hazardous Waste. The following chart sets forth the process of hazardous waste incineration disposal:



We sample hazardous waste at its origin, and the eligible waste is collected and transported to our incineration facilities. We examine and analyze the waste, record its information, and classify it into different categories. Waste is sorted so that compatible materials can be incinerated together. Medical waste may need to go through a pretreatment process before incineration. We then safely dispose of hazardous waste by incineration. The sewage and ashes from the incineration and other processes will be safely treated and disposed of to avoid secondary pollution.

Pretreatment

Pretreatment methods may vary depending on the type of waste. For hazardous waste, we conduct solidification or stabilization pretreatment procedures using cement, limestone and physical-chemical pretreatment procedures before landfill disposal, and conduct physical-chemical pretreatment to reduce corrosivity, toxicity or reactivity before incineration. For medical waste, we conduct additional pre-treatment procedures, such as sterilization by boiling, before landfill disposal or incineration.

Revenue Sources and Preferential Policies

Waste treatment fees

Our revenues from the hazardous waste treatment business are primarily generated from waste treatment fees from industrial companies and medical institutions. The waste treatment fees are

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generally determined based on the fee guidance set by the local government with consideration of the market conditions. Waste treatment fees may also vary significantly according to the types of hazardous waste based on the hazardous characteristics, the difficulty of the treatment process, the volume of landfill required, and the guidance price for the applicable category of waste. As of the Latest Practicable Date, the waste treatment fees ranged from under RMB2,000/ton to approximately RMB17,000/ton. In addition, the waste treatment volume of each of our hazardous waste treatment projects is limited by the treatment capacity and governmental approvals for the relevant project. As a result, the average waste treatment fees with respect to a period are affected by the mix of different types of hazardous waste, with different unit treatment prices, that we have treated over such period. For example, prior to August 2014, we processed a large amount of flying ash waste for Suzhou government at our Suzhou Hazardous Waste Landfill Project, which had a lower unit price per ton. We reduced the amount of such waste treated by us from August 2014, which led to an increase in the average hazardous waste treatment fees per ton payable to us. We plan to continue to manage the mix of waste we treat so as to maximize the hazardous waste treatment fee payable to us.

Preferential tax treatment

According to the Regulation on the Implementation of the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例), as hazardous waste treatment business is listed in the Catalog for Enterprise Income Tax Preferential Treatment for Environmental Protection and Energy and Water Saving Projects (Trial) (關於公佈環境保護節能節水項目企業所得稅優惠目錄(試行)的通知), hazardous waste treatment project companies are entitled to an enterprise income tax exemption for the first three years after they generate revenue and a 50% deduction in the following three years. According to the Letter of Reply Regarding Business Tax on Waste Treatment of the SAT (資源綜合利用產品和勞務增值稅優惠目錄), hazardous waste treatment companies are exempted from business tax for the hazardous and medical waste treatment fees. According to the Catalog of Value-Added Tax Preferential Policies for Products and Labor Services Involving Comprehensive Utilization of Resources (資源綜合利用產品和勞務增值稅優惠目錄), hazardous waste treatment project companies are entitled to refunds of up to 70% of the VAT. Our operating companies for hazardous waste projects are entitled to these benefits.

Government subsidies

The form and amount of government subsidies applicable to hazardous waste treatment projects varies from region to region and also depends on our agreement with the local governments. For example, in November 2015, our Zibo Hazardous Waste Incineration Project (Phase I), which had been named a key project in Linzi District for 2014 and 2015, received an industrial development support fund of approximately RMB5.6 million from Linzi District, Zibo, Shandong Province, to support the construction of the project. See “— Our Hazardous Waste Treatment Project Portfolio.”

Construction service revenues

Most of our hazardous waste treatment projects are accounted for as service concession arrangements under HKFRS. As a result, we recognize revenues while not receiving any cash payment

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during the construction phase of these projects. For more information on such accounting treatment, see “Financial Information — Impact of Accounting Treatment of Service Concession Arrangements” and “Risk Factors — Risks Relating to our Business and Industry — Our results may fluctuate due to our accounting treatment with respect to service concession arrangements.”

Our Hazardous Waste Treatment Project Portfolio

Our hazardous waste treatment projects are located in industrial zones with significant demand for hazardous waste treatment services and easy access to the hazardous waste. The following table sets forth certain key operating information for each of our hazardous waste treatment projects in operation as of the Latest Practicable Date. All projects are 100% owned by us unless stated otherwise. Other than Suqian Hazardous Waste Landfill Project (Phase II), Lianyungang Hazardous Waste Incineration Project (Phase I) and Zibo Hazardous Waste Incineration Project (Phase I), all of our hazardous waste treatment projects in operation are under BOT model. Other than Lianyungang Hazardous Waste Incineration Project (Phase I) and Zibo Hazardous Waste Incineration Project (Phase I), all of our hazardous waste treatment projects in operation are accounted for as service concession arrangements. See “Financial Information — Impact of Accounting Treatment of Service Concession Arrangements.”

No.	Project	Project Location	Business Model	Service Concession Arrangement	Exclusivity	Date of Commencement of Commercial Operation	Waste Incineration Designed Capacity (tons per annum)	Landfill Processing Designed Capacity (tons per annum)	Landfill Volume (m ³)
1	Suzhou Hazardous Waste Landfill Project (Phase I) ⁽¹⁾	Jiangsu Province	BOT for 30 years	✓	Suzhou City	July 2007	N/A	N/A	100,000
2	Suzhou Hazardous Waste Landfill Project (Phase II)	Jiangsu Province	BOT for 30 years	✓	Suzhou City	January 2013	N/A	40,000	370,000
3	Suqian Hazardous Waste Landfill Project	Jiangsu Province	BOO	✓	Suqian City	January 2013	N/A	20,000	300,000
4	Lianyungang Hazardous Waste Incineration Project (Phase I)	Jiangsu Province	Others ⁽²⁾	×	N/A	March 2014	1,650	N/A	N/A
5	Guanyun Hazardous Waste Landfill Project	Jiangsu Province	BOT for 26 years	✓	Guanyun County	April 2016	N/A	20,000	344,000
6	Zibo Hazardous Waste Incineration Project (Phase I)	Shandong Province	BOO	×	Zibo Qilu Chemical Industrial Park	September 2016	9,830	N/A	N/A
7	Binhai Hazardous Waste Landfill Project ⁽³⁾	Jiangsu Province	BOT for 20 years	✓	Binhai County	October 2016	N/A	30,000	600,000
8	Xinyi Hazardous Waste Incineration Project	Jiangsu Province	BOT for 28 years	✓	Xinyi City	October 2016	9,500	N/A	N/A
Total							20,980	110,000	1,714,000

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Notes:

- (1) Suzhou Hazardous Waste Landfill Project (Phase I) has been filled, capped and closed. We are responsible for the maintenance and monitoring for the remainder of the concession period.
- (2) We acquired this project from an independent third party.
- (3) For this project, we and Binhai Hongda Economic Development Company Limited (濱海宏達經濟發展有限公司), an independent third party, hold 90% and 10%, respectively, of the equity interest in the relevant project company.

The following table sets forth certain key operating information for each of our hazardous waste treatment projects under construction as of the Latest Practicable Date. Neither of our hazardous waste treatment projects under construction are accounted for as service concession arrangements, and both of our hazardous waste treatment projects under construction are under BOO model. See “Financial Information — Impact of Accounting Treatment of Service Concession Arrangements.”

No.	Project	Project Location	Business Model	Service Concession Arrangement	Exclusivity	Estimated Date of Commencement of Commercial Operation	Waste Incineration Designed Capacity <i>(ton/year)</i>	Landfill Processing Designed Capacity <i>(ton/year)</i>	Landfill Volume <i>(m³)</i>
1	Lianyungang Hazardous Waste Incineration Project (Phase II)	Jiangsu Province	BOO	×	N/A	2017	10,000	N/A	N/A
2	Changzhou Hazardous Waste Incineration Project ⁽¹⁾	Jiangsu Province	BOO	×	N/A	2017	30,000	N/A	N/A
Total							40,000	N/A	N/A

Note:

- (1) For this project, we and SITA Asia Pacific Limited, an independent third party, hold 50% and 50%, respectively, of the equity interest in the relevant project company.

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The following table sets forth certain key operating information for each of our hazardous waste treatment projects at the planning stage as of the Latest Practicable Date. Except for Jiangsu Xinyi Animal Carcass Harmless Treatment Project, all of our hazardous waste projects at the planning stage are under BOO model. For projects at the planning stage, accounting treatment as to whether the relevant project can be accounted for as service concession arrangement cannot be confirmed.

No.	Project	Project Location	Business Model	Service Concession Arrangement	Exclusivity	Estimated Date of Commencement of Commercial Operation	Waste Incineration Designed Capacity (ton/year)	Landfill Processing Designed Capacity (ton/year)	Landfill Volume (m ³)	Other Capacities (ton/year)
1	Zibo Hazardous Waste Landfill Project	Shandong Province	BOO	N/A	Zibo Qilu Chemical Industrial Park	2019	N/A	20,000	N/A ⁽¹⁾	N/A
2	Zibo Hazardous Waste Incineration Project (Phase II)	Shandong Province	BOO	N/A	Zibo Qilu Chemical Industrial Park	2019	15,000	N/A	N/A	N/A
						N/A	15,170	N/A	N/A	50,000
3	Xinyi Hazardous Waste Landfill Project	Jiangsu Province	BOO	N/A	N/A	2018	N/A	20,000	600,000	N/A
4	Shouguang Hazardous Waste Landfill Project	Shandong Province	BOO	N/A	Shouguang City	N/A ⁽²⁾	N/A	20,000	500,000	N/A
5	Kunshan Hazardous Waste Incineration Project ⁽³⁾	Jiangsu Province	BOO	N/A	N/A	2019	20,000	N/A	N/A	N/A
6	Jiangnan Hazardous Waste Treatment Project (Phase I) ⁽⁴⁾	Jiangsu Province	BOO	N/A	N/A	2019	20,000	N/A	N/A	20,000
7	Jiangnan Hazardous Waste Treatment Project (Phase II) ⁽⁴⁾	Jiangsu Province	BOO	N/A	N/A	N/A ⁽²⁾	10,000	10,000	N/A	20,000
8	Linshu Hazardous Waste Treatment Project (Phase I)	Shandong Province	BOO	N/A	Linshu Chemical Industrial Park	2018	20,000	N/A	N/A	N/A
9	Linshu Hazardous Waste Treatment Project (Phase II)	Shandong Province	BOO	N/A	Linshu Chemical Industrial Park	N/A ⁽²⁾	20,000	N/A	N/A	N/A

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No.	Project	Project Location	Business Model	Service Concession Arrangement	Exclusivity	Estimated Date of Commencement of Commercial Operation	Waste Incineration Designed Capacity (ton/year)	Landfill Processing Designed Capacity (ton/year)	Landfill Volume (m ³)	Other Capacities (ton/year)
10	Jiangsu Xinyi Animal Carcass Harmless Treatment Project	Jiangsu Province	BOT for 30 years	N/A	Within and nearby the city of Xinyi	2018	3,000	N/A	N/A	N/A
11	Anhui Dingyuan Salt-based Chemical Industrial Park Hazardous Waste Integrated Treatment Project	Anhui Province	BOO	N/A	Dingyuan Salt-based Chemical Industrial Park	2019	30,000	N/A	N/A	N/A
12	Mianzhu Hazardous Waste Incineration Project	Sichuan Province	BOO	N/A	Deyang City (including Mianzhu City)	2019	20,000	N/A	N/A	N/A
Total							173,170	70,000	1,100,000	90,000

Notes:

- (1) This project occupies an area of approximately 100 mu. However, the landfill volume had not been determined as of the Latest Practicable Date.
- (2) The progress of the project will be determined by the local government, so we cannot provide the estimated date of commencement of commercial operation at the current stage.
- (3) For this project, we, Kunshan City Water Group Co. Ltd. (昆山市水務集團有限公司), Kunshan Zhangpu Assets Management LLC (昆山市張浦資產經營有限責任公司) and Nanjing Dingye Investment Group Co. Ltd. (南京鼎業投資置業集團有限公司), each an independent third party, hold 55%, 10%, 5% and 30%, respectively, of the equity interest in the relevant project company.
- (4) For this project, we and Nanjing Dingye Investment Group Co. Ltd. (南京鼎業投資置業集團有限公司), an independent third party, hold 70% and 30%, respectively, of the equity interest in the relevant project company.

Suzhou Hazardous Waste Landfill Projects

In October 2006, we entered into a concession agreement with Suzhou Ministry of Environmental Protection, Jiangsu Province with respect to hazardous waste landfill projects in phases under the BOT model with a concession period of 30 years. Both of our Suzhou Hazardous Waste Landfill Projects are located in the Jiangsu Wuzhong Venous Industrial Park (江蘇吳中靜脈產業園). Pursuant to the concession arrangement, we have the exclusive right to operate hazardous waste landfill projects in Suzhou city.

Phase I. The landfill had a total volume of 100,000 cubic meters. This project had a total investment amount of approximately RMB78.1 million. It commenced commercial operation in July 2007, and was filled, capped and closed in January 2013. We will continue to maintain the landfill for the remainder of concession period but will not process additional hazardous waste at this facility.

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Phase II. The landfill has a hazardous waste processing designed capacity of 40,000 tons per annum and a total volume of 370,000 cubic meters. The project had a total investment amount of approximately RMB35.6 million. It commenced commercial operation in January 2013 and mainly processes hazardous waste categorized as heavy metals, acids, alkali, and non-metal inorganics through solidification pretreatment and grid landfill disposal.

Suqian Hazardous Waste Landfill Project

In February 2011, we entered into a concession agreement with Suqian Ministry of Environmental Protection, Jiangsu Province with respect to a hazardous waste landfill project under the BOO model. This project is located in the vicinity of Suqian Ecological Chemical Technology Industrial Park (宿遷生態化工園科技產業區) which hosts more than 90 industrial companies. Pursuant to the concession agreement, we have the exclusive right to operate hazardous waste landfill projects in Suqian city. The landfill has a hazardous waste processing designed capacity of 20,000 tons per annum and a total volume of 300,000 cubic meters. The project had a total investment amount of approximately RMB99.1 million and commenced commercial operation in January 2013. It mainly processes hazardous waste categorized as heavy metals and non-metal inorganics through solidification pretreatment and grid landfill disposal.

Lianyungang Hazardous Waste Treatment Projects

Lianyungang project is located in Guanyun County Lingang Industrial District (灌雲縣臨港產業區) in Jiangsu Province, which hosts more than 180 industrial projects.

Lianyungang Hazardous Waste Incineration Project (Phase I). In November 2013, we entered into a share transfer agreement with Suzukigumi Co., Ltd., a company incorporated under the laws of Japan, to acquire a 100% equity interest in Suzukigumi Hazardous Waste Treatment Limited, which we renamed after the acquisition to Everbright Environmental (Lianyungang) Hazardous Waste Treatment Limited. After the acquisition, we conducted upgrades on the facilities to increase the treatment capacity and quality of the facilities. The facilities have a medical waste processing designed capacity of 1,650 tons per annum. The medical waste processing facility commenced commercial operation in March 2014.

Lianyungang Hazardous Waste Incineration Project (Phase II). In September 2015, we started to expand the Lianyungang hazardous waste incineration operation in the same area as our existing incineration project. The expanded facility is designed to have an additional hazardous waste processing capacity of 10,000 tons per annum. This project has an estimated total investment amount of approximately RMB110.0 million. It is currently under construction and is expected to commence commercial operation in 2017. This project will mainly process hazardous waste categorized as residues of distillation, waste packaging and organic sludge through incineration.

Guanyun Hazardous Waste Landfill Project. In August 2012, we entered into a concession agreement with Guanyun County Ministry of Environmental Protection and Guanyun Lianyungang

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Industrial District Management Committee, Jiangsu Province with respect to a hazardous waste landfill project under the BOT model with a concession period of 26 years. Pursuant to the concession arrangement, we have the exclusive right to operate hazardous waste landfill projects in Guanyun County, Lianyungang. The landfill is designed to have a hazardous waste processing capacity of 20,000 tons per annum and a total volume of 344,000 cubic meters. This project had a total investment amount of approximately RMB139.2 million. It commenced commercial operation in April 2016. This project mainly processes hazardous waste categorized as inorganic sludge, waste salts and incineration residues through solidification pretreatment and grid landfill disposal.

