



(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1452

GLOBAL OFFERING

Joint Sponsors



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



IMPORTANT

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



DENOX ENVIRONMENTAL & TECHNOLOGY HOLDINGS LIMITED

迪諾斯環保科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	: 125,000,000 Shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Offer Shares	: 12,500,000 Shares (subject to adjustment)
Number of International Offer Shares	: 112,500,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: not more than HK\$2.90 per Offer Share payable in full on application subject to refund on final pricing, plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%
Nominal Value	: US\$0.01 per Share
Stock Code	: 1452

Joint Sponsors



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



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

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

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Wednesday, November 4, 2015 and, in any event, not later than Thursday, November 5, 2015. The Offer Price will be not more than HK\$2.90 and is currently expected to be not less than HK\$2.10. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum offer price of HK\$2.90 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$2.90. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

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

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

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

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

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

October 30, 2015

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times and on the websites of the Company and the Stock Exchange.

Latest time to complete electronic applications under HK eIPO White Form service through the designated website www.hkeipo.hk ⁽⁴⁾ . . .	11:30 a.m. on Wednesday, November 4, 2015
Application lists open ⁽²⁾	11:45 a.m. on Wednesday, November 4, 2015
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Wednesday, November 4, 2015
Latest time to give electronic application instructions to HKSCC ⁽³⁾	12:00 noon on Wednesday, November 4, 2015
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, November 4, 2015
Application lists close	12:00 noon on Wednesday, November 4, 2015
Expected Price Determination Date ⁽⁵⁾	Wednesday, November 4, 2015
(1) Announcement of	
• the Offer Price;	
• the level of applications in the Hong Kong Public Offering;	
• the level of indications of interest in the International Offering;	
and	
• the basis of allotment of the Hong Kong Offer Shares,	
to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on	Wednesday, November 11, 2015
(2) Results of allocations of the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see section entitled "How to Apply for Hong Kong Offer Shares — Publication of Results of Allocations" in this prospectus) from	Wednesday, November 11, 2015
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above will be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company's website at www.china-deno.com from	Wednesday, November 11, 2015
Results of allocations in the Hong Kong Public Offering will be available at www.tricor.com.hk/ipo/result , with a "search by ID" function	Wednesday, November 11, 2015
Dispatch of HK eIPO White Form e-Auto Refund payment instructions/refund cheques on ^{(6)&(8)}	Wednesday, November 11, 2015
Dispatch of share certificates on ^{(7)&(8)}	Wednesday, November 11, 2015
Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. on	Thursday, November 12, 2015

EXPECTED TIMETABLE⁽¹⁾

Notes:

1. All times refer to Hong Kong local time, except as otherwise stated.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Wednesday, November 4, 2015, the application lists will not open on that day. Further information is set out in the section entitled “How to Apply for Hong Kong Offer Shares — Effect of Bad Weather Conditions on the Opening of the Application Lists” in this prospectus. If the application lists do not open on Wednesday, November 4, 2015, the dates mentioned in this section headed “Expected Timetable” may be affected. We will make a press announcement in such event.
3. If you apply by giving electronic application instructions to HKSCC, you should refer to the section headed “How to Apply for Hong Kong Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
4. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
5. The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or around Wednesday, November 4, 2015 and, in any event, not later than Thursday, November 5, 2015. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (on behalf of the Underwriters) and us by Thursday, November 5, 2015, the Global Offering will not proceed and will lapse.
6. We will issue a refund to you if your application is wholly or partially unsuccessful pursuant to the Hong Kong Public Offering or if the Offer Price is less than the price per Offer Share payable on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first named applicant provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third-party for refund purpose. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque. We will dispatch share certificates and refund cheques by ordinary post to you at your own risk to the address you specified in your Application Form unless you have elected for personal collection.
7. Share certificates for the Hong Kong Offer Shares will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects; and (ii) the Underwriting Agreements have not been terminated in accordance with their terms before 8:00 a.m. on the date on which our Shares are first listed and from which dealing therein are permitted to take place on the Stock Exchange, or the Listing Date, which is expected to be Thursday, November 12, 2015. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, we will make an announcement as soon as possible.
8. Applicants who have applied on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have indicated in their applications that they wish to collect any refund cheques (where applicable) and share certificates in person may do so from our Hong Kong Share Registrar between 9:00 a.m. to 1:00 p.m. on Wednesday, November 11, 2015. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives bearing letters of authorization from their corporation stamped with the corporation’s chop. Both individuals and representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to our Hong Kong Share Registrar at the time of collection. Applications who have applied using **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering may collect their refund cheques, if any, in person but may not elect to collect their share certificates which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applications. Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus for details.

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

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

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

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SUMMARY

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

OVERVIEW

We are a leading manufacturer in the plate-type DeNOx catalyst industry in China. According to Frost & Sullivan Report, for the year ended December 31, 2014, (i) in terms of production capacity in China, we were the third largest manufacturer of plate-type DeNOx catalysts with an approximately 17.5% market share; (ii) in terms of production volume in China, we were the fourth largest manufacturer of plate-type DeNOx catalysts with a production volume of 8,380 m³, accounting for an approximately 12.6% market share; and (iii) in terms of total revenue of the plate-type DeNOx catalysts in China, we were the fourth largest manufacturer of plate-type DeNOx catalysts with a sales revenue of RMB217.1 million, accounting for an approximately 15.0% market share. We have achieved a solid track record of consistent growth in revenue and net profit. For the years ended December 31, 2012, 2013 and 2014, we recorded a total revenue of RMB22.5 million, RMB126.9 million and RMB217.1 million, respectively, representing a CAGR of 210.6%. We recorded a total revenue of RMB57.1 million and RMB79.0 million for the four months ended April 30, 2014 and the four months ended April 30, 2015, respectively, representing an increase of 38.3%. We incurred a net loss of RMB1.4 million for the year ended December 31, 2012 due to the fact that we were in the early stage of our business and our net profit for the two years ended December 31, 2013 and 2014 were RMB32.7 million and RMB73.5 million, respectively. We incurred a net loss of RMB14.3 million for the four months ended April 30, 2015 primarily due to fair value loss of convertible redeemable preferred shares and share-based compensation expenses.

We are the first domestic manufacturer of plate-type DeNOx catalysts in China and the third manufacturer in the world according to Frost & Sullivan Report. We mainly serve China's coal-fired power generation industry, which is subject to NOx emission reduction requirements among the most stringent in the world, presenting significant growth opportunities for us. Honeycomb and plate-type DeNOx catalysts are the current mainstream types of catalysts being used in China. In terms of production volume in China in 2014, honeycomb DeNOx catalysts accounted for approximately 72.9% of the total market while plate-type DeNOx catalysts accounted for approximately 26.2% of the total market. The demand for honeycomb DeNOx catalysts for coal-fired power plants in China grew at a CAGR of approximately 53.9% from a volume of 20,600 m³ in 2009 to 177,900 m³ in 2014, and is expected to continue to increase at a CAGR of 3.4% from 2014 to 2019 to a volume of 210,700 m³. The demand for plate-type DeNOx catalysts for coal-fired power plants in China grew at a CAGR of approximately 76.3% from a volume of 4,400 m³ in 2009 to 75,000 m³ in 2014, and is expected to continue to increase at a CAGR of 18.0% from 2014 to 2019 to a volume of 171,400 m³. Compared to honeycomb DeNOx catalysts, plate-type DeNOx catalysts enjoy superior characteristics such as high wearability, high resistance to ash clogging and high resistance to poisoning. Plate-type DeNOx catalysts are believed to be better suited for the ash condition in the coal-fired power plants in China where coal with high ash content is commonly used. As a result, plate-type DeNOx catalysts are likely to become more popular in China in the future. Please refer to the section headed “Industry Overview” starting from page 59 of this prospectus for more details.

We sell our products under our brand, 迪諾斯, which is widely known within our industry. Certain key performance measures of our DeNOx catalyst products such as adhesion strength and abrasion

SUMMARY

resistance outperform industry average, according to Frost & Sullivan Report. Adhesion strength refers to adhesive capacity of the coating, containing the active ingredient, on the metal substrate by the brushing of dust-laden air. Typical adhesion strength of our products is nearly 0.2%, which is lower than industry average performance of 0.6%. The lower the number, the better is the adhesive ability of the active coating of catalysts. Abrasion resistance refers to the ratio between the percentage of weight loss of catalysts after wearing, and the consumed volume of abrasion agent. Typical abrasion resistance of our products is approximately 0.4 mg/100U, which is lower than the industry average performance of 0.5 mg/100U. The lower the number, the better is the resistance to abrasion of the catalysts. Leveraging our proprietary technologies and know-how, such as our database for customization of the catalyst formula and our degreasing and cleaning technology, we are able to ensure the stable quality of our products and have established our brand image as a leading and reliable supplier of plate-type DeNOx catalysts. Please refer to the section headed “Business — Production” starting from page 133 of this prospectus for more details.

We recorded steady growth in our gross profit margin, at 43.9%, 48.4% and 49.0%, respectively, for the years ended December 31, 2012, 2013 and 2014, and our gross profit margin in 2014 was substantially higher than the average industry gross profit margin of 43% in the same year, according to Frost & Sullivan Report. Our gross profit margin dropped to 38.2% for the four months ended April 30, 2015, as compared to that of 51.9% for the four months ended April 30, 2014, mainly due to recent decrease in market price of plate-type DeNOx catalysts. For more details, please refer to the section headed “Financial Information — Gross Profit and Gross Profit Margin”. Our investment in the production line was far beneath the industry average. Our self-developed production line saved us significant equipment cost and ongoing maintenance cost compared to our major competitors, who typically import entire production lines from overseas suppliers, the investment of which could reach RMB80.0 million for a production capacity of 10,000 m³, according to Frost & Sullivan Report. We also upgraded our core technologies of customization of catalyst formula through our research and development efforts, therefore significantly lowered our raw material costs without affecting our product quality. Please refer to the section headed “Business — Raw Materials and Procurement” starting from page 148 of this prospectus for more details. Benefited from the above advantages, our profitability can be ensured in case of price fluctuation. We have not patented our core technologies of customization of catalyst formula because registration application for patents would require the publication of such formula, which may inadvertently benefit our competitors and negatively affect our operations. We have entered into confidentiality agreements with our core personnel who have access to the formula to protect our know-how.

During the Track Record Period, we experienced a significant growth due to the implementation of the Emission Standard, which requires all coal-fired power plants to install DeNOx facilities by July 2014. As an increasing number of the power plants have completed the installation of the DeNOx facilities, our future growth will be dependent on the development and marketability of the DeNOx catalysts for diesel-powered vehicles and replenishment and regeneration services to coal-fired power plants.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success:

- Leading manufacturer of plate-type DeNOx catalysts in China with a first-mover advantage
- Proven research and development capability
- Provider of customized one-stop DeNOx solutions to meet diverse needs of customers

SUMMARY

- Ability to control cost effectively to realize attractive profitability
- Strong and diverse customer base
- An experienced and stable management team with in-depth understanding of the DeNOx industry

OUR BUSINESS STRATEGIES

- Further increase our market share in the coal-fired power generation industry
- Continue to expand and diversify the industry and geographical coverage of our customer base
- Extend our business to the manufacturing of DeNOx catalysts for diesel-powered vehicles and vessels
- Continue to enhance our research and development capabilities and to promote technological innovation and development in our businesses
- Continue to pursue value enhancing development and acquisition opportunities

OUR BUSINESS MODEL

We are primarily engaged in the design and development, manufacturing, sales and marketing of plate-type DeNOx catalysts. To maintain a cost-competitive operating structure and benefit from economies of scale, we have adopted a vertically integrated business model that gives us control over the production cycle, comprising product design and development, procurement of key components and raw materials, manufacturing, delivery, quality control, sales and marketing. Our product design and development is conducted interactively with our sales and marketing. We also provide value-added services such as product testing, technical consultation, analysis of DeNOx operating environment and periodic sampling to our clients. Please refer to the section headed “Business — Our Business Model” on page 123 of this prospectus for more details.

OUR PRODUCTION FACILITIES

Our production facilities are located in Gu’an, Hebei Province, with a GFA of approximately 9,087.1 sq.m. As of the Latest Practicable Date, we had two production lines under operation for the manufacturing of plate-type DeNOx catalysts. We historically had three production lines, and since January 2014, we have ceased the operation of No. 1 production line due to its relatively low production efficiency and low automation rate which resulted in increased labor costs. The key equipments used in our production process of plate-type DeNOx catalysts include degreasing cleaning machine (脫脂機), mixer (混煉機), coating line (成型線) and calcination furnace (焙燒爐). We have a maintenance plan for each of our key production equipment and conduct periodic maintenance. Frost & Sullivan estimates the demand for plate-type DeNOx catalysts to increase from 75,000 m³ in 2014 to 171,400 m³ in 2019, representing a CAGR of 18.0%. We plan to expand our production capacity in our Gu’an production base by replacing our No. 1 production line with an additional production line that is similar to our current No. 3

SUMMARY

production line. We expect to place the purchase orders to procure necessary machineries for the new production line in November 2015, and complete the replacement and commence production by the first quarter of 2016. Our estimated annual maximum production capacity of plate-type DeNOx catalysts will then increase from 24,000m³ to 36,000m³. The estimated investment in this production line amounts to RMB10.0 million, which will be financed by part of the proceeds from the Global Offering. Please refer to the section headed “Business — Production — Expansion Plan — Expansion of the Manufacturing of Plate-Type DeNOx Catalysts” on page 137 of this prospectus for more details.

The following table sets forth certain details of our production facilities:

Commencement Date	Annual Designed Capacity	For the year ended December 31,									For the four months ended April 30,			
		2012			2013			2014			2015			
		Annual Production Capacity	Actual Production Volume	Utilization Rate	Annual Production Capacity	Actual Production Volume	Utilization Rate	Annual Production Capacity	Actual Production Volume	Utilization Rate	Annual Production Capacity	Actual Production Volume	Utilization Rate	
	(m ³)	(m ³)	(%)	(m ³)	(m ³)	(%)	(m ³)	(m ³)	(%)	(m ³)	(m ³)	(%)		
No. 1 production line	November 2011	5,200	5,200	2,492	48	5,200	1,601	31	N/A	N/A	N/A	N/A	N/A	N/A
No. 2 production line	December 2012	12,000	1,100	232	21	12,000	8,022	67	12,000	8,030	67	4,000	1,207	30
No. 3 production line	November 2014	12,000	N/A	N/A	N/A	N/A	N/A	N/A	2,000	350	18	4,000	534	13
Total			<u>6,300</u>	<u>2,724</u>	<u>43</u>	<u>17,200</u>	<u>9,623</u>	<u>56</u>	<u>14,000</u>	<u>8,380</u>	<u>60</u>	<u>8,000</u>	<u>1,741</u>	<u>22</u>

For detailed information, please refer to the section headed “Business — Production — Production Facilities and Capacity” on page 135 of this prospectus.

We also plan to broaden our DeNOx catalysts product portfolio and expand our business into diesel-powered vehicles industry in China. We expect to construct a production facility for DeNOx catalysts for diesel-powered vehicles in Gu’an Industrial Park in Hebei Province. The development of DeNOx catalysts for diesel-powered vehicles will be conducted in two phases, the first of which has been commenced in July 2015 and the second of which is planned to commence in 2017. In the first phase, we have commenced testing production of such products in July 2015. We have sent the samples for internal review in September 2015, and expect to commence independent examination in November 2015, and commence commercial production in October 2016, respectively. Please refer to the section headed “Business — Production — Expansion Plan — Development of DeNOx Catalysts for Diesel-Powered Vehicles” starting from page 137 of this prospectus for more details.

OUR PRODUCTS

We design, develop and manufacture plate-type DeNOx catalysts mainly for China’s coal-fired power generation industry. DeNOx catalyst is the core material used in the SCR process for NOx removal, which converts NOx gases into pollution-free nitrogen gas and water. A plate-type DeNOx catalyst uses stainless steel mesh as the skeleton, the surfaces of which are coated with the active catalyst material, which are then packaged together to form the DeNOx catalyst product. We typically sell our finished products in modules, which usually consist of 16 units of plate-type DeNOx catalysts. The volume of our plate-type DeNOx catalysts is measured in cubic meters of the finished products. We offer a comprehensive portfolio of 28 major products with a height ranging from 425 mm to 810 mm, a broader range compared to the products offered by our peers, according to Frost & Sullivan Report. The sales volume of our products during the Track Record Period were 898 m³, 5,237 m³, 8,613 m³ and 3,517 m³, respectively. The average selling price per m³ of our plate-type DeNOx catalysts in the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015 was RMB23,963,

SUMMARY

RMB24,226, RMB25,080 and RMB22,450, respectively. Please refer to the section headed “Business — Our Products” starting from page 124 of this prospectus for more details.

OUR CUSTOMERS

During the Track Record Period, our customers include major coal-fired power plants, EPC service providers, boiler manufacturers and customers in other industries such as petroleum, petrochemical and metallurgical industries in China. During the Track Record Period, our sales to customers in the coal-fired power generation industry accounted for more than 95% of our total revenue based on our internal records. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015, sales to our five largest customers accounted for 100.0%, 98.9%, 77.1% and 85.9% of our revenue, respectively, and sales to our largest customer accounted for 95.7%, 28.4%, 25.7% and 24.3% of our total revenue, respectively. The number of our customers steadily increased from two in 2012, to seven in 2013 and to 11 in 2014. We had seven customers for the four months ended April 30, 2015. We have also provided products to customers in Germany and Italy in 2013, which accounted for 0.6% of our sales in 2013. Please refer to the section headed “Business — Customers” starting from page 146 of this prospectus for more details.

OUR SUPPLIERS

Our raw materials for plate-type DeNO_x catalyst production primarily consist of stainless steel mesh, TiO₂ and AHM and we typically procure raw materials from suppliers in China. These raw materials are generally available from multiple sources in sufficient quantities to meet our needs except stainless steel mesh. We only procure stainless steel mesh from one designated supplier which can meet our quality requirements. We have established stable relationships with our suppliers. We entered into an exclusive long-term supply agreement for a term of five years until December 31, 2020 with our supplier of stainless steel mesh so that we can secure the stable supply with a competitive price, therefore lowering our cost. We reserve the right to seek alternative sources if necessary. Ms. Zhao Lu, the cousin of Ms. Zhao Shu, our executive Director and the Controlling Shareholder, previously held 40% of the equity interest in our stainless steel mesh supplier from July 19, 2013 to June 17, 2014, which she subsequently disposed of to an independent third party (the “**Subsequent Shareholder**”) due to her personal investment decision. During the time when Ms. Zhao Lu was a shareholder of our stainless steel mesh supplier, she was not involved in the management or operation of the stainless steel mesh supplier. To the best of our Directors’ knowledge, there was no material change in the management structure nor any material change in the terms of the supply agreement with our stainless steel mesh supplier during the Track Record Period, and the Subsequent Shareholder did not and does not have any other past or present relationship, business or otherwise (other than being a shareholder of our stainless steel mesh supplier), with us, our connected persons or close associates. Our Directors are of the view that the change in the shareholding structure of our stainless steel mesh supplier on June 17, 2014 did not cause any material change in the purchase price of the stainless steel mesh nor would have a material adverse impact on the stability and quality of the supply from the stainless steel mesh supplier for the following reasons: (i) both the controlling shareholder and the core management team of such supplier remained stable since our inception, (ii) there was no material delay or disruption in the supply of stainless steel mesh to us by the supplier during the Track Record Period despite the change of shareholding structure; and (iii) the terms of our supply agreements are negotiated on an arm length basis with reference to the prevailing market conditions. Based on the above, the Joint Sponsors concur with our Directors’ view. Any material change in the shareholding structure, management structure or the terms of the supply agreement with our stainless steel mesh supplier may pose certain risks for our operation. Please refer to the section headed “Risk Factors — Risks Related to Our Business — The change in shareholding structure of our stainless steel mesh supplier, any material change in the management structure or the terms of the supply agreement with our stainless steel mesh supplier may adversely impact our business operations” for more details. The current agreements with our major suppliers of TiO₂ and AHM are

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without a fixed term, and these agreements provide us with a price adjustment mechanism based on market price fluctuation and a credit limit. Such agreements help us secure a stable supply of high-quality raw materials. Please refer to the section headed “Business — Raw Materials and Procurement” starting from page 148 of this prospectus for more details.

OUR RESEARCH AND DEVELOPMENT

Our core technologies have been recognized as internationally leading by China Machinery Industry Federation (中國機械工業聯合會) in April 2012. We conducted our research and development activities on customization of our catalyst formula, upgrading of our production equipment and optimization of our production process and technique. We aim to focus our research and development activities on the following areas: (i) expanding the application of our products through upgrades of our technology; (ii) developing the technology for regeneration of DeNOx catalyst; (iii) developing the technology of disposal of DeNOx catalyst; and (iv) promoting the development of DeNOx catalyst used on diesel-powered vessels. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015, our research and development expenses were RMB1.2 million, RMB2.3 million, RMB1.4 million and RMB0.3 million, respectively. Please refer to the section headed “Business — Research and Development” starting from page 154 of this prospectus for more details.

SUMMARY FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as of and for the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015. We have derived the summary from our consolidated financial information set forth in the Accountant’s Report in Appendix I to this prospectus. The below summary should be read together with the consolidated financial information in Appendix I to this prospectus, including the accompany notes and the information set forth in the section headed “Financial Information” starting from page 191 of this prospectus. Our consolidated financial information was prepared in accordance with IFRS.

Consolidated Statements of Comprehensive Income

	For the years ended December 31,			For the four months ended April 30,	
	2012	2013	2014	2014	2015
	(RMB in thousands)			(unaudited)	
Revenue	22,475	126,872	217,142	57,074	78,961
Cost of sales	(12,605)	(65,448)	(110,729)	(27,425)	(48,818)
Gross profit	9,870	61,424	106,413	29,649	30,143
(Loss)/profit before income tax	(1,773)	38,721	86,152	25,094	(10,284)
Profit/(loss) for the year, all attributable to owners of the Company	(1,378)	32,708	73,535	21,505	(14,317)
Other Financial Measures					
Adjusted net (loss)/profit ⁽¹⁾ (unaudited)	(1,378)	32,708	73,535	21,505	7,776

Note:

(1) We define adjusted net profit/(loss) excluding share-based compensation expenses, fair value change of convertible redeemable preferred shares. Adjusted net profit/(loss) eliminates the effect of non-cash share-based compensation expenses and non-cash fair value change of convertible redeemable preferred shares which have been and may continue to be recurring factors in our business. The use of adjusted net profit/(loss) has material limitations as an analytical tool, as adjusted net profit/(loss) does not include all items that impact our net loss or profit for the year/period.

SUMMARY

During the Track Record Period, we derived our revenue primarily from sales of plate-type DeNOx catalysts in the PRC. Our revenue represents the amount received or receivable from sales of plate-type DeNOx catalysts, net of sales related taxes. We also generated a small portion of revenue from providing environmental protection consulting services upon the request of our clients. For the years ended December 31, 2012, 2013 and 2014, we recorded a total revenue of RMB22.5 million, RMB126.9 million, and RMB217.1 million, respectively, representing a CAGR of 210.6%. For the four months ended April 30, 2014 and the four months ended April 30, 2015, we recorded a total revenue of RMB57.1 million and RMB79.0 million, respectively, representing an increase of 38.3%.

Consolidated Balance Sheets

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	(RMB in thousands)			
Non-current assets	64,256	71,616	67,690	66,704
Current assets	36,432	146,848	175,877	259,460
Equity attributable to owners of the Company	36,266	68,974	80,734	101,520
Non-current liabilities	-	-	1,900	155,311
Current liabilities	64,422	149,490	160,933	69,333
Total assets less current liabilities	36,266	68,974	82,634	256,831

We had net current liabilities of RMB28.0 million and RMB2.6 million as of December 31, 2012 and 2013, respectively, and net current assets of RMB14.9 million and RMB190.1 million as of December 31, 2014 and April 30, 2015, respectively. We had net current assets of approximately RMB193.6 million as of August 31, 2015, being the latest practicable date for liquidity disclosure purposes. Please refer to the section headed “Financial Information” starting from page 191 of this prospectus for more details.

Consolidated Statements of Cash Flows

	Year ended December 31,			Four months ended	
	2012	2013	2014	April 30,	2015
	(unaudited)				
	(RMB in thousands)				
Net cash generated from/(used in) operating activities	12,896	46,951	29,316	(1,043)	(19,304)
Net cash (used in)/generated from investing activities	(23,934)	(14,100)	(1,340)	2,335	1,637
Net cash generated from/(used in) financing activities	11,830	(17,005)	(801)	(793)	102,895
Net increase in cash and cash equivalents	792	15,846	27,175	499	85,228
Cash and cash equivalents at end of year/period	2,312	18,158	45,333	18,657	130,243

Please refer to the section headed “Financial Information — Liquidity and Capital Resources — Cash Flow — Cash Flows from Operating Activities” on page 222 of this prospectus for more details on net operating cash outflow for the four months ended April 30, 2015.

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Key Financial Ratios

	As of or for the year ended December 31,			As of or for the
	2012	2013	2014	four months ended April 30, 2015
Current ratio (times)	0.6	1.0	1.1	3.7
Quick ratio (times)	0.2	0.3	0.5	2.8
Gross profit margin (%)	43.9	48.4	49.0	38.2
Net profit margin (%)	N/A ⁽¹⁾	25.8	33.9	N/A ⁽²⁾
Return on equity (%)	N/A ⁽¹⁾	62.2	98.2	N/A ⁽²⁾
Return on total assets (%)	N/A ⁽¹⁾	20.5	31.8	N/A ⁽²⁾

Notes:

(1) We recorded a loss of RMB1.4 million in 2012 primarily because we were in the early stage of our business.

(2) We recorded a loss of RMB14.3 million for the four months ended April 30, 2015 primarily due to the fair value loss of convertible redeemable preferred shares and share-based compensation expenses.

For the discussion on our key financial ratios, please refer to the section headed “Financial Information — Key Financial Ratios” starting from page 228 of this prospectus.

OUR CONTROLLING SHAREHOLDER

Immediately upon completion of the Capitalization Issue and the Global Offering, Ms. Zhao Shu will own, and will via Advant Performance indirectly and beneficially own, in total 32.9% of the issued share capital of our Company taking no account of the Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme, and hence Ms. Zhao Shu and Advant Performance are our Controlling Shareholders.

As of the Latest Practicable Date, none of our Controlling Shareholders was interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favor of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses. Please refer to the section headed “Relationship with Controlling Shareholders” starting from page 166 of this prospectus for more details.

PRE-IPO INVESTMENTS

There have been two rounds of Pre-IPO Investments in our Company. The first round of Pre-IPO Investments was undertaken by the Series A Investors and was completed in February 2015. The second round of Pre-IPO Investments was undertaken by the Second Round Pre-IPO Investors with their respective investment completed in March 2015.

The Group entered into the Series A Preferred Share Purchase Agreement on January 29, 2015 with the BVI Holding Companies, the BVI Original Shareholders and the Series A Investors. Pursuant to the Series A Preferred Share Purchase Agreement, the Series A Investors, subject to certain conditions including but not limited to the Repurchase and the entering into the shareholders’ agreement among the

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Group, the Series A Investors, the BVI Holding Companies and the BVI Original Shareholders, agreed to subscribe for a total number of 1,146,002 Series A Preferred Shares for an aggregate consideration of US\$23,150,000. Upon completion of the Series A Preferred Share Purchase Agreement, Kickstart and Sea of Wealth held 742,550 Series A Preferred Shares and 403,452 Series A Preferred Shares, respectively. Information on the premium to the Offer Price in respect of the Pre-IPO Investments by the Series A Investors is set out in the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments — Principal Terms of the Pre-IPO Investments by the Series A Investors”.

On March 9, 2015, Gold Rise Asia transferred 274,029 Ordinary Shares to Mr. Dai Fan at a consideration of approximately US\$4.7 million, which was based on the arms’ length negotiation between Gold Rise Asia and Mr. Dai Fan, after taking into account the initial investment costs of Gold Rise Asia and settled on March 19, 2015.

On March 9, 2015, Zymmetry transferred 140,029 Ordinary Shares to Mr. Chan Siuming at a consideration of US\$2.4 million, which was based on the arms’ length negotiation between Zymmetry and Mr. Chan Siuming, after taking into account the initial investment costs of Zymmetry and settled on March 27, 2015.

On March 9, 2015, Gold Rise Asia transferred 134,000 Ordinary Shares to Agile Partners at a consideration of approximately US\$2.3 million, which was based on the arms’ length negotiation between Gold Rise Asia and Agile Partners, after taking into account the initial investment costs of Gold Rise Asia and settled on March 19, 2015. Information on the discounts to the Offer Price in respect of the Pre-IPO Investments by the Second Round Pre-IPO Investors is set out in the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments — Principal Terms of the Pre-IPO Investments by the Second Round Pre-IPO Investors”.

Upon completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option is not exercised), each of Kickstart, Sea of Wealth, Mr. Dai Fan, Mr. Chan Siuming and Agile Partners was interested in 8.0%, 4.3%, 3.0%, 1.5% and 1.5% of the issued share capital of our Company.