Binhai Hazardous Waste Landfill Project

In May 2013, we entered into a concession agreement with the Management Committee of Binhai Coastal Industrial Park of Economic Development Zone, Jiangsu Province with respect to a hazardous waste landfill project under the BOT model with a concession period of 20 years. We and Binhai Hongda Economic Development Company Limited (濱海宏達經濟發展有限公司), an independent third party, hold 90% and 10%, respectively, of the equity interest in the relevant project company. This project is located in Jiangsu Binhai Coastal Industrial Park (江蘇濱海縣沿海工業園), which hosts more than 100 industrial companies. Pursuant to the concession arrangement, we have the exclusive right to operate hazardous waste landfill projects in Binhai county. The landfill project is designed to have a hazardous waste processing capacity of 30,000 tons per annum and a total volume of 600,000 cubic meters. The project had a total investment amount of approximately RMB185.7 million. It commenced commercial operation in October 2016. This project mainly processes hazardous waste categorized as inorganic sludge, waste salts and incineration residues through solidification pretreatment and grid landfill disposal.

Xinyi Hazardous Waste Incineration Project

In April 2014, we entered into an investment agreement with the government of Xinyi, Jiangsu Province with respect to a hazardous waste incineration project under the BOT model for a concession period of at least 28 years. This project is located in the vicinity of Xinyi Environmental Protection Industrial Park (新沂環保工業園). The facility is designed to have a hazardous waste incineration capacity of 9,500 tons per annum. Pursuant to the investment arrangement, we have the exclusive right to operate hazardous waste incineration projects in Xinyi city. The project has an estimated total investment amount of approximately RMB100.0 million. It commenced commercial operation in October 2016. This project mainly processes hazardous waste categorized as residues of rectifying and distillation, waste packaging and organic sludge through incineration.

Zibo Hazardous Waste Comprehensive Treatment Projects

Our Zibo projects are located in the Zibo Qilu Chemical Industrial Park (淄博齊魯化學工業區) which hosts more than 220 industrial companies.

Zibo Hazardous Waste Incineration Projects (Phase I and Phase II). In May 2013, we entered into an investment agreement (“**Zibo Investment Agreement**”) with the government of Linzi District, Zibo

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City, Shandong Province with respect to hazardous waste incineration projects in phases under the BOO model. Pursuant to the Zibo Investment Agreement, we have the exclusive right to operate hazardous waste incineration projects in Zibo Qilu Chemical Industrial Park. According to the Zibo Investment Agreement, the projects will be developed in two phases. Phase I is designed to have a hazardous waste incineration capacity of 9,830 tons per annum, and had a total investment amount of approximately RMB132.4 million. Phase I has commenced operation in September 2016. In November 2015, our Zibo Hazardous Waste Incineration Project (Phase I), which had been named a key project in Linzi District for 2014 and 2015, received an industrial development support fund of approximately RMB5.6 million from Linzi District of Zibo City to support the construction of the project. In December 2016, we entered into another investment agreement with the government of Zibo, Shandong Province with respect to Phase II. Phase II is designed to have a hazardous waste treatment capacity of 15,000 tons per annum. Phase II has an estimated total investment amount of approximately RMB190.0 million. The project is currently at the planning stage and is expected to commence commercial operation in 2019. According to the Zibo Investment Agreement, we are entitled to develop the remaining hazardous waste incineration capacity of 15,170 tons per annum and physical-chemical treatment capacity of 50,000 tons per annum which we plan to further develop in Phase II.

Zibo Hazardous Waste Landfill Project. In September 2015, we entered into an investment agreement with the government of Zibo, Shandong Province with respect to a hazardous waste landfill project under the BOO model. Pursuant to the concession arrangement under the investment agreement, we have the exclusive right to operate hazardous waste landfill projects in Zibo Qilu Chemical Industrial Park. The landfill is designed to have a hazardous waste processing capacity of 20,000 tons per annum. The project has an estimated total investment amount of approximately RMB170.0 million. It is currently at the planning stage and is expected to commence commercial operation in 2019. This project will mainly process hazardous waste categorized as inorganic sludge, waste salts and incineration residues through solidification pretreatment and grid landfill disposal.

Changzhou Hazardous Waste Incineration Project

In July 2014, we and SITA Asia Pacific Limited, an independent third party, entered into an investment agreement with the Management Committee of Changzhou National Hi-tech Industrial Development Zone, Jiangsu Province with respect to a hazardous waste incineration project under the BOO model. We and SITA Asia Pacific Limited hold 50% and 50%, respectively, of the equity interest in the project company for this project. This project is located in the Changzhou Xinbei Binjiang Industrial Zone (江蘇省常州市新北區濱江工業區) which hosts more than 70 industrial companies. The facility is designed to have a hazardous waste incineration capacity of 30,000 tons per annum. The project has an estimated total investment amount of approximately RMB280.0 million. The project is currently at the planning stage and is expected to commence commercial operation in 2017. This project will mainly process hazardous waste categorized as residues of rectifying and distillation, waste packaging and organic sludge through incineration.

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Xinyi Hazardous Waste Landfill Project

In April 2016, we entered into an investment agreement with the government of Xinyi, Jiangsu Province with respect to a hazardous waste landfill project under the BOO model. This project is located at Kongwei community, Xin An Street, Xinyi. The landfill is designed to have a hazardous waste processing capacity of 20,000 tons per annum and a total volume of 600,000 cubic meters. The project has an estimated total investment amount of approximately RMB166.0 million. This project is currently at the planning stage and is expected to commence commercial operation in 2018. It is intended that this project will mainly process hazardous waste categorized as residues of distillation, waste packaging and organic sludge through incineration.

Shouguang Hazardous Waste Landfill Project

In October 2013, we entered into an investment agreement with the government of Shouguang, Shandong Province with respect to a hazardous waste landfill project under the BOO model. This project is located in the Shouguang Shuangwangcheng Ecological Economic Park. Pursuant to the investment agreement, we have the exclusive right to operate hazardous waste landfill in Shouguang city. The landfill is designed to have a hazardous waste processing capacity of 20,000 tons per annum and a total volume of 500,000 cubic meters. The project has an estimated total investment amount of approximately RMB157.0 million. This project is currently at the planning stage, and will mainly process hazardous waste categorized as inorganic sludge and waste salts through solidification pretreatment and grid landfill disposal.

Kunshan Hazardous Waste Incineration Project

In April 2016, we, Kunshan City Water Group Co. Ltd. (昆山市水務集團有限公司) (“**Kunshan Water**”), Kunshan Zhangpu Assets Management LLC (昆山市張浦資產經營有限責任公司) (“**Zhangpu Assets**”) and Nanjing Dingye Investment Group Co. Ltd. (南京鼎業投資置業集團有限公司) (“**Dingye Group**”), each an independent third party, entered into an investment agreement with the government of Zhangpu Town, Kunshan City of Jiangsu Province with respect to a hazardous waste incineration project under the BOO model. We, Kunshan Water, Zhangpu Assets and Dingye Group hold 55%, 10%, 5% and 30%, respectively, of the equity interest in the project company for this project. This project is located at the intersection of Zhenxin Road and Jiande Road, Zhangpu Town, Kunshan City. The facility is designed to have a total hazardous waste incineration capacity of 30,000 tons per annum in two phases with phase one having a hazardous waste incineration capacity of 20,000 tons per annum. The project has an estimated total investment amount of approximately RMB252.7 million. The project is currently at the planning stage and is expected to commence commercial operation in 2019. This project will mainly process hazardous waste categorized as residues of rectifying and distillation, waste packaging and organic sludge through incineration.

Jiangnan Hazardous Waste Treatment Projects

In June 2016, we entered into an investment agreement with the Management Committee of Nanjing Jiangnan Environmental Protection Industrial Park, Jiangsu Province with respect to

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hazardous waste treatment projects in phases under the BOO model. We and Nanjing Dingye Investment Group Co. Ltd. (南京鼎業置業集團有限公司), an independent third party, hold 70% and 30%, respectively, of the equity interest in the relevant project company. The projects are located in Nanjing Jiangnan Venous Industrial Park (南京江南靜脈產業園). The projects have an estimated total investment amount of approximately RMB374.2 million. The projects will mainly process hazardous waste and industrial solid waste.

Phase I. The facility is designed to have an incineration capacity of 20,000 tons per annum and a physical-chemical treatment capacity of 20,000 tons per annum. It is currently at the planning stage and is expected to commence commercial operation in 2019.

Phase II. The facility is designed to have an incineration capacity of 10,000 tons per annum, a comprehensive treatment capacity of 20,000 tons per annum and a landfill capacity of 10,000 tons per annum. It is currently at the planning stage.

Linshu Hazardous Waste Treatment Projects

In July 2016, we entered into an investment agreement with the government of Linshu County, Shandong Province with respect to a hazardous waste treatment projects in phases under the BOO model. These projects are located in the Linshu Chemical Industrial Park of Linyi City (臨沂市臨沭縣化工園). Pursuant to the investment arrangement, we have the exclusive right to operate hazardous waste project in Linshu Chemical Industrial Park of Linyi City. The projects are designed to have a hazardous waste incineration capacity of 40,000 tons per annum in two phases. The projects have an estimated total investment amount of approximately RMB500.0 million. The projects will mainly process hazardous waste and industrial solid waste.

Phase I. The facility is designed to have an incineration capacity of 20,000 tons per annum. The total investment of Phase I is approximately RMB261.6 million. It is currently at the planning stage and is expected to commence commercial operation in 2018.

Phase II. The facility is designed to have an incineration capacity of 20,000 tons per annum. It is currently at the planning stage. It may also include hazardous waste landfill facilities, the location and capacity of which will be agreed at a later stage.

Jiangsu Xinyi Animal Carcass Harmless Treatment Project

In October 2016, we entered into an investment agreement with the Forestry and Animal Husbandry Administration Office of Xinyi Agriculture Commission with respect to an animal carcass harmless treatment project under the BOT model with a concession period of at least 30 years. The project is designed to have the capacity of harmless treatment of 10 tons per day of animal products and dead and diseased animals. We will employ high-temperature sterilization and dehydration technologies in the treatment. The estimated total investment for the project is approximately

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RMB17.78 million and will be entitled to subsidies for the harmless treatment of dead and diseased animal products. The project is at the planning stage and is expected to commence commercial operation in 2018.

Anhui Dingyuan Salt-based Chemical Industrial Park Hazardous Waste Integrated Treatment Project

In December 2016, we entered into an investment agreement with the government of Dingyuan, Anhui Province with respect to a hazardous waste integrated treatment project under the BOO model. The project will be invested and built in two phases for an operating period of 30 years. Phase I of the project is designed to have an annual hazardous waste treatment incineration capacity of 30,000 tons, with an estimated investment amount of 354.5 million. We will employ plasma gasification technology. The estimated total investment for the project is approximately RMB500 million. The project is at the planning stage and is expected to commence commercial operation in 2019.

Mianzhu Hazardous Waste Incineration Project

In December 2016, we entered into an investment agreement with the government of Mianzhu City, Sichuan Province with respect to a hazardous waste incineration project under the BOO model. This project is located in Mianzhu De A Ecological Industrial Park of Deyang City (德陽市綿竹德阿生態產業園). The facility is designed to have a hazardous waste incineration capacity of 20,000 tons per annum. The project has an estimated total investment amount of approximately RMB260.0 million. The project is currently at the planning stage and is expected to commence commercial operation in 2019.

OUR SOLAR ENERGY AND WIND POWER BUSINESS

We develop, manage and operate solar parks and wind farms to generate electricity. We primarily sell electricity to local power grid companies. Revenues from our solar energy and wind power business amounted to HK\$72.1 million, HK\$92.7 million and HK\$215.1 million for the years ended December 31, 2014, 2015 and 2016, respectively, which accounted for 6.8%, 7.7% and 7.2% of our total revenues for such years, respectively. As of the Latest Practicable Date, we had nine projects in operation, with an aggregate power generation designed capacity of 125.9 MW.

The following table sets forth certain key operating data for the years indicated:

	Year ended December 31,		
	2014	2015	2016
Projects in operation at year end	7	9	9
Solar energy			
Electricity sold (MWh)	29,829	28,909	28,134
Average on-grid tariff (RMB/kWh)	2.25	2.23	2.27
Wind power			
Electricity sold (MWh)	—	41,586	244,556
Average on-grid tariff (RMB/kWh)	—	0.61	0.61

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Solar Energy and Wind Power Generation Process

Solar energy projects

As of the Latest Practicable Date, we had seven solar energy projects in operation. Solar energy generating facilities consist of an array of solar panels which convert the energy in the sunlight into electricity. Such electricity is converted into alternating current, and then supplied to the power grids. All our seven solar energy projects are centralized projects which connect to the power grids and sell electricity to the power grid companies. The status of the solar energy systems is controlled by a monitoring system located either on-site or remotely.

Wind power projects

As of the Latest Practicable Date, we had two wind power projects in operation. For wind power projects, a wind turbine converts wind power into electricity through a generator connected to the turbine. Wind turbines are equipped with a control system which optimizes electricity production and adjusts to varying wind speed and direction. We use a remote monitoring system to monitor our wind power projects which allows for offsite operation and supervision.

Revenue Sources and Preferential Policies

On-grid tariffs

We sell electricity generated by our solar energy and wind power facilities to power grid companies at the applicable on-grid tariffs set by the NDRC. See “— Our Customers — Power Grid Customers.”

- *Solar energy.* All of our projects in China were developed prior to August 2013 and enjoy the on-grid tariffs under the then effective laws and regulations. For our projects in Jiangsu Province, we enjoy on-grid tariffs based on the type of project and the date of commencement of commercial operation under the policies of the Jiangsu government. For projects in Jiangsu Province that commenced commercial operation in 2010, on-grid tariffs for rooftop projects and ground projects are RMB3.00/kWh and RMB1.70/kWh, respectively. For projects in Jiangsu Province that commenced commercial operation in 2011, on-grid tariffs for rooftop projects are RMB2.40/kWh. With respect to Huaining Ground Solar Energy Project, the on-grid tariff is RMB1.00/kWh after the additional local on-grid tariff subsidy. See “Regulatory Overview — Policy on Biomass, Solar and Wind Energy.” Our German Ground Solar Energy Project enjoys an on-grid tariff of EUR0.2207/kWh (exclusive of VAT).
- *Wind power.* In August 2009, the NDRC divided China into four wind resource zones and set a uniform benchmark on-grid tariff for all wind power projects in each zone. Wind

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power projects in Zone I to Zone IV are entitled to a benchmark on-grid tariff of RMB0.51/kWh, RMB0.54/kWh, RMB0.58/kWh and RMB0.61/kWh, respectively. See “Regulatory Overview — Policy on Biomass, Solar and Wind Energy.” In general, a higher on-grid tariff is applicable to a resource zone with a lower level of wind resources on average. However, due to the vast area of each resource zone, the level of wind resources may vary significantly throughout a resource zone. Despite such variation, within each resource zone, the on-grid tariff is uniformly applied and is not adjusted for the actual resource level at a particular location. While enjoying rich local wind resources, our wind power projects, Ningwu Wind Power Projects, are both located in Zone IV in which the highest bracket of on-grid tariff at RMB0.61/kWh was applicable as of the Latest Practicable Date.

Preferential tax treatment

According to the Regulation on the Implementation of the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅實施條例), as solar energy and wind power projects are listed in the Catalog for Enterprise Income Tax Preferential Treatment for Environmental Protection and Energy and Water Saving Projects (Trial) (關於環境保護節能節水項目企業所得稅優惠目錄(試行)的通知), a solar energy or wind power project company is entitled to an enterprise income tax exemption for the first three years after it generates revenue and a 50% deduction in the following three years. According to the Notice on VAT Policy for Photovoltaic Electricity Generation (關於光伏發電增值稅政策的通知) jointly issued by the MOF and the SAT in September 2013, solar energy project companies were entitled to 50% refund of VAT for electricity generated until December 31, 2015. According to the Notice on Extension of VAT Policy for Photovoltaic Electricity Generation (關於繼續執行光伏發電增值稅政策的通知) jointly issued by the MOF and the SAT in July 2016, solar energy project companies will continue to be entitled to 50% refund of VAT for electricity generated until December 31, 2018. According to the Notice on VAT Policies for Wind Power Generation Projects (風力發電增值稅政策的通知) issued by the MOF and the SAT in June 2015, wind power project companies are entitled to 50% refund of VAT for electricity generated. Our project companies for solar energy and wind power projects are entitled to these preferential treatments. We are also entitled to an exemption of import tax and refund of import tax or VAT tax for importation of certain of the equipment used in our wind power projects.

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Our Solar Energy and Wind Power Project Portfolio

Our solar energy and wind power projects are strategically located in areas with abundant solar or wind resources. The following table sets forth certain key operating information for each of our existing solar energy and wind power projects as of the Latest Practicable Date, all of which are in operation. Other than the German Ground Solar Energy Project, which we acquired from an independent third party, all of our solar energy and wind power projects are operated under BOO model. None of our solar energy and wind power projects is accounted for as service concession arrangements. See “Financial Information — Impact of Accounting Treatment of Service Concession Arrangements.”

No.	Project	Project Location	Business Model	Service Concession Arrangement	Date of Commencement of Commercial Operation or Commencement of Operating Revenue Generation	Power Generation Designed Capacity (MW)	On-grid Tariff (per kWh)
<i>Solar Energy Projects</i>							
1	Suqian Rooftop Solar Energy Project (Phase I)	Jiangsu Province	BOO	×	December 2010	1.85	RMB3.00
2	Zhenjiang Ground Solar Energy Project	Jiangsu Province	BOO	×	December 2010	3.50	RMB1.70
3	Huaining Ground Solar Energy Project	Anhui Province	BOO	×	May 2011	2.00	RMB1.0
4	German Ground Solar Energy Project	Germany	N/A	×	July 2011	3.70	EUR0.2207 (exclusive of VAT)
5	Zhenjiang Rooftop Solar Energy Project	Jiangsu Province	BOO	×	December 2011	8.70	RMB2.40
6	Suqian Rooftop Solar Energy Project (Phase II)	Jiangsu Province	BOO	×	December 2011	6.43	RMB2.40
7	Changzhou Rooftop Solar Energy Project	Jiangsu Province	BOO	×	December 2011	3.70	RMB2.40
<i>Wind Power Projects</i>							
8	Changfang Mountain Wind Power Project (Phase I)	Shanxi Province	BOO	×	September 2015	48	RMB0.61
9	Zhaojia Mountain Wind Power Project (Phase I)	Shanxi Province	BOO	×	October 2015	48	RMB0.61
Total						125.9	

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Suqian Rooftop Solar Energy Projects

Suqian Rooftop Solar Energy Projects (Phase I). In August 2010, we entered into an investment agreement with the government of Suqian, Jiangsu Province with respect to a rooftop solar energy project under the BOO model. This project has a power generation designed capacity of 1.85 MW. We employ poly-silicon cells technology for the solar energy generation system. This project had a total investment amount of approximately RMB52.7 million and commenced commercial operation in December 2010 with an on-grid tariff of RMB3.00/kWh.

Suqian Rooftop Solar Energy Projects (Phase II). In August 2010, we entered into an additional investment agreement with the government of Suqian, Jiangsu Province with respect to a rooftop solar energy project under the BOO model. This project has a power generation designed capacity of 6.43 MW. We employ poly-silicon cells technology for the solar energy generation system. This project had a total investment amount of approximately RMB103.5 million and commenced commercial operation in December 2011 with an on-grid tariff of RMB2.40/kWh.

Zhenjiang Solar Energy Projects

Zhenjiang Ground Solar Energy Project. In June 2010, we entered into an investment agreement with the Management Committee of Zhenjiang New Area, Jiangsu Province with respect to a ground solar energy project under the BOO model. This project has a power generation designed capacity of 3.50 MW. We employ thin film cells technology for the solar energy generation systems. The project had a total investment amount of approximately RMB69.5 million and commenced commercial operation in December 2010 with an on-grid tariff of RMB1.70/kWh.

Zhenjiang Rooftop Solar Energy Project. In March 2011, we entered into an investment agreement with the Management Committee of Zhenjiang New Area, Jiangsu Province with respect to a rooftop solar energy project under the BOO model. The project has a power generation designed capacity of 8.70 MW. We employ poly-silicon cells technology for the solar energy generation system. The project had a total investment amount of approximately RMB143.4 million and commenced commercial operation in December 2011 with an on-grid tariff of RMB2.40/kWh.

Huaining Ground Solar Energy Project

In February 2010, we entered into an investment agreement with the government of Huaining, Anhui Province with respect to a ground solar energy project under the BOO model. This project has a power generation designed capacity of 2.00 MW. We employ thin-film amorphous silicon cells technology for the solar energy generation system. This project was among the first batch of National Golden Sun Projects (金太陽示範項目) and thus was entitled to national subsidies in the amount of 50% of the total investment. The on-grid tariff of this project is RMB1.00/kWh. The project had a total investment amount of approximately RMB50.7 million and commenced commercial operation in May 2011.

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German Ground Solar Energy Project

In March 2011, we entered into a share purchase agreement to purchase all the shares in Solarpark Schönewalde AG & Co. KG, a partnership with limited liability established under the laws of Germany, for the construction of a ground solar energy project. The German project is located in Schönewalde, Germany and has a power generation designed capacity of 3.70 MW. We employ thin-film amorphous silicon cells technology for the solar energy generation system. The on-grid tariff of this project is EUR0.2207/kWh (exclusive of VAT). The project had a total investment amount of approximately RMB68.4 million and commenced commercial operation in July 2011.

Changzhou Rooftop Solar Energy Project

In April 2011, we entered into an investment framework agreement with Jiangsu Wujin High-Tech Industrial Development Zone Committee and Jiangsu Shunfeng Photovoltaic Technology Co., Ltd., and an investment framework agreement with Jiangsu Wujin High-Tech Industrial Development Zone Committee and Jiangsu Wujin Import and Export Processing District Investment and Construction Co., Ltd. with respect to a rooftop solar energy project under the BOO model. Pursuant to these investment framework agreements, we may use the rooftop of their facilities for free. Changzhou project has a power generation designed capacity of 3.70 MW. We employ poly-silicon cells technology for the solar energy generation system. The on-grid tariff of this project is RMB2.40/kWh. The project had a total investment amount of approximately RMB60.3 million and commenced commercial operation in December 2011.

Ningwu Wind Power Projects

Changfang Mountain Wind Power Project (Phase I). In December 2010, we entered into an investment agreement with the government of Ningwu, Shanxi Province with respect to a wind power project at Changfang Mountain under the BOO model. The project has a power generation designed capacity of 48 MW. We employ double-fed induction generator technology for the wind power generation system. The on-grid tariff of this project is RMB0.61/kWh. The project had a total investment amount of approximately RMB429.1 million and started generating revenue in September 2015. See “— Legal Compliance — Non-Compliance Relating to Our Ningwu Wind Power Projects.” There are three additional phases of wind power projects under the same investment agreement for an aggregate power generation designed capacity of 200 MW at Changfang Mountain. As of the Latest Practicable Date, the development of the additional phases had not commenced.

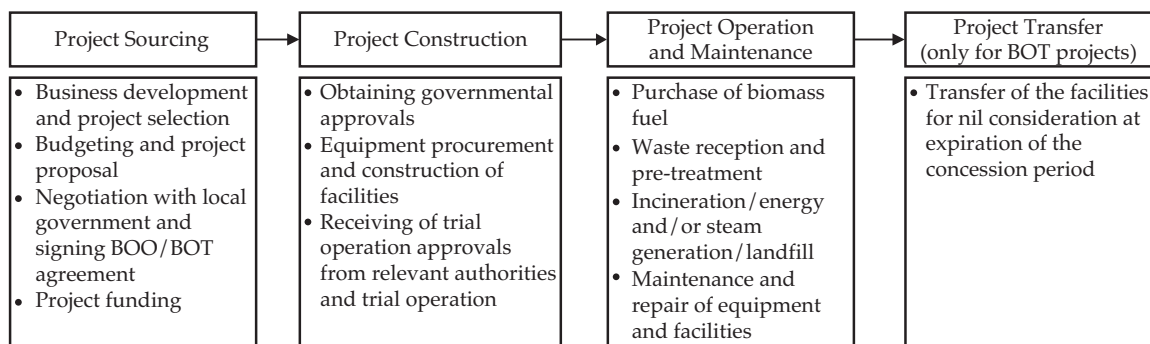
Zhaojia Mountain Wind Power Project (Phase I). In December 2010, we entered into an investment agreement with the government of Ningwu, Shanxi Province with respect to a wind power project at Zhaojia Mountain under the BOO model. The project has a power generation designed capacity of 48 MW. We employ double-fed induction generator technology for the wind power generation system. The on-grid tariff of this project is RMB0.61/kWh. The project had a total investment amount of approximately RMB417.0 million and started generating revenue in October 2015. See “— Legal Compliance — Non-Compliance Relating to Our Ningwu Wind Power Projects.” There are additional

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phases of wind power projects under the same investment agreement for an aggregate power generation designed capacity of 100 MW at Zhaojia Mountain. As of the Latest Practicable Date, the development of the additional phases had not commenced.

PROJECT LIFECYCLE

As illustrated in the diagram below, the lifecycle of our projects typically comprises four phases:



Project Sourcing

Business development and project selection

Our investment development department, which is dedicated to selecting and approaching potential government clients for new projects, consists of five members and is led by our vice president, Mr. Yang Zhiqiang. Our investment development department takes the lead in our expansion into new regions or markets, the business development with respect to major projects, and the project bidding process. Other than members of our investment development department, the senior management of each of our projects is encouraged to actively seek opportunities for new projects. They are rewarded for successful project referrals. Our investment development department coordinates with the senior management teams across all of our project companies to share resources and provide centralized support.

We typically conduct an internal study of a potential project to assess its potential economic return and environmental impact. We consider factors including the resource levels available, applicable on-grid tariffs, transportation convenience, zoning and planning, relationships with the local government and community, costs of construction, potential revenue and profitability, and the project's contract value. For biomass projects, we focus on regions with severe air pollution and smog issues due to the incineration of agricultural waste in the open air, regions with rich biomass resources and convenient transportation, and regions with strong local government support. In areas with severe air pollution or smog, local governments typically provide more favorable support for biomass projects because biomass projects produce a substantially lower level of emissions than open air

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incineration. For hazardous waste projects, we target areas with a high concentration of industrial companies and large volumes of hazardous waste output. Solar energy and wind power projects are typically assessed on a case-by-case basis for their potential return based on solar and wind resource levels and the on-grid tariffs applicable.

Budgeting and project proposal

Once we have identified a new potential project, we will go through our budgeting process and review its potential return. For each potential project, our investment development department will obtain the proposed project specifications such as the expected power or steam generation capacity, waste treatment capacity, and site location from the relevant local government. Based on such specifications, our construction department will prepare a technical plan with respect to each potential project, and our budgeting department will provide an estimate of the total construction costs based on the costs of land, buildings and equipment. Estimated costs for construction of projects typically consist of engineering and installation cost, equipment cost, land cost, staff cost and other costs such as design cost and inspection cost. Our finance management department will adjust variables relating to funding, such as interest rate assumptions to finalize the budget for the relevant project. Our finance management department will also make an internal forecast for the potential return of the project based on the expected on-grid tariff, hazardous waste treatment fees, and raw material costs. We assume that the current on-grid tariff will continue to be available and will not be adjusted with retrospective effect during the period of the concession or the expected useful life of the relevant facility. We also consider raw material prices based on the actual price available in the same region as adjusted for inflation over the period. The expected future cash flow is then discounted to a present value for the calculation of the rate of return. We typically seek projects that have a rate of return greater than 10% for all of our projects. The entire proposal is then submitted to our construction and technical committee for approval relating to the technical aspects, and to our project risk management committee for approval relating to the financial aspects. For all of our projects, the proposal is further submitted to the management committee and the board of directors for approval.

Negotiation

As of the Latest Practicable Date, all of our 66 projects under BOO or BOT model were obtained through investment procedures of the local governments. Concession rights for all of the waste-to-energy projects of our integrated biomass and waste-to-energy projects granted prior to June 1, 2015, which include Dangshan Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy), Lingbi Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy) and Mianzhu Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy), were granted by the local governments without complying with the tender requirement under the Concession Measures. These projects contributed nil, 20.0% and 12.0% of our revenue and nil, 20.1% and 12.1% of our profit for the years ended December 31, 2014, 2015 and 2016, respectively. According to our PRC legal advisers, Allbright Law Offices and Grandall Law Firm (Beijing), as the Concession Measures are departmental rules, failure to comply with the Concession Measures by our governmental customers will not by itself render the relevant concession agreements invalid. See “Risk Factors — Risks Relating to Our Business and

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Industry — Concessions for certain of our integrated biomass and waste-to-energy projects were granted by the relevant governmental customers without their complying with the tender requirement under the Concession Measures.” Going forward, we may also participate in the bidding organized by local governments for new projects.

Occasionally, we acquire projects from third parties after a case-by-case assessment based on similar criteria for developing new projects. Historically, we acquired two projects, the Lianyungang Hazardous Waste Incineration Project (Phase I) and the German Ground Solar Energy Project, both from independent third parties.

Funding

We are typically responsible for obtaining funding for the development and construction of the facilities for our projects. As of the Latest Practicable Date, the budgeted total investment amount for our projects under construction and at the planning stage was approximately HK\$11,626.8 million. See “Financial Information — Capital Expenditures and Investment.” Under applicable PRC regulations, with respect to each project, we are required to contribute at least 20% of the investment amount using our own funds. The registered capital of our project companies, which are Sino-foreign equity joint ventures, is required by the relevant law related to Sino-foreign equity joint ventures to be at least one third of the total investment amount of such joint ventures when the total investment amount exceeds US\$30 million. During the Track Record Period, we funded the development cost of our projects through internal resources and project loans from policy banks and commercial banks in China and in Hong Kong. See “Financial Information — Indebtedness.”

Project Construction

Governmental approvals

Prior to the commencement of the construction of our projects, we are required to obtain various approvals, including but not limited to feasibility approvals, environmental impact assessments, land planning permits, land use right permits, construction planning permits, and permits for commencement of construction work. In general, the local governments assist us in procuring the necessary approvals for each project. Prior to the commencement of commercial operation, we are required to pass the construction completion inspection and obtain completion certificates for construction work and complete the environmental inspection and acceptance and fire safety inspection. We are also required to pass the inspections to obtain the relevant licenses, such as the electricity generation business license and the hazardous waste business license, before commencement of commercial operation.

Construction

We have established a construction management department which is responsible for overseeing safety, quality, progress, functionality and the costs of project construction and is in charge

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of selecting independent contractors. The construction management department is also responsible for selecting our equipment suppliers and implementing our centralized procurement policy. We engage independent third-party contractors for the design, construction and supervision of construction of our facilities. We purchase equipment from third-party equipment suppliers, who are responsible for the manufacturing, transportation, installation and testing of equipment and systems. For further details regarding our selection of suppliers and our contractual arrangements with them, see “— Our Suppliers.” We put emphasis on timely delivery and compliance with our quality, technological and safety standards. The construction of our facilities generally takes two to 18 months depending on the type and scale of the relevant facility. The relevant government authority may conduct inspections of the construction progress and audit the quality control of our facilities.

Trial operation

Upon the completion of the construction of our facilities and the installation of equipment, we typically conduct trial operations of the facilities to examine their operational efficiency and compliance with the environmental, technology, capacity and other requirements by the local governments provided in the relevant investment or concession agreements. Upon completion of trial operations, if the actual performance complies with the specifications and standards, we may commence commercial operation once all required approvals and licenses are obtained. Before trial operation, we will hire and train operations personnel, establish specific operational procedures and provide operational documents. We may record revenues during the trial operation period.