GLOBAL OFFERING STATISTICS

Offer size:	Initially 25% of the enlarged share capital of our Company (subject to the Over-allotment Option)
Offering structure:	Initially 10% for Hong Kong Public Offering (subject to adjustment) and 90% for International Offering (subject to adjustment and the Over-allotment Option)
Over-allotment Option:	Up to 15% of the number of Offer Shares initially available under the Global Offering
Offer Price Per Share:	HK\$2.10 to HK\$2.90 per Offer Share

We have prepared the following offer statistics based on the Offer Prices without taking into account any discretionary incentive fees. We have also assumed no exercise of the Over-allotment Option.

	Based on Offer Price per Share of HK\$2.10	Based on Offer Price per Share of HK\$2.90
Market capitalization of our Shares ⁽¹⁾	HK\$1,050 million	HK\$1,450 million
Unaudited <i>pro forma</i> adjusted net tangible asset value per Ordinary Share ⁽²⁾	HK\$1.06	HK\$1.25

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Notes:

- (1) *The calculation of market capitalization of our Shares is based on the indicative Offer Price range of HK\$2.10 to HK\$2.90 per Offer Share and a total of 125,000,000 Shares in issue immediately after completion of the Capitalization Issue and the Share Offer but without taking into account Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or any share which may be granted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus.*
- (2) *The unaudited pro forma adjusted net tangible assets of our Group per Share has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for more details.*

DIVIDEND POLICY

We have not formulated any dividend policy and do not have any predetermined dividend payout ratio. The determination to pay dividends will be made at the discretion of the Board. The declaration, payment and amount of any future dividends will depend on our financial condition, results of operation, level of cash, statutory and regulatory restrictions in relation thereto, future prospects, and other factors that our Directors may consider relevant. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of its plans or at all. Please refer to the section headed “Financial Information — Dividends and Dividend Policy” on page 232 of this prospectus for more details.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission and fees incurred in connection with the Listing and the Global Offering. Listing expenses to be borne by us are estimated to be approximately RMB41.2 million (assuming an Offer Price of HK\$2.50, being the mid-point of the Offer Price range, the Over-allotment Option is not exercised and without taking into account any discretionary incentive fees). As of April 30, 2015, we have incurred listing expenses of RMB12.0 million for the Global Offering, which has been charged to our consolidated income statements. We expect to incur an additional listing expenses of RMB29.2 million until the completion of the Global Offering, of which RMB14.3 million is expected to be charged to our income statement for the year ending December 31, 2015 and RMB14.9 million is expected to be recognized as a deduction in equity directly. We expect these expenses to have a material adverse impact on our results of operation in 2015. Please refer to the section headed “Financial Information — Listing Expenses” on page 234 of this prospectus for more details.

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds of the Global Offering we expect to receive from the Global Offering (after deduction of underwriting commissions and estimated expenses payable by us in relation to the Global Offering and without taking into account any discretionary incentive fees) are estimated to be approximately HK\$262.4 million, assuming the Over-allotment Option is not exercised and an Offer Price of HK\$2.50 per Share, being the mid-point of the Offer Price range.

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We presently plan to use the net proceeds from the Global Offering as follows:

<u>Approximate amount of net proceeds</u>	<u>Intended use of proceeds</u>
46% or approximately HK\$120.7 million	: the development of production of DeNOx catalysts for diesel-powered vehicles
27% or approximately HK\$70.9 million	: acquisition of potential target companies in our industry that can help to expand our market coverage or key raw material suppliers. We have not identified any potential target as of the Latest Practicable Date
10% or approximately HK\$26.2 million	: the research and development
4% or approximately HK\$10.5 million	: the expansion of our sales network and establishment of our regional sales offices in China and in Europe
3% or approximately HK\$7.9 million	: the replacement of our No. 1 production line
10% or approximately HK\$26.2 million	: working capital and general corporate purposes

Please refer to the section headed “Future Plans and Use of Proceeds — Use of Proceeds” starting from page 236 of this prospectus for more details.

RISK FACTORS

We believe a few of the more significant risks relating to our business include:

- A significant proportion of our revenue is derived from our major customer;
- Our future growth will be highly dependent on the development and marketability of the DeNOx catalysts for diesel-powered vehicles and replenishment and regeneration services to coal-fired power plants;
- We may not be able to successfully expand our customer base and develop new products and services;
- We have a limited operating history;
- The average selling price of plate-type DeNOx catalysts has been decreasing since December 2014;
- Our Company’s sales are project-based and may be non-recurring;
- We will expand our business and our historical results of operations may not be indicative of our future performance.

Please refer to the section headed “Risk Factors” starting from page 27 of this prospectus for more details of the risk factors affecting our operation and the Global Offering. You should read the whole “Risk Factors” section carefully before you decide to invest in the Offer Shares.

NON-COMPLIANCE

Historically, we failed to comply with certain applicable laws and regulations, including the failure to fully contribute to social insurance funds or housing provident funds, and failure to obtain the property ownership certificate in time. Our Directors believe that such non-compliances will not have any material operational or financial impact on us. In order to ensure future compliance with applicable laws and regulations and related policies in different aspects of operations, we have adopted or will adopt a

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number of remedial actions. Please refer to the section headed “Business — Regulatory Compliance and Legal Proceedings — Non-Compliance” starting from page 161 of this prospectus for more details.

RECENT DEVELOPMENT

Our business model has remained largely unchanged since April 30, 2015. For the six months ended June 30, 2015, we recorded an increase in sales volume as compared to that in the six months ended June 30, 2014. According to Frost & Sullivan Report, the market price of plate-type DeNOx catalysts per m³ in China has dropped significantly since December 31, 2014 and rebounded recently. The market price decreased from RMB22,100 per m³ in 2014 to RMB15,000 per m³ in June 2015, representing a decrease of 32.1%, mainly due to intensified market competition as a result of the price reduction measures initiated by some of the plate-type DeNOx catalyst suppliers. In response to the competition and to gain our market share, we have lowered our contract price and the average contract price for sales to our customers in China and/or overseas was approximately RMB15,203 per m³ (excluding VAT) on average since 2015 and up to the Latest Practicable Date. Moreover, it is noted that the recent market price of plate-type DeNOx catalysts starts to rebound after market consolidation, which resulted from the merger and acquisition of market players under price competition. Our average contract price from June 2015 to the Latest Practicable Date in China and/or overseas rose to approximately RMB17,008 per m³ (excluding VAT) which was also in line with such market trend. We expect the lowered contract price to have a negative impact on our gross profit margin and net profit margin in the second half of 2015 when products begin to be delivered to our customers and revenue recognized thereafter. As a result, it is expected that the gross profit margin for the year ending December 31, 2015 will remain stable as compared to that of approximately 38% for the four months ended April 30, 2015 but it showed a drop as compared to that of 49% for the year ended December 31, 2014. Save for the disclosure above, there has not been, as far as we are aware, any material change in the general economic and market conditions in China or the industry in which we operate that had a material and adverse impact on our business operations and financial condition since April 30, 2015 and up to the Latest Practicable Date.

We believe that we will be able to maintain our leading position in the plate-type DeNOx catalyst market. In addition to providing first-time installation services, which historically constituted the majority of our services, we have started to provide replenishment services to our existing and new customers as well. We have also introduced potential customers to plate-type DeNOx catalysts to replenish their originally installed honeycomb DeNOx catalysts. We have completed four replenishment projects and have four replenishment projects in progress up to the Latest Practicable Date. We expect to strengthen our penetration in the replenishment market in the near future. We do not expect any material impact on our gross profit margin as a result of the expected shift from first-time installation services to replenishment services primarily because the pricing and profitability of replenishment services are anticipated to remain close to that of first-time installation of the plate-type DeNOx catalysts. Moreover, while many participants in the industry typically procure from overseas markets, the cost of which is subject to and may be impacted by foreign currency exchange fluctuations, our production costs remain stable as we procure substantially all of our raw materials from domestic suppliers. We are committed to offering quality products at competitive prices by enhancing our cooperation with our stainless steel mesh supplier. We are also developing DeNOx catalysts in coating technology for diesel-powered vehicles and exploring this market. We have visited a number of manufacturers of diesel engines and authoritative examination institutions of DeNOx catalysts for diesel-powered vehicles with a view to further understanding the market and establishing business relationships with them. We expect such business relationships will not only provide us with direct sales channels but also first mover advantage in capturing future business opportunities. We have initiated our testing production in July 2015 and plan to deliver our test products to an independent third-party institution for performance examination in November 2015. We have also entered into a memorandum of cooperation with a company in Chongqing in August 2015, pursuant to which we would become one of its qualified suppliers of DeNOx catalysts for diesel-powered vehicles as soon as our catalyst products pass an independent third-party

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examination, which is expected to commence in November 2015. The company in Chongqing is 60% owned by one of the authoritative examination institutions and is primarily engaged in the research and development, production, sales and technical services provision of vehicle exhaust purification systems in China.

There have been two rounds of Pre-IPO Investments in our Company. Please refer to the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments” in this prospectus for more details. We designated the Series A Preferred Shares as financial liabilities at fair value through profit or loss and the fair value changes after the issuance of the Series A Preferred Shares will be recognized as fair value gain/(loss) of convertible redeemable preferred shares in the consolidated income statement. Based on the mid-point of the indicative Offer Price range, the Company expects to record a fair value gain of approximately RMB20.0 million upon conversion of the Series A Preferred Shares to Ordinary Shares at the time of the Listing. We expect to realize fair value losses which may have a significant negative impact on our results for the year ending December 31, 2015 if the Offer Price is fixed at a price higher than the carrying amount of the Series A Preferred Shares on the investment date. It is expected that the decrease in the market price of plate-type DeNOx catalysts, the share-based compensation to two existing Directors pursuant to the Repurchase and the one-off listing expenses will also have a negative impact on our results for the year ending December 31, 2015. Excluding the fair value losses, if any, share-based compensation and the one-off listing expenses, we believe our adjusted results for the year ending December 31, 2015 will remain stable.

Save for the above, our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since April 30, 2015, being the date to which our latest audited consolidated financial statements have been prepared, and there has been no event since April 30, 2015 which would materially affect the information shown in the Accountant’s Report set out in Appendix I to this prospectus.

DEFINITIONS

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

“Advant Performance”	Advant Performance Limited, a company incorporated under the laws of the BVI with limited liability on October 21, 2014 and is wholly owned by Ms. Zhao Shu, an executive Director and a Controlling Shareholder, and a connected person of our Company
“Agile Partners”	Agile Partners Ltd, a company with limited liability incorporated under the laws of BVI on October 25, 2006, and is wholly owned by Mr. Teo Kean Eek, and an Independent Third Party
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
“Articles of Association” or “Articles”	the articles of association of the Company, conditionally adopted on October 14, 2015 to take effect upon Listing and as amended from time to time, a summary of which is contained in “Appendix III — Summary of the Constitution of the Company and Cayman Company Law” to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“average contract price”	the average contract price as set out in contracts entered into and/or to be entered into with our customers after winning the public biddings
“Beijing Denox”	Beijing Denox Environmental & Technology Co., Ltd. (北京迪諾斯環保科技有限公司), a company established under the laws of the PRC with limited liability on September 30, 2010 and an indirect wholly owned subsidiary of our Company
“Board”	the board of Directors of the Company
“Business Day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong and any day on which tropical cyclone warning no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are open for general commercial business
“BVI”	the British Virgin Islands
“BVI Denox”	Denox Investments Holdings Limited, a company incorporated under the laws of the BVI with limited liability on November 12, 2014 and a direct wholly owned subsidiary of our Company
“BVI Holding Companies”	Advant Performance, EEC Technology, Global Reward, Gold Rise Asia, Reach Dynamic, Win Brilliant, Fine Treasure, Elite Venture and Zymmetry
“BVI Original Shareholders”	Ms. Zhao Shu, Mr. Li Xingwu, Mr. Kong Hongjun, Mr. Lin Mingwang, Ms. Xu Han, Ms. Mou Peiyao, Mr. Li Ke, Mr. Liu Lianchao and Mr. Toe
“BVI Zymmetry”	Gold Future Investment Limited (formerly known as Denox Holdings Limited), a company with limited liability incorporated

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	under the laws of BVI on May 15, 2014, and is indirect wholly owned by Zymmetry and an Independent Third Party
“CAGR”	compound annual growth rate
“Capitalization Issue”	the issue of Shares to be made upon capitalization of the share premium account of our Company as referred to in the section entitled “Statutory and General Information — A. Further information about our Group — 3. Resolutions in writing of our Shareholders passed on October 14, 2015” in Appendix IV to this prospectus
“Cayman Zymmetry”	Top Rich Investment Limited (formerly known as China Denox Environmental & Technology Ltd), a company with limited liability incorporated under the laws of Cayman Islands on May 14, 2014, and is wholly owned by Zymmetry and an Independent Third Party
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“China” or the “PRC”	the People’s Republic of China and, except where the context otherwise requires and only for the purpose of this prospectus, references in this prospectus to China or the PRC exclude Hong Kong, Macau and Taiwan
“Chinese Government” or “PRC Government”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

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“Company”	Denox Environmental & Technology Holdings Limited (迪諾斯環保科技控股有限公司), an exempted company incorporated under the laws of Cayman Islands with limited liability on November 7, 2014
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, means Ms. Zhao Shu and Advant Performance
“CSRC”	China Securities Regulatory Commission (中華人民共和國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“Deed of Non-competition”	the deed of non-competition dated October 25, 2015 given by each of the Controlling Shareholders in favor of our Company
“Director(s)”	the director(s) of our Company as of the date of this prospectus
“Dr. Pley”	Dr. Martin Pley, our external consultant, who owns Dr Pley UG, Dr Pley Engineering & Consulting (Bucharest) SRL and Dr Pley Environmental GmbH
“EEC Technology”	EEC Technology Limited, a company incorporated under the laws of the BVI with limited liability on November 6, 2014 and is wholly owned by Mr. Li Xingwu, a non-executive Director, the substantial Shareholder and a connected person of our Company
“Elite Venture”	Elite Venture Enterprises Limited, a company incorporated under the laws of the BVI with limited liability on July 1, 2014 and is wholly owned by Mr. Liu Lianchao, a former Director and a connected person of our Company
“Emission Standard”	the Emission Standard of Air Pollutants for Thermal Power Plants (《火電廠大氣污染物排放標準》) issued in July 2011 jointly by Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) and General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局), and effective on January 1, 2012
“EPC”	Engineering, Procurement and Construction, a common form of contracting arrangement in the construction industry
“EUR”	the Euro, the lawful currency of the member states of the European Union that have adopted the single currency of the Economic and Monetary Union of the European Union
“Fine Treasure”	Fine Treasure Asia Holdings Limited, a company incorporated under the laws of the BVI with limited liability on November 6, 2014 and is wholly owned by Mr. Li Ke, the executive Director and a connected person of our Company

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“Five Largest Chinese Power Generation Groups”	China Huaneng Group (中國華能集團公司), China Datang Corporation (中國大唐集團公司), China Huadian Corporation (中國華電集團公司), China Guodian Corporation (中國國電集團公司) and China Power Investment Corporation (中國電力投資集團公司)
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
“Frost & Sullivan Report”	an independent market research report commissioned by our Company on the China denitrification industry and denitrification catalysts market and prepared by Frost & Sullivan
“GDP”	gross domestic product (all references to GDP growth rates are to real as opposed to nominal rates of GDP growth)
“GFA”	gross floor area
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Global Reward”	Global Reward Holdings Limited, a company incorporated under the laws of the BVI with limited liability on October 21, 2014 and is wholly owned by Mr. Kong Hongjun, the executive Director and a connected person of our Company
“Gold Rise Asia”	Gold Rise Asia Limited, a company incorporated under the laws of the BVI with limited liability on October 21, 2014 and is wholly owned by Mr. Lin Mingwang, an Independent Third Party
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company
“Gu’an Denox”	Gu’an Denox Environmental Equipment Manufacturing Co., Ltd. (固安迪諾斯環保設備製造有限公司), a company established under the laws of the PRC with limited liability on August 27, 2010 and an indirect wholly owned subsidiary of our Company
“HK Denox”	Denox Environmental & Technology (HK) Investments Co., Limited (香港迪諾斯環保科技投資有限公司), a company incorporated under the laws of Hong Kong with limited liability on November 21, 2014 and an indirect wholly owned subsidiary of our Company
“HK\$” or “Hong Kong dollars” or “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the HK eIPO White Form Service Provider
“ HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website www.hkeipo.hk
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited

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“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“HK Zymmetry”	Value Plus Investment Limited (formerly known as Denox Environmental & Technology (HK) Co., Limited (香港迪諾斯環保科技有限公司)), a company with limited liability incorporated under the laws of Hong Kong on May 27, 2014, and is indirect wholly owned by Zymmetry and an Independent Third Party
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 12,500,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong at the Offer Price, subject to and in accordance with the terms and conditions set out in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated October 29, 2015 relating to the Hong Kong Public Offering entered into by, among other parties, our Company, the Joint Global Coordinators and the Hong Kong Underwriters
“IFRS”	International Financial Reporting Standards, as issued by the International Accounting Standards Board
“Independent Third Party(ies)”	an individual or a company which is not connected (as defined in the Listing Rules) to our Directors, substantial shareholders or chief executive of our Company or our subsidiaries and their respective associates
“International Offering”	the offer of the International Offer Shares at the Offer Price outside the United States in reliance on Regulation S, as further described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Offer Shares”	the 112,500,000 Shares being initially offered by our Company for subscription under the International Offering, together, where relevant, with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Underwriters”	the underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering

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“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering to be entered into by, among other parties, our Company, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date
“Joint Bookrunners,” “Joint Global Coordinators” or “Joint Lead Managers”	CCB International Capital Limited and China Merchants Securities (HK) Co., Limited
“Joint Sponsors”	China Merchants Securities (HK) Co., Limited and CCB International Capital Limited
“Kickstart”	Kickstart Holdings Limited, a company with limited liability incorporated under the laws of BVI on January 5, 2015, and is wholly owned by Spring Capital Asia Fund L.P., and an Independent Third Party
“Latest Practicable Date”	October 21, 2015, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Listing”	the listing of our Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date expected to be on or about November 12, 2015, on which the Company’s Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, amended or otherwise modified from time to time
“Ministry of Finance” or “MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Chen”	Mr. Chen Qizhao (陳其照), the son of Ms. Zhao Shu, the executive Director and the Controlling Shareholder, a connected person of our Company
“Mr. Toe”	Mr. Toe Teow Heng, an Independent Third Party, who owns Zymmetry
“National III Standard”/“National IV Standard”/“National V Standard”	China’s national emission standards that defined the acceptable limits for exhaust emissions of vehicles sold in China. National III Standard, National IV Standard and National V Standard refer to

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	the third, fourth and fifth stage of the emission standard, respectively
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of not more than HK\$2.90 and expected to be not less than HK\$2.10, such price to be agreed upon by us and the Joint Global Coordinators (on behalf of the Underwriters) on or before the Price Determination Date
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares
“Ordinary Share(s)”	ordinary share(s) with nominal value of US\$0.01 each in the share capital of the Company
“Over-allotment Option”	the option to be granted by us to and exercisable by the Joint Global Coordinators, pursuant to which we may be required to allot and issue up to an aggregate of 18,750,000 additional Shares (representing 15% of our Shares initially being offered under the Global Offering) to cover over-allocations in the International Offering, details of which are described in the section headed “Underwriting — Over-allotment Option” in this prospectus
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as enacted by the Standing Committee of the Eighth National People’s Congress on December 29, 1993 and effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
“PRC EIT Law”	the PRC Enterprise Income Tax Law passed by the National People’s Congress of the PRC on March 16, 2007 and taking effect on January 1, 2008
“Pre-IPO Investments”	collectively, the pre-IPO investments in the Company undertaken by the Series A Investors pursuant to the Series A Preferred Share Purchase Agreement and the pre-IPO investments undertaken by the Second Round Pre-IPO Investors, details of which are set out in the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments”
“Price Determination Date”	the date, expected to be on or about November 4, 2015, on which the Offer Price is to be fixed by agreement between us and the Joint Global Coordinators (on behalf of the Underwriters)
“Reach Dynamic”	Reach Dynamic Holdings Limited, a company incorporated under the laws of the BVI with limited liability on November 6, 2014 and is wholly owned by Ms. Xu Han, a former Director and a connected person of our Company

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“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the reorganization arrangements undergone in preparation for the listing of Shares on the Stock Exchange as described in the sections headed “History, Reorganization and Corporate Structure” in this prospectus
“Repurchase”	the repurchase of 138,889 Ordinary Shares and 138,889 Ordinary Shares from Advant Performance and EEC Technology by our Company at a consideration of US\$3.075 million and US\$3.075 million on February 9, 2015
“Repurchase Consideration”	consideration for the Repurchase
“Repurchased Shares”	277,778 Ordinary Shares being repurchased by our Company pursuant to the Repurchase
“RMB” or “Renminbi”	the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Sea of Wealth”	Sea of Wealth International Investment Company Limited, a company with limited liability incorporated under the laws of BVI on November 15, 2011, and is wholly owned by China Yongda Automobiles Services Holdings Limited (Stock Code: 3669), the shares of which are listed on the Stock Exchange, and an Independent Third Party
“Second Round Pre-IPO Investors”	Mr. Dai Fan, Mr. Chan Siuming and Agile Partners, each of which is an Independent Third Party
“Series A Investors”	Kickstart and Sea of Wealth
“Series A Preferred Share Purchase Agreement”	the series A preferred share purchase agreement dated January 29, 2015 entered into by and among the Company and its subsidiaries, the Series A Investors, the BVI Holding Companies and the BVI Original Shareholders
“Series A Preferred Share(s)”	the series A preferred share(s) with nominal value of US\$0.01 issued by the Company to the Series A Investors pursuant to the Series A Preferred Share Purchase Agreement
“SFC”	the Securities and Futures Commission of Hong Kong (香港證券及期貨事務監察委員會)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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“Share(s)”	Ordinary Shares and Series A Preferred Share(s), and, upon the completion of the Global Offering, Ordinary Share(s)
“Shareholder(s)”	holder(s) of Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by the written resolutions of our Shareholders passed on October 14, 2015, the principal terms of which are summarized in the section headed “Statutory and General Information — D. Other Information — 1. Share Option Scheme” in Appendix IV to this prospectus
“Shenzhen Stock Exchange”	The Shenzhen Stock Exchange of China
“Singapore Exchange”	Singapore Exchange Securities Trading Limited
“Stabilization Manager”	CCB International Capital Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into on or about the Price Determination Date between the Stabilization Manager and EEC Technology
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Track Record Period”	the period comprising the three financial years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“U.S. dollars” or “US\$” or “USD”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“we”, “us”, “our”, and “Group”	our Company and our subsidiaries (or our Company and any one or more of our subsidiaries, as the context may require)
“Win Brilliant”	Win Brilliant Holdings Limited, a company incorporated under the laws of the BVI with limited liability on November 6, 2014 and is wholly owned by Ms. Mou Peiyao, an Independent Third Party
“Zymmetry”	Zymmetry Investments Ltd, a company incorporated under the laws of the BVI with limited liability on March 13, 2007 and is wholly owned by Mr. Toe, an Independent Third Party
“%”	per cent

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Unless expressly stated or the context otherwise requires, all data in this prospectus is as of the date of this prospectus.

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

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

GLOSSARY OF TECHNICAL TERMS

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

<i>“AHM”</i>	An odorless crystalline compound ranging in color from white to yellow-green. After burning, it converts to molybdenum trioxide.
<i>“catalyst activity”</i>	Any increase in rate of a chemical reaction caused by the presence of a catalyst.
<i>“catalyst regeneration”</i>	A physical and chemical process of restoring the effectiveness of catalysts which have been depleted after a period of use.
<i>“coal-fired boiler”</i>	An industrial or utility boiler that generates thermal energy by burning coal that is blown into the firebox.
<i>“corrugation DeNOx catalyst”</i>	A corrugation DeNOx catalyst that takes corrugated fiber as the carrier. Surface coating is composed of active ingredient (V_2O_5).
<i>“DeNOx”</i>	The process of reducing the NOx concentration in industrial flue gas emissions.
<i>“DeNOx catalyst”</i>	A kind of chemical substance which is the core component of SCR, and acts by producing the chemical reaction to convert NOx into N_2 and H_2O . The basic element of the catalyst mainly includes TiO_2 and V_2O_5 .
<i>“dust-laden air”</i>	Air flow or gas flow containing high contents of dust.
<i>“flue gas”</i>	The gas exiting to the atmosphere via a flue, which is a pipe or channel for conveying exhaust gases from a fireplace, oven, furnace, boiler or steam generator.
<i>“flue gas DeNOx”</i>	Also called “back-end denitrification”, the process where N_2 and H_2O generate through the reaction of reductants (mainly NH_3 or urea) and NOx in flue gas, thus reducing the NOx emissions in power station boilers. Flue gas denitrification is considered the most effective technology in DeNOx.
<i>“H_2O”</i>	Chemical formula of water.
<i>“high ash content”</i>	The state in which the flue gas contains relatively large amount of dust.
<i>“honeycomb DeNOx catalyst”</i>	A DeNOx catalyst with a honeycomb appearance. The main components include TiO_2 and V_2O_5 .
<i>“KWH”</i>	A unit of power. 1 KWH equal to 1,000 watt-hour or 3.6 megajoules.
<i>“low-grade coal”</i>	Coal of low calorific value, high density of impurity and ash.
<i>“mg”</i>	Milligram, a unit of mass, 1,000 mg equals 1 gram.

GLOSSARY OF TECHNICAL TERMS

<i>"mg/100U"</i>	A unit of measuring abrasion resistance.
<i>"MW"</i>	Megawatt, a unit of power, which is used to represent the electricity emitted per hour by power generator sets under the specified or reasonably anticipated condition. 1 MW equals to 1,000 kilowatt.
<i>"N₂"</i>	Chemical formula of nitrogen gas, or diatomic nitrogen.
<i>"NH₃"</i>	Chemical formula of ammonia, a compound of nitrogen and hydrogen. It is a colorless gas with a characteristic pungent smell.
<i>"NO_x"</i>	A generic term for mono-nitrogen oxides (nitric oxide and nitrogen dioxide).
<i>"petroleum refinery"</i>	An industrial process plant where crude oil is processed and refined into a variety of petroleum products.
<i>"pitch"</i>	The distance between the centerlines of two adjacent catalyst plates or the distance of the gap between two adjacent plates plus the thickness of a plate.
<i>"plate-type DeNO_x catalyst"</i>	A plate-type DeNO _x catalyst takes metal as the carrier. Surface coating is composed of active ingredient.
<i>"PM_{2.5}"</i>	Atmospheric fine particles with diameter of 2.5 micrometers or less.
<i>"regeneration"</i>	A physical and chemical process of restoring the effectiveness of DeNO _x catalysts which have been depleted after a period of use.
<i>"replenishment"</i>	The purchase of new DeNO _x catalysts to replace existing catalysts when the existing catalysts come to the end of their chemical life. It does not include regeneration.
<i>"selective catalytic reduction" or "SCR"</i>	A process of converting nitrogen oxides with the aid of a catalyst into N ₂ and H ₂ O.
<i>"selective non-catalytic reduction" or "SNCR"</i>	One of the mainstream DeNO _x technologies, where amino reductant, such as NH ₃ or carbamide, selectively restore the NO _x in the flue gas under 800-1250°C in the boiler, without any reaction with oxygen.
<i>"SO₂"</i>	Chemical formula of sulfur dioxide, an oxide of sulfur.
<i>"specific surface area"</i>	The total area of per unit mass or volume of the material.
<i>"t/h"</i>	Tonne per hour, a unit of boiler's capacity.
<i>"TiO₂"</i>	A naturally occurring oxide of titanium, chemical formula TiO ₂ , also known as titanium (IV) oxide or titania.
<i>"tonne"</i>	A unit of mass, equals to 1,000 kilograms.
<i>"unit sealing"</i>	The technique of sealing the gap between the catalyst unit and the module or between each two catalyst units in order to prevent the leakage of flue gas which would adversely affect the DeNO _x rate.
<i>"V₂O₅"</i>	Chemical formula of vanadium oxide, commonly known as vanadium pentoxide.
<i>"VAT"</i>	Value-added tax

FORWARD-LOOKING STATEMENTS

We have included in this prospectus forward-looking statements that are not historical facts but relate to our intentions, beliefs, expectations or predictions for future events and conditions which may not occur. Even though these statements have been made by our Directors after due and careful consideration and on bases and assumptions fair and reasonable at the time, they nevertheless involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Some of the risks are listed in the section entitled “Risk Factors” and elsewhere in this prospectus. In some cases, you can identify these forward-looking statements by words such as “aim,” “anticipate,” “believe,” “continue,” “could,” “expect,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “propose,” “seek,” “should,” “will,” “would” or similar expressions, or their negatives. These forward-looking statements include, without limitation, statements relating to:

- our goals and strategies;
- expected growth of and changes in the PRC plate-type DeNOx catalyst industry;
- our ability to maintain a strong relationship with our major customers or suppliers or customers;
- our future business development, results of operations and financial condition;
- the future competitive environment for the PRC plate-type DeNOx catalyst industry;
- determination of the fair value of our Shares; and
- risks identified under the section headed “Risk Factors” in this prospectus.