Project Operation and Maintenance

We operate and maintain our facilities in accordance with the nature of the equipment and the applicable technical specifications. For further details regarding our operating process, see “— Our Biomass Business — Biomass Project Business Models,” “— Our Hazardous Waste Treatment Business — Waste Treatment Methods and Process,” and “— Our Solar Energy and Wind Power Business — Solar Energy and Wind Power Generation Process.”

We hire third-party repair and maintenance service providers to inspect, monitor and maintain our equipment. Our total repair and maintenance expenses for the years ended December 31, 2014, 2015 and 2016 were HK\$10.2 million, HK\$12.6 million and HK\$15.6 million, respectively, representing approximately 1.3%, 1.7% and 0.8%, respectively, of our direct costs and operating expenses for those periods. We also plan major overhauls and technical upgrades of our equipment at our own costs from time to time to ensure stable operation of our projects.

Biomass projects

For biomass projects, we monitor and control the operation of our facilities continuously and maintain our equipment, such as the primarily boilers, on a regular basis through condition monitoring practices. We carry out specific maintenance in addition to regular inspections, checking

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and monitoring activities. Our maintenance cycle ranges from three to six months, and we carry out preemptive overhauls predictively when we identify a significant change in equipment condition through our monitoring practices. This approach aims to ensure deficiencies or system flaws are addressed before they evolve into equipment failures. An overhaul typically requires the entire unit to be shut down for more than 20 days, while the actual time required for repair and maintenance, if necessary, depends on the affected component and the nature of damage found. We may also conduct repairs if there is any damage, other unexpected events or system failure. For example, we experienced a generator failure at our Dangshan Integrated Biomass and Waste-to-Energy Project (Biomass) in July 2013, which caused a suspension of operation of approximately 13 days. See “Risk Factors — Risks Related to Our Business and Industry — We may be adversely affected if there is any significant downtime at our facilities for repair and maintenance.”

Hazardous waste treatment projects

For hazardous waste landfill projects, our goal is to monitor and prevent leakage from our landfill sites. We keep records for hazardous waste disposed of at our landfills and are able to trace each batch of waste to a pit position based on a pre-determined grid number. After the landfill disposal of each batch of hazardous waste, we cover the relevant pit with isolate coating in order to prevent infiltration and erosion. We construct a drainage system for the landfills and monitor any leakage. For our hazardous waste incineration projects, we sort the hazardous waste before incineration to ensure the compliance with the specification of the relevant equipment. We conduct periodic overhauls of the equipment, including the incineration systems and flue gas treatment systems, with a view to ensuring stable operation and compliance with the relevant emission standards. Slag and fly ash from incineration are safely disposed of at our landfills.

Solar energy projects

We regularly conduct inspection and maintenance of our equipment to ensure their proper functioning, clean the solar panels, and remove any plants growing in the solar farms to ensure the photovoltaic panels retain unblocked access to sunlight. We monitor the operation of every set of solar arrays and inverter through a remote monitoring system, and conduct maintenance work during periods with lower sunlight intensity, such as nighttime, to the extent possible, in order to minimize the impact on power generation. From time to time, our equipment may suffer damage due to severe weather conditions, which may cause malfunctions, breakdowns or suspension of operation. For example, some of our solar panels at Changzhou Rooftop Solar Energy Project were destroyed in April 2015 by a severe storm, which caused a partial suspension of operation for approximately 30 days. See “Risk Factors — Risks Related to Our Business and Industry — We may not have adequate insurance to cover all hazards.”

Wind power projects

We monitor the operation of our turbine generators 24 hours a day through a centralized control system. For Ningwu Wind Power Projects, we engaged our equipment supplier, Gamesa Wind

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(Tianjin) Co., Ltd. (歌美颯風電(天津)有限公司), to provide maintenance and repair services for the first three years from commencement of operation of the equipment. When a malfunction or breakdown of the equipment occurs, their maintenance team will conduct repairs in a timely manner.

Transfer for BOT Projects

Under the relevant concession agreements for our BOT projects, we are required to transfer the facilities to the local governments for nil consideration upon the expiration of the concession period, which is typically 20 to 30 years. We are typically required to ensure that the facilities operate properly at the time of the transfer. We are also required to provide training and operational manuals upon the transfer. In contrast, under the BOO model, we retain the ownership of the relevant facilities developed and operated by us from the beginning of the project and have no obligation to transfer them to the local government.

SALES AND MARKETING

For our biomass, solar energy and wind power projects, minimal marketing is required after we have secured the applicable project, because we primarily sell electricity to power grid companies pursuant to the power purchase agreements entered into with the power grid companies. For our business development efforts for new projects, see “— Project Lifecycle — Project Sourcing — Business development and project selection.” For our hazardous waste projects, we focus our marketing efforts on major industrial companies within our target area, including PRC subsidiaries of major multinational companies. The senior management team of each of our project companies engaged in the hazardous waste disposal business is responsible for maintaining local customer relationships and promoting our services.

OUR CUSTOMERS

We enter into BOO and BOT investment agreements or concession agreements with local governments to develop biomass projects, hazardous waste treatment projects, solar energy projects and wind power projects. The customers for our biomass, solar energy and wind power businesses are mainly state power grid companies. Our customers also include private customers, including industrial companies, which purchase steam generated by our biomass heat generation projects or commission the hazardous waste treatment services provided by our hazardous waste treatment projects. Customers for our waste-to-energy operations which are integrated with our biomass projects also include local governments for the treatment of household waste.

For the years ended December 31, 2014, 2015 and 2016, our five largest customers were power grid companies, industrial companies and local governments in Jiangsu Province and Anhui Province, who collectively accounted for approximately 90.2%, 78.8% and 60.1% of our total revenues, respectively. During the same periods, our largest customer accounted for approximately 33.4%, 29.2% and 17.5% of our total revenues, respectively.

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As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of our share capital as of the Latest Practicable Date, had any interest in any of our five largest customers during the Track Record Period.

BOO and BOT Models

For each of our BOO and BOT projects, we enter into a concession or investment agreement with the relevant local government. Below are certain key terms under our BOO and BOT contracts with our government customers:

- *Investment/concession arrangement.* These agreements typically set out the scale and investment amount of the projects, and the location and period for which we are permitted to operate in a defined geographic area. The concession agreements may provide that we have an exclusive or priority right to operate the same type of projects in such geographic area under the concession agreements for most of our hazardous waste treatment projects. Certain of our BOO agreements provide for an operation period ranging between more than 15 years to 50 years and these agreements typically allow us to extend the operation period. The BOT agreements typically provide for a concession period of 20 to 30 years. We generally have the priority to renew the concession rights upon the expiration of the initial terms.
- *Construction of facilities and land use right.* These agreements typically set out a deadline for completion of the construction of the project, for example within three to 18 months after the commencement of construction. We are responsible for financing, design and construction of our facilities. The construction of our projects typically takes two to 18 months on average, varying among different locations and depending on the nature of the project. The government will assist us in obtaining land use right certificates for the land and the construction certificates required for the relevant projects and other relevant certificates and we are responsible for paying the consideration for the land use rights.
- *Government Support.* Certain agreements with the government, in particular our biomass agreements, also set forth the subsidies the local government will provide to our projects and the minimum amount of biomass raw materials we will be provided each year. The agreements also provide that the local governments will assist us in establishing biomass collection, transportation and storage systems, connection to the power grid, entering into electricity offtake agreements with local power grid companies, and constructing a water supply system.
- *Waste volume and quality.* For our integrated biomass and waste-to-energy projects, for example our Lingbi Integrated Biomass and Waste-to-Energy Projects, we sign concession agreements with the local government which set out the location and period for which we have the exclusive right to operate household waste-to-energy services. The applicable

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concession agreement also provides the waste treatment fee per ton and the minimum amount of waste the government will provide to our facilities for treatment of household waste.

- *Termination.* The local government may terminate the agreement for various reasons, which vary among different projects. Such reasons for early termination may include failure to complete the construction of the relevant project on schedule, obtain the applicable approvals, or pass the environmental assessments or other required completion inspections, resources not suitable for development after feasibility study of the relevant project, and public interest. During the Track Record Period and up to the Latest Practicable Date, we have complied in all material aspects with all of the relevant terms of the concession and investment agreements for all of our projects. As of the Latest Practicable Date, we had not received any notice from any of our local governmental customers with respect to any material breach of our concession and investment agreements that would give rise to the termination thereof. For our internal control measures to ensure compliance with these agreements, see “— Risk Management and Internal Controls.”
- *Others.* Under our agreements with the government, we are also required to comply with certain environmental protection requirements, including limitations on pollutant emissions and other applicable environmental standards. The local governments have the right to, or may engage independent contractors to, inspect and supervise our operational efficiency and pollution control standards. We are not allowed to transfer our liabilities under the agreements to any third party without prior written approvals from the relevant governments.
- *Arrangement at the end of the concession period.* Our BOT concession agreements impose on us an additional requirement to transfer ownership of the BOT facilities to the local government at the end of the concession period for nil consideration. For our BOO projects, we obtain the ownership of the relevant facilities developed and operated by us. Most of our BOO projects are accounted for as service concession arrangements, and the relevant facilities are expected to be used under the arrangement for its entire or substantial useful life. Accordingly, at the end of the service concession period, the residual value of the relevant infrastructure under the BOO model will become zero. See “Financial Information — Impact of Accounting Treatment of Service Concession Arrangements.” However, with respect to a particular BOO project under such arrangement, if the relevant facilities could in fact still be used at the end of the concession period, we have the right to continue to use such facilities or transfer them to a third party, subject to further negotiation with the local government for an extension of the concession period under the relevant concession agreement. As advised by our PRC legal advisers, Allbright Law Offices and Grandall Law Firm (Beijing), the extension must comply with the laws and regulations effective at the time of such renegotiation, which may be different from the laws and regulations applicable to the relevant project during the original concession period.

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Power Grid Customers

We enter into electricity offtake agreements with local power grid companies to sell the electricity generated from our biomass, solar energy and wind power facilities. These agreements typically range in duration from one to five years with an option to renew. The local power grid companies are required to purchase all the electricity generated by our biomass, solar energy and wind power facilities according to PRC law at a fixed on-grid tariff depending on the source of energy and, in the case of solar energy and wind power, resource zones in which our projects are located. Pursuant to the electricity offtake agreements, we receive on-grid tariffs from the local power grid companies on a monthly basis. The power grid companies also have an obligation under PRC law to purchase all of the electricity generated. See “Regulatory Overview — Policy on Biomass, Solar and Wind Energy.”

Hazardous Waste Treatment Customers

We enter into hazardous waste treatment agreements with industrial companies and medical institutions and clinics for hazardous waste treatment services provided by our hazardous waste treatment facilities. In general, waste treatment fees are calculated based on a fixed treatment fee per ton and the actual amount of waste we receive from the customer per month pursuant to the hazardous waste treatment agreements. Under some agreements, including the medical waste treatment agreements, our customers agree to pay us a fixed lump-sum annual waste treatment fee.

Our hazardous waste treatment agreements typically contain specifications for the waste according to the National Catalog of Hazardous Waste (國家危險廢物名錄). If the hazardous elements in a particular batch of waste we receive from our customers exceed the agreed specifications, we have the right to refuse to accept such waste for treatment. We may also accept such waste for treatment after adjusting the waste treatment fees, if the relevant batch of waste requires more extensive treatment procedures and therefore imposes additional costs.

For medical hazardous waste, we are responsible for collecting the hazardous wastes from our customers directly or from the storage sites managed by our customers. For other types of hazardous waste, qualified third-party transportation service providers collect the hazardous waste from our customers. Under certain agreements with our customers, we require a minimum amount for each batch of waste collection, and if the amount of waste actually collected by us is less than the agreed minimum amount, we will record and charge waste treatment fees based on the agreed minimum amount. Some of our agreements also provide a minimum amount of waste for treatment per year during the contract period. Under these agreements, we are entitled to payment for a guaranteed minimum amount of waste, and even if the amount of waste actually received by us turns out to be less than the agreed minimum amount, we are entitled to charge waste treatment fees based on the agreed minimum amount.

Household Waste Treatment Customers

We enter into concession agreements and waste treatment service agreements with the local governments for household waste treatment services provided by our waste-to-energy facilities as part

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of our integrated biomass and waste-to-energy projects. We are entitled to receive waste treatment fees from the local governments based on a fixed treatment fee per ton of waste on a monthly basis. The waste treatment fees are negotiated with the local governments, subject to adjustments based on the consumer price index and producer price index. Our agreements with the local governments typically include a minimum guaranteed volume of household waste to be supplied by the local governments to ensure a certain minimum level of utilization and operational efficiency of our facilities. In this case, we are entitled to receive waste treatment fees based on the guaranteed minimum volume of waste even if the amount of waste actually treated is less than such guaranteed volume.

OUR SUPPLIERS

Our suppliers primarily include independent contractors, equipment suppliers, raw material suppliers and repair and maintenance service providers. Our independent contractors provide various construction services for our projects, including feasibility studies, design, construction, supervision, environmental impact assessments, consulting and other relevant services. Our equipment suppliers provide various equipment and modules for our projects, as well as after sale services. Our raw materials suppliers are primarily individual third-party biomass brokers.

We adopt a centralized procurement policy and have an internal list of eligible suppliers. Each of our suppliers is required to undergo a supplier approval process before we make any purchases. The eligibility of individual suppliers is determined after due diligence based on factors such as their track record, technical qualifications and certifications.

For the years ended December 31, 2014, 2015 and 2016, our five largest suppliers included independent construction contractors and independent and connected party equipment suppliers, who collectively accounted for approximately 40.9%, 28.1% and 24.7% of our total purchases, respectively. During the same periods, our largest supplier accounted for approximately 17.9%, 10.2% and 8.2% of our total purchases, respectively.

As of the Latest Practicable Date, none of our Directors, their associates or any shareholders who, to our Directors' knowledge, owned more than 5% of our share capital as of the Latest Practicable Date, had any interest in any of our five largest suppliers during the Track Record Period except for Everbright Environmental Protection (China) Company Limited (光大環保(中國)有限公司), which accounted for 17.9% of our total purchases in 2014, and Everbright Environmental Protection Technology Equipment (Changzhou) Company Limited (光大環保技術裝備(常州)有限公司), which accounted for 4.7% of our total purchase in 2015. See "Relationship with Our Controlling Shareholder — Independence from our Controlling Shareholder — Operational Independence" and "Connected Transactions — Non-exempt Continuing Connected Transactions — Transactions in relation to the purchase of equipment".

Independent Contractors

Construction of our facilities is all conducted by independent contractors. We enter into agreements with independent contractors which provide various services for the development and

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construction of our projects. Although we are not required to conduct an open tender process for the selection of independent contractors under the PRC laws, we typically conduct a tender process to engage qualified independent contractors.

Pursuant to the construction agreements, we are generally responsible for (i) providing the contractor with all necessary construction drawings and designs; (ii) leveling and landscaping the relevant land; (iii) obtaining the relevant construction permits; (iv) setting up water, electricity and telecommunication services at the construction site; (v) supplying certain construction materials to the contractor; (vi) appointing and stationing of the supervising construction engineer; and (vii) coordinating with the relevant local governments.

The independent contractors are generally required to (i) provide construction services in accordance with the construction drawings and designs within the timeline as specified in the agreement; (ii) strictly adhere to the instructions imposed by our supervising construction engineer; and (iii) undertake the cost of, and ensure sufficient insurance coverage and safety measures at the construction site. The contractors will bear all damages and losses arising from accidents due to inadequate safety measures.

We are required to make payments to the independent contractor according to the terms specified in the construction services agreements if the performance of the contractor complies with the contractual standards. We typically pay the independent contractor in installments and keep 5% of the total fee as a warranty and will return the amount to the independent contractor upon satisfaction of certain conditions. On the other hand, if the contractor is unable to complete the construction within the agreed timeline, or if the construction falls short of the contractual standards, which results in a delay of the project, the independent contractor will be liable for an agreed penalty. In some circumstances where the contractor breaches the contract, we will be entitled to terminate the agreement and claim for compensation for our economic losses. See “Risk Factors — Risks Relating to Our Business and Industry — The construction of our facilities is subject to risks which could give rise to delays or cost overruns.”

Equipment Suppliers

Boilers are the main equipment we purchase for our biomass facilities. We purchase this equipment mainly from DP CleanTech Co., Ltd. (北京德普新源科技發展有限公司) and Jianglian Heavy Industry Co., Ltd. (江聯重工股份有限公司), both of which are independent third parties. We also purchase other equipment, such as turbine generators, biomass molding fuel equipment, biomass raw materials feeding equipment, desulfurization and dedusting equipment and other ancillary equipment from our suppliers for our biomass facilities. For the waste-to-energy facilities of our integrated biomass and waste-to-energy projects, we purchase the main equipment, boilers, from Everbright Environmental Protection Technology Equipment (Changzhou) Company Limited (光大環保技術裝備(常州)有限公司), which is a connected party. Boilers, crushers, landfill equipment and sewage processing equipment are the main equipment we purchase for our hazardous waste treatment facilities. We purchase this equipment mainly from Dalian New Oriental Boiler Manufacturing Co., Ltd.

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(大連新東方鍋爐製造有限公司), Xuzhou Longgong Machinery Co., Ltd. (徐州市龍工機械有限公司), Fuxin North Environmental Protection Co., Ltd. (阜新市北方環保股份有限公司) and Jiayuan Environmental Protection Co., Ltd. (嘉園環保股份有限公司), all of which are independent third parties. Solar panels, including crystalline silicon cells and thin-film amorphous silicon cells, are our main equipment for our solar energy projects. We purchase this equipment mainly from Tianwei Solution (Beijing) Co., Ltd. (天威新能源系統工程(北京)公司) and Jiangsu Shunfeng Photovoltaic Technology Co., Ltd. (江蘇順風光電科技有限公司), both of which are independent third parties. Wind turbine generators are the main equipment we purchase for our wind power facilities, which we purchase mainly from Gamesa Wind (Tianjin) Co., Ltd. (歌美颯風電(天津)有限公司), which is an independent third party. See “Risk Factors — Risks Relating to Our Business and Industry — We rely on third-party equipment suppliers.”

We enter into purchase agreements with these suppliers on an as-needed basis. The suppliers are typically responsible for transporting, installing and testing the equipment after our purchase. We make payment to the suppliers in installments and generally keep 5-10% of the total consideration as a warranty and will pay the remaining amount to the suppliers after the expiration of the warranty period.

Raw Materials Suppliers

We source biomass materials primarily from individual third party biomass brokers. From time to time, we also purchase directly from individual farmers who offer biomass materials on an ad hoc basis and in small amounts. During the Track Record Period, we entered into written biomass supply agreements with our major biomass brokers who are committed to supplying to us a minimum quantity of biomass materials ranging from 100 to 1,000 tons per month for our Dangshan Integrated Biomass and Waste-to-Energy Project (Biomass) and 20,000 tons per year for our Hanshan Biomass Direct Combustion Project and satisfying minimum quality standards. As of the Latest Practicable Date, 76 biomass brokers have entered into such written supply agreements with us, which accounted for approximately 5.0% of our total biomass brokers. For the years ended December 31, 2014, 2015 and 2016, we purchased biomass materials from biomass brokers who entered into written biomass supply agreements with us in the amount of 161,170 tons, 169,656 tons and 243,321 tons, which accounted for approximately 42.9%, 32.0% and 30.7% of the aggregate amount of the biomass materials we purchased during the same periods from all of our biomass brokers. With respect to other suppliers, including smaller brokers and individual farmers, we purchase biomass materials from them based on our written biomass procurement and settlement policies. Upon delivery, we accept the relevant batch of biomass materials if they satisfy our quality standard and the relevant supplier agrees to our pricing terms. We issue written invoices under our standard form to these suppliers on a batch-by-batch basis, which invoices specify type, amount, unit price and total payment due for the accepted biomass materials. While we impose the same quality standard on biomass materials irrespective of whether a written agreement is entered into with the relevant supplier or not, we give priority to certain brokers that have written agreements with us during peak seasons and may discount the supply price or restrict the supply quantity for other suppliers.

Typically, our written agreements with major biomass brokers have a term of one year. The supply agreements typically specify the types of biomass raw materials and the area within which the

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biomass brokers are allowed to collect biomass raw materials for us. According to these agreements, the payment we make for biomass raw materials is calculated based on a fixed unit price and the weight purchased. The price with respect to a particular batch of materials is adjusted according to the quality of the biomass raw materials, such as water and ash content. We have a policy of performing batch sampling of the biomass raw materials we purchase, and retain a sample of each batch purchased in our in-house storage for record for at least two days. The written biomass supply agreements also specify the guaranteed minimum supply quantity and the minimum quality standard to ensure a consistent and adequate supply of biomass raw materials. We purchase the full amount of guaranteed minimum supply quantity from our biomass brokers. Some of our brokers are required to pay a small amount of deposit upon entering into the written biomass supply agreements with us to ensure quantity and quality of biomass supply and we will return the deposit to the suppliers upon expiration or termination of the supply contract. As of the Latest Practicable Date, we had a balance of deposits from biomass brokers in the aggregate amount of approximately RMB0.53 million.

We have established biomass procurement and settlement policies to manage the supply of our biomass materials. Pursuant to the policies, we have relevant staff preparing daily procurement reports, inspection reports, analysis reports and settlement reports to ensure accurate records for each step of our biomass material supply. We make payments to biomass brokers periodically according to local procurement policies with adjustments due to public holidays or changes in payment schedules of government subsidies. Our payment cycles range from twice a week to twice a month pursuant to the current policies.

We have a large number of biomass brokers for biomass supply and we believe it is relatively easy to find alternative biomass brokers. As of the Latest Practicable Date, we had 1,529 biomass brokers. During the Track Record Period, no individual broker contributed more than 5% of biomass raw materials we purchased in terms of purchase amount. We have established comprehensive supply networks covering collection, storage, transportation, utilization and management of biomass raw materials supply in each region where we operate. See “— Our Biomass Business — Our Biomass Supply Networks.”

COMPETITION

The industries in which our businesses operate are highly competitive. For our biomass business, we face competition mainly from Kaidi and NBE, both of which were established earlier than us and have more projects in operation, under construction and at the planning stage. We also face competition from Chant Group. Chant Group has announced expansion plans in the biomass power market in late 2015 and 2016. According to Frost & Sullivan, we ranked fourth in China in terms of aggregate power generation designed capacity of biomass projects in operation, under construction and at the planning stage. The hazardous waste treatment industry is a highly competitive and fragmented market with around 1,000 market participants as of December 31, 2016, according to Frost & Sullivan. In 2016, we had around 0.6% of the total market share and ranked fifth in terms of hazardous waste disposal designed capacity in operation in China, while the largest hazardous waste treatment company, Dongjiang Environmental Company Limited, accounted for 3.2%, according to

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Frost & Sullivan. Solar energy and wind power industries are also highly competitive with many competitors. According to Frost & Sullivan, in 2016, the five largest solar energy facilities accounted for nearly 30% of the total installed capacity and the five largest wind power farms accounted for around 50% of the total installed capacity.

Factors that could affect our competitiveness include, among others, the quality of our project portfolio, project sourcing ability, operation track record, government and customer relationships, operational and management experience and expertise, research and development capabilities, geographic coverage, brand recognition and capital resources. Certain of our competitors may have greater brand recognition, economies of scale, or longer track records and more established relationships in certain markets in which we operate. However, we believe our high quality project portfolio, strong pipeline, diversified offerings, brand recognition, strong project sourcing ability and track record, and good relationships with local governments and customers allow us to compete effectively in the industry. For further details of the competitive landscape in our industry, see “Industry Overview.”

INTELLECTUAL PROPERTY

We recognize the importance of protecting and enforcing our intellectual property rights. We rely on a combination of patents, copyrights, trademark licenses and domain name registrations, as well as confidentiality and license agreements with our employees, suppliers and others to protect our intellectual property rights. Despite our precautions, it may be possible for third parties to obtain and use intellectual property that we own or license without our consent. Unauthorized use of our intellectual property by third parties, and the expenses incurred in protecting our intellectual property rights, may adversely affect our business. See “Risk Factors — Risks Relating to Our Business — Unauthorized use of our technology or any claims or litigation that we may initiate in the future to protect our intellectual property rights may have a material adverse impact on our business.”

As of the Latest Practicable Date, we had four registered patents. As of the Latest Practicable Date, we did not own any registered copyrights or registered trademarks. We use the “Everbright” brand name and trademarks as an affiliate of CEIL pursuant to licensing arrangements among China Everbright Group, CE Hong Kong and CEIL. See “ — Name and Trademark.” We have also filed applications to register certain trademarks in a number of other jurisdictions. For details regarding our material intellectual property, see “Appendix V — Statutory and General Information — B. Further information about our business — 2. Our main intellectual property rights.”

During the Track Record Period, we did not have any dispute or any other pending legal proceedings over intellectual property rights with third parties.

Name and Trademark

We market our services primarily under the “Everbright” brand name and related trademarks, which are owned by China Everbright Group. We consider the “Everbright” brand name and the

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related trademarks to be important to our business because we believe they can enhance the awareness and recognition of our businesses among many existing or potential customers.

In November 2012, China Everbright Group entered into a licensing deed with CE Hong Kong to grant CE Hong Kong a non-exclusive right to use the trademarks of “Everbright” for its products and services and use “Everbright” as part of its company name at nil cost during the validity of the trademarks. This licensing deed also allowed CE Hong Kong to sub-license such non-exclusive rights to its affiliates. This licensing deed is for an unspecified term, and will terminate automatically upon (i) the mutual consent of the parties; (ii) the dissolution or winding up of CE Hong Kong; or (iii) three months’ notice of termination by China Everbright Group.

In November 2012, CE Hong Kong entered into a licensing agreement with CEIL to grant CEIL and its affiliates the non-exclusive rights at a fee of HK\$1 to use the trademarks of “Everbright” for their products and services and use “Everbright” as part of their respective company names during the validity of the trademarks. This licensing agreement is for an unspecified term and will terminate automatically upon (i) the mutual consent of the parties; (ii) termination of the licensing deed between China Everbright Group and CE Hong Kong in relating to the same trademark by the parties thereto; (iii) CE Hong Kong ceases to, directly or indirectly, control CEIL; or (iv) the dissolution or winding up of CEIL. If CEIL establishes a subsidiary in Hong Kong, BVI or the Cayman Islands using “Everbright” as part of its name, it is required under this licensing agreement to provide written notice to CE Hong Kong.

RESEARCH AND DEVELOPMENT

During the Track Record Period, our research and development was conducted together with other research and development activities of CEIL prior to the Spin-off, and we did not separately incur expenses for such activities. During the Track Record Period, research and development activities did not play a significant role in our operation as our projects mainly adopted mature technologies. With respect to our biomass business, in June 2016, we established our biomass research institution in Nanjing, which is led by Mr. Lianfa Zhang with a team of two people. The biomass research institution is still in the preliminary stage and we are in the process of hiring more talents to expand our research team. Our biomass research institution will focus on the research and development of biomass gasification technology and biomass molding fuel technology for our biomass business. With respect to our hazardous waste treatment business, we are committed to the application and development of advanced technologies, such as the application of plasma gasification technology. We signed a strategic cooperation agreement in January 2017 with InEnTec Inc., a U.S. company, to jointly develop and promote the technology of plasma gasification for the treatment of hazardous waste across the PRC on an exclusive basis. This technology is more efficient and safer than traditional hazardous waste incineration technologies and reduces the amount of gas emission and ash compared to incineration. Pursuant to this strategic cooperation agreement, we and InEnTec Inc. agreed to develop a joint venture with us ultimately holding 60% of the equity and InEnTec Inc. holding 40% of the equity for the purpose of strategic cooperation in design, manufacturing and sales of waste gasification systems of plasma enhanced melter (the “**PEM system**”) in China. The obligations of parties to the joint venture (including but not limited to any capital expenditure or commitment) are

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subject to execution of the definitive joint venture agreement, which has not been signed as of the Latest Practicable Date. The Company has not incurred any capital expenditure with respect to the joint venture with InEnTec Inc. as of the Latest Practicable Date. The first project that we will develop with InEnTec Inc. will be located in Zibo City, Shandong Province, and have a designed hazardous waste treatment capacity of 50 tons per day using two G500 PEM systems. InEnTec Inc. will inject into the joint venture patents, proprietary technologies, production techniques and all intellectual property rights for the implementation of the PEM systems. Pursuant to this strategic cooperation agreement, once the joint venture is established, it will have the exclusive rights to supply PEM systems in China and non-exclusive rights in other countries in Asia such as Vietnam, Laos, Cambodia, Singapore, Thailand and Myanmar.

QUALITY CONTROL

Project Construction

We have established a construction management department which is led by our vice president, Mr. Wang Yungang, and supported by a team of 75 employees, the majority of which are professional engineers. The construction management department is responsible for overseeing safety, quality, progress, functionality and the costs of project construction and is in charge of selecting independent contractors for the design, construction and supervision of our projects. The construction management department is also responsible for selecting our equipment suppliers and implementing our centralized procurement policy. We focus on the quality of products and services in selecting our suppliers. Each of our suppliers is required to undergo a supplier approval process before we make any purchases.

We have adopted stringent quality control measures during project construction. During the construction stage, we have a dedicated construction management team that is directly responsible for supervising and managing project construction. We also adopt various measures to monitor the performance of our contractors, sub-contractors and project designers. We specifically require design contractors to conduct project designs by using proven techniques, focusing on operation and maintenance efficiency and prioritizing construction feasibility. When engaging contractors for construction services, we set forth technical specifications and require the contractors to submit their construction plans and designs as well as their major construction technical approach for our review and approval. In addition, during the construction period, our on-site management team closely monitors our contractors and sub-contractors to ensure compliance with relevant laws and regulations with respect to construction quality, as well as our standards and the environmental, technology, capacity and other requirements by the local governments. The contractors and sub-contractors are also subject to our quality control procedures, including examination of construction materials and supplies, regular and *ad hoc* on-site inspection, regular meetings and reports.

Project Operation

Our project operation management department, led by our vice president Mr. Wang Dianer, is primarily responsible for operation management at our projects in operation. He has served as a

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deputy general manager since 2008 and has more than 20 years of experience in the power industry and is assisted by a group of experienced employees who are responsible for conducting regular inspections at each of our facilities. We have implemented quality control standards and procedures for our projects to ensure high quality performance of our operations. In addition, we have also implemented quality measures with respect to labor, equipment maintenance and emissions at our projects, including conducting sampling tests on emissions and quality inspection on materials, parts and components and our operating procedures. We also have quality control teams at each of our projects who are responsible for the quality control of the daily operation of the projects and conducting sampling tests and quality inspection regularly on site. The local government or other relevant government authorities also conduct on-site inspections from time to time for certain types of projects, for example, the hazardous waste treatment facilities, and we are required to follow certain quality control standards pursuant to PRC laws.

INSURANCE

We maintain insurance for the construction and operation of the facilities for our projects in accordance with the relevant PRC laws and regulations and customary industry practice. We maintain insurance for our employees covering accident claims arising during the course of construction and insurance covering claims of property damage relating to our operations. We also require our independent contractors for the construction of our projects to maintain adequate insurance for their employees covering accident claims arising during the construction of our projects. Our Directors are of the view that our insurance coverage is adequate and is in line with industry practice.

RISK MANAGEMENT AND INTERNAL CONTROLS

We have established a comprehensive risk management and internal control system, which consists of an organizational framework, as well as policies, procedures and risk management methods that we consider to be appropriate for our business operations. The system is designed to allow us to identify, report and address, in a timely and systematic manner, those risks and incidents that may significantly affect our performance or otherwise expose us to significant losses, liability or non-compliance with relevant laws and regulations, and we are dedicated to continually improving such system. Our risk management system comprises the formulation and implementation of a set of policies and procedures relating to relevant risk areas, such as legal compliance, including compliance with contracts, laws and regulations, financial control, construction, safety, health, and environmental matters. We have a detailed manual which sets forth the focus of risk control for each aspect of our operations. Periodic reports are prepared monthly, quarterly, bi-annually and annually to cover all aspects of the risk control areas and *ad hoc* reports are prepared upon specific events or when we report to external regulators. We are constantly monitoring the effectiveness of our risk management system. Our internal control system covers various aspects of our operations, including group-level control, information system control, procurement and accounts payable control, fixed assets control, cash management, compensation management and financial reporting control. Historically, we had certain non-compliance incidents as disclosed in “— Legal Compliance.” In addition to specific remedial measures taken by us with respect to each non-compliance incident, we have implemented

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general measures to improve our corporate governance and internal controls in order to prevent recurrence of non-compliance incidents. For further details, see “— Legal Compliance — Measures to Improve our Corporate Governance and Internal Control and to Prevent Recurrence of Non-Compliance Incidents.”