This prospectus also contains data relating to the plate-type DeNOx catalyst markets in several countries, including China. Such market data, including data from Frost & Sullivan Report, include projections that are based on a number of assumptions. The markets may not grow at the rates projected by the market data, or at all. The failure of the markets to grow at the projected rates may materially and adversely affect our business and the market price of our Shares. In addition, due to the rapidly changing nature of the PRC economy and the plate-type DeNOx catalyst industry, projections or estimates relating to the growth prospects or future conditions of the markets are subject to significant uncertainties. If any of the assumptions underlying the market data prove to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

We do not guarantee that the transactions and events described in the forward-looking statements in this prospectus will happen as described, or at all. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risks and uncertainties set forth in the section headed “Risk Factors.” You should read this prospectus in its entirety and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made or, if obtained from third-party studies or reports, the dates of the respective studies or reports. Since we operate in an evolving environment where new risks and uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events. We undertake no obligation, beyond what is required by law, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made, even when our situation may have changed.

RISK FACTORS

An investment in our Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this prospectus, including our consolidated financial statements and related notes, before you decide to purchase our Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial conditions and prospects would likely suffer. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment. This prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this prospectus.

RISKS RELATED TO OUR BUSINESS

A significant proportion of our revenue is derived from our major customers. Our failure to maintain business relationship with our major customers and changes in their requirements may have a material adverse effect on our business.

The power generation industry is dominated by Five Largest Chinese Power Generation Groups as well as other state-owned power generation groups. Our customer base is highly concentrated. Most of our customers are the major coal-fired power plants, DeNOx EPC service providers and boiler manufacturers. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015, sales to our five largest customers in aggregate accounted for 100.0%, 98.9%, 77.1% and 85.9% of our total revenue, respectively, which are large state-owned power generation groups in China. For the avoidance of doubt, we only had two customers in 2012, seven customers in 2013, 11 customers in 2014 and seven customers for the four months ended April 30, 2015, and sales to our largest customer accounted for 95.7%, 28.4%, 25.7% and 24.3% of our total revenue, respectively. We anticipate that the revenue derived from these major customers will continue to represent a significant proportion of our total revenue in the future. If we fail to maintain business relationships with our major customers or our customers, including our five largest customers, experience adverse changes in their business, adjust their investment strategies or reduce the growth rate of their investment in DeNOx equipment or become dissatisfied with our products or services, they may reduce or cease to purchase from us, as a result of which our business, financial condition and results of operations may be adversely affected.

The significant growth experienced by us during the Track Record Period was primarily driven by the implementation of the Emission Standard, and our future growth will be highly dependent on the development and marketability of the DeNOx catalysts for diesel-powered vehicles and replenishment and regeneration services to coal-fired power plants.

The implementation of the Emission Standard came into effect in 2012, which required all newly built plants from 2012 to be installed with DeNOx facilities and all existing plants to be installed with DeNOx facilities by July 2014. Accordingly, demand for DeNOx catalysts experienced explosive growth and there was a shortage of supply of the DeNOx catalyst products in China in 2012 and 2013, which led to a strong demand for our products. As estimated by Frost & Sullivan, all coal-fired power plants are expected to finish the installation of the DeNOx facilities by 2016.

In order to meet the increasingly strict emission standard for diesel-powered vehicles, DeNOx catalysts for diesel-powered vehicles is a new emerging market in China. We will expand into the DeNOx catalysts for diesel-powered vehicle industry to stimulate our future growth. We have started our own research and development activities on manufacturing DeNOx catalysts for diesel-powered vehicles.

RISK FACTORS

Coal-fired power plants are required to procure DeNOx catalysts to replenish or regenerate the existing DeNOx catalysts when the existing catalysts come to the end of their chemical life, which is expected to lead to strong demand for DeNOx catalysts starting from 2016. We intend to develop our regeneration service of plate-type DeNOx catalysts to meet the needs of our clients.

Our future growth will be highly dependent on the development and marketability of the DeNOx catalysts for diesel-powered vehicles as well as the replenishment and regeneration services to coal-fired power plants. If we fail to develop such products or provide such services to the satisfaction of our customers, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to successfully expand our customer base and develop new products and services.

Our goal is to develop a strong presence and increase our market shares in emerging plate-type DeNOx catalyst markets beyond the coal-fired power generation industry by strengthening our marketing efforts and capturing various market opportunities generated by the increasingly stringent NOx emission requirements imposed by the PRC Government. We plan to target customers in other industries with plate-type DeNOx catalyst demands similar to those of the coal-fire power generation industry, such as the glass, cement and waste incineration industries, and introduce to them the advantages of plate-type DeNOx catalysts. We also plan to develop new types of DeNOx catalysts for diesel-powered vehicles and vessels and provide catalyst regeneration and disposal services.

Our future success depends partly upon our ability to successfully expand our customer base and develop new products and services. However, such expansion and development may not be successful due to factors such as:

- adverse changes in the policies set by or incentives provided by the PRC Government on NOx emissions;
- failure in our research and development activities;
- lower customer satisfaction;
- higher costs associated with the introduction of new products and services;
- delays in bringing new products and services to market;
- lower than anticipated prices for new products and services;
- quality issues of our new products and services; or
- competition in the market.

As many of these factors are beyond our control, we may not be able to expand our customer base or develop new products as planned. As a result, failure to effectively implement our expansion strategies or develop new products may adversely affect our business, financial condition and results of operations.

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We have a limited operating history and may not be able to sustain historical financial performance and growth in the manufacturing of plate-type DeNOx catalysts.

We have a limited operating history from which to evaluate our business and performance. Our first production line commenced its operation in November 2011. We launched another two production lines in December 2012 and November 2014, respectively. We have experienced substantial growth in revenue and net profit during the three years ended December 31, 2014. The explosive growth in the demand for DeNOx catalysts was due to the implementation of the Emission Standard which required all newly built plants from 2012 to be installed with DeNOx facilities and all existing plants to be installed with DeNOx facilities by July 2014. Our revenue increased from RMB22.5 million in 2012 to RMB126.9 million in 2013, and to RMB217.1 million in 2014, representing a CAGR of 210.6%. For the four months ended April 30, 2014 and the four months ended April 30, 2015, we record a total revenue of RMB57.1 million and RMB79.0 million, respectively, representing an increase of 38.3%. We recorded a loss of RMB1.4 million in 2012 primarily because we were in the early stage of our business, and a net profit of RMB32.7 million, RMB73.5 million in 2013 and 2014, respectively. However, due to our limited operating history, our historical growth rate may not be indicative of our future performance. We incurred a net loss of RMB14.3 million for the four months ended April 30, 2015 primarily due to fair value loss of convertible redeemable preferred shares and share-based compensation expenses.

The success of our plans for growth depends on a number of factors, including, but not limited to, our ability to implement our business expansion plans, secure financing necessary for our business expansion, operate in an efficient manner, maintain and expand our existing customer base, establish and maintain stable relationships with suppliers, ensure timely and sufficient supply of raw materials, parts and components, hire, train and retain qualified personnel and deal with challenges that may arise in new and existing markets. According to Frost & Sullivan Report, the forecast CAGR of DeNOx catalysts for coal-fired power plants for 2014 to 2019 will decrease to 8.6% from that for 2009 to 2014 of 58.9%. Some of the above factors are beyond our control. If we fail to maintain or further enhance our market share, increase sales, promote new products or successfully implement our business expansion plans, or if we encounter any difficulty in any of the foregoing, our growth, financial condition, results of operations, profitability and prospects may be adversely affected.

The average selling price of plate-type DeNOx catalysts has been decreasing since December 2014.

The market price of plate-type DeNOx catalysts per m³ in China has experienced a drop from RMB22,100 per m³ in 2014 to RMB15,000 per m³ in June 2015 due to market competition. In response to the competition and to gain our market share, we have lowered our contract price and the average contract price for sales to our customers in China and/or overseas was approximately RMB15,203 per m³ since 2015 and up to the Latest Practicable Date. It is expected that the lower average selling price will have a negative impact on our gross profit margin and net profit margin starting from the second quarter of 2015, and it is expected that the gross profit margin for the year ending December 31, 2015 will decrease relative to the year ended December 31, 2014. If we are not able to manage our cost effectively or increase our sales volume, our business, financial condition and results of operations may be materially and adversely affected.

Our Company's sales are project-based and may be non-recurring.

Our revenue is primarily derived from the sales of plate-type DeNOx catalysts in the PRC. Our engagements with our customers are on project bases and are generally non-recurring in nature. We do not enter into any long-term agreements with our customers.

As such, our revenue derived from the previous projects is not recurring in nature. We cannot guarantee that our existing customers will provide us with new business opportunities, and there can be

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no assurance that we would be able to maintain our business relationships with our existing customers. In the event that we are unable to attract new customers or secure new engagements from our existing customers, there may be a decrease in the number of projects or orders. Our business, financial condition and results of operations would hence be materially and adversely affected.

We will expand our business to the manufacturing of DeNOx catalysts for diesel-powered vehicles in the future and our historical results of operations may not be indicative of our future performance.

As part of our growth strategy, we plan to expand our current business scope and manufacture DeNOx catalysts for diesel-powered vehicles. As we undertake the development of DeNOx catalysts for diesel-powered vehicles, we may become subject to risks that are significantly different to those related to our current manufacturing of plate-type DeNOx catalysts.

Due to our limited experience in providing DeNOx catalysts for diesel-powered vehicles, our judgments related to the costs and the profitability of these products are yet to be tested and could prove to be incorrect. We may not have the necessary experience, technology, capital or other resources to reach our business targets or compete effectively for new projects or in new markets. Our past performance in manufacturing plate-type DeNOx catalysts in China will not be representative of the future results of our manufacturing of DeNOx catalysts for diesel-powered vehicles. There is no assurance that our revenue and profit will continue to increase or that our profit margin will increase or remain at a level comparable to our historical level or that we will not experience losses in the development of DeNOx catalysts for diesel-powered vehicles.

The Group expects to record a material decline in its results for the year ending December 31, 2015 compared to the previous year.

Our financial results may be affected by a number of factors, including but not limited to, the policies set by the PRC Government on NOx emissions, the demand for our products, the manufacturing cost of our products, the relationship with our customers, our research and development results, and competition in the market. As many of these factors are beyond our control, we may not be able to timely respond to these changes. As a result, our business, financial condition and results of operations may be materially and adversely affected.

In addition, we expect to realize fair value losses if the Offer Price is fixed at a price higher than the carrying amount of the Series A Preferred Shares on the investment date, the details of which are set out in the section headed “History, Reorganization and Corporate Structure” of this prospectus. We expect the fair value losses, if any, may have a significant negative impact on our results for the year ending December 31, 2015.

We may suffer from delays or failures in settling trade and bills receivables by our customers.

Payment for our products are typically made in four or five installments, including down payment, payment made on the progress of the project, payment made upon delivery, payment made after acceptance of products and a quality assurance payment to be paid at the end of the warranty period. As a result, we may be required to commit cash and other resources prior to receiving payments from customers to cover certain manufacturing expenditures as they are incurred. Due to the foregoing and other factors, we may have a large amount of trade and bills receivables at any time. As of December 31, 2012, 2013 and 2014, and as of April 30, 2015, we had trade and bills receivables of RMB1.8 million,

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RMB3.9 million, RMB26.0 million and RMB43.6 million, respectively. Our trade and bills receivables turnover days were 14.2 days, 8.1 days, 25.1 days and 52.9 days in 2012, 2013 and 2014, and the four months ended April 30, 2015, respectively. We may not be able to maintain our turnover days at a relatively low level in the future, which may be affected by factors beyond our control.

Delays in settling trade and bills receivables by our customers may affect our cash flows and increase our working capital needs. If a customer defaults in making its payments under a contract to which we have devoted significant resources, it could also affect our liquidity and decrease the capital resources that are available for other uses. In 2013, we made a provision for impairment of trade receivable of RMB5.0 million because one of our customers was experiencing financial difficulties and did not make timely payment. We may file a claim for compensation of the loss that we incurred under the contract but settlement of disputes generally takes significant time and financial and other resources, and the outcome may not be favorable to us. In general, we make provisions for trade and bills receivables based primarily on the specific circumstances relating to each customer. Our customers may not settle the trade and bills receivables in a timely manner or at all and we may not be able to efficiently manage the level of bad debts arising from such payment practice. If this occurs, our business, financial condition and results of operations may be materially and adversely affected.

We had net current liabilities as of December 31, 2012 and 2013, respectively.

We had net current liabilities of approximately RMB28.0 million and RMB2.6 million, as of December 31, 2012 and 2013, respectively. We may have net current liabilities in the future. Please refer to the section headed “Financial Information — Liquidity and Capital Resources — Net Current Assets/Liabilities” in this prospectus for more details on our current assets and liabilities. Our net current liabilities exposed us to certain liquidity risks and could constrain our operational flexibility as well as adversely affect our ability to expand our business. Our future liquidity, the payment of trade and bills payables, advances from customers and the payment of accruals and other payables and when they become due will primarily depend on our ability to maintain adequate cash inflows from operating activities, which will be affected by our future operating performance, prevailing market conditions, and financial, business and other factors, many of which are beyond our control. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be adversely affected.

We have relatively long inventory turnover days.

Our inventory is categorized into raw materials, work-in-progress, finished products and goods in transit. Our raw materials and work-in-progress as a percentage of inventory are relatively low, comprising only 29.6%, 20.5%, 21.2% and 28.9% of our inventory before provision as of December 31, 2012, 2013, 2014, and April 30, 2015, respectively. A significant majority of our inventory are finished goods and goods in transit, which were manufactured, and/or delivered to our customers but yet to be recognized as our revenue according to our accounting policy. Please refer to the section headed “Business — Inventories” in this prospectus for more details.

Our inventory turnover days were 357.1 days, 356.5 days, 326.7 days and 198.6 days for 2012, 2013, 2014 and the four months ended April 30, 2015, respectively. The relatively long inventory turnover days were because our customers typically placed their orders far in advance of their installation schedule and they may postpone the delivery and installation schedule of our products. As a result, we are subject to risks associated with the relatively long turnover days, including, among other things, the increase in our costs relating to inventory storage. We cannot assure you that we can effectively manage

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our inventory levels. In the event we cannot effectively manage our inventory levels or turnover days, our business, financial condition and results of operations could be materially adversely affected.

Our profitability in 2015 is expected to decline significantly compared to 2014, which may be impacted by the fair value loss of the Series A Preferred Shares, one-off listing expenses, share-based compensation to two existing Directors and the decrease in average selling price of the plate-type DeNOx catalysts.

We entered into the Series A Preferred Share Purchase Agreement on January 29, 2015 with the BVI Holding Companies, the BVI Original Shareholders and the Series A Investors. We designate the Series A Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized in the consolidated statements of comprehensive income. Subsequent to the initial recognition, the convertible redeemable preferred shares are carried at fair value with changes in fair value recognized in the consolidated statements of comprehensive income. We may incur losses on changes in fair value of the Series A Preferred Shares and such loss may negatively impact our consolidated statements of comprehensive income. However, such losses would not have any impact on our cash flows. Pursuant to the conversion terms as set forth in the then Articles of Association of our Company, each Series A Preferred Share is automatically converted into an Ordinary Share at the then effective conversion price immediately prior to the closing of an underwritten Global Offering.

Our profitability may also be impacted by the one-off listing expenses, share-based compensation to two existing Directors pursuant to the Repurchase and the decrease in market price of the plate-type DeNOx catalysts. It is estimated that an aggregate amount of approximately RMB41.2 million (assuming an Offer Price of HK\$2.50, being the mid-point of the Offer Price range, the Over-allotment Option is not exercised and without taking into account any discretionary incentive fees) would be paid to various professional parties as listing expenses, of which approximately RMB24.7 million is expected to be charged to our income statement for the year ending December 31, 2015. Whether or not the Listing eventually occurs, a major portion of the listing expenses will be incurred and recognized as expenses, which will reduce our net profit and therefore negatively affect our financial performance. Moreover, the market price of plate-type DeNOx catalysts decreased from RMB22,100 per m³ in 2014 to RMB15,000 per m³ in June 2015 mainly due to increased market competition. As a result, our profitability in 2015 is expected to decline significantly compared to 2014. We cannot assure you that our business, financial condition, results of operations and prospects will not be materially and adversely affected should events similar to any of the above-mentioned events occur in the future.

Some of the properties we occupy do not have property ownership certificates.

We have not obtained the property ownership certificate for one of our properties which we occupy and use as a warehouse in Gu'an, Hebei Province.

We commenced construction work for our warehouse with a GFA of approximately 3,024.0 sq.m. before obtaining the relevant construction project planning permit and construction work commencement permit. Pursuant to the relevant PRC laws and regulations, the relevant governmental authorities may impose a fine on us or require us to demolish the buildings on the land and confiscate proceeds arising from the construction, if applicable, due to our non-compliance. We have applied for the construction project planning permit and are preparing to apply for obtaining the construction work commencement permit for the warehouse, both of which are prerequisites for the property ownership certificate. However, we cannot assure you that we will obtain the construction project planning permit, construction work commencement permit or property ownership certificate within the expected time frame, or at all. Please refer to the section headed "Business — Regulatory Compliance and Legal Proceedings — Non-Compliance — Property Ownership Certificate" in this prospectus for more details on the maximum

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penalty or fines arising from such non-compliance. We also cannot assure you that no penalty or fines will be imposed on us in the future if any governmental authority has a different interpretation of the relevant PRC laws.

Failure to obtain sufficient quantities of raw materials with satisfactory quality on commercially acceptable terms and in a timely manner, or at all, could decrease our revenue and limit our ability to fulfill expansion plans.

The manufacturing of plate-type DeNOx catalyst products requires sufficient quantities of raw materials procured from suppliers with satisfactory quality, at commercially acceptable prices and delivered in a timely manner. These raw materials primarily include stainless steel mesh, TiO₂ and AHM. Most of our raw materials are procured from domestic suppliers in China. Due to the relatively high technical threshold for the production of certain core raw materials, the number of qualified suppliers in China is limited. In particular, we only procure stainless steel mesh from one designated supplier who can meet our quality requirements. For the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2015, procurement from our top five suppliers accounted for 71.6%, 78.0%, 72.3% and 70.3% of our total raw material procurement, respectively, and procurement from our single largest supplier accounted for 25.3%, 41.0%, 37.1% and 36.9% of our total raw material procurement, respectively. We may not be able to continue to obtain sufficient amounts of raw materials from our existing suppliers or from alternative sources with satisfactory quality at commercially acceptable prices and in a timely manner, or at all, which could interfere with our manufacturing operations, limit our ability to expand production capacity for plate-type DeNOx catalysts and hence adversely affect our business.

Significant increases in raw material costs may materially and adversely affect our financial condition and results of operations.

We incur significant costs in procuring raw materials for the manufacturing of plate-type DeNOx catalysts. For the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2015, our raw material costs were RMB9.8 million, RMB54.7 million, RMB90.5 million and RMB40.0 million, respectively, accounting for 78.0%, 83.6%, 81.7%, and 81.9%, of our total cost of sales, respectively, representing 43.6%, 43.1%, 41.7%, and 50.6% of our total revenue, respectively. The raw materials used for our manufacturing of plate-type DeNOx catalysts primarily include stainless steel mesh, TiO₂ and AHM. The prices of these materials may be affected by factors beyond our control, including the demand for and supply of such materials. We generally price our products by reference to raw material costs. However, a significant portion of our business is conducted pursuant to sales contracts awarded on a competitive bidding basis, and the unit sales price is usually determined at the time of contract and such contracts generally do not contain provisions for price adjustment. As a result, we may not be able to pass on significant increases in our raw material costs to our customers over the term of contract, and the profit margins realized on such sales contracts may vary from our original estimates. In the event that the market prices of these raw materials significantly increase, to the extent we cannot pass on such increases to our customers, our financial condition and results of operations may be materially and adversely affected.

Any move by end-users away from domestic coal to imported coal, which normally has lower ash contents, would adversely affect the demand for our Company's products.

The DeNOx catalyst industry is susceptible to changes in prevailing market trends and customer preferences. The plate-type DeNOx catalysts are adaptable to Chinese coal-fired power plants that typically use domestic coal with high ash contents, which would cause problems such as clogging and excessive wear. However, imported coal normally contains low ash contents and produce less emission. The Chinese coal-fired power plants may decide to choose imported coal that produce less emission,

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which may require different formulae or specifications of DeNOx catalysts, or allow them to choose DeNOx catalysts with lower DeNOx rates to achieve the same effect. This requires us to continuously monitor market trend and maintain competitiveness of our plate-type DeNOx catalysts. We cannot guarantee that our end-users will not move away from domestic coal to imported coal in the future, and if we cannot follow the market trend or respond to the change in a timely manner, the demand for our products will drop and our business, financial condition and results of operations may be materially and adversely affected.

A material disruption to the operation of our production facilities could materially and adversely affect our financial condition and results of operations.

During the Track Record Period, sales of our products accounted for 95.7%, 100.0%, 99.5% and 100.0%, respectively, of our total revenue for the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2015. Our production bases are all located in Gu'an, Hebei Province. We cannot assure you that there will be no disruption to the operations of our production facilities in the future. If operations at our facilities were to be materially disrupted as a result of fire, equipment failure, natural disasters, work stoppages, power outages, explosions, adverse weather conditions or other factors, our financial condition and results of operations could be adversely affected. The occurrence of any of these significant events could also require us to make significant unanticipated capital expenditures. Interruptions in production could lead us to contractual penalties and obligations and increase our costs and delay our delivery of products. Production capacity limits caused by such disruptions could cause a reduction or delay in sales efforts. Lost sales or increased costs that we may incur due to such disruption of operations may not be recoverable under our existing insurance policies, and prolonged business disruption could result in a loss of customers and may jeopardize our reputation. If any one or more of the above risks were to materialize, our financial condition and results of operations may be adversely affected.

Failure to fulfill customer orders due to delays in our production or delivery process may have a material adverse effect on our business, financial condition and results of operations.

The production and delivery of our products involve purchases of raw materials, manufacturing of products and delivery of finished products. Any unexpected delay in the process may affect our ability to deliver products and fulfill our customer orders in a timely manner. Such unexpected delays may result from a variety of causes, for example, our suppliers' failure to deliver raw materials to us in a timely manner or the raw materials delivered to us failing to meet our quality standards, our machinery and equipment experiencing problems in achieving acceptable output and efficiency levels, or our third-party delivery service providers' failure to transport our products to designated destinations in a timely manner. We cannot assure you that such failures will not occur in the future. Any failure to fulfill customer orders due to delays in our production or delivery process may affect our sales and undermine our reputation and market position and thus adversely affect our future business. Further, we may be subject to contractual penalties or obligations in connection with the delivery time guarantee we have provided. Any of these may have a material adverse effect on our business, financial condition and results of operations.

Acquisitions may involve risks.

We plan to pursue a disciplined and targeted acquisition strategy to strengthen our market position and enhance our competitiveness. In addition, we plan to further strengthen cooperation with our key suppliers and seek opportunities to acquire upstream companies that complement our existing operations, align with our expansion strategies and increase our revenues and profits to better improve

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our vertical integration. As of the Latest Practicable Date, we have not entered into any letter of intent or agreement for any acquisition nor identified any acquisition target.

We may not be able to identify suitable acquisition targets at prices that we consider appropriate, or finance acquisitions on terms that are satisfactory to us. We also may not be able to successfully integrate the acquired business into our existing business or realize cost efficiencies or synergies that we anticipated when selecting our acquisition targets. Negotiations of potential acquisitions and the integration of acquired business operations may disrupt our business by diverting management away from day-to-day operations. Acquisitions of large businesses or other material operations may require additional debt or equity financing, resulting in additional leverage or dilution of ownership. Any such failure in relation to acquisitions may materially and adversely affect our business, financial condition and results of operations.

Our domestic or international competitors may develop or obtain technologies that are comparable or superior to our proprietary technologies and we may not be able to maintain or further enhance our technological competitive advantage.

We operate in an industry where technological advancement is a crucial competitive advantage. Through our in-house research and development efforts, we have developed our core technologies used in our production process, enhancing our profitability and efficiency. During the Track Record Period, our research and development expenses were RMB1.2 million, RMB2.3 million, RMB1.4 million and RMB0.3 million, respectively. However, international plate-type DeNOx catalyst suppliers or other plate-type DeNOx catalyst suppliers in China may develop technologies that are comparable or superior to our proprietary technologies through their in-house research and development, technology transfer, licensing, mergers and acquisitions or hiring key research and development personnel with know-how from companies owning the original technologies. We cannot assure you that our research and development activities will yield the anticipated results. Furthermore, our research and development activities may not be completed within the anticipated timeframe and the costs of such research and development activities may not be fully or partially recovered. If our domestic or international competitors develop or obtain comparable or superior technologies, or if we are unable to continue to develop our own proprietary technologies and know-how to maintain or further enhance our competitive advantage in technologies, our business, financial condition and results of operations could be materially and adversely affected.

If we fail to maintain an effective quality control system, our product quality, and thus our business, may be materially and adversely affected.

The performance, quality and safety of our products are critical to our customers, our reputation and, ultimately, our success. Accordingly, we have established and maintained stringent quality assurance standards and inspection procedures, including quality controls for raw materials purchased from suppliers and various quality control measures in the key steps of our production process. The effectiveness of our quality control system is affected by various factors, including the design of our quality control system, the implementation of our quality standards, the quality of our training programs, monitoring of our employees' compliance with our quality control policies and guidelines, and our ability to monitor and influence the quality control systems of our suppliers.

Failure to maintain an effective quality control system may result in defective products which may expose us to product liability and warranty claims and undermine our reputation and relationships with existing customers, thereby materially and adversely affecting our business.

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We may be subject to product liability claims relating to our defective products and, as a result, our reputation and operating results may be adversely affected.

According to existing PRC laws and regulations, manufacturers and suppliers who produce or sell defective goods in China shall be liable for the damage or personal injury caused by such products. This renders us liable for loss or injury arising from defective products we sell. In the event that any product liability claim were brought against us, we have to spend significant financial and managerial resources to defend against such claims. We cannot assure you that our business, financial condition, results of operations and prospects will not be materially and adversely affected by a successful product liability claim against us.

If we are found to be responsible for damage caused by defective products, our reputation may be adversely affected, which could lead to a loss of consumer confidence in us and a corresponding reduction in our sales. Such an event is likely to have an adverse effect on our business, financial condition and results of operations.

If we are unable to accurately estimate the overall risks, revenues or costs of our contracts, we may gain lower than anticipated profits or incur losses on our contracts.

All of our contracts are fixed-price in nature. Terms of these contracts require us to sell our products for a fixed-price and therefore expose us to cost overruns. Cost overruns, whether due to inefficiency, inaccurate estimates or other factors, result in a lower profit or the incurrence of a loss of our sales. As a result, we will only realize profits on these contracts if we could accurately estimate our project costs and avoid cost overruns. Unforeseen factors, such as changes in labor and equipment productivity over the term of a contract and unexpected increases in costs of raw materials may cause the revenue, cost and gross profit realized from a fixed price contract to be lower than our originally estimated amounts, despite any buffer we may have built into our bids for increases in labor and material costs.

Discontinuation of any of the preferential tax treatment we enjoy or imposition of any additional taxes could adversely affect our financial condition and results of operations.

The enterprise income tax generally applicable in China has been 25% since January 1, 2008 pursuant to the PRC EIT Law. Beijing Denox was designated as a “High and New Technology Enterprise” on December 13, 2012, and is entitled to a preferential tax rate of 15% from January 1, 2012 to December 31, 2014. The High and New Technology Enterprise qualification is reviewed by PRC authorities every three years and the qualification for Beijing Denox is under the process of renewal. If we fail to maintain or renew our High and New Technology Enterprise qualification, our applicable enterprise income tax rate would increase to 25%, which could have a material adverse effect on our financial condition and results of operations. We cannot assure you that we will be able to maintain our current effective tax rate in the future.

We may be unable to obtain, retain or renew required permits, licenses, registrations or certificates for our business operations.

We are required to maintain certain permits, licenses, registrations and certificates issued by relevant government agencies in China. For example, we are required to maintain business licenses for our operations and are subject to applicable laws and regulations. In addition, for the sale or export of our products to, or the use of our products in, certain countries, we may be subject to certain import and product quality regulations in these countries. We may not be able to renew our existing approvals,

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permits, licenses, registrations or certificates when they expire and we may not be able to obtain, retain or renew future permits, licenses, registrations or certificates in a timely manner, or at all. Furthermore, such permits, licenses, registrations or certificates may be revoked for whatever reason by the relevant authorities in the future. Failure to obtain or renew such permits, licenses, registrations and certificates as planned may result in delays in the manufacturing and sales of our products, which could materially and adversely affect our business, financial condition and results of operations.