We have also established an Audit and Risk Management Committee, which is primarily responsible for monitoring the overall implementation of our internal control and risk management system, conducting independent review of the effectiveness of our financial reporting process, internal control, corporate governance and risk management systems, overseeing the audit process, and performing other duties and responsibilities as assigned by our Board. For details of the qualifications and experience of the committee members, see “Directors and Senior Management — Board Committees — Audit and Risk Management Committee.”

We have engaged an independent external consulting firm as our independent internal control advisor to conduct a review of our internal controls for certain areas at some of our entities in November 2015, with follow-up reviews conducted during the periods from January to February 2016 and from December 2016 to January 2017. We have taken actions in response to the internal control advisor’s recommended measures following the last review conducted in January 2017 by our internal control advisor. As of the Latest Practicable Date, we have implemented all the recommended measures according to the internal control advisor’s recommendations. For further details, see “— Legal Compliance — Measures to Improve our Corporate Governance and Internal Control and to Prevent Recurrence of Non-Compliance Incidents.”

EMPLOYEES

As of December 31, 2016, we had 1,091 full-time employees. Members of our senior management are based in Hong Kong and Guangdong Province, China. The table below sets forth the number of our employees by business segment as of December 31, 2016:

<u>Category</u>	<u>Number of Employees</u>	<u>Percentage of Total (%)</u>
Management and administration	144	13.2
Biomass	672	61.6
Hazardous waste treatment	237	21.7
Solar energy and wind power	38	3.5
Total	1,091	100.0

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The table below sets forth the number of our employees by function as of December 31, 2016:

<u>Function</u>	<u>Number of Employees</u>	<u>Percentage of Total (%)</u>
Management	8	0.7
Operation	559	51.2
General Administration	161	14.8
Engineering	87	8.0
Finance	78	7.2
Sales and Marketing	50	4.6
Procurement	52	4.8
Human Resources	19	1.7
Others	77	7.0
Total	1,091	100.0

We enter into a standard employment contract with each of our full-time employees. Compensation for our employees includes basic wages, variable wages, bonuses and other staff benefits. For the years ended December 31, 2014, 2015 and 2016, our staff costs were approximately HK\$41.3 million, HK\$68.4 million and HK\$104.7 million, respectively.

In accordance with applicable PRC regulations on social insurance and housing funds, we contribute to social insurance, including pension, medical insurance, unemployment insurance, occupational injuries insurance and maternity insurance, as well as a housing fund for our employees. The insurance premium is borne by us and the employees in a specific proportion as required by PRC laws. According to our PRC legal advisers, Allbright Law Offices and Grandall Law Firm (Beijing), we have complied with the statutory social insurance and housing fund obligations applicable to us in all material respects under PRC laws during the Track Record Period and up to the Latest Practicable Date.

We believe that we maintain good working relationships with our employees and we did not experience any significant labor disputes or any difficulty in recruiting staff during the Track Record Period.

PROPERTIES

We occupy various properties in the PRC in connection with our business operations, including facilities for our projects and our office spaces, with a total site area of approximately 2,675,678 sq.m. and a total GFA of approximately 824,003 sq.m. as of the Latest Practicable Date. Our headquarters is located in Hong Kong.

Our Owned Properties

As of the Latest Practicable Date, we owned land use rights for 81 parcels of land granted by the government with a total site area of approximately 2,545,672 sq.m. and 50 buildings with a total GFA

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of approximately 52,838 sq.m. for our projects in various stages, which accounted for approximately 95.1% and 6.4% of the total site area and GFA of the properties occupied by us, respectively. Our owned properties are primarily used for our biomass, hazardous waste treatment, solar energy and wind power projects and are material for our business and operations. As of the Latest Practicable Date, properties with an aggregate site area of approximately 1,574,398 sq.m. and an aggregate GFA of approximately 12,528 sq.m., representing approximately 61.8% and 23.7%, respectively, of the aggregate site area and GFA of our own properties, had been mortgaged under various credit agreements for project financing purposes, consistent with industry practice. See “Financial Information — Indebtedness.”

As of the Latest Practicable Date, we had not obtained the building ownership certificates for buildings with an aggregate GFA of 30,124 sq.m., representing approximately 3.7% of the aggregate GFA of the buildings we occupy. These buildings are occupied by us for our Suzhou Hazardous Waste Landfill Project, Guanyun Hazardous Waste Landfill Project, Zibo Hazardous Waste Incineration Project (Phase I), Ningwu Wind Power Projects and Suqian Biomass Heat Supply Project. With respect to Suzhou Hazardous Waste Landfill Project and Guanyun Hazardous Waste Landfill Project, given that (1) both projects are BOT projects and pursuant to the relevant concession agreements with local governments, we are required to transfer the facilities back to the local governments upon expiration of the relevant concession period and the relevant local governments did not require us to obtain the building ownership certificates under the concession agreements, and (2) the land occupied by Guanyun Hazardous Waste Landfill Project and Zibo Hazardous Waste Incineration Project (Phase I) have been pledged to a bank as collateral for loans and the building ownership certificate cannot be applied for prior to the release of such pledge, and hence we had not obtained the building ownership certificates. As advised by our PRC legal advisers, Allbright Law Offices and Grandall Law Firm (Beijing), other than with respect to Ningwu Wind Power Projects and Suzhou Hazardous Waste Landfill Project, our buildings for these projects were constructed in compliance with relevant PRC laws in all material respects, because (i) the relevant buildings are situated on lands with respect to which we have legal and valid land use rights, (ii) the use of the relevant land on which the relevant buildings are situated conforms to the approved use of such land, (iii) the construction of the relevant buildings was in compliance with all approval and filing requirements, (iv) we have passed all post-construction inspections and obtained building completion inspection certificates with respect to the relevant buildings, and (v) the use of the relevant buildings conforms to the approved use of such buildings. As a result, other than with respect to Ningwu Wind Power Projects, in the approved period of such land use right, the lack of building ownership certificates does not affect our ability to own, occupy or use the buildings for our business operations.

During the Track Record Period up to the Latest Practicable Date, we had not been subject to any penalties by any government authority over safety conditions concerns in respect of the buildings for which we have not obtained the relevant building ownership certificates and our Directors are of the view that such buildings are safe for occupation as we have passed all post-construction inspections and obtained the relevant building completion inspection certificates.

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As advised by our PRC legal advisers, Allbright Law Offices and Grandall Law Firm (Beijing), there is no PRC law which authorizes the government authorities to impose a fine or penalty on us or require us to vacate or demolish such buildings merely for the lack of building ownership certificates. As of the Latest Practicable Date, we had not been subject to any fine, penalty or administrative orders by the relevant authorities or any claims from third parties in relation to the lack of building ownership certificates. However, as advised by our PRC legal advisers, Allbright Law Offices and Grandall Law Firm (Beijing), we cannot sell, transfer, pledge or otherwise dispose of the relevant buildings before the registration of our building ownership and obtaining the ownership certificates with respect to such buildings.

Our Directors are of the view that the lack of building ownership certificates as described above would not have any material adverse impact on our business and operations, because we currently do not intend to sell, transfer, pledge or otherwise dispose of the relevant buildings. We are also in the process of obtaining the building ownership certificates for the relevant buildings. As advised by our PRC legal advisers, Allbright Law Offices and Grandall Law Firm (Beijing), other than with respect to Ningwu Wind Power Projects, in the approved period of such land use right, there is no material legal impediment for us to obtain the building ownership certificates with respect to such buildings.

Other than as disclosed above and in “— Legal Compliance”, “Risk Factors — Risks Relating to Our Business and Industry — We have not obtained proper land use rights with respect to some of our properties” and “Risk Factors — Risks Relating to Our Business and Industry — We have not obtained building ownership certificates with respect to some of our properties,” we have obtained all necessary land use right certificates and building ownership certificates for all of the land we occupy and buildings we own.

We generally own our assets and equipment. The repair and maintenance of our assets and equipment are charged as expenses as incurred. The age and condition of such assets and equipment vary. We review the useful lives of our assets and equipment annually.

Our Leased Properties

As of the Latest Practicable Date, we leased buildings with a total GFA of approximately 1,022 sq.m. as office space, and land and buildings (including rooftop) with a total site area of approximately 130,007 sq.m. and a total GFA of approximately 740,019 sq.m. for our solar energy project facilities. Our leased properties accounted for approximately 4.9% and 89.8% of the total site area and GFA of properties occupied by us, respectively, as of the Latest Practicable Date. Our leased properties with respect to our solar energy projects are material to our business and operations.

As of the Latest Practicable Date, our leasehold interest in leased properties with an aggregate site area of 130,007 sq.m. which accounted for 4.9% of the total site area of the properties we occupy were subject to certain defects as follows:

- *Production facility.* The use of land by our Zhenjiang Ground Solar Energy Project is inconsistent with the approved land use, which is for residential use. The affected land

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has an aggregate site area of 130,007 sq.m., which accounted for 4.9% of the total site area of the land we occupy. We have obtained a written confirmation from the local land administration authority that such land would not be resumed and the solar energy facilities would not be demolished during the valid period of such land lease agreement. According to our PRC legal advisers, Allbright Law Offices and Grandall Law Firm (Beijing), such written confirmation was obtained from the competent authority.

According to our PRC legal advisers, Allbright Law Offices and Grandall Law Firm (Beijing), a lessor's failure to obtain proper title certificates for leased properties, including inconsistent use with the approved land use, may preclude us from enforcing our rights under the relevant lease agreement. We may be subject to a fine of up to RMB10,000 for each incident of the failure to file leasing contracts with the competent real estate administrative department for records. The failure to file leasing contracts with the competent real estate administrative department for records alone will not affect the validity of the leasing contracts. Based on the written confirmation dated March 3, 2016 from the Zhenjiang Land and Resources Bureau New District Branch that the facilities of our Zhenjiang Ground Solar Energy Project would not be demolished during the valid period of the land lease agreement, the fact that the other leased properties stated above are primarily used as storage site or office premises and we are able to relocate to other substitutive premises where necessary, and the maximum potential fine we may be subject to, our Directors are of the view that the defects relating to our lease properties will not materially and adversely affect our operations or financial condition. As of the Latest Practicable Date, we have not been subject to any material claim arising out of or in connection with any defect in our leasehold interests with respect to the above properties. See "Risk Factors — Risks Relating to Our Business and Industry — Our leasehold interests in certain leased properties were subject to defects."

Difference of land cost or rental

We are not aware of any difference of land cost or rental we would have to pay if the properties did not have defective titles.

Exemption from Property Valuation

Our properties are used for non-property activities as defined under Rule 5.01(2) of the Hong Kong Listing Rules and they principally include premises for use as production facilities and office space. As of the Latest Practicable Date, no single property interest owned or leased by us had a carrying amount of 15% or more of our total assets. Accordingly, we are not required by Chapter 5 of the Hong Kong Listing Rules to value or include in this Prospectus any valuation report of our property interests. As such, according to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) notice, this Prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land or buildings.

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LICENSES AND PERMITS

Our PRC legal advisers, Allbright Law Offices and Grandall Law Firm (Beijing), have advised us that, during the Track Record Period and up to the Latest Practicable Date, except otherwise disclosed in “— Legal Compliance,” we had obtained all requisite licenses, approvals and permits that are material for our business operations from the relevant government authorities in China. All of these licenses, approvals and permits remained in full effect, and no circumstances existed that would render the revocation or cancellation of our licenses, approvals and permits or would render legal impediments to our business operations. Our PRC legal advisers have also advised us that, to the best of their knowledge, there is no legal impediment to renew any material licenses, approvals, and permits for our business and operations in China, as long as we comply with the relevant legal requirements and provided that we take all necessary steps and submit the relevant applications in accordance with the requirements and schedule prescribed by the applicable PRC laws and regulations. The table below lists the details of our material licenses and permits:

License/Permit	Holder	Granting Authority	Date of Grant	Expiry Date
Electric Power Business License (電力業務許可證)	EB Alternative Energy (Dangshan)	State Electricity Regulatory Commission	September 4, 2014	January 12, 2032
Electric Power Business License (電力業務許可證)	EB Biomass Energy (Hanshan)	Eastern China Bureau of the NEA	May 12, 2015	May 11, 2035
Electric Power Business License (電力業務許可證)	EB Photovoltaic Energy(Zhenjiang)	State Electricity Regulatory Commission	December 28, 2010	December 27, 2030
Electric Power Business License (電力業務許可證)	EB Photovoltaic Energy (Suqian)	Jiangsu Branch of the NEA	December 28, 2010	December 27, 2030
Electric Power Business License (電力業務許可證)	EB Photovoltaic Energy (Changzhou)	State Electricity Regulatory Commission	December 2, 2011	December 1, 2031
Electric Power Business License (電力業務許可證)	EB Wind Power (Ningwu)	Shanxi Energy Regulatory Office	May 16, 2016	May 15, 2036
Electric Power Business License (電力業務許可證)	EB Biomass Energy (Xuyi)	Jiangsu Branch of the NEA	October 13, 2016	October 12, 2036
Electric Power Business License (電力業務許可證)	EB Environmental Energy (Dangshan)	Eastern China Bureau of the NEA	November 8, 2016	November 7, 2036
Electric Power Business License (電力業務許可證)	EB Biomass Energy (Huaiyuan)	Eastern China Bureau of the NEA	March 23, 2017	March 22, 2037
Electric Power Business License (電力業務許可證)	EB Biomass Energy (Dingyuan)	Eastern China Bureau of the NEA	March 23, 2017	March 22, 2037

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License/Permit	Holder	Granting Authority	Date of Grant	Expiry Date
Hazardous Waste Business License (medical waste) (危險廢物經營許可證 (醫療廢物))	EB Environmental Protection (Lianyungang) Waste Disposal	Lianyungang Municipal Environmental Protection Bureau	June 7, 2016	June 2017 ⁽²⁾
Hazardous Waste Business License (temporary) (危險廢物經營許可證 (臨時))	EB Environmental Protection Hazardous Waste Treatment (Zibo)	Shandong Provincial Environmental Protection Office	August 23, 2016	August 22, 2017
Hazardous Waste Business License (危險廢物經營許可證)	EB Environmental Protection (Yancheng) Solid Waste Treatment	Yancheng Environmental Protection Bureau	October 11, 2016	September 2017 ⁽²⁾
Hazardous Waste Business License (industrial waste) (危險廢物經營許可證 (工業廢物))	EB Environmental Protection (Suqian) Solid Waste Treatment	Jiangsu Provincial Environmental Protection Office	April 21, 2016	April 2017 ⁽¹⁾⁽²⁾
Hazardous Waste Business License (industrial waste) (危險廢物經營許可證 (工業廢物))	EB Environmental Protection (Lianyungang) Solid Waste Treatment	Lianyungang Municipal Environmental Protection Bureau	April 15, 2016	April 2017 ⁽¹⁾⁽²⁾
Hazardous Waste Business License (industrial waste) (危險廢物經營許可證 (工業廢物))	EB Environmental Protection (Suzhou) Solid Waste Treatment	Jiangsu Provincial Environmental Protection Office	April 2, 2015	December 2018 ⁽²⁾
Hazardous Waste Business License (inclusive of medical waste etc) (危險廢物經營許可證 (包括醫療廢物等))	EB Environmental Protection Solid Waste Treatment (Xinyi)	Jiangsu Provincial Environmental Protection Office	October 21, 2016	April 2017 ⁽¹⁾⁽²⁾
Air Pollutants Discharge License (氣體污染物排放許可證)	EB Environmental Protection (Suzhou) Solid Waste Treatment	Suzhou Municipal Wuzhong District Environmental Protection Bureau	April 28, 2015	April 27, 2018

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License/Permit	Holder	Granting Authority	Date of Grant	Expiry Date
Air Pollutants Discharge License (氣體污染物排放許可證)	EB Environmental Protection (Suqian) Solid Waste Treatment	Suqian Municipal Suyu District Environmental Protection Bureau	October 30, 2014	September 2017 ⁽²⁾
Water Pollutants Discharge License (水污染物排放許可證)	EB Environmental Protection (Suqian) Solid Waste Treatment	Suqian Municipal Suyu District Environmental Protection Bureau	October 30, 2014	September 2017 ⁽²⁾
Pollutants Discharge License (temporary) (排放污染物許可證(臨時))	EB Environmental Protection Hazardous Waste Treatment (Zibo)	Zibo Municipal Environmental Protection Bureau	January 22, 2017	June 2017 ⁽²⁾

Note:

- (1) The license has not expired and we are in the process of renewal. Under the Administrative Rules of Hazardous Waste Business Licenses (危險廢物經營許可證管理辦法) effective on July 1, 2004, the Company is allowed to apply for renewal of the licenses within 30 business days prior to the expiration date of such licenses. Our PRC Legal Advisers, Allbright Law Offices and Grandall Law Firm (Beijing), are of the view that provided that the Company has met all the requirements and standards for the renewal of these licenses as per relevant laws and regulations and has submitted all the documents required thereunder, there is no legal impediment for such renewal.
- (2) The license only specified the month and year of its expiration without any expiration date.