We rely upon key management personnel and our ability to attract and retain additional talent and qualified external consultant.

Our business depends, to a significant extent, on the capability and expertise of our senior management team members, including our executive Directors and other members of our management who have operational experience in the plate-type DeNOx catalyst business. In particular, we rely on Ms. Zhao Shu, our Chairlady, who has more than 20 years of experience in the environmental protection industry. If one or more of our senior management team members are unable or unwilling to continue in their present positions, we may not be able to identify and recruit suitable replacements in a timely manner, or at all, and the implementation of our business strategies may be affected, which could materially and adversely affect our operations.

We rely on our employees including qualified research and development, administrative, production, sales and marketing and management personnel for our daily operations and business expansion. We cannot assure you that we will be able to continue to attract and retain sufficiently skilled and experienced employees in the future. If we fail to recruit, retain or train skilled employees, our growth and business prospects could be adversely affected.

We also rely on qualified external consultants such as Dr. Pley for our business expansion. We have entered into a business relationship with Dr. Pley since 2011. For more details, please refer to the section headed “Business — Production — Relationship with Dr. Pley” in this prospectus. Dr. Pley will establish a European sales branch on behalf of us and he will serve as our sales agent in the European market. If we fail to retain such qualified external consultants, our business, financial condition and results of operation may be adversely affected.

Our Company’s success in launching DeNOx catalysts for diesel-powered vehicles may be dependent on the input and continued cooperation of Dr. Pley.

We have entered into four technical transfer agreements with Dr. Pley since 2011, including a technical transfer agreement on DeNOx catalysts for diesel-powered vehicles, pursuant to which Dr. Pley agreed to provide us with, among other things, formula of DeNOx catalysts for diesel-powered vehicles, technical specifications of raw materials, candidates of suppliers, major equipment list, advice on testing in the analytical laboratory and quality control plan. Dr. Pley is obliged to work exclusively with us in respect of the development of DeNOx catalysts for diesel-powered vehicles in China for a term until December 31, 2017. Due to our limited experience in providing DeNOx catalysts for diesel-powered vehicles, our success in launching the new products for diesel-powered vehicles may be dependent on the input and continued cooperation of Dr. Pley. As of the Latest Practicable Date, we believe we have acquired from Dr. Pley substantially all critical technical information for development of our business in relation to DeNOx catalysts for diesel-powered vehicles. However, there is no assurance that Dr. Pley will continue to cooperate with us. If Dr. Pley decides to discontinue his cooperation with us, our business, financial condition and results of operations may be materially and adversely affected.

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The change in shareholding structure of our stainless steel mesh supplier, any material change in the management structure or the terms of the supply agreement with our stainless steel mesh supplier may adversely impact our business operations.

Stainless steel mesh is a principal raw material used in our production of plate-type DeNOx catalysts, accounting for approximately 42.9%, 39.1%, 38.9% and 38.8% of our total cost of raw materials for the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015, respectively. We procure stainless steel mesh from an independent third-party supplier. Ms. Zhao Lu, the cousin of Ms. Zhao Shu, our executive Director and the Controlling Shareholder, previously held 40% of the equity interest in our stainless steel mesh supplier from July 19, 2013 to June 17, 2014, which she subsequently disposed of to an independent third party due to her personal investment decision. To the best knowledge of our Directors, there was no material change in the management structure nor any material change in the terms of the supply agreement with our stainless steel mesh supplier during the Track Record Period. However, we cannot assure you that the shareholding or management structure of our stainless steel mesh supplier or the terms of our supply agreement will not change in the future and any of the changes may have a material adverse effect on our business, financial condition and results of operations.

Our business could be adversely affected by possible infringement of intellectual property rights.

We may face claims from time to time that our products infringe upon the intellectual property rights of third parties, including our competitors. Moreover, neither the technologies transferred from Dr. Pley to us nor our technologies of customization of catalyst formula has been applied for patent protection and such technologies may infringe the intellectual property rights of other third parties. Defending such claims may require significant attention from our management and may be costly. If any legal proceedings against us for infringement of intellectual property rights are successful, we may be ordered to pay for the losses incurred by the claiming parties due to our infringement of their intellectual property rights. Further, if we are unable to obtain a license for the usage of such intellectual property rights on acceptable terms, or at all, or unable to design around such intellectual property rights, we may be prohibited from manufacturing or selling products which are dependent on the usage of such intellectual property rights. In such cases, we may experience a material and adverse effect on our business and reputation, and these types of proceedings and their consequences could divert management's attention from our business, all of which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We also rely on intellectual property laws in China and other jurisdictions to protect our trademarks, technological know-how and registered patents. However, we cannot give assurance that counterfeiting or imitation of our products will not occur in the future or, if it does occur, that we will be able to detect or address the problem in a timely and effective manner. Any occurrence of counterfeiting or imitation of our products or other infringement of our intellectual property rights could negatively affect our reputation, lead to loss of customer confidence in our products, and, as a consequence, adversely affect our results of operations. Any litigation to prosecute infringements upon our intellectual property rights and products will be expensive and will divert our management's attention as well as other resources away from our business. We are not required under the PRC laws to maintain, nor do we currently maintain, any insurance coverage against intellectual property litigation costs, and we would have to bear all costs arising from intellectual property litigation to the extent we are unable to recover them from the relevant parties. As a result, any such litigation could have a material adverse effect on our business, financial condition and results of operations.

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We may be subject to additional social insurance and housing provident fund contributions and late payments and fines imposed by relevant governmental authorities.

In accordance with applicable PRC laws and regulations, we are obliged to provide our employees in China with the social welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance. During the Track Record Period, we did not fully contribute to certain social insurance funds for some of our employees. We have since April 2015 started making social insurance fund contributions for all of our employees. During the Track Record Period, the underpaid amounts of social insurance funds amounted to of RMB0.2 million, RMB0.4 million, RMB0.3 million, and RMB0.1 million, respectively.

Further, we did not make housing provident fund contributions for some of our employees during the Track Record Period. We have since April 2015 started making housing provident fund contributions for all of our employees. During the Track Record Period, the underpaid amount of housing provident fund contributions amounted to RMB0.04 million, RMB0.08 million, RMB0.09 million, and RMB0.03 million, respectively.

As advised by our PRC legal advisors, Tian Yuan Law Firm, in the event that the relevant social insurance and housing provident fund authorities demand us to pay the outstanding amounts of social insurance and housing provident fund contributions, we shall be required to pay such amounts and additional late payments (if applicable), and if we do not do so within the prescribed time limit, the relevant authorities may impose fines on us. Please refer to the section headed “Business—Regulatory Compliance and Legal Proceedings—Non-Compliance” for more details.

We have recorded, and may continue to record, negative operating cash flows.

We recorded positive operating cash flow of RMB12.9 million, RMB47.0 million and RMB29.3 million for the years ended December 31, 2012, 2013 and 2014, respectively, and negative operating cash flow of RMB19.3 million for the four months ended April 30, 2015, which is typically the slack season of our production. Please refer to the section headed “Financial Information — Liquidity and Capital Resources — Cash Flow — Cash flow from operating activities” for more details. We may continue to experience negative operating cash flows in the future as a result of seasonal factor and our business operations and expansion. Negative operating cash flow requires us to obtain sufficient external financing to meet our financial needs and obligations. If we continue to record negative operating cash flows in the future or are unable to obtain sufficient external financing, our business, financial condition and results of operations could be materially adversely affected.

Our expansion of product portfolio may impact our gross profit margin.

We plan to broaden our DeNOx catalyst product portfolio and expand our business into the diesel-powered vehicle industry in China. We expect our commercial production to commence in October 2016. Assuming the average selling price of the DeNOx catalysts is RMB3,000 per set, we expect the gross profit margin to be around 36%, which is lower than our historical gross profit margin of plate-type DeNOx catalysts. There is no assurance that we will successfully expand our product portfolio or capture the market share or increase our customer base in the future. If we are unable to implement our business strategies successfully, our business, financial condition and results of operations could be materially adversely affected.

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Our insurance coverage may not be sufficient to cover the risks related to our operations.

We may experience major accidents and business interruptions in the course of our operations, which may cause significant losses or damage to our properties or business. We do not carry property insurance for our machines, equipment or real properties, and do not carry business interruption insurance or third-party product liability insurance. Therefore, losses, damages or business interruptions relating to our operations or products may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to effectively manage our employees and affiliates to comply with anti-corruption measures related to public bidding, which may adversely affect our reputation, business, financial condition and results of operations.

We had, during the Track Record Period, obtained and expect to continue to obtain substantially all of our contracts through public bidding, and we are subject to anti-corruption measures provided in the Tendering and Bidding Law of the PRC and other related PRC laws and regulations. As a result, we are subject to risks in relation to actions taken by us, our employees or our affiliates that constitute violations of the aforementioned anti-corruption measures. If we, our employees or affiliates violate these anti-corruption measures relating to public bidding, such as offering bribes to the tenderer or members of the bid assessment committee to win public bidding, our winning of public bidding shall be void and invalid and we could be subject to any or all of the following consequences such as paying fines, returning illegal gains, losing qualifications to participate in biddings for one to two years, revoking business license in serious circumstance and paying damages to other parties if losses so caused. We cannot assure you that our employees or our affiliates will not engage in acts of corruption for which we might be held responsible. If our employees or affiliates are found to have engaged in such practices, our reputation could be adversely affected if we become the target of any negative publicity, and we may suffer any or all of the consequences for violating anti-corruption measures relating to public bidding as set forth above that may have a material adverse effect on our business, financial condition and results of operations.

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

Immediately after the Global Offering, our Controlling Shareholders will beneficially own 32.9% of our Shares, or approximately 31.7% if the Over-allotment Option is exercised in full. As a result, by virtue of their controlling ownership of our share capital, our Controlling Shareholders will by voting at general meetings of Shareholders be able to exert significant influence over our business and other matters of significance to us and our other Shareholders, such as election of Directors, approval of dividend payments and other distributions, acquisition of or merger with another entity, issuance of securities and adjustment to our capital structure, and amendments to our Articles of Association. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders, and our Controlling Shareholders are free to exercise their votes according to their own interests. Our Controlling Shareholders will have the power to prevent or cause a change in control of the Company. Without the consent of our Controlling Shareholders, we may be prevented from entering into transactions that could be beneficial to us and our other Shareholders.

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RISKS RELATED TO OUR INDUSTRY

PRC Government's pollution control policies have influence on the development of the plate-type DeNOx catalyst industry in China.

We provide all of our plate-type DeNOx catalysts in China except for the export to Italy and Germany in 2013, which accounted for 0.6% of our sales in that year. The demand for our products and our revenue generated from the DeNOx business are directly affected by the relevant PRC environmental protection laws, regulations and policies. The PRC Government has promulgated a series of laws, regulations and policies to support the development of the environmental protection industry with an aim to reduce the pollution of certain industries, including the coal-fired power generation industry. These laws, regulations and policies include, but are not limited to:

- adoption of mandatory requirements for the installation of certain environmental protection facilities such as DeNOx facilities on coal-fired power plants;
- adoption of pollutants (including NOx) emission standards which are increasingly stringent;
- adoption of subsidy provisions incentivizing the reduction of pollution, such as raising the DeNOx electricity subsidy provided to coal-fired power plants from RMB0.008 per KWH to RMB0.01 per KWH;
- requiring the installation of DeNOx facilities and tightening the emissions controls on NOx for other industries, such as cement plants; and
- adoption of tightened emissions controls on NOx for diesel vehicles, such as requiring heavy-duty diesel vehicles to meet the National IV and V Standards in a number of major cities.

The plate-type DeNOx catalyst industry for industrial sources in China experienced significant growth in 2012, 2013 and 2014 when the PRC Government imposed compulsory requirements on the installation of DeNOx equipment in the coal-fired power generation industry and tightened emissions controls on NOx. These policies helped to drive significant growth in our business during the Track Record Period. However, there can be no assurance that the current policies and incentives favorable to the plate-type DeNOx catalyst industry will continue. In addition, these policies and incentives may attract new market entrants and may encourage the development of other more effective pollution control products or services.

If the expansion of China's coal-fired power installed capacity slows down, our business growth may be affected.

We may be adversely affected by changing industry policies or ongoing market competition. Furthermore, coal-fired power plants have already made substantial progress in meeting certain of the recent PRC Government regulatory requirements. For example, according to Frost & Sullivan Report, DeNOx facilities penetration rate in coal-fired power plants in China increased significantly from 54.7% in 2013 to 78.0% in 2014, and is expected to reach 100.0% in 2016. As a result, the market for first-time installation of DeNOx equipment in the coal-fired power generation industry may not continue to grow at the historical rate, or at all.

Demand for our plate-type DeNOx catalyst products depends significantly on the growth rate of the coal-fired power installed capacity in China. For example, a significant portion of our plate-type DeNOx

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catalyst business serves new coal-fired power plants, as most existing coal-fired power plants have already installed DeNOx catalysts. Similarly, some of our customers engaged us in order to satisfy the compliance requirements as imposed by the PRC Government. Growth in installed capacity of coal-fired power plants in China is affected by the PRC Government's policy on energy structure and current and expected profitability of such plant operations. China's coal-fired power generation volume and installed capacity have grown consistently, along with the rapid development of the PRC economy. Although the PRC Government has started restructuring the power generation industry, coal power is still the most important component of the PRC energy supply. However, as pollution has become an increasingly serious environmental issue in China, the PRC Government has shown considerable concern for the adjustment of the national energy structure and energy development and has issued policies aiming to raise the share of non-fossil fuel-based energy in total primary energy consumption. Therefore, there can be no assurance that China's coal-fired power generation volume and installed capacity will continue to grow at the current pace. If expansion of China's coal-fired power installed capacity slows down, it may result in lower demand for our products, materially and adversely affecting our results of operations and financial condition.

We face competition in the industry in which we operate.

We face competition in the PRC and international plate-type DeNOx catalyst markets. Some of our competitors are subsidiaries or affiliates of the large Chinese power generation groups or the large Chinese boiler manufacturers. Therefore, they may have competitive advantages in winning orders from customers. In addition, some of our competitors may also have greater financial, sales and marketing, research and development, personnel or other resources than we do, which may enable them to acquire market shares by leveraging existing business relationships and acquiring new technologies from third parties, respond more quickly to changes in technology or customer requirements or offer similar products at prices lower than ours. All of the foregoing factors have intensified market competition and we may face pressure in competing for orders and product pricing in the PRC and international plate-type DeNOx catalyst markets. Any adverse or unforeseen change in our competitive environment may have a material adverse effect on our business, results of operations, financial condition and prospects.

Our business operations are subject to various environmental, health and safety laws and regulations, and any failure by us to control the costs associated with any increased standards of these laws and regulations could materially and adversely affect our business.

Our business operations are subject to various environmental, health and safety laws and regulations, which require us to undergo environmental impact assessments and review processes and implement environmental, health and safety programs and procedures to control risks associated with the design, construction and operation of our production facilities. For example, we were required to prepare and submit an environmental impact assessment report to the relevant environmental protection authorities for approval before we can start the construction of our production facilities. When construction was completed, these facilities also need to pass certain inspection processes to ensure the satisfaction of environmental protection requirements prior to commercial operation. In addition, the PRC Environmental Protection Law and related regulations require us to establish an environmental protection and responsibility system, including adoption of effective measures to prevent and control exhaust gas, sewage, waste residues, dust or other waste materials, to discharge waste properly and to pay certain discharge fees.

The PRC Government may adopt more stringent environmental, health and safety laws and regulations in the future. Any enhanced standards of these laws and regulations may require us to incur substantial additional costs to comply with such enhanced environmental, health and safety laws and regulations, including costs relating to maintenance and inspection, development and implementation of

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emergency procedures and insurance coverage or other financial assurance of our ability to address pollution, health and/or safety incidents. Any failure by us to control the costs associated with any enhanced standards in these laws and regulations could have a material adverse effect on our business, financial condition, results of operations, profitability and prospects.

RISKS RELATED TO THE PRC

Changes in the PRC's political, economic and social conditions, laws, regulations and policies could have an adverse effect on our business.

Substantially all of our assets are located in China and substantially all of our sales and revenue are derived from our operations in China. Accordingly, our business, financial condition, results of operations and prospects are subject, to a significant extent, to economic, political and legal developments in China.

The economy of the PRC differs from the economies of most developed countries in a number of respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange. Before its adoption of reform and open door policies beginning in 1978, China was primarily a planned economy. Since that time, the PRC Government has been reforming the PRC economic system, and has also begun reforming the government structure in recent years. These reforms have resulted in significant economic growth and social progress. Although the PRC Government still owns a significant portion of the productive assets in China, economic reform policies since the late 1970s have emphasized autonomous enterprises and the utilization of market mechanisms, especially where these policies apply to businesses such as ours. Although we believe these reforms will have a positive effect on our overall and long-term development, we cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our future business, results or financial condition.

Our ability to continue to expand our business is dependent on a number of factors, including general economic and capital market conditions and credit availability from banks or other lenders. Recently, the PRC Government has articulated a need to contain the build-up of a property bubble and may tighten its bank lending policies, including increasing interest rates on bank loans and deposits and tightening the money supply to control growth in lending. Stricter lending policies may, among other things, affect our and our customers' ability to obtain financing which may in turn adversely affect our growth and financial condition. We cannot give any assurances that further measures to control growth in lending will not be implemented in a manner that may adversely affect our growth and profitability over time. In addition, the global economic recession and market volatility that persisted in the past two years may continue and therefore we may not be able to sustain the growth rate we have historically achieved.

We may be deemed a PRC resident enterprise under the PRC EIT Law and be subject to PRC taxation on our worldwide income, which could result in unfavorable tax consequences to us and our non-PRC Shareholders.

Under the PRC EIT Law, the profits of a foreign invested enterprise arising in or after 2008 and which are later distributed to its immediate holding company outside China will be subject to a withholding tax rate of 10% if the immediate holding company is determined by the PRC tax authority to be a non-resident enterprise for PRC tax purposes, unless there is an applicable tax treaty with China that provides for a different withholding arrangement. Pursuant to a special arrangement between Hong Kong and China, such rate is lowered to 5% if a Hong Kong resident enterprise owns over 25% of a PRC company. However, according to the Circular on State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises to Enjoy the Treatment under

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Taxation Treaties, which became effective on October 1, 2009, the 5% tax rate does not automatically apply. Approvals from competent local tax authorities are required before an enterprise can enjoy the relevant tax treatments relating to dividends under relevant taxation treaties. In addition, under the PRC EIT Law, enterprises established under the laws of jurisdictions outside China with their “de facto management bodies” located within China may be considered to be PRC resident enterprises for tax purposes. The “de facto management bodies” are defined as those which exercise substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties and other aspects of an enterprise.

Furthermore, if we were treated as a PRC “resident enterprise,” and capital gains realized from sales of our Shares by certain “non-resident enterprise” shareholders may be treated as income derived from sources within China and be subject to a 10% PRC withholding tax, or a lower rate for shareholders who qualify for the benefits of a double-taxation treaty with China. In addition to the uncertainty as to the application of the new “resident enterprise” classification, there can be no assurance that the PRC Government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements, higher tax rates or apply the PRC EIT Law, or any subsequent changes in PRC tax laws, rules or regulations retroactively. As there may be different applications of the PRC EIT Law and any amendments or revisions, comparisons between our past financial results may not be meaningful and should not be relied upon as indicators of our future performance. If such changes occur and/or if such changes are applied retroactively, such changes could materially and adversely affect our results of operations and financial condition.

Uncertainties with respect to the PRC legal system could have an adverse effect on our operations.

The PRC legal system is based on written statutes. Unlike under common law systems, decided legal cases have little value as precedents in subsequent legal proceedings. In 1979, the PRC Government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, and forms of foreign investment (including wholly foreign-owned enterprises and joint ventures) in particular. These laws, regulations and legal requirements are relatively new and are often changing, and their interpretation and enforcement involve significant uncertainties that could limit the reliability of the legal protections available to us. For example, we may have to resort to administrative and judicial proceedings in order to enforce the legal protections that we enjoy either by law or contract. As PRC administrative and judicial authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcomes of administrative and judicial proceedings and the level of legal protections we enjoy. These uncertainties may impede our ability to enforce the contracts into which we have entered with our business partners, sales agents, customers and suppliers. In addition, we cannot predict the effects of future developments in the PRC legal system. We may be required in the future to procure additional permits, authorizations and approvals for our existing and future operations, which may not be obtainable in a timely manner, or at all. Inability to obtain such permits or authorizations may have an adverse effect on our financial condition and results of operations.

Governmental control over currency conversion may limit our ability to utilize our cash effectively.

The PRC Government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive the majority of our turnover in Renminbi. As a Cayman Islands holding company, we may rely on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign

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exchange regulations, payments of current account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from the SAFE. But approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. This could affect the ability of our PRC subsidiaries to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions. In addition, we cannot assure you that the PRC regulatory authorities will not issue new regulations or further interpretations of other current PRC laws and regulations that may require our beneficial owners file or amend their registration with the local SAFE branch. A failure of the aforesaid shareholders or beneficial owners of our shares who are domestic residents to comply with these regulations and rules in the future could subject us to fines or legal sanctions, including restrictions on our PRC subsidiaries' ability to pay dividends or make distributions to, or obtain foreign-currency-dominated loans from us, and our ability to increase our investment in China. As a result, our business and results of operations and our ability to distribute profits to you could be adversely affected.

The net proceeds to be received by us from the Global Offering will be in Hong Kong dollars, while these net proceeds will be used to finance our business strategies and carrying out our future plans in the manner set out in the section headed "Future Plans and Use of Proceeds — Use of proceeds" in this prospectus, which, we expect, will involve capital expenditure and expenses to be settled in Renminbi. Any appreciation in the value of Renminbi against Hong Kong dollars may increase our costs for achieving our business strategies and carrying out our future plans and may thereby affect our future development and profitability.

Our operations and financial performance could be adversely affected by labor shortage, increase in labor costs, other labor issues relating to implementation of or changes to the PRC labor-related law and regulations.

The PRC Labor Contract Law became effective on January 1, 2008, and it was amended on December 28, 2012, which has taken effect on July 1, 2013. The current PRC Labor Contract Law has imposed greater liabilities on employers and significantly affects the cost of an employer's decision to reduce its workforce. Further it requires certain terminations to be based upon seniority and not merit. In the event that we decide to significantly change or decrease our workforce, the PRC Labor Contract Law could adversely affect our financial condition and results of operations. In addition, the PRC Government has continued to introduce various new labor-related regulations after the promulgation of the PRC Labor Contract Law. Among other things, the paid annual provisions require that paid annual leaves ranging from five to fifteen days be available to nearly all employees and further require that employers compensate an employee for any annual leave days the employee is unable to take in the amount of three times of such employee's daily salary, subject to certain exceptions.

On October 28, 2010, the NPC promulgated the PRC Social Insurance Law. According to the PRC Social Insurance Law, employees will participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay for the social insurance premiums for such employees.

As a result of the implementation of these and any future rules and regulations designed to enhance the standard for labor protection, our labor costs may continue to increase. Furthermore, as the interpretation and implementation of these new laws and regulations are still evolving, we cannot assure you that our employment practice will at all times be deemed fully in compliance, which may cause us to

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face labor disputes or governmental investigation. If we are deemed in violation of such labor laws and regulations, we could be subject to penalties, compensations to the employees and loss of reputation, and as a result, our business, financial condition and results of operations could be materially and adversely affected.

It may be difficult to serve process within China or to enforce any judgment obtained from non-PRC courts against us or our Directors.

Our operating subsidiaries are incorporated in China, substantially all of our Directors currently reside within China and substantially all of our assets are located within China. China does not currently have treaties providing for the reciprocal recognition or enforcement of civil and commercial judgments of courts located in the United States, the United Kingdom, Singapore, Japan and most other western countries. An Arrangement between the courts of China and Hong Kong on Reciprocal Recognition and Enforcement of Judgments of Civil and Commercial Cases under the Jurisdictions as Agreed to by the Parties Concerned (the “**Arrangement**”) was signed on July 14, 2006 and came into effect on August 1, 2008. According to the Arrangement, it is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute do not agree to enter into a choice of court agreement in writing. As a result, it may not be possible for investors to effect service of process upon our subsidiaries or our Directors resident in China pursuant to the authority of non-PRC courts. Further, the recognition and enforcement in China of judgments of courts outside China might be difficult or impossible.

The PRC national economy and economies in different regions of the PRC may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.

Our business is subject to general economic and social conditions in China, in particular, in regions where our production bases are located. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including certain cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan Province in May 2008 and in April 2013, another earthquake and aftershocks struck Sichuan Province again, both resulting in tremendous loss of lives, injury and destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. In April 2013, there were reports of cases of H7N9 avian flu in southeast China, including deaths in Shanghai and Jiangsu, Zhejiang and Anhui Provinces. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our sales, which in turn may adversely affect our business, financial condition and results of operations.

RISKS RELATED TO THE GLOBAL OFFERING

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

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us, the Joint Global Coordinators on behalf of the Underwriters and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock

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Exchange. We cannot assure you the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments may affect the volume and price at which our Shares will be traded.

The liquidity and market prices of our Shares following this Global Offering may be volatile. The price at which our Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for our business;
- timing of our future revenue and cost structures, such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours; and
- general market sentiment regarding the plate-type DeNOx catalyst industry.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of their Shares regardless of our operating performance or prospects.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of unfavorable market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Sale, or perceived sale, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares, and future additional issuance of securities may dilute your shareholdings.

We cannot assure you that our Controlling Shareholders will not dispose of any Shares that they may own now or in the future or we will not issue additional securities in future offerings. Sales of

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substantial amounts of our Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of our Shares. Further if we issue additional equity or equity-linked securities of us other than on a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders in our Company may be diluted.

We have significant discretion as to the use of net proceeds from the Global Offering, and you may not necessarily agree with our use of such proceeds.

Our management may use the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering to develop the production of DeNOx catalysts for diesel-powered vehicles, acquire the potential target companies in our industry that can help expand our market coverage or upstream companies that complement our existing operations, conduct research and development, expand our sales network and establish our regional office in China and in Europe, replace our No. 1 production line and use for working capital and general corporate purposes. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for more details. You are entrusting your funds to our management, upon whose judgment you shall depend, for the specific use of the net proceeds from the Global Offering.

We may be unable to pay any dividend on our Shares.

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

Our ability to pay dividends in relation to our Shares will also depend on our future financial performance, which in turn depends on our success in implementing our business strategy and expansion plans and on financial, competitive and other factors, general economic conditions, demand for and price of our plate-type DeNOx catalysts, costs of plate-type DeNOx catalysts and other components, many of which are beyond our control.

The receipt of dividends from our operating subsidiaries may also be affected by new laws or changes to, or in the interpretation or implementation of existing laws, rules and regulations and other events out of our control, which differ in certain aspects from generally accepted accounting principles in other jurisdictions, including IFRS. In addition, restrictive covenants in our credit facilities that we may enter into in the future may also restrict the ability of our operating subsidiaries to make distributions to us. The foregoing restrictions on the availability and usage of our funds may impact our ability to pay dividends to our Shareholders.

Subject to the availability of our Company’s cash and distributable reserves, our Group’s investment requirements, cash flow and working capital requirements, our Directors will consider to declare and recommend dividends, if any. The above intention does not amount to any guarantee or representation that our Company must or will declare and pay dividends in such manner in the future nor is there any assurance that our Company will declare and pay any dividend at all. Please refer to the section headed “Financial Information — Dividends and Dividend Policy” in this prospectus for more details.

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We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from the Frost & Sullivan Report contained in this prospectus.

Certain facts and statistics in this prospectus, including but not limited to information and statistics relating to the plate-type DeNOx catalyst industry, are based on the Frost & Sullivan Report or are derived from various publicly available publications, which our Directors believe to be reliable.

We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. We therefore make no representation as to the accuracy of such facts and statistics which may not be consistent with other information compiled by other sources and prospective investors should not place undue reliance on any facts and statistics derived from public sources or the Frost & Sullivan Report contained in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Hong Kong Public Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, any of the Joint Global Coordinators, the Joint Sponsors, the Underwriters, their respective directors, officers, agents, employees or advisors or any other party involved in the Global Offering.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering. Details of the terms of the Global Offering are described in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

The Listing is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement. The International Underwriting Agreement is expected to be entered into on or about Wednesday, November 4, 2015. For details of the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

Each person acquiring the Hong Kong Offer Shares will be required to, or be deemed by his/her acquisition of Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on offers of the Hong Kong Offer Shares described in this prospectus and that he/she is not acquiring, and has not been offered, any Hong Kong Offer Shares in circumstances that contravene any such restrictions.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue (including those to be issued pursuant to the exercise of conversion rights attaching to the Series A Preferred Shares held by the Series A Investors), the Offer Shares (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), Shares to be issued pursuant to the Capitalization Issue and any Shares which may be issued upon the exercise of any options to be granted under the Share Option Scheme. Dealings in our Shares on the Stock Exchange are expected to commence on or around Thursday, November 12, 2015.