During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits with respect to our German solar energy project from the relevant government authorities in Germany.

HEALTH AND SAFETY

We have established an ESHS department, which is led by our vice president, Mr. Wang Dianer. The ESHS department oversees matters related to the environment, safety, health and social responsibility. It will be responsible for communication with the relevant environmental authorities and will ensure compliance with the relevant environmental, health and safety law. We plan to establish an ESHS system with ESHS teams at our regional management centers that will report to the ESHS department at group level. Pursuant to national and local health and safety laws and regulations in China, we are required to provide our employees a safe working environment. This includes providing safe working equipment, adequate protective clothing and gear, providing safety education and training and having dedicated safety management personnel. Furthermore, we have developed and implemented a safety management policy and have provided safety training for our operating personnel and ensured that the operators for special projects, such as facilities dealing with hazardous

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waste, have undergone special training. We also conduct regular inspections and maintenance checks on our equipment to ensure it is in compliance with the applicable national or industrial standards in respect of design, manufacturing, installation and use. We typically require our independent contractors to follow the national and local health and safety laws and regulations and provide their employees working at our sites with adequate protective equipment and gear and proper safety training.

We believe our health and safety control measures are adequate and comply with the applicable national and local health and safety laws and regulations in China. During the Track Record Period and up to the Latest Practicable Date, there was no accident which would have a material adverse effect on our business, financial condition and results of operations.

ENVIRONMENTAL COMPLIANCE

We are subject to PRC environmental laws and regulations including the PRC Environmental Protection Law, the PRC Environment Impact Appraisal Law, the PRC Water Pollution Prevention and Control Law, and the PRC Air Pollution Prevention and Control Law. See “Regulation.”

The combustion of biomass materials generates air pollutants, such as particulate matter (PM), nitrogen oxides (NOx) and sulfur oxide (SOx). See “Industry Overview — Overview of China’s Biomass Power Industry — Environmental Impact of Biomass Power Plants.” To minimize the negative environmental impact of our biomass power plants, we have sought to procure better quality biomass materials, implemented various pollutant control measures and strictly followed the emission standards adopted for our plants by the government.

In order to achieve the environmentally friendly operation of our facilities, we have established an ESHS department to oversee matters related to the environment, safety, health and social responsibility. We have adopted a series of internal policies and standard operating procedures to monitor different aspects of our operations, from the design and construction of our facilities to the operation and maintenance of our facilities. We have set comprehensive indicators covering environmental incidents, regulatory compliance, health incidents, emission and discharge standards, training, fire safety, and communication with local community. These indicators are monitored periodically and are incorporated into our performance review system. In addition, we have engaged specialized personnel and third party experts to test and analyze the environmental impact of our facilities. We have adopted a broad range of technological measures to improve our environmental performance. We also conduct inspections from time to time on an ad-hoc basis and have in place an accident reporting and resolution procedure. We are also required under our agreements with the local governments to follow certain environmental protection standards and procedures for our projects. The local governments can monitor the environmental impact of our facilities in real-time and our facilities also need to pass the environmental acceptance check after completion of the project in order to obtain the final acceptance certificate for the project to commence operation.

Except as disclosed in “— Legal Compliance,” “Risk Factors — Risks Relating to Our Business and Industry — We may fail to obtain or maintain the approvals, permits, licenses and certificates

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required for our operations” and “Risk Factors — Risks Relating to Our Business and Industry — We may fail to comply with applicable laws, regulations or standards relating to our operations or to control the associated compliance cost,” we were in compliance with the relevant environmental laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date, and no material environmental complaints or administrative penalties had been made against or imposed on us as of the Latest Practicable Date.

LEGAL COMPLIANCE

Our non-compliance incidents under the relevant PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date, and the corrective actions we have taken in response to the incidents, are set forth below. We do not expect such non-compliance incidents to have any material adverse impact on our business, financial condition and results of operations, as explained below.

Non-Compliance Relating to Our Ningwu Wind Power Projects

Our Ningwu Wind Power Projects, which consist of the Changfang Mountain Wind Power Project (Phase I) and Zhaojia Mountain Wind Power Project (Phase I), had not obtained the necessary land use right certificates with respect to the lands they occupy during the Track Record Period. In February 2014, the Changfang Mountain Wind Power Project (Phase I) and the Zhaojia Mountain Wind Power Project (Phase I) of the Ningwu Wind Power Projects were included in the fourth approval scheme of wind power generation projects in the 12th Five-Year Plan of the National Energy Administration, and were approved by the Shanxi Development and Reform Commission in April 2014. Pursuant to the approvals granted by the Shanxi Development and Reform Commission, an application for the extension of the effectiveness of such approvals will be required if the construction of the projects does not take place within two years from the date of the approvals, or such approvals will become ineffective. In light of the two-year expiry period of the approvals of the Shanxi Development and Reform Commission, and given the significance of the projects, being named as a city-level key project of Xinzhou City in Shanxi Province in 2015, construction commenced in June 2014 while the land use right certificates were still being applied for. In May 2015, we were found to have violated the PRC Land Administration Law for unauthorized occupation of land for an aggregate site area of 22.75 mu, or approximately 15,167 sq.m., by the Ningwu Bureau of Land and Resources, which ordered us to return the unlawfully occupied land and demolish buildings with a total GFA of 2,726.8 sq.m. within the specified time, confiscated buildings with a total GFA of 12,440.6 sq.m., and imposed a fine of RMB91,004 which we paid in full in May 2015. In July 2015, we submitted a formal application for relevant land use right certificates. Based on a written confirmation of Ningwu Bureau of Land and Resources issued on January 12, 2016, all previous penalties have been satisfied in full and the sanction imposed on the Ningwu Wind Power Projects for the lack of land use right certificates has been completed. According to our PRC legal advisers, Allbright Law Offices and Grandall Law Firm (Beijing), such written confirmation was obtained from the competent authority. On November 17, 2016, we obtained all real estate right certificates (formerly, land use right certificates) with respect to the lands occupied by our Ningwu Wind Power Projects from the Ningwu Bureau of Land and Resources.

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As we did not obtain the land use right certificates, we were then unable to obtain the requisite permits for commencement of construction work, for which the land use right certificates are one of the required documents for application. With respect to our failure to obtain the permit for commencement of construction work, Ningwu Bureau of Housing and Urban-Rural Development imposed a fine of RMB287,070 on us which we have paid on June 7, 2016, representing 1.5% of the total consideration of the construction and installation contract of the relevant building. We conducted an interview with the official of Ningwu Bureau of Housing and Urban-Rural Development on March 31, 2016, and the official confirmed that the authority did not foresee any legal obstacles in granting the permit for commencement of construction work related to the Ningwu Wind Power Projects after the land use right certificates are obtained. We have submitted the application for the permits for commencement of construction work to Ningwu Bureau of Housing and Urban-Rural Development in December 2016.

We obtained the completion certificates for construction work in April 2016. We failed to timely complete the registration of the completion certificate for construction work. According to our PRC legal advisors, Allbright Law Offices and Grandall Law Firm (Beijing), the registration status of the completion certificate for construction work does not affect the Company's right or ability to commence operation, but the competent authority may impose a fine of up to RMB500,000 for failure to register such certificate within the time limit specified. Given that the maximum amount of penalty that may be imposed on EB Wind Power (Ningwu) is low, our Directors consider that such non-compliance incident will not materially and adversely affect our operations, business, financial conditions, results of operation and prospects.

Once the permits for commencement of construction work are obtained, we will apply in due course for the building ownership certificates.

Other Non-Compliance

Other than non-compliance relating to our Ningwu Wind Power Projects, during the Track Record Period and up to the Latest Practicable Date, we had other non-compliance incidents under the relevant PRC laws and regulations, including the lack of permits before commencement of construction work, late registration for completion certificate for construction work, lack of pollutant discharge license and lack of hazardous waste business license. Our business is primarily operated under BOO or BOT model with local governments, and our projects are tied with and supported by the local government's environmental protection and energy policies. Based on our understanding, many of our projects were aimed by the local government to address the escalating issue of an increasing amount of hazardous waste and biomass waste that is not treated or disposed of properly. As there are a number of administrative processes to be completed prior to obtaining all necessary licenses, permits and certificates, any temporary cessation of operations may lead to cumbersome consequences or unwanted delays. In order to facilitate the implementation of such government policies, we have worked closely with the relevant local governments and have taken into consideration feedback from them with the intention to complete the construction of the relevant projects as soon as practicable, and such non-compliance incidents were not a result of the Directors' or the senior management's intention to operate in a non-compliant manner.

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The above non-compliance incidents, together with our other non-compliance incidents under the relevant PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date, and the corrective actions we have taken in response to the incidents, are set forth below.

Lack of Transportation Related License

We transport medical waste for our Lianyungang Hazardous Waste Incineration Project pending the grant of the license for the road transportation of medical waste, which is in violation of the Regulations on the Administration of Medical Waste. According to our PRC legal advisors, Allbright Law Offices and Grandall Law Firm (Beijing), the competent authority may order us to cease such transportation, confiscate illegal income and impose a fine from two times up to ten times of the illegal income, but as we have no income for such transportation service as of December 31, 2016 therefore, no fine will be charged. As of the Latest Practicable Date, no such order or fine has been imposed on the Company. On May 16, 2016, the Lianyungang Municipal Environmental Protection Bureau, after consultation with the relevant authorities, has consented to the current road transportation arrangement adopted by the Company while Lianyungang Hazardous Waste Incineration Project (Phase II) is under construction. According to our PRC legal advisors, AllBright Law Offices and Grandall Law Firm (Beijing), the likelihood of us being penalized is relatively low based on the written consent from the local authorities. We are in the process of applying for the license for the road transportation of medical waste with the relevant governmental authorities and the Transport Administration of Guanyun County has issued a letter dated June 6, 2016 confirming that EB Environmental Protection (Lianyungang) Waste Disposal will be granted the license for the road transportation of medical waste within 20 business days upon the application materials being complete and that the applicable requirements are complied with. As of the Latest Practicable Date, Lianyungang Hazardous Waste Incineration Project (Phase II) is under construction. As the construction progresses, further supplementary materials will be submitted for the application and we expect that the license for the road transportation of medical waste will be granted upon the completion of the application materials.

Unauthorized Occupation of Land

In November 2014, EB Environmental Protection Hazardous Waste Treatment (Zibo) was found to violate the PRC Land Administration Law for unauthorized occupation of land for an aggregate site area of 46,576 sq.m. in relation to Zibo Hazardous Waste Incineration Project (Phase I). The Municipal Bureau of Land and Resources of Zibo City ordered EB Environmental Protection Hazardous Waste Treatment (Zibo) to return the unlawfully occupied land, confiscated structures and installations built on such land, and imposed a fine of RMB1,077,700. EB Environmental Protection Hazardous Waste Treatment (Zibo) paid the fine in full in November 2014, and subsequently obtained the relevant land use right certificate in July 2015. According to our PRC legal advisors, Allbright Law Offices and Grandall Law Firm (Beijing), the possibility of the Company being imposed further penalties with respect to such non-compliance is low.

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Lack of Permits before Commencement of Construction

During the Track Record Period, certain of our subsidiaries started construction before the relevant project companies obtained the requisite construction planning permits, permits for commencement of construction work and/or the environmental impact appraisal in violation of the relevant PRC law, including the PRC Urban and Rural Planning Law and the PRC Construction Law. According to our PRC legal advisors, Allbright Law Offices and Grandall Law Firm (Beijing),

- for the lack of construction planning permits, the competent authority may order the relevant PRC companies to rectify the non-compliance and/or demolish the relevant project within a prescribed time, and may impose a maximum fine of up to 10% of the total construction costs of the relevant project on the project company;
- for the lack of permits for commencement of construction work, the competent authority may order the relevant PRC companies to rectify the non-compliance within a prescribed time, and may impose a fine on the project company ranging from 1% to 2% of the total consideration of the construction contract costs of the relevant building; and
- for the lack of environmental impact appraisal, the competent authority may order the relevant PRC companies to rectify the non-compliance within the time limit specified, and may impose a fine ranging from RMB50,000 to RMB200,000 on the project company and an administrative reprimand on the responsible officer(s) of the project company.

As of the Latest Practicable Date, save for (i) EB Environmental Protection Hazardous Waste Treatment (Zibo) and EB Wind Power (Ningwu) which had previously been penalized as described in the paragraph below and in the section “— Non-Compliance Relating to Our Ningwu Wind Power Projects” respectively, and (ii) one of the two projects held by EB Photovoltaic Energy (Zhenjiang) which has not obtained permit for commencement of construction work, all such subsidiaries had obtained the requisite construction planning permits, permits for commencement of construction work and/or the environmental impact appraisal for the projects. According to the Company’s PRC legal advisers, Allbright Law Offices and Grandall Law Firm (Beijing), given the relevant permits have been obtained for each of the relevant companies save as disclosed above, the likelihood of the aforesaid companies being penalized for lack of permits before commencement of construction work is low.

EB Environmental Protection Hazardous Waste Treatment (Zibo) started construction for Zibo Hazardous Waste Incineration Project (Phase I) before it obtained the requisite construction planning permit and permit for commencement of construction work. It was previously ordered by Linzi District Municipal Administrative Enforcement Bureau of Zibo City (i) in September 2015 to complete the relevant formalities for construction planning permit within 30 days and a fine in the amount of RMB6,617,500 was imposed; and (ii) in November 2015 to complete the relevant formalities for permit for commencement of construction work within 30 days and a fine in the amount of RMB10,000 was imposed. EB Environmental Protection Hazardous Waste Treatment (Zibo) completed the relevant formalities within the prescribed time and obtained the necessary permits (including the construction

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planning permit and the permit for commencement of construction work) and paid a fine of RMB210,000 in aggregate in November 2015. The outstanding amount of RMB6,417,500 was waived by the government of Linzi District of Zibo City at an internal meeting held in late September 2015. According to our PRC legal advisers, Allbright Law Offices and Grandall Law Firm (Beijing), in light of the facts stated above, the likelihood of EB Environmental Protection Hazardous Waste Treatment (Zibo) being required to pay the outstanding amount in the future is low with respect to such non-compliance.

Regarding Zhenjiang Rooftop Solar Energy Project held by EB Photovoltaic Energy (Zhenjiang), such project has obtained the construction planning permit but did not obtain a permit for commencement of construction work. EB Photovoltaic Energy (Zhenjiang) has obtained from the competent authority, Zhenjiang New District Bureau of Housing and Urban-Rural Development, (i) a written confirmation dated July 18, 2016 that it will neither impose any penalty on EB Photovoltaic Energy (Zhenjiang) nor order the demolition of the project, and (ii) a written confirmation dated July 25, 2016 that since the Zhenjiang Rooftop Solar Energy Project only involves installing independently operating solar panels on the roofs of completely constructed buildings which have been occupied for use, it is not subject to the Measures for the Administration of Construction Commencement for Construction Projects (建築工程施工許可管理辦法). Accordingly, EB Photovoltaic Energy (Zhenjiang) is not required to obtain the permit for commencement of construction. According to our PRC legal advisers, Allbright Law Offices and Grandall Law Firm (Beijing), there is no risk of the Company being imposed penalties for the lack of permit for commencement of construction work in respect of Zhenjiang Rooftop Solar Energy Project.