None of our Shares or loan capital are listed on or dealt in on any other exchange and no such listing or permission to list is being or proposed to be sought in the near future.

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

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisors.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, any of the Joint Global Coordinators, the Joint Sponsors, the Underwriters, their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

REGISTER OF MEMBERS AND STAMP DUTY

All the Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the register of members of our Company maintained in Hong Kong at Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. We will maintain the Company's principal register of members in the Cayman Islands at Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

Dealings in our Shares registered on the register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in HK\$ have been translated, for the purpose of illustration only, into RMB or US\$, and vice versa, in this prospectus at the rate of RMB1.00 to HK\$1.22 and at the rate of US\$1.00 to HK\$7.75. No representation is made that any amounts in RMB, HK\$ and US\$ can be or could have been converted at the above rate or any other rates or at all.

LANGUAGE

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

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARE

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

STRUCTURE OF THE GLOBAL OFFERING

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

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Ms. Zhao Shu (趙姝)	Room 118, Gate No. 1 No. 79 Xibianmennei Dajie Xuanwu District Beijing PRC	Chinese
Mr. Kong Hongjun (孔紅軍)	Room 1003, Building No. 130 Yinling Guoji Wangjing Nanhuxi Garden Chaoyang District Beijing PRC	Chinese
Mr. Li Ke (李可)	Room 1903, Block 6 No. 208 Ningxi Road Xiangzhou District Zhuhai PRC	Chinese
<i>Non-executive Directors</i>		
Mr. Li Xingwu (李興武)	No. 102, Gate No. 6 4 th Floor, Courtyard No. 1 Fengze Street, Fengtai District Beijing PRC	Chinese
Mr. Jia Wenzhong (賈文中)	Room 301, 18 Nong No.166 Yushan Road Pudong New Area Shanghai PRC	Chinese
Mr. Teo Yi-Dar (張毅達)	House 451 Ang Mo Kio Avenue 2 Horizon Gardens Singapore	Singaporean
<i>Independent non-executive Directors</i>		
Mr. Li Junhua (李俊華)	Department of Environmental Science and Engineering No. 1 Tsinghua Garden Haidian District Beijing PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Mr. Lam Yiu Por (林曉波)	Flat D, 8 th Floor Tower 3, Ocean Shores Tseung Kwan O Hong Kong	Chinese
Mr. Ong Chor Wei (王祖偉)	Flat A, 3/F Greenview Gardens No. 125 Robinson Road Central Hong Kong	Malaysian

Please refer to the section headed “Directors and Senior Management” in this prospectus for more details.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

China Merchants Securities (HK) Co., Limited

48/F, One Exchange Square
No. 8 Connaught Place
Central
Hong Kong

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

China Merchants Securities (HK) Co., Limited

48/F, One Exchange Square
No. 8 Connaught Place
Central
Hong Kong

Legal advisors to our Company

As to Hong Kong law:

Sidley Austin

39/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

As to PRC law:

Tian Yuan Law Firm

10/F, China Pacific Insurance Plaza
28 Fengsheng Hutong, Xicheng District
Beijing, 100032
PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<p><i>As to Cayman Islands Law:</i> Conyers Dill & Pearman Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111</p>
Legal advisors to the Joint Sponsors and the Underwriters	<p><i>As to Hong Kong law:</i> Eversheds 21/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong</p> <p><i>As to PRC law:</i> Commerce & Finance Law Offices 6/F, NCI Tower, A12 Jianguomenwai Avenue Chaoyang District, Beijing, 100022 PRC</p>
Reporting accountant	<p>PricewaterhouseCoopers Certified Public Accountants 22/F Prince's Building Central Hong Kong</p>
Compliance advisor	<p>Cinda International Capital Limited 45th Floor COSCO Tower 183 Queen's Road Central Hong Kong</p>
Receiving bank	<p>Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong Road Hong Kong</p>

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in the PRC	Room 1507, Block 2 No. 128 Nansi Huan Xi Road Fengtai District Beijing PRC
Principal place of business in Hong Kong	Flat 2, 19/F, Henan Building 90-92 Jaffe Road Wanchai Hong Kong
Company's website	www.china-denox.com <i>(information contained in this website does not form part of this prospectus)</i>
Joint company secretaries	Mr. Liu Lianchao Room 1303, Unit 1, 12/F No. 18 Building Xihuang Xincun Xili Shijingshan District Beijing PRC Mr. Chan Chung Kik, Lewis <i>FCCA (HKICPA), CPA (Aust.)</i> Room 2907 Kam Wai House Kam Fung Court Ma On Shan New Territories Hong Kong
Authorized representatives	Ms. Zhao Shu Room 118, Gate No. 1 No. 79 Xibianmennei Dajie Xuanwu District Beijing PRC Mr. Liu Lianchao Room 1303, Unit 1, 12/F No. 18 Building Xihuang Xincun Xili Shijingshan District Beijing PRC
Audit committee	Mr. Lam Yiu Por (<i>Chairman</i>) Mr. Jia Wenzhong Mr. Li Junhua

CORPORATE INFORMATION

Remuneration committee	Mr. Li Junhua (<i>Chairman</i>) Ms. Zhao Shu Mr. Ong Chor Wei
Nomination committee	Ms. Zhao Shu (<i>Chairlady</i>) Mr. Li Junhua Mr. Ong Chor Wei
Compliance advisor	Cinda International Capital Limited 45th Floor COSCO Tower 183 Queen's Road Central Hong Kong
Principal share registrar	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	China Construction Bank Corporation Beijing Yuanda Branch 1/F, Xin Zheng Mansion #1 Changwa Middle Road Haidian District Beijing PRC Industrial and Commercial Bank of China Limited Beijing Jinrong Street Branch 11 Tai Ping Qiao Street Xicheng District Beijing PRC China Merchants Bank Beijing Century City Branch A1 Chui Hong Yuan Yuanda Road Haidian District Beijing PRC Industrial and Commercial Bank of China Limited Gu'an branch Xinyuan Street, Gu'an Langfang City Hebei PRC

CORPORATE INFORMATION

China Construction Bank Corporation

Gu'an branch
Xinzhong Street, Gu'an
Langfang City
Hebei
PRC

Hongkong and Shanghai Bank Corporation Limited

1 Queen's Road Central
Central
Hong Kong

INDUSTRY OVERVIEW

Certain facts, information, statistics and data relating to China's economy and the industry in which we operate that are presented in this section and elsewhere in this prospectus are derived from publicly available government official sources (including various publications issued by PRC Government entities) as well as a report we commissioned from Frost & Sullivan, an Independent Third Party. The information from official government publications and Frost & Sullivan may not be consistent with the information compiled within or outside China. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan to conduct analysis and prepare the Frost & Sullivan Report. We have agreed to pay a fee of approximately RMB0.7 million for the Frost & Sullivan Report, which will be paid prior to the Listing. Our Directors are of the view that the payment of the fee does not affect the fairness of conclusions drawn in the Frost & Sullivan Report. The Frost & Sullivan Report includes information on the Chinese DeNOx catalyst market, including overviews of the Chinese DeNOx industry and analyses of the Chinese DeNOx catalyst market and Chinese vehicle DeNOx catalyst industry. The Frost & Sullivan Report has been prepared independent of our influence.

Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes agriculture, automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecommunications.

RESEARCH METHODOLOGY

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following methodologies: (i) a detailed primary research involving discussion of the status of the industry with leading industry participants and industry experts; (ii) a secondary research involving review of the company reports, independent research reports and data based on Frost & Sullivan's own research database; and (iii) projected data obtained from historical data analysis plotted against macroeconomic data as well as specific industry-related drivers.

The Frost & Sullivan Report is based on the following bases and assumptions:

For coal-fired power plants, (i) all newly built plants from 2012 are installed with DeNOx facilities; (ii) newly installed DeNOx facilities are working properly; (iii) all existing plants are to finish installation of DeNOx facilities by the end of 2016; (iv) of the coal-fired power DeNOx capacity in China, 96% uses the SCR technique; (v) on average, 1MW SCR unit requires 0.9 m³ honeycomb DeNOx catalysts or 1.1 m³ plate-type DeNOx catalysts; (vi) on average, DeNOx catalysts need to be replaced after three years; (vii) prices in 2011 are applied to calculate the revenues in 2009 and 2010 as prices for those years are not available; (viii) the changing rate from honeycomb DeNOx catalysts to plate-type DeNOx catalysts for

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the first-time replenishment is assumed to be 20% since 2014 and for continued replenishment, the type of DeNOx catalysts chosen at the first time of replenishment is more likely to be chosen again; (ix) market size in terms of revenue is calculated through multiplying volume of demand by average prices; (x) the average prices of DeNOx catalysts from 2015 to 2019 remain the same with the prices in 2014, being RMB23,300 per m³ and RMB22,100 per m³ for honeycomb DeNOx catalysts and plate-type DeNOx catalysts, respectively; and (xi) average price for new installation projects and replenishment and regeneration projects are the same.

For the diesel vehicle DeNOx catalyst industry, (i) on average, for diesel automobiles, one diesel engine requires one set of SCR catalyst; (ii) with the implementation of National IV Standard, all the heavy duty diesel automobiles that meet National IV Standard must adopt SCR technology; (iii) the production of heavy duty diesel automobiles continues to grow steadily; (iv) the actual implementation time of National IV Standard is expected to take longer than government's expectation; and (v) the average price of DeNOx catalysts for diesel engine is RMB3,000 per set.

For the glass industry, (i) SCR technology for flue gas DeNOx is adopted in both float glass production lines and other flat glass production lines in China and production of float glass constitutes 60.0% of the total flat glass production in China; (ii) as the glass industry in China only has several pilot projects using SCR technology to reduce flue gas emissions, there is to date no standard calculation on the usage volume of DeNOx catalysts and the benchmark used is a project by Tianhe (Baoding) Environmental Engineering Co., Ltd., which uses 70 m³ DeNOx catalysts for a production capacity of 600 tons per day, equivalent to 0.12 m³ per unit capacity; (iii) since 2014, all newly built float glass production lines in China are to install flue gas DeNOx facilities and retrofit of existing production lines are to be completed by the end of 2018, considering the implementation of current incentives; (iv) in the selection of flue gas DeNOx in the glass industry in China, SCR is assumed to be applied in all newly built and retrofit float glass production lines; (v) the average life span of DeNOx catalysts for the glass industry is approximately two years, which is lower than that for coal-fired power plants; and (vi) average price of SCR catalysts for the glass industry is the same as the average price of SCR catalysts for coal-fired power plants.

For sales volume and sales revenue, (i) sales-output ratios of other competitors are nearly 97%; and (ii) sales prices of other competitors are the same with industry average price.

ENVIRONMENTAL PROTECTION AND THE DENOX INDUSTRY IN CHINA

Air Pollution in China

China faces severe challenges in curbing air pollution. The currently effective Ambient Air Quality Standards in China are much lower compared to those of developed countries and regions. A revised version of the standards, enacted in 2012, has set higher standards, but will not be fully phased in until January 2016. Beginning in 2013, 74 cities started to adopt the new standard. According to the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部), in 2013, only 4.1% of the 74 cities met the new standard, while the compliance rate for another 256 cities subject to the previous standard was only 69.5%. China's average number of hazy days in 2013 was 35.9 days, nearly doubling the total in 2012. In 2013, the compliance rate for NOx emission (emission concentration being less than 40µg/m³) of the 74 cities was 39.2%.

Air Pollution Control in China

The PRC Government is expending great effort to promote air pollution control and prevention of increasingly serious air pollution problems. It has introduced a number of measures and plans for air

INDUSTRY OVERVIEW

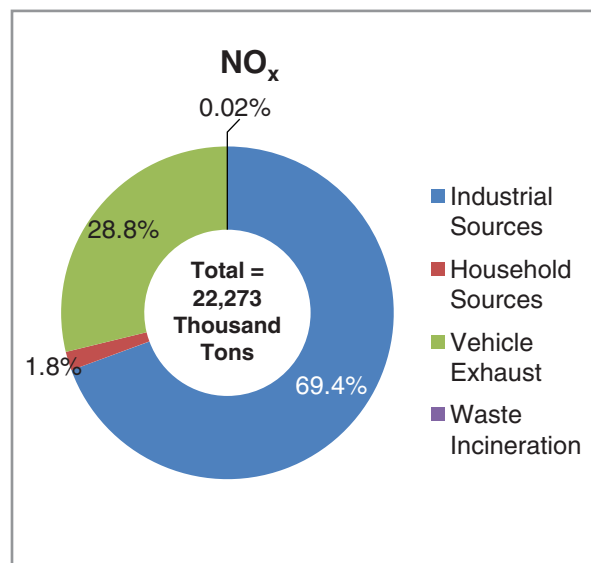
pollution control and quantified specific standards. For example, the Emission Standard was introduced in July 2011, where the maximum NO_x emission from coal-fired power plants are required to be reduced from 450 mg/m³ to 100 mg/m³. In September 2014, NDRC, Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) and National Energy Administration (國家能源局) jointly issued the “Action Plan for Upgrade and Reform of Coal Energy Saving and Emission Reduction” (煤電節能減排升級與改造行動計劃), which required newly built coal-fired power plants with a capacity of 300 MW or more in 11 provinces of east China to meet a more stringent emission standard of 50 mg/m³. The aggregate investment in newly built projects for desulfurization and denitrification is estimated to increase from RMB71.3 billion during the 11th five-year plan (the 11th five-year plan for the national economy and social development of the PRC) to RMB135.0 billion in the 12th five-year plan (the 12th five-year plan for the national economy and social development of the PRC). Emission Standard of Air Pollutants for Boiler (鍋爐大氣污染物排放標準) was jointly issued by Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) and General Administration of Quality Supervision of the PRC, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局) in May 2014 where coal-fired boilers, gas-fired boilers and oil-fired boilers with a capacity under 65t/h are required to meet the new NO_x emission standards from July 2014. As a result, these boilers need to install DeNO_x equipments to meet the new NO_x emission standards.

The PRC Government continues to upgrade the standards and requirements for energy conservation and emission reduction. It has continued to consolidate the laws and regulations affecting the environmental protection industry, which include air pollution control and environment protection services.

Air Pollution and NO_x Emissions

Major air pollutants produced by human activities include NO_x and SO₂, which are the key sources of PM2.5 pollution in China. Sources of NO_x emissions primarily include industrial sources, waste incineration and vehicle exhaust, among which industrial sources and vehicle exhaust (excluding steamship emissions) together accounted for approximately 98.2% of the total NO_x emissions in China in 2013.

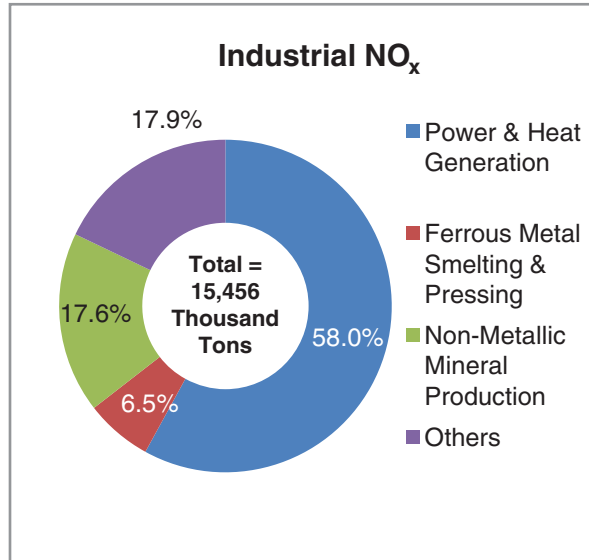
The diagram below illustrates the major sources of NO_x emission in China in 2013:



Source: Ministry of Environmental Protection of the PRC, Shanghai Environmental Protection Bureau, Frost & Sullivan

INDUSTRY OVERVIEW

The diagram below illustrates the sources of industrial emissions of NO_x emission in China in 2013:



Source: Ministry of Environmental Protection of the PRC, Frost & Sullivan

DeNO_x Technology

DeNO_x is the process of reducing the NO_x concentration in industrial flue gas emissions. Flue gas denitrification is considered the most effective technology in DeNO_x, which mainly includes selective non-catalytic reduction (SNCR), selective catalytic reduction (SCR), and SNCR-SCR technology. According to Frost & Sullivan Report, SCR technology is the most commonly used and most efficient flue gas denitrification technology in coal-fired power plants worldwide. Currently, there is no alternative technology in existence or under development which may threaten the leading position of SCR, according to Frost & Sullivan Report. In the SCR process, high performance catalyst is added in reduction reaction, which restores NO_x in flue gas to nitrogen and water with a high DeNO_x efficiency ranging from 80% to 95%. Additionally, SCR technology produces little secondary pollution and enjoys various strengths such as ease of operability and low ammonia escape rate. The table below sets forth the comparison in terms of principles, applications, reaction temperatures, strengths and weaknesses of each type of technology:

	SNCR	SCR	SCR+SNCR
Principle	<ul style="list-style-type: none"> Spray reductant in the furnace to make it react with NO_x in flue gas without any catalyst, and it finally turns into N₂ and H₂O. 	<ul style="list-style-type: none"> Reductant restores NO_x in flue gas to N₂ and H₂O under the effect of catalysts. 	<ul style="list-style-type: none"> It is the combination of SNCR and SCR, with two reaction zones.
Situation of Application	<ul style="list-style-type: none"> Mature technology. Appropriate for boilers in small capacity. Low market share. 	<ul style="list-style-type: none"> Mature technology. Appropriate for most coal-fired boilers. 	<ul style="list-style-type: none"> Appropriate for specific environment in limited space.

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	SNCR	SCR	SCR+SNCR
Reaction Temperature	<ul style="list-style-type: none"> 900°C~1200°C 	<ul style="list-style-type: none"> 200°C~450°C 	<ul style="list-style-type: none"> The same as SNCR in forepart; the same as SCR in the back end
Strengths	<ul style="list-style-type: none"> No need for catalysts Low cost Entirely arranged on boiler body, no need for floor space; Appropriate for old boilers alteration and small boilers denitrification 	<ul style="list-style-type: none"> Simple structure; easy to operate; ammonia escape rate remains low (3ppm); little secondary pollution; high denitrification efficiency (80%-95%) 	<ul style="list-style-type: none"> Medium denitrification efficiency (around 70%) Long service life Lower cost compared to SCR
Weaknesses	<ul style="list-style-type: none"> Low denitrification efficiency (20%-70%), and it becomes lower along with the increase in unit capacity; difficult to meet large coal-fired boilers with high environmental demand 	<ul style="list-style-type: none"> High cost in catalyst, causing that construction cost is five to six times, even eight times that of SNCR 	<ul style="list-style-type: none"> Still low efficiency for high demanding emission standards

SCR technology is utilized in more than 90% of existing DeNO_x sets in coal-fired power plants. Furthermore, SCR technology has been successfully adopted in glass furnaces of float glass production lines in China, and is expected to be extensively adopted in the cement plant industry, waste incineration industry and by diesel vehicles and diesel-powered vessels.

The following table sets forth the applicability of SCR for NO_x emission reduction for various industries:

Industry	Industrial Sources				Vehicle Exhaust			
	Coal-fired Plant	Glass Plant	Cement Plant	Steelworks	Petroleum Refinery	Diesel Vehicle	Steamship	Waste Incineration
Applicability of SCR	Expected to be the mainstream technology in the market	Successfully adopted and likely to be applied by increasing number of glass furnaces	Applicable and expected to increase in the future	Unlikely to be widely adopted in the short term but likely to have chances in the long-term future	Applicable and likely to gradually expand in the long-term future	Preferred and expected to grow	Feasible but unlikely to be adopted in the short-to-middle term	Feasible and likely to grow

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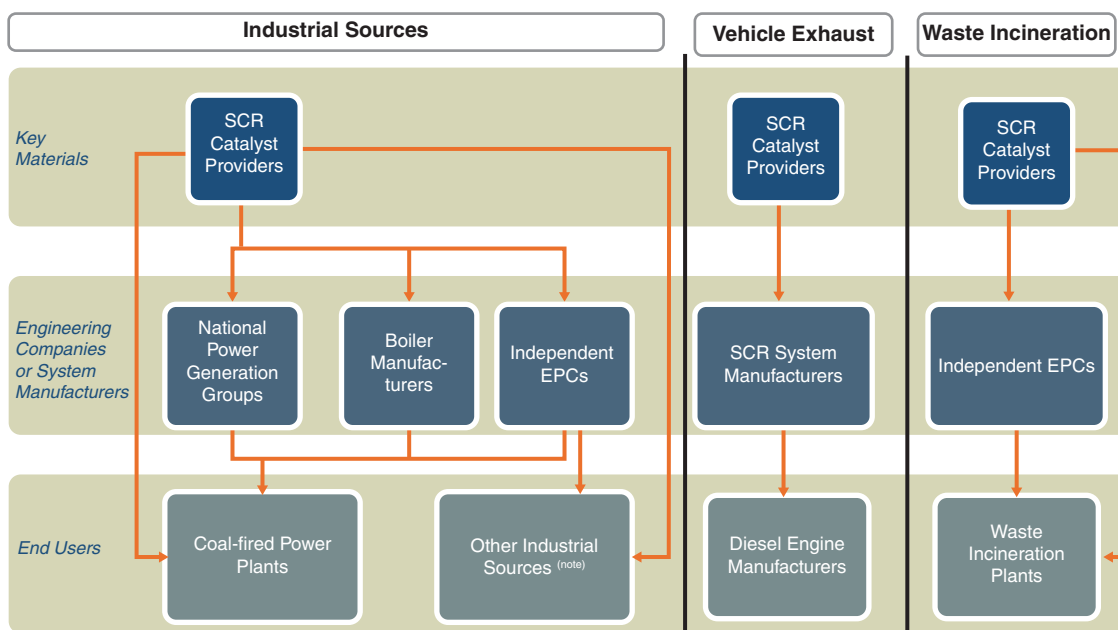
The core component of SCR is the catalyst as it determines the efficiency of denitrification. DeNOx catalysts can be primarily divided into honeycomb, plate-type and corrugation DeNOx catalysts. The following table sets forth the characteristics and applicable conditions of each type of DeNOx catalyst:

	<u>Characteristics</u>	<u>Applicable Conditions</u>
Honeycomb DeNOx Catalysts	<ul style="list-style-type: none"> • Process: Homogenized extrusion • Large interaction surface area • Stable under high temperature • Can be regenerated multiple times 	<ul style="list-style-type: none"> • Coal-fired power plant with low fly ash concentration • Glass furnaces with low fly ash concentration • Waste incineration • Petroleum refinery
Plate-type DeNOx Catalysts	<ul style="list-style-type: none"> • Process: Bilateral extrusion (Using stainless steel mesh as skeleton) • High wearability • High resistance to corrosion • High resistance to ash clogging • High resistance to arsenic poisoning • Small interaction surface area • Strong adaptability to the ash content for different varieties of coal 	<ul style="list-style-type: none"> • Coal-fired power plants with high fly ash concentration • Glass furnaces • Cement furnaces • Petroleum refinery
Corrugation DeNOx Catalysts	<ul style="list-style-type: none"> • Process: Coating type (Using glass fiber as skeleton) • Large interaction surface area • Low resistance to ash clogging and low wearability 	<ul style="list-style-type: none"> • Mainly used for gas-fired power plants

China's coal generally has high ash content, which ranges from 25% to 28%. Accordingly, the fly ash content of the flue gas of coal-fired power plants would be approximately 33 g/m³ to 45 g/m³. It is recommended to adopt plate-type DeNOx catalysts when the fly ash concentration of the flue gas is over 30 g/m³, because the skeleton of the plate-type DeNOx catalysts, being stainless steel mesh, provides strong mechanical strength. Plate-type DeNOx catalysts have strong adaptability to different types of coal and are insensitive to the variation in fly ash content. By using plate-type DeNOx catalysts, coal-fired power plants are able to use different types of coals with varied content of ash. As a result, plate-type DeNOx catalysts are relatively more suitable than honeycomb DeNOx catalysts in view of China's coal and flue gas condition.

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VALUE CHAIN OF THE DENOX CATALYST INDUSTRY



Note: Other industrial sources include glass furnace, petroleum refinery, etc.

DENOX CATALYST INDUSTRY IN CHINA

Overview

China's DeNOx catalyst market has been growing rapidly and will likely continue to grow as the PRC Government is expected to devote more efforts to control NOx emissions.

DeNOx Catalysts For Coal-fired Power Plants

The implementation of the Emission Standard came into effect in 2012, which required all newly built plants from 2012 to be installed with DeNOx facilities and all existing plants to be installed with DeNOx facilities by July 2014. Accordingly, demand for both honeycomb and plate-type DeNOx catalysts experienced explosive growth.

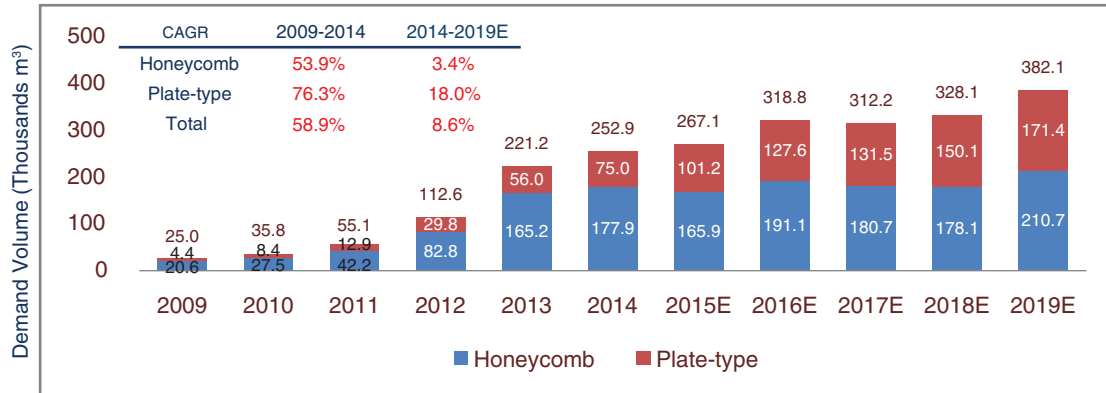
In 2012, as the catalysts were in short supply due to the booming demand following the Emission Standard implementation, many customers placed orders in advance for 2013. Those orders led to the substantial growth of the market in 2013. From 2014, the market gradually stabilized and the order time, which refers to the time between placement of order and the delivery of products, was shortened.

For the past few years, honeycomb DeNOx catalysts have accounted for a majority of the market share due to the short supply of plate-type DeNOx catalysts. However, the market share of plate-type DeNOx catalysts is clearly increasing. Compared to honeycomb DeNOx catalysts, plate-type DeNOx catalysts enjoy superior characteristics such as high wearability, high resistance to ash clogging and high

INDUSTRY OVERVIEW

resistance to poisoning. In China, coal generally has complex components and includes high ash content. Plate-type DeNOx catalysts are believed to be better suited for the ash condition in the Chinese coal-fired power plants where coal with high ash content is commonly used.

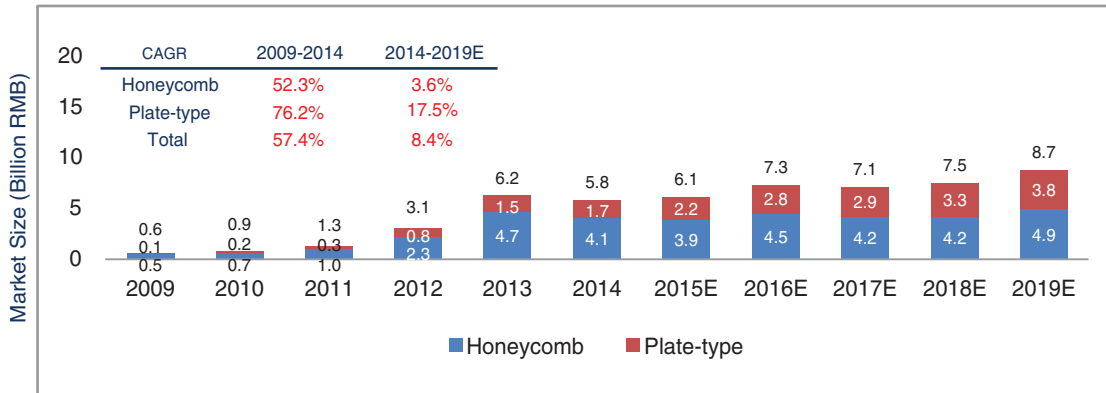
The diagram below sets forth the historical demand volume and the demand volume forecast for the DeNOx catalysts for coal-fired power plants by product type in China:



Source: Frost & Sullivan

There is a clear trend that the market share for plate-type DeNOx catalysts is increasing. Frost & Sullivan estimates the demand for plate-type DeNOx catalysts to increase from 75,000 m³ in 2014 to 171,400 m³ in 2019. The market share of plate-type DeNOx catalysts is thus anticipated to increase from 29.7% in 2014 to 44.9% in 2019.

The diagram below sets forth the historical market size in terms of revenue and the market size forecast in terms of revenue for DeNOx catalysts for coal-fired power plants by product type in China:



Source: Frost & Sullivan

From 2014 to 2019, revenue from plate-type DeNOx catalysts is estimated to enjoy a higher growth rate compared with honeycomb DeNOx catalysts. As low-grade coal, the ash content of which is high, is commonly used in China, the penetration rate of plate-type DeNOx catalysts, which is more effective in curbing pollution arising from low-grade coal, is expected to continue increasing. The market for plate-type DeNOx catalysts is expected to increase from RMB1.7 billion in 2014 to RMB3.8 billion in 2019.

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Frost & Sullivan estimates that by 2019, plate-type DeNOx catalysts will account for 43.7% of the total market size of DeNOx catalysts in terms of revenue.

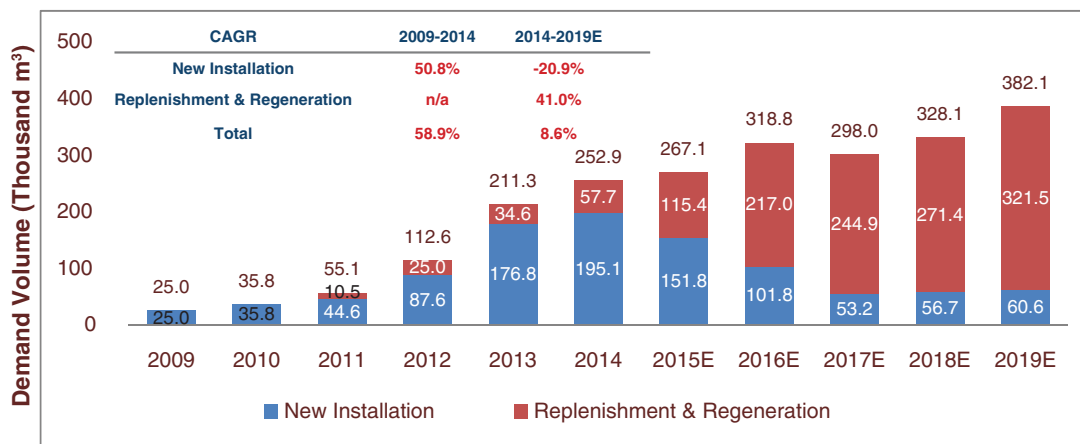
Driven by the high demand for DeNOx catalysts for coal-fired power plants in China, a number of companies have entered into the DeNOx catalyst industry since 2011. Accordingly, production capacity of DeNOx catalysts witnessed a strong growth in the past few years. According to Frost & Sullivan Report, the total production capacity of DeNOx catalysts in China in 2011 was 70,200 m³, while the total production capacity of DeNOx catalysts in China in 2014 was 533,500 m³, representing a CAGR of 96.6%. As current production capacity has exceeded the market demand, Frost & Sullivan estimates that production capacity is unlikely to witness any significant rise in the future. According to Frost & Sullivan Report, the production capacity of DeNOx catalysts for coal-fired power plants in China is expected to reach 626,400 m³ by 2019.

Replenishment and Regeneration

The DeNOx catalysts have an average lifespan of three years, at the end of which the DeNOx catalyst users may either replenish with new DeNOx catalysts or regenerate the existing DeNOx catalysts. Most DeNOx catalysts can be regenerated once or twice by reactivating the ingredients of the DeNOx catalysts through physical and chemical methods, and the regenerated DeNOx catalyst can maintain the required level of DeNOx catalyst activity ranging from 8,000 hours to 16,000 hours (approximately one to two years). The demand for replenishment and regeneration is expected to be a driver of the growth of DeNOx catalysts in the future. Due to the operation condition in China and the mechanical strength of the DeNOx catalysts, less than 50% of the DeNOx catalysts in China can be regenerated. Massive volumes of DeNOx catalysts were installed in 2013, which is expected to lead to strong demand for replenishment from 2016 to 2019. Frost & Sullivan estimates that in the next two to three years, the end-users in China will likely replenish their DeNOx catalysts at the end of the catalysts' lifespan instead of choosing regeneration services, due to the relatively higher catalyst depletion rate in China and the unwarrantable mechanical strength of the catalyst itself. Plate-type DeNOx catalysts are likely to become more popular when the initially installed catalysts are due for replenishment due to its superior characteristics such as high wearability, high resistance to ash clogging and high resistance to poisoning.

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The demand volume for the new installation of the DeNOx catalysts is expected to decrease from 195,100 m³ in 2014 to 60,600 m³ in 2019, while the demand volume for DeNOx catalyst replenishment and regeneration is expected to grow from 57,700 m³ in 2014 to 321,500 m³ in 2019, representing a CAGR of 41.0%. The total market size of the new installation is expected to decrease from RMB4.5 billion in 2014 to RMB1.4 billion in 2019, while the total market size of the replenishment and regeneration of DeNOx catalysts is expected to grow from RMB1.3 billion in 2014 to RMB7.3 billion in 2019, representing a CAGR of 41.2%. The diagram below sets forth the historical demand volume and the demand volume forecast for the DeNOx catalysts for coal-fired power plants for new installation as well as replenishment and regeneration in China:



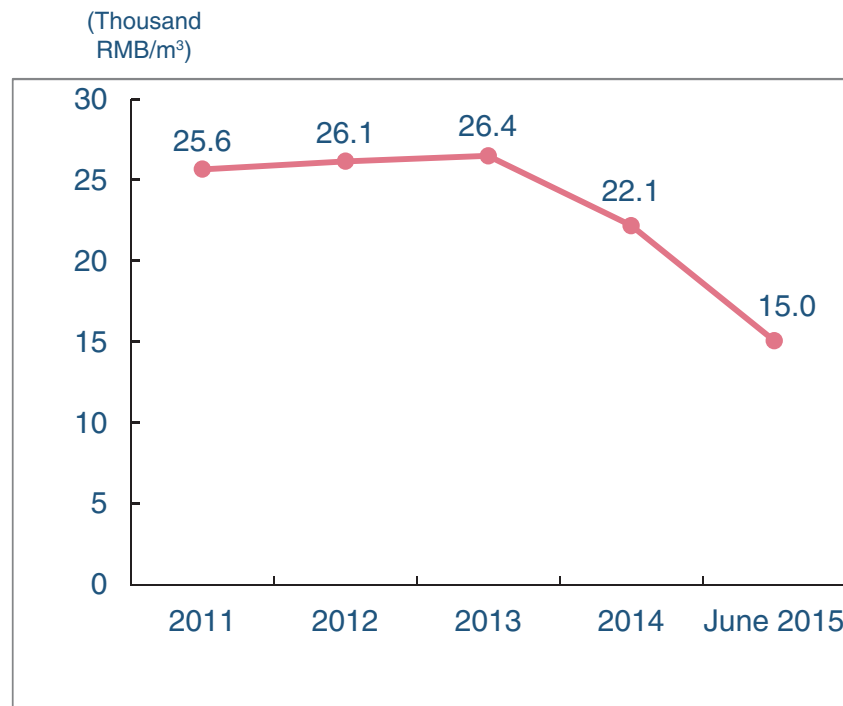
Source: Frost & Sullivan

The Emission Standard came into effect in 2012 which required all newly built plants from 2012 to be installed with DeNOx facilities, and all existing plants to finish installation of DeNOx facilities by July 2014. As a result, procurement of DeNOx catalysts from coal-fired power plants have increased since 2012. The total DeNOx capacity increased intensively in 2013 and 2014 to meet the tight timetable. It was further promoted by the regulatory motivation in late 2013 where the State Council raised the electricity price subsidies for thermal power plants with DeNOx facilities by 25%. Frost & Sullivan expects the retrofit to be completed for all coal-fired power plants by 2016. Coal-fired power plants are likely to become the primary decision makers for procuring DeNOx catalysts, mainly to replenish or regenerate the existing DeNOx catalysts, from 2016.

INDUSTRY OVERVIEW

Historical Price Trend of Plate-type DeNOx Catalysts

The diagram below sets forth the historical prices of plate-type DeNOx catalysts for coal-fired power plants in China:



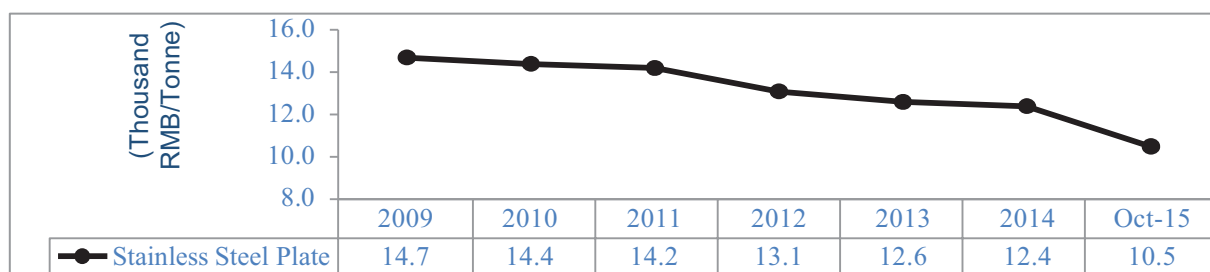
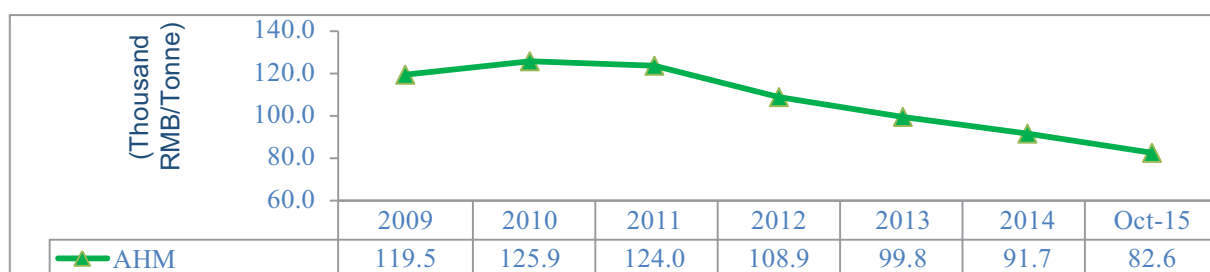
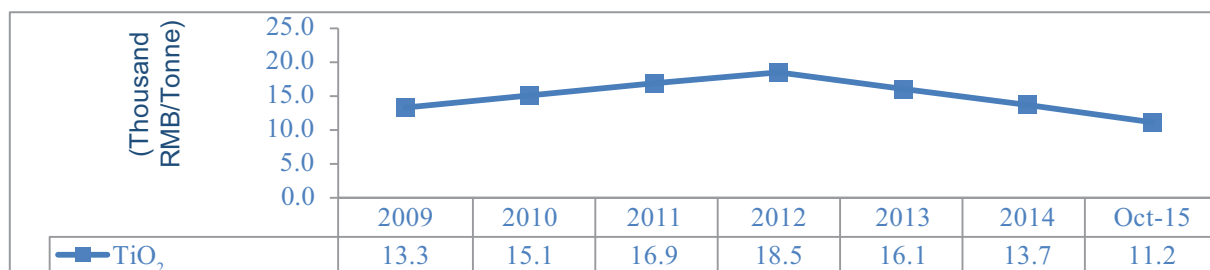
Source: Frost & Sullivan

The average price of plate-type DeNOx catalysts per m³ in China increased from approximately RMB25,600 in 2011 to approximately RMB26,400 in 2013, due to the increase in demand driven by the regulatory requirements. The average price of plate-type DeNOx catalysts per m³ in China decreased to RMB22,100 per m³ in 2014 due to the increased supply by domestic plate-type DeNOx catalyst suppliers who offer lower prices than the overseas suppliers, as well as the price decrease of major raw materials. The market price further decreased from RMB22,100 per m³ in 2014 to RMB15,000 per m³ in June 2015, mainly due to intensified market competition as a result of the price reduction measures initiated by some of the plate-type DeNOx catalyst suppliers. The price of plate-type DeNOx catalysts in China is also likely to experience a slight drop in the short-term future but remain stable in the medium to long-term.

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Historical Price Trend of Raw Materials

Raw materials are the major cost of DeNOx catalysts, accounting for more than 70% of the total cost. The diagrams below set forth the historical prices of major raw materials of DeNOx catalysts for coal-fired power plants in China:



Source: Wind (an independent research source), Frost & Sullivan

Stainless steel plate is the raw material for stainless steel mesh, which is a key raw material for the manufacturing of plate-type DeNOx catalysts. Prices of stainless steel plate has witnessed a gradual decline in the past few years in line with the macroeconomic slowdown, decreasing from RMB14,700 per tonne in 2009 to RMB12,400 per tonne in 2014. Prices of stainless steel plate is expected to remain relatively stable in the future.

TiO₂ can be categorized into nano-type TiO₂ and general grade of TiO₂. The above diagram shows the historical average prices of all grades of TiO₂. For DeNOx catalysts, manufacturers need to buy nano-type TiO₂, whose prices are usually higher than general grade of TiO₂. However, since this is a niche segment of TiO₂, there is little information on its historical prices. Generally, nano-type TiO₂'s prices are higher than the average prices of all grades of TiO₂, and the price trend of nano-type TiO₂ shows a similar trend with that of all grades of TiO₂. For the TiO₂ market, domestic production capacity of TiO₂ achieved rapid growth while major downstream applications of TiO₂ gradually slowed down in recent years. As a result, the price of nano-type TiO₂ is decreasing. Domestic nano-type TiO₂ is less expensive by nearly 30% than the imported nano-type TiO₂ in 2014.

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AHM is also a key raw material for plate-type DeNOx catalysts. From 2011 to 2014, prices of AHM experienced a sustained drop, primarily due to the increased supply. In 2014, the average price of AHM was RMB91,700 per tonne.

The prices of major raw materials are likely to experience a slight drop in the short-term and remain relatively stable in the medium to long-term. The prices of major raw materials witnessed a drop in 2015. From January 2015 to October 2015, the average price per tonne of stainless steel plate, AHM and TiO₂ was RMB10,500, RMB82,600, and RMB11,200, respectively.

Competitive Landscape

By Production Capacity of Plate-type Products

In 2014, production capacity of plate-type DeNOx catalysts was 137,000 m³, which accounted for 25.7% of total production capacity of DeNOx catalysts in China. Currently, there are fewer than 10 manufacturers of plate-type DeNOx catalysts in China. The top five manufacturers enjoyed 90.5% market share in terms of production capacity. Beijing Denox, with a production capacity of 24,000 m³, ranked third with 17.5% market share in 2014.

The table below sets forth the top five manufacturers of plate-type DeNOx catalysts ranked by production capacity in China in 2014:

Rank	Brand	Market Share
1	Datang Nanjing Environmental Protection Technology Co., Ltd.	29.2%
2	Tianhe (Baoding) Environmental Engineering Co., Ltd.	21.9%
3	Beijing Denox	17.5%
4	Babcock-Hitachi (Hangzhou) Environmental Equipment Co., Ltd.	14.6%
5	Jiangsu Wonder Environmental Protection Technology Co., Ltd.	7.3%
Total of Top Five Manufacturers		<u>90.5%</u>

Source: Frost & Sullivan. Beijing Denox' data is provided by Beijing Denox.

By Production Volume of Plate-type Products

In 2014, production volume of plate-type DeNOx catalysts is 66,600 m³, which accounted for 26.2% of total production volume of DeNOx catalysts in China. Currently, there are fewer than 10 manufacturers of plate-type DeNOx catalysts in China. The industry is concentrated with the top five manufacturers of plate-type DeNOx catalysts occupying 96.2% market share in terms of production volume in 2014. Beijing Denox, with a production volume of 8,380 m³, ranked fourth with 12.6% market share in 2014.

The table below sets forth the top five manufacturers of plate-type DeNOx catalysts ranked by production volume in China in 2014:

Rank	Brand	Market Share
1	Datang Nanjing Environmental Protection Technology Co., Ltd.	42.4%
2	Babcock-Hitachi (Hangzhou) Environmental Equipment Co., Ltd.	21.0%
3	Tianhe (Baoding) Environmental Engineering Co., Ltd.	17.3%
4	Beijing Denox	12.6%
5	Zhejiang Tuna Environmental Science & Technology Co., Ltd.	2.9%
Total of Top Five Manufacturers		<u>96.2%</u>

Source: Frost & Sullivan. Beijing Denox' data is provided by Beijing Denox.

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By Sales Revenue of Plate-type Products

In 2014, sales revenue of plate-type DeNOx catalysts was approximately RMB1.5 billion, which accounted for 25.9% of total sales revenue of DeNOx catalysts in China. The industry is concentrated with the top five manufacturers of plate-type DeNOx catalysts occupying 96.6% market share in terms of sales revenue in 2014. Beijing Denox, with a sales revenue of RMB217.1 million, ranked fourth with 15.0% market share in 2014.

The table below sets forth the top five manufacturers of plate-type DeNOx catalysts ranked by sales revenue in China in 2014:

Rank	Brand	Market Share
1	Datang Nanjing Environmental Protection Technology Co., Ltd.	42.9%
2	Babcock-Hitachi (Hangzhou) Environmental Equipment Co., Ltd.	19.7%
3	Tianhe (Baoding) Environmental Engineering Co., Ltd.	16.3%
4	Beijing Denox	15.0%
5	Zhejiang Tuna Environmental Science & Technology Co., Ltd.	2.7%
Total of Top Five Manufacturers		96.6%

Source: Frost & Sullivan. Beijing Denox' data is provided by Beijing Denox.

Market Share and Competition of Overseas Suppliers

In 2014, with rapid expansion of production capacity for DeNOx catalysts in China, few overseas suppliers were active in the Chinese market. It is estimated that overseas companies occupied no more than 5% share in China's DeNOx catalyst market in 2014.

Entry Barriers

Entry barriers for Chinese DeNOx catalysts industry include the following:

Capital Barrier

The DeNOx catalyst industry is capital intensive. Since core manufacturing technology is still being owned by a few countries, independent research and development fee or technology introduction fee, ranging from a lump-sum payment of RMB10.0 million to RMB50.0 million, has to be paid upfront before newcomers are permitted to manufacture. For a production capacity of 10,000 m³ per year using imported production equipment, equipment investment could reach RMB80.0 million. As DeNOx catalyst manufacturers become larger in scale, the requirement for products' availability and quality increase as well, all of which require production lines to be of higher stability and with more advanced technology. The investment on production lines and relevant equipments requires significant amount of capital. For small and medium existing enterprises and newcomers, capital pressure could be substantial.

Technical Barrier

Production technology of SCR DeNOx catalysts involves technologies and knowledge in various fields such as structural chemistry, organic chemistry, industrial catalysis, and material science. For plate-type DeNOx catalysts, the barrier is even higher than honeycomb DeNOx catalysts because of its unique

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metal extrusion and coating technique. There are only a few companies, such as Hitachi, Johnson Matthey, etc., who have the core technologies of producing the plate-type DeNOx catalysts in the world. Domestic players need to obtain the core technologies through technology transfer from those overseas companies. Generally those overseas companies are cautious while selecting the partners for technology transfer. New entrants are unlikely to be able to obtain those core technologies from those overseas companies. Although DeNOx catalysts have been widely applied in developed countries, many of them are honeycomb products. Currently, there are only a few overseas companies that have the core technology to produce plate-type DeNOx catalysts. Domestic players usually obtain the production technology through technology transfer from these overseas companies. The technical barrier is high that many domestic manufacturers have to acquire relevant technologies and production lines from foreign manufacturers.

Market Barrier

The establishment of sales network and after-sales service system requires not only upfront capital investment but also extensive knowledge about the market and its future trend. In addition to sales performance, quality guarantee, and after-sales service, manufacturers have to keep creating value for their clients to establish their own brand recognition, which could be the key to securing new projects. The knowledge of the market and the establishment of sales network are difficult for newcomers to achieve in a short period of time. Besides, the customers generally require the manufacturers' successful experience in similar projects. Leading companies usually have had a number of successful projects while new entrants can hardly accumulated sufficient project experience in short time.

DIESEL VEHICLE DENOX CATALYSTS INDUSTRY IN CHINA

CO and NOx are the two main components in vehicle emissions in China. Automobiles mainly consist of gasoline-run automobiles and diesel engines. Diesel engines, especially heavy-duty diesel engines, are a large source of NOx emissions, accounting for approximately 70.0% of the total NOx emissions from automobiles in China in 2013. The PRC Government has been implementing more stringent emission standards for automobiles, paving the way for the expansion of DeNOx market for automobiles.

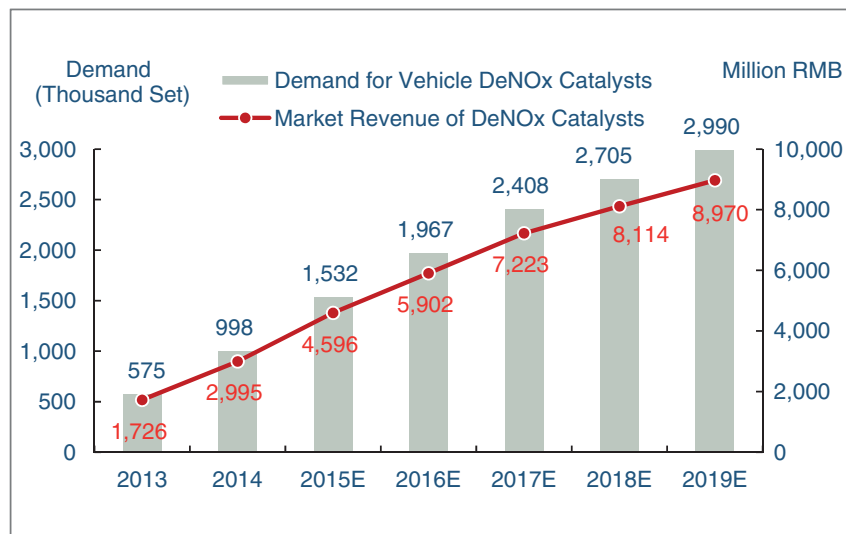
In July 2013, the Chinese Government started to implement the National IV Standard for heavy-duty diesel engines in some major cities such as Beijing, Shanghai and Guangzhou. In April 2014, the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) issued an announcement that National IV Standard for heavy duty diesel engines, which sets the emission limit of NOx up to 3.5 g/kWh, are to be implemented nationwide by the end of 2014. In order to meet the new emission standard, newly produced heavy-duty diesel vehicles have to install exhaust purification system, represented by SCR catalytic converters. As a result, vehicle DeNOx catalysts became an emerging market in China and is likely to rise with the implementation of National IV Standard. National V Standard, which sets forth a lower NOx emission limit of 2.0 g/kWh, was issued in June 2013 and is expected to be phased in by the end of 2017.

INDUSTRY OVERVIEW

The diagram below sets forth the value chain of the diesel vehicle DeNOx catalyst industry in China:



The table below sets forth the historical demand and demand forecast of diesel vehicle DeNOx catalysts in China:



Source: Frost & Sullivan

From 2014 to 2019, with further implementation of National IV Standard, an increasing number of heavy-duty diesel vehicles is expected to utilize SCR catalysts. However, the actual implementation is likely to take more time than expected. The installation rate of SCR catalyst systems for heavy-duty diesel vehicles is expected to reach 100% in 2017. The demand for vehicle DeNOx catalysts is expected to increase from 998,000 sets in 2014 to 2,990,000 sets in 2019, with a CAGR of 24.5% from 2014 to 2019. According to Frost & Sullivan Report, the supply and demand for vehicle DeNOx catalysts are relatively balanced. Prior to 2013, SCR catalyst systems were not widely adopted for heavy-duty diesel vehicles under National III Standard. As this market only commenced in 2013, historical data before 2013 is not available. According to Frost & Sullivan Report, the two leading domestic manufacturers are likely to expand their production capacities in 2015; however, the demand for DeNOx catalysts for diesel-powered vehicles is expected to reach over 1.5 million sets in 2015. According to Frost & Sullivan Report, taking into account the expected increase in demand and the expansion in production capacity of the market players, it is not expected that there would be a material adverse impact on the price of DeNOx catalysts for diesel-powered vehicles in the coming few years. Given that the demand is expected to sustain a high growth in the coming years, based on the research conducted by Frost & Sullivan, we believe that there is still ample room for us to develop. General prices of DeNOx catalysts for diesel engines are approximately RMB3,000 per set. From 2013 to 2019, market size of DeNOx catalysts for diesel engines is expected to increase from RMB1,726.0 million to RMB8,970.0 million.

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Entry barriers for diesel vehicle DeNOx catalyst market in China include technical, capital and client resource barriers. The technical barrier is high as only a few domestic players have developed the production technology of DeNOx catalysts for diesel vehicles. As the production line of DeNOx catalysts for diesel vehicles differs from the production line of catalysts for industrial application, companies need to set up new production lines, which requires significant amount of capital investment. Investment in production equipment with production capacity of 100,000 sets of DeNOx catalysts for diesel vehicles could reach nearly RMB25.0 million. The SCR system manufacturers, who are the key clients of the DeNOx catalysts for diesel vehicles, have the production capacity of SCR system and established the sales channel with diesel engine manufacturers. The manufacturers of DeNOx catalysts for diesel vehicles need to establish a strong connection with SCR system manufacturers. Therefore, client resource has become one of the major entry barriers for this market.

The SCR catalysts for the diesel engine market in China is mainly occupied by leading multinational companies, represented by Umicore Metal International Trading (Shanghai) Co., Ltd., BASF (China) Co., Ltd. and Johnson Matthey Argillon (Shanghai) Emission Control Technologies Ltd. The leading domestic catalyst manufacturers are Sino-platinum Metals Co., Ltd. and Wuxi Weifu Group Co., Ltd., who have their independent research and development capacity. With the promotion of the National IV Standard, domestic manufacturers are expanding their capacities and improving technologies to compete with foreign giants, and it is expected that the domestic diesel vehicle DeNOx catalysts will, after technology improvement, replace some foreign products taking into account their price advantages.

In 2014, Sino-platinum Metals Co., Ltd. has established a production capacity of nearly 50,000 sets per year of DeNOx catalysts for diesel engines while Wuxi Weifu Group Co., Ltd. has built up a production capacity of nearly 40,000 sets per year. Both of these two companies are actively expanding their production capacities in this regard in 2015.

CONFIRMATION FROM OUR DIRECTORS

As of the Latest Practicable Date, nothing has come to the attention of our Directors to indicate that the disclosure of future projection and industry data included in this section is misleading. Our Directors are not aware of any significant or material adverse change in the market information set out in the Frost & Sullivan Report since the date of the Frost & Sullivan Report.

REGULATIONS

INCORPORATION, OPERATION AND MANAGEMENT OF WHOLLY FOREIGN-OWNED ENTERPRISE

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (中華人民共和國公司法) (the “Company Law”), which was promulgated by the Standing Committee of the NPC (全國人民代表大會常務委員會) (the “Standing Committee of the NPC”) on December 29, 1993 and became effective on July 1, 1994. It was subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013. Pursuant to the Company Law, companies are classified into categories, namely limited liability companies and limited companies by shares. The Company Law shall also apply to foreign-invested limited liability companies and companies limited by shares. According to the Company Law, the provisions otherwise prescribed by the laws on foreign investment shall prevail.

The establishment procedures, approval procedures, registered capital requirement, foreign exchange, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) (the “Wholly Foreign-owned Enterprise Law”), which was promulgated on April 12, 1986 and amended on October 31, 2000, and the Implementation Regulations of the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法實施細則) (the “Implementation Regulations”), which was promulgated on December 12, 1990 and amended respectively on April 12, 2001 and February 19, 2014.

Any investments conducted by the foreign investors and foreign enterprises in the PRC shall be subject to the Catalog for the Guidance of Foreign Investment Industries (外商投資產業指導目錄) (the “Guidance Catalog”), the latest version of which was promulgated by MOFCOM and NDRC on March 10, 2015 and came into effect since April 10, 2015. The Guidance Catalog was divided into the Encouraged Foreign Investment Industries, the Restricted Foreign Investment Industries and the Prohibited Foreign Investment Industries. Industries which are not listed in the Guidance Catalog shall be classified as the Permitted Foreign Investment Industries. According to the Guidance Catalog, the core business of our PRC Subsidiaries which include development, production and sale of plate-type DeNOx catalysts and other pollution control equipments does not fall within the Restricted and Prohibited category for foreign investments on a wholly owned basis.

LAWS AND REGULATIONS RELATING TO PRC TAXATION

Enterprise Income Tax

According to the newly promulgated Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “New Tax Law”) promulgated on March 16, 2007 and effective on January 1, 2008 and the Implementation Rules of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) (the “Implementation Rules”) effective on January 1, 2008, the income tax for both domestic and foreign-invested enterprises will be at the same rate of 25% effective from January 1, 2008.

Value-added Tax

All entities and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of the PRC shall pay value-added tax (VAT) in accordance with the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) (the “Provisional Regulations on VAT”) and its implementation rules. The Provisional Regulations on VAT was promulgated by the State Council (國務院) which became effective

REGULATIONS

on January 1, 1994 and amended on November 5, 2008. Pursuant to the Provisional Regulations on VAT and its implementation rules, VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is 17% or 13% in certain limited circumstances depending on the product type.