Late Registration for Completion Certificate for Construction Work

Certain of our subsidiaries had not registered for the completion certificate for construction work within the time limit specified. According to our PRC legal advisers, AllBright Law Offices and Grandall Law Firm (Beijing), where registration for the completion certificate for construction is not undertaken within the time limit specified, the competent authority may order the PRC companies to rectify the non-compliance within the time limit specified, and may impose a fine ranging from RMB200,000 to RMB500,000. For the reasons set out below, our PRC legal advisers, AllBright Law Offices and Grandall Law Firm (Beijing), have confirmed that the likelihood of the following companies being penalized is low:

- EB Alternative Energy (Dangshan): we have obtained a written confirmation dated January 12, 2016 from the competent authority, i.e. Dangshan Bureau of Housing and Urban-Rural Development, that no registration for the completion certificate for construction work is required, as it has not processed any registration in respect of biomass power generation projects due to internal regulations and it currently does not process such registration for any biomass power generation project.
- EB Photovoltaic Energy (Changzhou), EB Biomass Energy (Hanshan), EB Environmental Protection (Lianyungang) Waste Disposal, and EB Environmental Protection (Suqian)

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Solid Waste Treatment: as of the Latest Practicable Date, each of these companies had completed the registration for the completion certificate for construction work.

- EB Photovoltaic Energy (Suqian): we have obtained written confirmations dated January 5, 2016 and January 11, 2016 respectively, from Suqian Yanghe District Bureau of Communications Construction and Sihong County Bureau of Housing and Urban-Rural Development, that no registration for completion certificate for construction is required, as they have not processed any registration in respect of solar power generation projects due to internal regulations and they currently do not process such registration for any solar power generation project.
- EB Photovoltaic Energy (Zhenjiang): we have obtained a written confirmation dated January 6, 2016, from the competent authority i.e. Zhenjiang New District Bureau of Housing and Urban-Rural Development, that no registration for completion certificate for construction is required, as the relevant requirement only applies to construction, expansion and reconstruction of housing, buildings and municipal infrastructure projects, but not installation of solar panels.

EB Wind Power (Ningwu) (as described in the section “— Non-Compliance Relating to Our Ningwu Wind Power Projects”) and EB Environmental Protection Solid Waste Treatment (Suzhou), have not completed registration of the completion certificate for construction work. According to the PRC legal advisers, AllBright Law Offices and Grandall Law Firm (Beijing), the registration status of the completion certificate for construction work does not affect the Company’s right or ability to commence operation, but the competent authority may impose a fine of up to RMB500,000 for failure to register any such certificate within the time limit specified. Given that the maximum amount of penalty that may be imposed on EB Wind Power (Ningwu) and EB Environmental Protection Solid Waste Treatment (Suzhou) is low, our Directors consider that such non-compliance incident will not materially and adversely affect our operations, business, financial conditions, results of operation and prospects.

Lack of Pollutant Discharge License

Two of our subsidiaries had not obtained the relevant pollutant discharge licenses before commercial operation in relation to Dangshan Integrated Biomass and Waste-to-Energy Project (Biomass) and Hanshan Biomass Direct Combustion Project. According to our PRC legal advisers, AllBright Law Offices and Grandall Law Firm (Beijing), where a project starts commercial operation before obtaining the requisite pollutant discharge license, the competent authority may order such PRC company to cease operation and may impose a fine ranging from RMB200,000 to RMB1 million. According to our PRC legal advisers, AllBright Law Offices and Grandall Law Firm (Beijing), the likelihood of the relevant project companies being penalized is low based on the written confirmations from the local authorities that (i) pollutant discharge permits for wastewater are not required for these projects because the wastewater generated from such projects is subject to wastewater treatment without any external discharge of wastewater; and (ii) the relevant local authorities currently do not issue pollutant discharge permits for waste gas for these projects due to the lack of relevant implementation policy.

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Lack of Hazardous Waste Business License

EB Environmental Protection Hazardous Waste Treatment (Zibo) has commenced trial operation of Zibo Hazardous Waste Incineration Projects (Phase I) in January 2016 and continued generating operation revenue lawfully until March 2016 pending the conduct of environmental impact appraisal by the authorities. EB Environmental Protection Hazardous Waste Treatment (Zibo) has completed the environmental impact appraisal in March 2016 and continued operation until it temporarily ceased operation from June 1, 2016. According to our PRC legal advisers, AllBright Law Offices and Grandall Law Firm (Beijing), for commencing commercial operation without a hazardous waste business license, the competent authority may order the PRC companies to cease operations, and/or confiscate the net profit generated from such non-compliance, and may impose a maximum fine of up to three times based on the said net profit. EB Environmental Protection Hazardous Waste Treatment (Zibo) obtained the hazardous waste business license on August 23, 2016 and our Zibo Hazardous Waste Incineration Projects (Phase I) commenced commercial operation in September 2016. Given that:

- based on the net profit generated by EB Environmental Protection Hazardous Waste Treatment (Zibo) during the period from April 2016 to May 2016, it is expected that the maximum penalty to be imposed (if any) will be less than RMB1.5 million;
- prior to obtaining the hazardous waste business license, we temporarily ceased operations of Zibo Hazardous Waste Incineration Projects (Phase I); and
- the historical revenue contribution of EB Environmental Protection Hazardous Waste Treatment (Zibo) was low and the contribution for the year ended December 31, 2016 was limited,

our Directors consider that such non-compliance incident will not materially and adversely affect our operations, business, financial conditions, results of operation and prospect.

Measures to Improve our Corporate Governance and Internal Control and to Prevent Recurrence of Non-Compliance Incidents

Apart from the remedial measures disclosed above with respect to each individual non-compliance incident, in order to continuously improve our corporate governance and internal control and to prevent recurrence of non-compliance in the future, we have adopted the following measures:

- we have established an audit and risk management committee to oversee our internal control, including, among others, reviewing and making recommendations to our Board in respect of our policies and practices on internal control, reviewing and monitoring our policies and practices on compliance with any requirement, direction and regulation that may be prescribed by the Board, contained in our constitutional documents, or imposed by the Hong Kong Listing Rules and other applicable laws, regulations, rules

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and codes, and ensuring that appropriate monitoring systems are in place to ensure compliance against the relevant internal control systems, processes and policies, and monitoring the implementation of our plan to maintain compliance with our risk management standards;

- we have revised the terms of our standard agreement with the local governments to expressly provide that the commencement of construction and operation must comply with applicable laws;
- we have designated Mr. Yang Zhiqiang, our Executive Director, as our compliance officer to assist our Board to identify, assess and manage the risks associated with our operation from time to time to ensure due compliance with industry standards, laws, rules and regulations applicable to us;
- we have further strengthened our risk and internal control procedures with respect to legal compliance. Our legal compliance matters will be supervised and overseen by our legal compliance team and risk control committee. Our legal compliance team consists of three full-time members, including Ms. Catherine Tai, our general counsel and company secretary, and Mr. Yang Zhiqiang, one of the Executive Directors. Our risk control committee consists of four full-time members and is led by Mr. Yang Zhiqiang. Ms. Tai is a solicitor in Hong Kong and England and Wales with more than 17 years of experience in dealing with legal and regulatory matters in Hong Kong. Mr. Yang is a qualified PRC lawyer and was previously the chief legal officer of CEIL, who has over 16 years of experience in dealing with legal and compliance matters in the PRC. See the section headed “Directors and Senior Management” for details of the respective experience and qualification of Mr. Yang and Ms. Tai. Our legal and compliance team, together with the risk control committee, will review and strengthen the supervision and internal controls of compliance matters, and ensure that proper systems and procedures are in place to prevent similar incidents in the future;
- we have also taken measures to ensure compliance with licensing and permit requirements on an ongoing basis, in accordance with the licensing and permit requirements set forth in the relevant laws and regulations. In particular, we have adopted a new policy, setting out guidelines for permits and licenses required for each key milestone of a project under PRC laws. According to the new policy, the responsible personnel for the project which commences construction or operation without the necessary permits and licenses will be subject to internal disciplinary actions or penalties. Mr. Yang Zhiqiang, our Executive Director, will be responsible for monitoring our internal control system on licenses and permits. To ensure that we are up to date in obtaining the latest licenses and permits, we also recruit and provide training to personnel to monitor requirements of any potential projects;
- our compliance officer will act as the principal channel of communication between members of our Group in relation to legal, regulatory and financial reporting compliance

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matters as well as acting as the chief coordinator to oversee the internal control procedures in general. Upon receipt of any queries or reports on legal, regulatory and financial reporting compliance matters, our compliance officer will look into the matter and, if considered appropriate, seek advice, guidance and recommendation from professional advisors and report to relevant members of our Group and/or our Board;

- we will engage external PRC legal advisors which will assist us in performing the requisite legal due diligence and complying with the relevant PRC laws and regulations, and provide training to us on the relevant PRC laws and regulations, where necessary after Listing;
- we will provide our Directors, senior management and employees involved with training, development programs and/or updates regarding the legal and regulatory requirements applicable to the business operations of our Group from time to time;
- we will appoint Guotai Junan Capital Limited as our compliance advisor upon Listing to advise our Group on compliance matters in accordance with Rule 3A.19 of the Hong Kong Listing Rules;
- we will appoint an external Hong Kong legal counsel to advise us on compliance with the Hong Kong Listing Rules and the applicable Hong Kong laws and regulations;
- our PRC legal advisor, Allbright Law Offices, have provided customized training sessions to our executive Directors, non-executive Director, senior management and staff members of all of our project companies, which cover relevant PRC laws and regulations relating to our industries to improve the overall compliance culture of our Group and to raise their awareness of the importance of internal legal compliance and to strengthen their risk management skills; and
- in preparation of the Global Offering, we have engaged an independent external consulting firm as our independent internal control advisor to review our internal controls over financial reporting for certain areas at some of our entities based on a pre-agreed scope and approach, and have implemented the recommendations made by the independent internal control advisor. The internal control advisor's review was last conducted in January 2017, which primarily focused on financial and business related controls covering our key business processes, including project management (such as obtaining licenses), fixed assets management, treasury management, financial reporting and information system control. In relation to our historical non-compliance incidents, we have implemented the above enhanced corporate governance and internal control measures, which were recommended by our legal advisers and the Joint Sponsors. As of the Latest Practicable Date, the Directors confirmed that the said enhanced corporate governance and internal control measures have been fully implemented. We will continue to engage an independent internal control advisor to assist our Audit and Risk

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Management Committee in assessing our internal controls where necessary after Listing. The internal control advisor will perform internal control reviews in accordance with the internal audit plan to be approved by the Audit and Risk Management Committee and report the review results to the Audit and Risk Management Committee on an interim basis. Accordingly, we will summarize and disclose material internal control issues noted from the said reviews in our annual report.

Views of our Directors and the Joint Sponsors

Having considered the nature and reasons for the historical non-compliance incidents identified above and the advice from our PRC legal advisers, Allbright Law Offices and Grandall Law Firm (Beijing), the corrective actions taken and the internal control measures adopted by us, the Directors are of the view that (i) our internal control measures are adequate and effective to prevent recurrence of future non-compliance incidents; (ii) we have adequate and effective internal control procedures in place for the purpose of Rule 3A.15(5) of the Hong Kong Listing Rules; and (iii) the past non-compliance incidents do not affect the suitability of the Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Hong Kong Listing Rules or the suitability for listing of our Company under Rule 8.04 of the Hong Kong Listing Rules. In addition, after making enquiries of our management, reviewing our enhanced internal control procedures and discussing with our internal control consultant regarding our internal control system, the Joint Sponsors, are not aware of any reasons to disagree with our Director's view that our enhanced internal control measures are adequate and effective under the Hong Kong Listing Rules.

Legal Compliance

Save as disclosed in this Prospectus, our PRC legal advisers, Allbright Law Offices and Grandall Law Firm (Beijing), confirmed that we complied with all relevant laws and regulations in the PRC during the Track Record Period and we have obtained all relevant approvals, permits, licenses and certificates necessary for our operations and business in all material respects.

LEGAL PROCEEDINGS AND LITIGATION

We may from time to time be subject to legal proceedings, investigations and claims relating to the conduct of our business. We may also initiate legal proceedings in order to protect our contractual and property rights. As of the Latest Practicable Date, we were not a party to, nor are we aware of, any legal, arbitral or administrative proceedings, investigations or claims pending or threatened by or against us or any of our Directors, which, in the opinion of our management, were likely to have a material adverse effect on our business, financial condition or results of operations.

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AWARDS AND RECOGNITION

During the Track Record Period and up to the Latest Practicable Date, we have received a number of accolades and awards for the quality and popularity of our products and services, including:

Award	Year of Award	Awarding Institution / Authority
Power Construction Safety Standardization Enterprise, Level Two (電力安全生產標準化二級企業)	2014	National Energy Administration (國家能源局)
Advanced Enterprise of 2014 (2014年度先進企業)	2015	Central Committee of Communist Party of Tongzha County, Municipal Government of Tongzha County (中共銅閘鎮委員會、銅閘鎮人民政府)
2014 Top Ten Environmental and Resource Recycling Enterprise in Anhui Province (2014年度安徽省十佳環境資源循環利用企業)	2015	Anhui Association of Environmental Protection Industry (安徽省環境保護產業協會)
Outstanding Enterprise of Environmental industry in Anhui Province (安徽省環保產業優秀企業)	2015	Anhui Association of Environmental Protection Industry (安徽省環境保護產業協會)
Advanced Organization of the Fourth Session in Dangshan County (碭山縣第四屆先進集體)	2015	Municipal Government of Dangshan County (碭山縣人民政府)
2015 Advanced Organization of Safety Construction (2015年度安全生產工作先進集體)	2015	Municipal Government of Ningwu County (寧武縣人民政府)
Shanxi Province Excellent Quality Award for Electric Power Construction Projects (山西省電力建設工程優質施工項目)	2016	Supervision Station of Electric Power Construction Projects of Shanxi Province (山西省電力建設工程質量監管中心站)
Water-saving Enterprise of Maanshan City (馬鞍山市節水型企業)	2016	Maanshan Economic and Information Technology Commission and Water Resources Bureau (馬鞍山市經濟和信息化委員會及水利局)
Advanced Enterprise of 2015 (2015年度先進企業)	2016	Jiangsu Binhai Industrial Park Management Committee (江蘇灌雲經濟開發區管理委員會)
2016 Modeling Construction Site for Standardization of Architectural Construction in Huai'an City (2016年淮安市建築施工標準化文明示範工地)	2016	Bureau of Housing and Urban-Rural Development of Huai'an City (淮安市住房和城鄉建設局)
Shanxi Province Fen River Cup Award for Construction Projects (Highest Award for Excellent Quality Construction Projects in Shanxi Province) (山西省建設工程汾水杯獎 (山西省優質工程最高獎))	2017	Construction Industry Association of Shanxi Province (山西省建築業協會)
2016 Advanced Award for Key Construction Projects (2016年度重點工業項目建設先進獎)	2017	Administrative Committee in the Economic Development Zone of Guanyun, Jiangsu (江蘇灌雲經濟開發區管理委員會)

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<u>Award</u>	<u>Year of Award</u>	<u>Awarding Institution / Authority</u>
Modeling Enterprise of Infrastructure Construction for Occupational Health in Maanshan City (馬鞍山市職業衛生基礎建設示範企業)	2017	Work Safety Bureau of Maanshan City (馬鞍山市安全生產監督管理局)
Advanced Organization of Attracting Investments of 2016 (2016年度招商引資工作先進集體)	2017	Rugao City Committee of Communist Party of China (中共如皋市委員會) Municipal Government of Rugao City (如皋市人民政府)