Business Tax

According to Interim Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例) which was promulgated on December 13, 1993 and amended on November 5, 2008, businesses or individuals that provide services, transfer intangible assets or sell immovable property are liable to business tax at a rate ranging from 3% to 20%. The amount of tax payable is calculated by multiplying the turnover with the aforesaid tax rate.

FOREIGN CURRENCY EXCHANGE AND DIVIDEND DISTRIBUTION

Foreign Currency Exchange

The principal regulation governing foreign currency exchange in the PRC is the Foreign Exchange Administration Rules of the PRC (中華人民共和國外匯管理條例) (the “Foreign Exchange Administration Rules”). It was promulgated by the State Council of the PRC on January 29, 1996, became effective on April 1, 1996 and was amended on January 14, 1997 and August 1, 2008. Pursuant to the Foreign Exchange Administration Rules, the payment in and transfer of foreign exchange for current international transactions shall not be subject to the government control or restriction. Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments. Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions.

While convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loan are subject to registration with the SAFE and approval or file with the relevant governmental authorities (if necessary).

Dividend Distribution

Pursuant to the New Tax Law, non-resident enterprises, which have not set up institutions or establishments in the PRC or institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments, shall pay enterprise income tax in relation to the income originating from China at the tax rate of 20%. However, the Implementation Rules reduced the rate from 20% to 10%.

The PRC and the government of Hong Kong signed Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排) (the “Arrangement”) on August 21, 2006. According to the Arrangement, no more than 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company. The Notice on Issues relating to the Administration of the Dividend Provision in Tax Treaties (關於執行稅收協定股息條款有關問題的通知) (the

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“Notice 81”) was promulgated on February 20, 2009 by the State Administration of Taxation. The Notice 81 reaffirms the qualification for dividend recipient to enjoy tax preferential of being levied at 5% rate as following: (1) the recipient of the dividend must be a corporation; (2) the recipient’s ownership in the Chinese company must meet the prescribed direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends; (3) the deal or arrangement is not mainly for the purpose of obtaining the tax preferential.

PRODUCT QUALITY

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC (中華人民共和國產品質量法) (the “Product Quality Law”), which was promulgated on February 22, 1993, became effective on September 1, 1993 and amended on July 8, 2000. The Product Quality Law is applicable to all activities of production and sale of any product within the territory of the PRC, and the producers and sellers shall be liable for product quality in accordance with the Product Quality Law. Business in production and sale of our PRC subsidiary should comply with the Product Quality Law and they shall be liable to product quality.

According to Regulations of the People’s Republic of China on Certification and Accreditation (中華人民共和國認證認可條例), which was promulgated by the State Council on September 3, 2003 and became effective on November 1, 2003, the State will promote certification on products, services and management systems conforming to the requirements of the economic and social development; and the term “certification” as mentioned refers to the assessment activities carried out by the certification bodies to testify whether the products, services, and management systems are in conformity with the relevant technical norms and their compulsive requirements or standards, and the term “accreditation” as mentioned refers to the assessment activities carried out by the accreditation bodies to recognize the capabilities and qualifications of the certification bodies, inspection organizations and laboratories, and practicing personnel engaging in such certification activities as appraisal and examination.

ENVIRONMENTAL PROTECTION

Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the “Environmental Protection Law”) became effective on December 26, 1989 and was amended on April 24, 2014. Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例) (the “Administration Regulations”) was promulgated and became effective on November 29, 1998. According to the Environmental Protection Law and the Administration Regulations:

- (a) enterprises, public institutions and other producers and business operators that discharge pollutants shall take measures to prevent and control the environmental pollution and harm caused by waste gas, waste water, waste residues, medical waste, dust, malodorous gases, radioactive substances, noise, vibration, optical radiation and electromagnetic radiation, generated during production, construction or other activities;
- (b) a statement on environmental impact should be compiled for a construction project that may cause light impact on the environment, giving analysis or special-purpose evaluation of the pollution generated and environmental impact caused by the construction project; and a registration form should be filled out and submitted for a construction project that has slight impact on the environment and necessitates no environmental impact evaluation; and
- (c) the enterprises, public institutions and other producers and business operators shall discharge pollutants according to pollutant emission license and shall not discharge pollutants without

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obtaining the pollutant emission license. Where an enterprise, public institution or other producer or business operator is fined and ordered to make correction due to illegal discharge of pollutants but refuses to make correction, the administrative organ that makes the punishment decision pursuant to the law may impose the fine thereon consecutively on a daily basis according to the original amount of the fine commencing from the date immediately following the date when it is ordered to make correction. Where a enterprise, public institution or other producer or business operators discharges pollutants in excess of the pollutant emission standards or the control targets for total emission volume of major pollutants, the competent departments for environmental protection of the people's governments at or above the county level may order it to restrict production, stop production for rectification or take any other measures, or, if the circumstances are serious, may order it to stop operations or close down after such an order has been reported to the people's government with approval authority for approval.

The competent department of environmental protection of the State Council shall conduct unified supervision and administration of the environmental protection work throughout the country. The competent departments of environmental protection of the local people's governments at or above the county level shall conduct unified supervision and administration of the environmental protection work within their respective administrative regions. Different penalties shall be imposed against persons or enterprises in violation of the Environmental Protection Law depending on the individual circumstances and the extent of contamination. Such penalties include fines, the suspension of operations or shut-down or orders to close down or criminal responsibility.

Our operations are also subject to Law of the PRC on Evaluation of Environmental Effects (中華人民共和國環境影響評價法), Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), Law of the PRC on the Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境噪聲污染防治法) and Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法). These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge. Business operations of our PRC subsidiary should comply with laws and regulations concerning environment protection, such as the Environmental Protection Law and the Administration Regulations, and environmental impact assessment should be done and approval shall be obtained before the project was constructed. Operations of companies shall also be under the supervisor of the environment protection bureau.

NOx Emission Reduction

According to the Catalog of the Environment Protection Industry Equipment (Products) the Development of which is Currently Encouraged by the State (2010 Version) (當前國家鼓勵發展的環保產業設備(產品)目錄(2010年版)), which was promulgated and became effective on April 16, 2010, DeNOx catalyst is classified under the "encouraged category."

According to the Catalog of the Environmental Protection Technology Equipment the Development of which is Encouraged by the State (2014 Version) (國家鼓勵發展的重大環保技術裝備目錄(2014年版)), which was promulgated and became effective on December 19, 2014, the development of DeNOx catalyst is urgently required.

According to the Action Plan on Air Pollution Prevention and Control (大氣污染防治行動計劃), which was promulgated and became effective on September 10, 2013, most of the coal-fired power plants and the new-type dry-process cement plants must install DeNOx facilities.

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According to the 12th Five-Year Plan on National Environmental Protection (國家環境保護“十二五”規劃), which was promulgated and became effective on December 15, 2011, (1) DeNOx of power industry, cement industry and industrial boilers will be the key environmental protection project; (2) all newly built coal-fired plants are required to install DeNOx facilities; and (3) all newly built cement production lines are required to install DeNOx facilities with DeNOx efficiency over 60%.

On June 16, 2012, the State Council promulgated the 12th Five-Year Plan on the Development of the Energy-Saving and Environmentally Friendly Industry (“十二五”節能環保產業發展規劃), which establishes the policy to focus on the research, development and promotion of flue gas DeNOx catalyst technologies and equipment for key industries, and to promote the specialization and commercialization of the production and operation of environmental protection facilities, particularly flue gas DeNOx equipment for power plants.

According to the 12th Five-Year Plan on Comprehensive Program for Energy-saving and Emission Reduction (“十二五”節能減排綜合性工作方案), which was promulgated and became effective on August 31, 2011, coal-fired units with a capacity of more than 300,000 kilowatts and newly built coal-fired units should be equipped with DeNOx facilities.

According to the Notice on Matters Relating to the Adjustment of Additional Standards for Renewable Energy Electricity Subsidy and the Environmental Protection Electricity Subsidy (關於調整可再生能源電價附加標準與環保電價有關事項的通知), which was promulgated by the NDRC on August 27, 2013 and became effective on September 25, 2013, the DeNOx electricity subsidy for coal-fired power plants was raised from RMB0.008 per KWH to RMB0.01 per KWH.

On August 1, 2013, the State Council promulgated the Opinions on Accelerating the Development of the Energy-Saving and Environmentally Friendly Industry (關於加快發展節能環保產業的意見), which establishes the policy in terms of promoting the production of DeNOx catalyst and accelerating the installation of DeNOx facilities in key industries.

According to the Notice on Issues Relating to Expanding the Trial Scope of DeNOx Electricity Price Policy (關於擴大脫硝電價政策試點範圍有關問題的通知), which was promulgated by the NDRC on December 28, 2012 and became effective on January 1, 2013, the trial scope of the DeNOx electricity subsidy to all coal-fired power plants in the PRC has been expanded.

According to the Measures for the Supervision and Administration of Environmental Protection Electricity Subsidy and Operation of Environmental Protection Facilities of Coal-fired Power Generator Sets (燃煤發電機組環保電價及環保設施運行監管辦法), which was promulgated by the NDRC and the Ministry of Environmental Protection (環境保護部) on March 28, 2014 and became effective on May 1, 2014, the establishment and renovation of environmentally friendly facilities of coal-fired power generator sets shall be subject to price increase policy.

On January 27, 2010, the Ministry of Environmental Protection of the PRC promulgated the Notice of Fossil-Fired Power Plant NOx Emission Prevention and Treatment Policy (關於發佈《火電廠氮氧化物防治技術政策》的通知), which establishes the framework for NOx reduction under the 12th Five-Year Plan. The policy applies to all fuel burning power plants with capacity of 200 MW or more. In the key control regions of air pollutions, the policy applies to all power plants regardless of capacity. All qualifying plants are required to install emission reduction facilities.

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According to the Emission Standard of Air Pollutants for Thermal Power Plants (火電廠大氣污染物排放標準, the “Emission Standard”), which was promulgated on July 29, 2011 and became effective on January 1, 2012, except for key regions where a set of stricter environmental protection standards shall apply, the Emission Standard imposes the following requirements to coal-fired power plants: (i) the maximum NO_x emissions permitted shall be 100mg/m³; (ii) the maximum SO₂ emissions permitted shall be 100 mg/m³ and 200mg/m³ for new power plants and existing power plants respectively (except for Guangxi, Sichuan, Chongqing and Guizhou, where the standards shall be 200mg/m³ and 400/m³ for new power plants and existing power plants respectively); and (iii) maximum fly ash emissions permitted shall be 30 mg/m³. The Emission Standard defines key regions as regions which are more susceptible to serious atmospheric environmental pollution, due to either a weakening carrying capacity of environment or a fragile ecological environment, and thus requires a stricter control on the emission of pollutants. The specific scope of such key regions is subject to regulation to be issued by the Ministry of Environmental Protection.

Emission Standard of Air Pollutants for Boiler (鍋爐大氣污染物排放標準) (GB13271-2014) was promulgated on May 16, 2014 and took effect on July 1, 2014 to replace the Emission Standard of Air Pollutants for Boiler (鍋爐大氣污染物排放標準) (GB13271-2001).

Steam generators with a capacity above 10t/h and boilers with a capacity above 7MW shall be subject to the following emission standard of air pollutants with effect from October 1, 2015, and steam generators with a capacity under 10t/h and boilers with a capacity under 7MW shall be subject to the following emission standard of air pollutants with effect from July 1, 2016:

Unit: mg/m³

<u>Pollutant</u>	<u>Maximum limit</u>		
	<u>Coal-fired boiler</u>	<u>Oil-fired boiler</u>	<u>Gas-fired boiler</u>
NO _x	400	400	400

From July 1, 2014, newly-built boilers shall be subject to the following emission standard of air pollutants:

Unit: mg/m³

<u>Pollutant</u>	<u>Maximum limit</u>		
	<u>Coal-fired boiler</u>	<u>Oil-fired boiler</u>	<u>Gas-fired boiler</u>
NO _x	300	250	200

Boilers in key regions shall be subject to the following emission standard of air pollutants:

Unit: mg/m³

<u>Pollutant</u>	<u>Maximum limit</u>		
	<u>Coal-fired boiler</u>	<u>Oil-fired boiler</u>	<u>Gas-fired boiler</u>
NO _x	200	200	150

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On August 19, 2014, the Ministry of Environmental Protection promulgated the Abandoned Flue Gas DeNox Catalyst Hazardous Waste Operation Permit Examination Guidelines (廢煙氣脫硝催化劑危險廢物經營許可證審查指南), which set out examination guidelines for units that engage in operation activities of collecting, storing, or disposing of abandoned flue gas DeNox catalyst from the perspectives of the requirements of the artisans, the transporting, packaging and storing of wastes, the equipments and auxiliary facilities, technologies and techniques and the rules and measures.

According to the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) which was implemented on September 1, 2000, any unit that, in violation of the provisions of this Law, puts a construction project into operation or to use before the facilities for prevention and control of atmospheric pollution have been installed or when the requirements in respect of construction projects as specified in State regulations concerning environmental protection are not met, shall be ordered by the administrative department for environmental protection responsible for the examination and approval of the statement on the environmental impact of the construction project to suspend operation or use and may also be fined not less than RMB 10,000 but not more than RMB 100,000. Any unit that, in violation of the provisions of this Law, discharges pollutants to the atmosphere in excess of the discharge norms prescribed by the State or local authorities shall make treatment thereof within a time limit and shall also be fined not less than RMB 10,000 but not more than RMB 100,000 by the administrative department for environmental protection under the local people's government at or above the county level. Any unit or individual that violates this Law shall, for any of the following acts, be ordered to discontinue the violation and make rectification within a time limit and may be fined not more than RMB 50,000 by the administrative department for environmental protection under the local people's government at or above the county level or any other department exercising the power of supervision according to law: (1) discharging dust, malodorous gases or other gases containing toxic substances into the atmosphere without taking any effective measures to prevent and control pollution; (2) discharging into the atmosphere converter gas, acetylene, yellow phosphoric tail gas engendered by electric furnace process, or organic hydrocarbon tail gas without approval by the local administrative department for environmental protection; (3) transporting, loading and unloading, and storing substances that diffuse toxic or harmful gases or dust without adopting sealing or other protective measures. Any unit that violates the provisions of this Law shall, for any of the following acts, be ordered to be equipped with supporting facilities within a time limit and may be fined not less than RMB20,000 but not more than RMB200,000 by the administrative department for environmental protection under the people's government at or above the county level: (1) Failing to install the supporting facilities for the dressing of coal by washing in accordance with relevant State regulations, where the coal mined from a new coal mine being of high-sulfur or high-ash is concerned; (2) Failing to install the desulphurizing installations or take other measures for desulphurization in accordance with relevant State regulations, where an enterprise that discharges sulphide-bearing gas in the process of refining petroleum, producing synthetic ammonia or coal gas, cooking fuel coal or smelting non-ferrous metal is concerned.

According to the Environmental Protection Law (中華人民共和國環境保護法), where an enterprise, public institution or other producer or business operator discharges pollutants in excess of the pollutant emission standards or the control targets for total emission volume of major pollutants, the competent departments for environmental protection of the people's governments at or above the county level may order it to restrict production, stop production for rectification or take any other measures, or, if the circumstances are serious, may order it to stop operations or close down after such an order has been reported to the people's government with approval authority for approval.

CONSTRUCTION PROCEDURES

According to the Land Administration of the PRC (中華人民共和國土地管理法) which was promulgated by the Standing Committee of the NPC on June 25, 1986 and amended on December 29, 1988,

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August 29, 1998 and August 28, 2004, no units or individuals may encroach on land or illegally transfer it through buying, selling or other means. However, the right to the use of land may be transferred in accordance with law. State-owned land to be lawfully used by units or individuals shall be registered with and recorded by people's governments at or above the county level, which shall, upon verification, issue certificates to confirm their right to the use of such land. Units or individuals that illegally occupy and use land without approval shall be ordered by the land administration departments of the people's governments at or above the county level to return such land; demolish the structures and installations built on the illegally occupied land within a time limit and put the land back to its original state; or the structures and installations built on such land shall be confiscated, and the units or individuals may also be fined. The persons directly in charge of the said units and other persons directly responsible for the violations shall be given administrative sanctions in accordance with law.

According to the Law of the PRC on the Administration of the Urban Real Estate (中華人民共和國城市房地產管理法) which was promulgated by the Standing Committee of the NPC on July 5, 1994 and amended on August 30, 2007, where the land-use right is to be obtained by means of granting or allocation, an application for registration shall be submitted to the department of land administration under the local people's government at or above the county level. Upon verification by the department of land administration under the local people's government at or above the county level, the certificate of the land-use right shall be issued by the people's government at the corresponding level; and where a house has been built on the land for real estate development obtained pursuant to the law, an application for registration shall, on the strength of the certificate of land-use right, be submitted to the department of housing administration under the local people's government at or above the county level. The department of housing administration under the local people's government at or above the country level shall issue a certificate of the ownership of the house after verification. Accordingly, the certificates of land-use right and the certificates of the ownership of the house are evidences proving the entitlement of right holders to land-use right and house right respectively.

According to the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法) (the "Urban and Rural Law") which was promulgated by the Standing Committee of the NPC on October 28, 2007 and came into effect on January 1, 2008, where a construction entity without the land use permit is approved to use land, the people's government at or above the county level shall cancel the approval document; if any land has been occupied, such land shall be returned promptly; and if any damage has been caused to a party concerned, compensation shall be made according to law. If a construction project is proceed without obtaining the planning permit on construction project or by violating the provisions of the planning permit on construction project, the competent department of the urban and rural planning of the local people's government at or above the county level shall order it to stop the construction. If it is still possible for the construction entity or individual to take measures to eliminate the impact on the implementation of urban and rural planning, the department shall order it or him to correct within a certain time limit and impose a fine of not less than 5% the construction cost but not more than 10% the cost; if it is impossible to take measures to eliminate the impact, the department shall order the construction entity or individual to dismantle the building or structure within a certain time limit and confiscate the real objects or the illegal gain, and may also impose a fine not more than 10% the construction cost.

According to the Construction Law of the PRC (中華人民共和國建築法) (the "Construction Law") which was promulgated on November 1, 1997 and amended by the Standing Committee of the NPC on April 22, 2011, before the start of construction projects, construction units shall apply to the competent construction administrative departments for construction licenses. Construction enterprises, which act in violation of above mentioned stipulations of the Construction Law to start construction operation without construction permit or at the time when the application for construction operation has not yet been approved, shall be ordered to correct themselves. Construction enterprises of which construction projects

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cannot meet the requirement for starting operation shall be ordered to stop construction operation and may be imposed fine penalties.

PROVISIONS FOR IMPORT AND EXPORT GOODS

Pursuant to the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) which was promulgated by the Standing Committee of the NPC on May 12, 1994 and amended on April 6, 2004, and Measures for the Archival Filing and Registration of Foreign Trade Business Operators (對外貿易經營者備案登記辦法) which was promulgated by the MOFCOM on June 25, 2004 and became effective on July 1, 2004, the PRC adopted a filing and registration system for foreign trade operators engaged in imports and exports of goods, implemented by the Foreign Trade authority under the State Council or its entrusted agencies. Foreign trade operators that have not filed for registration in accordance with the provisions will be declined by Customs to carry out the customs clearance and inspection procedures for import and export of goods.

Pursuant to the Customs Law of the PRC (中華人民共和國海關法) promulgated by the Standing Committee of the NPC on January 22, 1987 and amended on July 8, 2000, June 29, 2013 and December 28, 2013 and related regulations, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted Customs brokers that have registered with the Customs. The consignees and consignors for import or export goods and the Customs brokers engaged in Customs declaration shall register with the Customs in accordance with the law. Principal regulations on the inspection of import and export commodities are set out in the Law of the People's Republic of China on Import and Export Commodity Inspection (中華人民共和國進出口商品檢驗法) promulgated by the Standing Committee of the NPC on February 21, 1989 and amended on April 28, 2002 and June 29, 2013 and its implementation rules promulgated on August 31, 2005 and amended on July 18, 2013. According to the aforesaid relevant laws and regulations, the import and export commodities that are subject to compulsory inspection listed in the catalog compiled by the State administration shall be inspected by the commodity inspection authorities, and the import and export commodities that are not subject to statutory inspection shall be subject to random inspection. Consignees and consignors themselves or its entrusted agent may apply for inspection to the commodity inspection authorities.

LABOR AND SAFETY

According to the PRC Labor Law (中華人民共和國勞動法) promulgated on July 5, 1994 and became effective on January 1, 1995, workers are entitled to fair employment, choice of occupation, labor remuneration, leave, a safe workplace, a sanitation system, social insurance and welfare and certain other rights. The working time for workers may not exceed eight hours a day and no more than 44 hours a week on average. Employers shall establish and improve their work safety and sanitation system, educate employees on safety and sanitation and provide employees with a working environment that meets the national work safety and sanitation standards.

The PRC Labor Contract Law (中華人民共和國勞動合同法) was promulgated on June 29, 2007 and amended on December 28, 2012, and its implementation regulations were implemented on September 18, 2008. According to the PRC Labor Contract Law, labor contracts must be executed in writing to establish labor relationships between employers and employees. Employees who fulfill certain criteria, including having worked for the same employer for 10 years or more, may demand that the employer execute a permanent labor contract. Wages paid by employers may not be lower than the local minimum wage. Both employers and employees must perform their respective obligations stipulated in the labor contracts.

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The PRC Employment Promotion Law (中華人民共和國就業促進法), which became effective on January 1, 2008, requires that individuals have equal employment opportunities, both in hiring and in employment terms, without discrimination on the basis of ethnicity, race, gender, religious belief, communicable disease or rural residence. According to this law, enterprises are also required to provide employees with vocational training. Administrative authorities at the county level or above are responsible for implementing policies to promote employment.

Pursuant to the PRC Social Insurance Law (中華人民共和國社會保險法) promulgated on October 28, 2010, which became effective on July 1, 2011, employers in the PRC must register with the relevant social insurance authority and make contributions to the pension insurance fund, basic medical insurance fund, unemployment insurance fund, maternity insurance fund and work-related injury insurance fund. Pursuant to the PRC Social Insurance Law, pension insurance, basic medical insurance and unemployment insurance contributions must be paid by both employers and employees, while work-related injury insurance and maternity insurance contributions must be paid solely by employers. An employer must declare and make social insurance contributions in full and on time. The social insurance contributions payable by employees must be withheld and paid by employers on behalf of the employees. Employers who fail to register with the social insurance authority may be ordered to rectify the failure within a specific time period. If the employer fails to rectify the failure to register within a specified time period, a fine of one to three times the actual premium may be imposed. If the employer fails to make social insurance contributions on time and in full, the social insurance collecting agency shall order the employer to make up the shortfall within the prescribed time period and impose a late payment fee amounting to 0.05% of the unpaid amount for each day overdue. If the non-compliance continues, the employer may be subject to a fine ranging from one to three times the unpaid amount owed to the relevant administrative agency.

Pursuant to the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例) effective on April 3, 1999, as amended on March 24, 2002, a unit (including a foreign investment enterprise) shall undertake the registration with the administrative center of housing provident funds and pay the funds for their staff. If an employer, in violation of the aforesaid regulations, fails to undertake registration or to open the housing provident funds account for its employees, the administrative center of housing provident funds will impose an order for completion within prescribed time limit, if such employer further fails to process within the aforesaid time limit, a fine ranging from RMB10,000 to RMB50,000 will be imposed. On the other hand, if a unit, in violation of the aforesaid regulations, fails to pay or to fully pay the housing provident funds, the administrative center of housing provident funds will impose an order for payment within a prescribed time limit if such unit further fails to make payment within the aforesaid time limit, the center shall have the right to apply for compulsory enforcement in court.

We are also subject to safety laws and regulations in the PRC including the PRC Production Safety Law (中華人民共和國安全生產法), which became effective on November 1, 2002 and amended on August 31, 2014. The PRC Production Safety Law requires us to maintain safe production conditions as provided in it and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not sufficiently equipped to ensure safe production may not engage in production and business operation activities. We are required to offer education and training Programs to our employees regarding production safety. In order to comply with applicable national or industrial standards, the design, manufacture, installation, use, checking and maintenance of our safety equipment is required. In addition, we are required to provide our employees with labor protection equipments that meet the national or industrial standards and to supervise and educate them to wear or use such equipments according to the prescribed rules.

INTELLECTUAL PROPERTY

The products in the PRC shall be subject to intellectual property laws, which mainly include the Copyright Law of the PRC (中華人民共和國著作權法), the Patent Law of the PRC (中華人民共和國專利法)

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(the “Patent Law”) and the Trademark Law of the PRC (中華人民共和國商標法) (the “Trademark Law”). China is also a signatory to all major intellectual property conventions, including the Paris Convention for the Protection of Industrial Property, Madrid Agreement on the International Registration of Marks and Madrid Protocol, Patent Cooperation Treaty, Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure and the Agreement on Trade-Related Aspects of Intellectual Property Rights.

According to the Trademark Law, which was promulgated by the Standing Committee of the NPC on August 23, 1982 and amended on February 22, 1993, October 27, 2001 and August 30, 2013, the following acts shall be regarded as an infringement upon the right to exclusive use of a registered trademark: (i) using a trademark that is identical with a registered trademark on the same goods without the licensing of the registrant of the registered trademark; (ii) using a trademark that is similar to a registered trademark on the same goods, or using a trademark that is identical with or similar to the registered trademark on similar goods without the licensing of the registrant of the registered trademark, which is likely to cause confusion; (iii) sale of any goods that have infringed the exclusive right to use any registered trademark; (iv) counterfeit or unauthorized production of the label of another’s registered trademark, or sale of any such label that is counterfeited or produced without authorization; (v) change of any trademark of a registrant without the registrant’s consent, and selling goods bearing such replaced trademark on the market; (vi) providing, intentionally, convenience for activities infringing upon others’ exclusive right of trademark use, and facilitating others to commit infringement on the exclusive right of trademark use; or (vii) other acts that have caused any other damage to another’s exclusive right to use a registered trademark.

According to the Patent Law promulgated on March 12, 1984 and became effective on April 1, 1985 and was amended on September 4, 1992, August 25, 2000 and December 27, 2008 and which became effective on October 1, 2009, there are three types of patents, including invention patents, design patents and utility model patents. Invention patents are valid for 20 years, while design patents and utility model patents are valid for 10 years, in each case commencing on their respective application dates. Persons or entities who use patents without the consent of the patent owners, make counterfeits of patented products, or engage in activities that infringe upon patent rights are held liable to the patent owner for compensation and may be subject to fines and even criminal punishment.

The patent prosecution system in China is different in many ways from that in other countries. The patent system in China uses the “first to file” principle, which means when more than one person files a patent application for the same invention, the patent will be granted to the person who files the application first. In addition, China requires absolute novelty for an invention to be patentable. Therefore, in general, a patent will be denied if it is publicly known in or outside of China.

Furthermore, patents issued in China are not enforceable in Hong Kong, Taiwan or Macau, each of which has an independent patent system. Although patent rights are national rights, the Patent Cooperation Treaty to which China is a signatory, allows applicants in one country to seek patent protection for an invention that may simultaneously exist in a number of other member countries by filing a single international patent application. The fact that a patent application is pending is no guarantee that a patent will be granted, and even if granted, the scope of a patent may not be as broad as the subject of the initial application.

According to the Copyright Law of the PRC promulgated on September 7, 1990, implemented on June 1, 1991 and amended on October 27, 2001 and February 26, 2010, computer software is included in the scope of copyright protection and the protection measures shall be formulated independently by the State Council.

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According to Regulations for the Protection of Computer Software (計算機軟件保護條例) promulgated by the State Council on December 20, 2001, implemented on January 1, 2002 and amended on January 8, 2011 and January 30, 2013, Chinese citizens, legal persons or other entities enjoy the copyright protection for software they have developed, regardless of whether it has been published. Copyright covers the right of publication, authorship, right of modification, right of reproduction, distribution rights, rental rights, translation right, etc. Software copyright arises from the date of completion of software development. The protection period of the software copyright of a legal person or other entities shall be 50 years, ending on December 31 of the fiftieth year after the first publication of the software. Software which has not been published for 50 years since the date of completion of software development shall not be under protection. For acts of computer software copyright infringement behavior, the infringer may be requested to bear liabilities to stop infringement, eliminate the negative implications, issue apologies, provide compensation for any damages.

BID INVITATION AND BIDDING

According to the Law of the PRC on Bid Invitation and Bidding (中華人民共和國招標投標法), which was promulgated on August 30, 1999 and became effective on January 1, 2000, certain construction projects to be undertaken within the territory of the PRC, including the surveying, design, construction and supervision of such projects as well as the purchase of key equipment and materials for such projects, shall be subject to bid invitation. Any entity that fails to invite bids for a project subject to bid invitation, or breaks up the project into parts, or by any other means tries to avoid or circumvent a bid invitation shall rectify within a limited time and may be fined not less than 0.5 percent but not more than 1 percent of the contract value of the project; where a project that completely or partly uses state-owned funds is concerned, the construction of such project or allocation of such funds may be suspended. The persons who are directly in charge and the other persons who are directly responsible shall be sanctioned in accordance with law.

OVERSEAS INVESTMENT BY DOMESTIC RESIDENTS

Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment and Financing and Return on Investment Conducted by PRC Residents via Special-Purpose Companies (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (“SAFE Circular No. 37”), which was promulgated and effective on July 4, 2014, replaces Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Financing and Return on Investment Conducted by PRC Residents via Special-Purpose Companies (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (“SAFE Circular No. 75”). According to SAFE Circular No. 37, prior to making contribution to a Special-Purpose Company (“SPC”) with legitimate holdings of domestic or overseas assets or interests, a Mainland resident shall apply to the relevant Foreign Exchange Bureau for foreign exchange registration of overseas investment. Mainland resident individuals shall refer to Chinese citizens holding the identity cards for Mainland residents, military identity documents or identity documents for Chinese armed police force, and overseas individuals who do not hold any Mainland legal identity document, but who have habitual residences within the territory of China due to relationship of economic interests. After a SPC has completed overseas financing, if the funds raised are repatriated to the Mainland for use, relevant Chinese provisions on foreign investment and external debt management shall be complied with.

Under the relevant rules, failure to comply with the registration procedures set forth in SAFE Circular No. 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject the relevant domestic resident to penalties under PRC foreign exchange administration regulations.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR HISTORY

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on November 7, 2014. Since its incorporation, our Company has been an investment holding company with no business operations. Pursuant to the Reorganization, as more particularly described in the section headed “History, Reorganization and Corporate Structure — Reorganization”, our Company has become the holding company of our Group for the purpose of the Listing.

The history of our Group can be traced back to August 2010 when Gu’an Denox was established. Ms. Zhao Shu, our executive Director and her long-serving team, who have gained extensive and rich experience in the environmental protection industry for the coal-fired power plants, joined our Group in May 2011 in anticipation of the booming development of DeNOx catalysts. Ms. Zhao Shu used her own funding to finance the share transfers from original shareholders of Beijing Denox and became the controlling shareholder of Beijing Denox in June 2011. Since Ms. Zhao Shu’s assumption of a leading position in the management of our Group, we have successfully conducted our research and development activities to develop our proprietary technology and completed the trial production in 2011. We started to record substantial growth in our business operations since 2012.

As the first domestic manufacturer of plate-type DeNOx catalysts in the PRC and the third manufacturer in the world, we focus on the research and development, manufacturing and sales of plate-type DeNOx catalysts. Our core technologies are recognized as internationally leading by China Machinery Industry Federation (中國機械工業聯合會) in April 2012. We will continue to strengthen our advantages and endeavor to achieve the leading position in the industry.

Business development milestones

November 2011	Our trial production was successfully completed and we became the first domestic manufacturer of plate-type DeNOx catalysts in the PRC
April 2012	Our core technologies for manufacturing of plate-type DeNOx catalysts was recognized as internationally leading by China Machinery Industry Federation (中國機械工業聯合會)
December 2012	Beijing Denox was awarded as a High and New Technology Enterprise
March 2013	Our products were selected by Hohhot Kelin Thermoelectric Co., Ltd. (呼和浩特科林熱電有限責任公司) to replace imported products for the first time
March 2013	We obtained the first order from one of the Five Largest Chinese Power Generation Groups
July 2013	Beijing Denox delivered our plate-type DeNOx catalysts to Italy and Germany in Europe, which marked us as the first manufacturer in the PRC to introduce domestic plate-type DeNOx catalysts to the international market

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May 2014	We introduced plate-type DeNOx catalysts to replace the originally installed honeycomb DeNOx catalysts for the first time for Guizhou Dalong Thermal Power Co., Ltd. (貴州大龍發電有限公司)
October 2014	We started the research and development of DeNOx catalysts for diesel-powered vehicles
November 2014	Our No. 3 production line was launched, which increased our annual production capacity to 24,000 m ³
February 2015	First round of Pre-IPO Investments was completed
March 2015	Second round of Pre-IPO Investments was completed

OUR CORPORATE DEVELOPMENTS

Gu'an Denox

Gu'an Denox was established in the PRC on August 27, 2010 with an initial registered capital of RMB15 million and commenced business in August 2010. Gu'an Denox is principally engaged in the production of plate-type DeNOx catalysts. At the time of its establishment, Gu'an Denox was owned as to 20% by Mr. Li Xingwu, our non-executive Director, and 80% by Mr. Gao Youli, an Independent Third Party.

On March 7, 2011, Mr. Li Xingwu transferred his 20% interest in Gu'an Denox to Beijing Denox at a consideration of RMB0.6 million and settled on June 5, 2013. Such consideration was determined after taking into account his interest in Beijing Denox and the then registered capital of Gu'an Denox paid up by him immediately prior to the transfer.

On March 7, 2011, Mr. Gao Youli transferred his 64% interest in Gu'an Denox to Beijing Denox at nil consideration in considering that the registered capital in Gu'an Denox owned by him immediately prior to the transfer of such interest to Beijing Denox was unpaid which was permissible according to the payment schedule of such registered capital as set out in the articles of association of Gu'an Denox.

On December 5, 2011, Mr. Gao Youli transferred his 16% interest in Gu'an Denox to Beijing Denox at a consideration of RMB2.4 million which was determined with reference to the registered capital of Gu'an Denox paid up by Mr. Gao Youli and settled on June 5, 2013.

Subsequent to such transfers, Gu'an Denox is wholly owned by Beijing Denox.

Beijing Denox

Beijing Denox was established in the PRC on September 30, 2010 with an initial registered capital of RMB30 million and commenced business in September 2010. Beijing Denox is principally engaged in the design, distribution and sales of plate-type DeNOx catalysts. At the time of its establishment, Beijing Denox was owned as to 20% by Mr. Li Xingwu, our non-executive Director, and 80% by Mr. Gao Youli, an Independent Third Party.

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On June 9, 2011, Mr. Gao Youli transferred his 44% equity interest in Beijing Denox to Ms. Zhao Shu, our executive Director, 17% to Mr. Gao Yuan, an Independent Third Party, 10% to Mr. Lin Mingwang, 5% to Ms. Xu Han, a former Director, 3% to Mr. Kong Hongjun, our executive Director and 1% to Mr. Liu Lianchao, a former Director, at a consideration of RMB4.5 million, nil, RMB3.0 million, RMB1.5 million, nil and nil, respectively. In considering that the respective registered capital of Beijing Denox owned by Mr. Gao Youli immediately prior to the transfer of such interest to Mr. Gao Yuan, Mr. Kong Hongjun and Mr. Liu Lianchao was unpaid which was permissible according to the payment schedule of those registered capital as set out in the articles of association of Beijing Denox, the consideration for such transfers was nil. The consideration for the transfer of the equity interest in Beijing Denox to Ms. Zhao Shu, Mr. Lin Mingwang and Ms. Xu Han was determined with reference to the then registered capital of Beijing Denox paid up by Mr. Gao Youli and settled in June 2011. Following such transfers, Ms. Zhao Shu agreed to transfer such portion of equity interest to Mr. Lin Mingwang and Ms. Xu Han (or their nominees) when the change in registered capital of Beijing Denox results in the dilution of their shareholding (the “**Anti-dilution Right**”). Such that they (together with their nominees) shall hold 15% equity interest of Beijing Denox. Mr. Lin Mingwang is an Independent Third Party, save for his respective interest in our Company through Gold Rise Asia. Immediately after such transfer, Beijing Denox was owned as to 44% by Ms. Zhao Shu, 20% by Mr. Li Xingwu, 3% by Mr. Kong Hongjun, 10% by Mr. Lin Mingwang, 5% by Ms. Xu Han, 1% by Mr. Liu Lianchao and 17% by Mr. Gao Yuan.

On February 14, 2012, Mr. Zhang Yao (張耀), an Independent Third Party, injected the capital of approximately RMB3.33 million to Beijing Denox and the registered capital of Beijing Denox was increased from RMB30 million to approximately RMB33.33 million. Immediately after the capital increase, Beijing Denox was owned as to 39.6% by Ms. Zhao Shu, 18% by Mr. Li Xingwu, 2.7% by Mr. Kong Hongjun, 9% by Mr. Lin Mingwang, 4.5% by Ms. Xu Han, 0.9% by Mr. Liu Lianchao, 15.3% by Mr. Gao Yuan and 10% by Mr. Zhang Yao.

In view of the consequential dilution of the shareholding interest in Beijing Denox, Mr. Lin Mingwang and Ms. Xu Han exercised the Anti-dilution Right and therefore, on February 14, 2012, Ms. Zhao Shu transferred her 1.5% equity interest in Beijing Denox to Ms. Mou Peiyao at nil consideration at the instruction of Mr. Lin Mingwang and Ms. Xu Han. The Anti-dilution Right has expired as of the Latest Practicable Date. Ms. Mou Peiyao was neither a director nor an employee of our Group and did not provide any services to our Group. Rather, Ms. Mou Peiyao is an Independent Third Party, save for her interest in our Company through Win Brilliant. Immediately after such transfer, Beijing Denox was owned as to 38.1% by Ms. Zhao Shu, 18% by Mr. Li Xingwu, 2.7% by Mr. Kong Hongjun, 9% by Mr. Lin Mingwang, 4.5% by Ms. Xu Han, 1.5% by Ms. Mou Peiyao, 0.9% by Mr. Liu Lianchao, 15.3% by Mr. Gao Yuan and 10% by Mr. Zhang Yao. In considering that such share transfer was merely an arrangement between the shareholders of Beijing Denox, the Directors are of the view that there would be no impact on the combined financial information of our Group.

An equity settled, share-based compensation plan was offered by our Group to Mr. Li Ke, an executive Director in the year 2010, pursuant to which Mr. Gao Yuan would, with reference to the grant letter, transfer 0.9% equity interest in Beijing Denox at nil consideration to Mr. Li Ke. On December 30, 2013, Mr. Li Ke exercised such equity settled share-based payments and Mr. Gao Yuan transferred his 0.9% equity interest in Beijing Denox to Mr. Li Ke at nil consideration to honor the grant. Immediately after such transfer, Beijing Denox was owned as to 38.1% by Ms. Zhao Shu, 18% by Mr. Li Xingwu, 2.7% by Mr. Kong Hongjun, 9% by Mr. Lin Mingwang, 4.5% by Ms. Xu Han, 1.5% by Ms. Mou Peiyao, 0.9% by Mr. Li Ke, 0.9% by Mr. Liu Lianchao, 14.4% by Mr. Gao Yuan and 10% by Mr. Zhang Yao. Our Company assessed the fair value of granted share-based payment upon the grant date and concluded that the intrinsic value of the equity unit of Beijing Denox upon the grant date was insignificant and calculated the share-based compensation, amounting to approximately RMB0.3 million, such amount has been recognized once-off in the financial statements of our Group in 2010. Our Directors are of the view that the amount in relation to share-based payments were immaterial and would have no material impact on

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our Group's consolidated financial statements for the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2015 no amortization of such share-based payment during the Track Record Period will be adjusted.

On June 13, 2014, the registered capital of Beijing Denox was further increased from approximately RMB33.33 million to RMB40 million as a result of the capitalization of the capital reserve of Beijing Denox.

Mr. Toe is a private investor with experience in capital markets and direct investments. Mr. Toe became an acquaintance of Ms. Zhao Shu in first half of the year 2014 by way of a business introduction through Mr. Teo Yi-Dar, a director of Beijing Denox at the relevant time and our non-executive Director. Thereafter, Mr. Toe expressed interest in the prospects of investing in Beijing Denox and maintained contact with Ms. Zhao Shu and Beijing Denox.

Towards the middle of 2014, Mr. Zhang Yao informed Ms. Zhao Shu about his intention to cash out his investment in Beijing Denox. Learning such investment opportunity from Ms. Zhao Shu, Mr. Toe conducted due diligence on Beijing Denox and eventually on August 18, 2014, through HK Zymmetry, acquired 10% equity interest in Beijing Denox from Mr. Zhang Yao at a consideration of approximately RMB6.23 million, which was determined with reference to the net asset value of Beijing Denox as at December 31, 2013. The consideration was settled on November 26, 2014. To hold his investment in Beijing Denox, Mr. Toe set up a chain of offshore companies with similar names for such purpose. As of the Latest Practicable Date, HK Zymmetry was a subsidiary of Zymmetry and an Independent Third Party. Immediately after such transfer, Beijing Denox was owned as to 38.1% by Ms. Zhao Shu, 18% by Mr. Li Xingwu, 2.7% by Mr. Kong Hongjun, 9% by Mr. Lin Mingwang, 4.5% by Ms. Xu Han, 1.5% by Ms. Mou Peiyao, 0.9% by Mr. Li Ke, 0.9% by Mr. Liu Lianchao, 14.4% by Mr. Gao Yuan and 10% by HK Zymmetry.

On October 21, 2014, Mr. Gao Yuan transferred his 14.4% equity interest in Beijing Denox to Ms. Zhao Shu at a consideration of approximately RMB8.1 million, which was determined with reference to the net assets value of Beijing Denox as at December 31, 2013 and settled on October 10, 2014. Immediately after such transfer, Beijing Denox was owned as to 52.5% by Ms. Zhao Shu, 18% by Mr. Li Xingwu, 2.7% by Mr. Kong Hongjun, 9% by Mr. Lin Mingwang, 4.5% by Ms. Xu Han, 1.5% by Ms. Mou Peiyao, 0.9% by Mr. Li Ke, 0.9% by Mr. Liu Lianchao and 10% by HK Zymmetry.

On November 26, 2014, the registered capital of Beijing Denox was increased from RMB40 million to approximately RMB60 million as a result of the capitalization of the distributed profits and capitalization of capital reserve of Beijing Denox.

As part of our Reorganization, HK Denox subsequently acquired the entire equity interest in Beijing Denox from its then shareholders. For further details, please refer to the section headed "History, Reorganization and Corporate Structure — Reorganization" below.

Subsequent to the acquisition of the entire equity interest in Beijing Denox by HK Denox, on January 28, 2015, the registered capital of Beijing Denox was increased from RMB60 million to approximately RMB150 million.

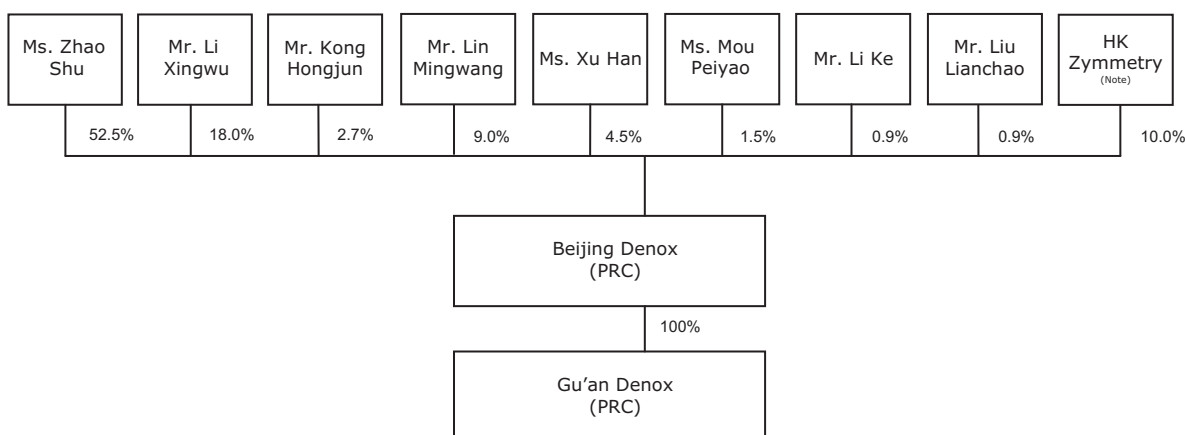
As advised by our PRC legal advisors, the above acquisitions and disposals have been properly and legally completed and settled and all necessary approvals from the relevant PRC authorities have been obtained.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

REORGANIZATION

In July 1, 2014, we commenced the Reorganization in preparation for the Global Offering.

The following chart sets forth our Group's corporate and shareholding structure immediately before the Reorganization:



Note: Based on the best knowledge of our Company, HK Zymmetry is wholly owned by BVI Zymmetry, which is in turn wholly owned by Cayman Zymmetry. Cayman Zymmetry is wholly owned by Zymmetry. As of the Latest Practicable Date, Zymmetry was wholly owned by Mr. Toe, an Independent Third Party.

Incorporation of the Offshore Holding Companies

Pursuant to the Reorganization, the following offshore holding companies were incorporated:

- On October 21, 2014, Advant Performance was incorporated in the BVI in order to act as the holding company for the interest of Ms. Zhao Shu in our Company. The authorized share capital of Advant Performance is US\$50,000 divided into 50,000 shares of US\$1.00 each and one share was issued and allotted at par to Ms. Zhao Shu. Upon completion of such issue and allotment, Advant Performance was wholly owned by Ms. Zhao Shu.
- On November 6, 2014, EEC Technology was incorporated in the BVI in order to act as the holding company for the interest of Mr. Li Xingwu in our Company. The authorized share capital of EEC Technology is US\$50,000 divided into 50,000 shares of US\$1.00 each and one share was issued and allotted at par to Mr. Li Xingwu. Upon completion of such issue and allotment, EEC Technology was wholly owned by Mr. Li Xingwu.
- On October 21, 2014, Global Reward was incorporated in the BVI in order to act as the holding company for the interest of Mr. Kong Hongjun in our Company. The authorized share capital of Global Reward is US\$50,000 divided into 50,000 shares of US\$1.00 each and one share was issued and allotted at par to Mr. Kong Hongjun. Upon completion of such issue and allotment, Global Reward was wholly owned by Mr. Kong Hongjun.

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- On October 21, 2014, Gold Rise Asia was incorporated in the BVI in order to act as the holding company for the interest of Mr. Lin Mingwang in our Company. The authorized share capital of Gold Rise Asia is US\$50,000 divided into 50,000 shares of US\$1.00 each and one share was issued and allotted at par to Mr. Lin Mingwang. Upon completion of such issue and allotment, Gold Rise Asia was wholly owned by Mr. Lin Mingwang.
- On November 6, 2014, Reach Dynamic was incorporated in the BVI in order to act as the holding company for the interest of Ms. Xu Han in our Company. The authorized share capital of Reach Dynamic is US\$50,000 divided into 50,000 shares of US\$1.00 each and one share was issued and allotted at par to Ms. Xu Han. Upon completion of such issue and allotment, Reach Dynamic was wholly owned by Ms. Xu Han.
- On November 6, 2014, Win Brilliant was incorporated in the BVI in order to act as the holding company for the interest of Ms. Mou Peiyao in our Company. The authorized share capital of Win Brilliant is US\$50,000 divided into 50,000 shares of US\$1.00 each and one share was issued and allotted at par to Ms. Mou Peiyao. Upon completion of such issue and allotment, Win Brilliant was wholly owned by Ms. Mou Peiyao.
- On November 6, 2014, Fine Treasure was incorporated in the BVI in order to act as the holding company for the interest of Mr. Li Ke in our Company. The authorized share capital of Fine Treasure is US\$50,000 divided into 50,000 shares of US\$1.00 each and one share was issued and allotted at par to Mr. Li Ke. Upon completion of such issue and allotment, Fine Treasure was wholly owned by Mr. Li Ke.
- On July 1, 2014, Elite Venture was incorporated in the BVI in order to act as the holding company for the interest of Mr. Liu Lianchao in our Company. The authorized share capital of Elite Venture is US\$50,000 divided into 50,000 shares of US\$1.00 each and one share was issued and allotted at par to Mr. Liu Lianchao. Upon completion of such issue and allotment, Elite Venture was wholly owned by Mr. Liu Lianchao.

Incorporation of our Company

On November 7, 2014, our Company was incorporated in the Cayman Islands to act as a holding company of our Group. The initial authorized share capital of our Company was US\$50,000 divided into 5,000,000 Ordinary Shares of US\$0.01 each and one share of US\$0.01 was issued and allotted to N.D. Nominees Ltd., the initial subscriber at par, which then transferred such share to Ms. Zhao Shu at par on November 7, 2014. Such consideration was determined with reference to the nominal value of such share and settled on November 7, 2014.

In anticipation of the Pre-IPO Investments, our Company increased its authorized share capital to US\$50,000,000, comprising: (a) 4,998,000,000 Ordinary Shares of the nominal value of US\$0.01 each; and (b) 2,000,000 Series A Preferred Shares with a nominal value of US\$0.01 each on January 23, 2015.

Incorporation of our Offshore Subsidiaries

On November 12, 2014, BVI Denox was incorporated in the BVI to act as the intermediate holding company of our Group. The authorized share capital of BVI Denox was US\$50,000 divided into 50,000 shares of US\$1.00 each. Upon incorporation, one share was issued and allotted at par to our Company.

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On November 21, 2014, HK Denox was incorporated in Hong Kong to act as the intermediate holding company of our Group. The issued share capital of HK Denox was HK\$1.00. Upon incorporation, one share was issued and allotted at a consideration of HK\$1.00 to BVI Denox.

Subscription of Shares by the BVI Original Shareholders

On November 7, 2014, each of Ms. Zhao Shu, Advant Performance, EEC Technology, Global Reward, Gold Rise Asia, Reach Dynamic, Win Brilliant, Fine Treasure and Elite Venture subscribed for 249,999 Ordinary Shares, 2,666,666 Ordinary Shares, 1,000,000 Ordinary Shares, 150,000 Ordinary Shares, 500,000 Ordinary Shares, 250,000 Ordinary Shares, 83,334 Ordinary Shares, 50,000 Ordinary Shares and 50,000 Ordinary Shares at a consideration of US\$2,499.99, US\$26,666.66, US\$10,000, US\$1,500, US\$5,000, US\$2,500, US\$833.34, US\$500 and US\$500, respectively, each of which was determined with reference to the par value of our Ordinary Shares and settled on November 7, 2014.

On January 23, 2015, Zymmetry subscribed for 555,555 Ordinary Shares at a consideration of US\$5,555.55, which was determined with reference to the par value of our Ordinary Shares and settled on January 23, 2015.

The Series A Investors had rounds of discussions with our Company and other parties to the Series A Preferred Share Purchase Agreement in relation to (a) the amount of total investment by Series A Investors; (b) the shareholding of the Series A Investors in our Company after the Pre-IPO Investments and (c) the investment structure by a combination of subscription of Series A Preferred Shares and purchase of Ordinary Shares from the existing Shareholders. They reached a consensus with our Company on items (a) and (b) above and agreed to achieve shareholding of Series A Investors in our Company by the repurchase of Ordinary Shares from the existing Shareholders, rather than the purchase of the Ordinary Shares which carry no special rights as compared with the Series A Preferred Shares. On February 9, 2015, our Company repurchased 138,889 Ordinary Shares and 138,889 Ordinary Shares from Advant Performance and EEC Technology at a consideration of US\$3.075 million and US\$3.075 million. The Repurchase Consideration was based on the negotiations between, among others, our Company, Advant Performance and EEC Technology after taking into consideration the financial information and performance of our Group as of December 31, 2014, the timing of the Repurchase as well as the contribution of Ms. Zhao Shu and Mr. Li Xingwu to our Group and was settled on March 18, 2015 and March 20, 2015, respectively. As such, those repurchased Shares were cancelled on February 9, 2015. To reflect their intention to adjust the shareholding structure, the parties to the Series A Preferred Share Purchase Agreement agreed to the Repurchase.

Acquisition of Beijing Denox and Gu'an Denox

On December 17, 2014, each of Ms. Zhao Shu, Mr. Li Xingwu, Mr. Kong Hongjun, Mr. Lin Mingwang, Ms. Xu Han, Ms. Mou Peiyao, Mr. Li Ke, Mr. Liu Lianchao and HK Zymmetry transferred its respective 52.5%, 18%, 2.7%, 9%, 4.5%, 1.5%, 0.9%, 0.9%, 10% of Beijing Denox at a consideration of approximately RMB32.70 million, RMB11.21 million, RMB1.68 million, RMB5.61 million, RMB2.80 million, RMB0.93 million, RMB0.56 million, RMB0.56 million and RMB6.23 million, which was determined with reference to the net assets value of Beijing Denox as of December 31, 2013, to HK Denox. To raise funds for the acquisition of Beijing Denox and Gu'an Denox, Ms. Zhao Shu and BVI Holding Companies injected capital into our Group by way of subscription of new Ordinary Shares. On February 27, 2015, each of Ms. Zhao Shu, Advant Performance, EEC Technology, Global Reward, Gold Rise Asia, Reach Dynamic, Win Brilliant, Fine Treasure, Elite Venture and Zymmetry subscribed for 23,682 Ordinary Shares, 241,614 Ordinary Shares, 82,574 Ordinary Shares, 14,209 Ordinary Shares, 48,058 Ordinary Shares, 23,682 Ordinary Shares, 8,124 Ordinary Shares, 4,736 Ordinary Shares, 4,736 Ordinary Shares

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and 53,475 Ordinary Shares at a consideration of approximately US\$0.48 million, US\$4.89 million, US\$1.67 million, US\$0.29 million, US\$0.97 million, US\$0.48 million, US\$0.16 million, US\$0.10 million, US\$0.10 million and US\$1.08 million, respectively each of which was determined with reference to consideration to be paid by HK Denox in respect of such acquisition and settled on April 23, 2015, April 2, 2015, March 28, 2015, March 28, 2015, March 23, 2015, March 30, 2015, March 27, 2015, March 31, 2015, March 27, 2015 and April 8, 2015. Upon the receipt of the subscription monies, the aggregate consideration for the acquisition of Beijing Denox and Gu'an Denox was subsequently settled by HK Denox on April 17, 2015. Upon completion of such acquisition, Beijing Denox became a wholly-owned foreign investment enterprise and a wholly-owned subsidiary of HK Denox.

As advised by our PRC legal advisors, the above reorganization has complied with the applicable PRC laws and regulations and all necessary approvals from the relevant PRC authorities have been obtained.

PRE-IPO INVESTMENTS

There have been two rounds of Pre-IPO Investments in our Company. The first round of Pre-IPO Investments was undertaken by the Series A Investors and was completed in February 2015. The second round of Pre-IPO Investments was undertaken by the Second Round Pre-IPO Investors and with their respective investment completed in March 2015.

Pre-IPO Investments by the Series A Investors

Overview of the Pre-IPO Investments by the Series A Investors

Our Group entered into the Series A Preferred Share Purchase Agreement on January 29, 2015 with the BVI Holding Companies, the BVI Original Shareholders and the Series A Investors. Pursuant to the Series A Preferred Share Purchase Agreement, the Series A Investors, subject to certain conditions including but not limited to the Repurchase and the entering into the shareholders' agreement among our Group, the Series A Investors, the BVI Holding Companies and the BVI Original Shareholders, agreed to subscribe for a total number of 1,146,002 Series A Preferred Shares for an aggregate consideration of US\$23,150,000. Upon completion of the Series A Preferred Share Purchase Agreement, Kickstart and Sea of Wealth held 742,550 Series A Preferred Shares and 403,452 Series A Preferred Shares, respectively. As of the Latest Practicable Date, all the conditions precedent to the Series A Preferred Share Purchase Agreement were fulfilled.

We designate the Series A Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized in consolidated statements of comprehensive income. Subsequently to the initial recognition, the convertible redeemable preferred shares are carried at fair value with changes in fair value recognized in consolidated statements of comprehensive income. Pursuant to the conversion terms as set forth in the then articles of association of our Company, each Series A Preferred Share is automatically converted into an Ordinary Share at the then effective conversion price immediately prior to the closing of an underwritten Global Offering.

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Principal Terms of the Pre-IPO Investments by the Series A Investors

The below table summarizes the principal terms of the Pre-IPO Investments by the Series A Investors:

Name of Series A Investors	Kickstart Sea of Wealth
Date of Investment	February 9, 2015
Amount of Consideration Paid	US\$23,150,000
Payment Date of Consideration	February 17, 2015 and February 18, 2015, by Kickstart and Sea of Wealth, respectively.
Cost per Series A Preferred Share paid by each Series A Investor^(Note 1)	Approximately US\$0.37
Basis of Determination of the consideration	Based on arm's length negotiations between the BVI Holding Companies, the BVI Original Shareholders and the Series A Investors after taking into consideration the financial information of our Group, the timing of the subscription and the illiquidity of our Shares as a private company when the Series A Preferred Share Purchase Agreement was entered into.
Premium to the Offer Price^(Note 2)	A premium of approximately 15.70% to the mid-point of the indicative Offer Price range of HK\$2.10 to HK\$2.90, on the basis of our enlarged share capital immediately upon completion of the Global Offering
Profit Guarantee	If in any of the three years ending December 31, 2016, our Group's profit before the extraordinary items falls below the 90% of the guaranteed amounts as set forth in the Series A Preferred Share Purchase Agreement, either the Series A investors have the right, at their options, to adjust

Notes:

1. *Based on the amount of consideration paid by the Series A Investors, divided by the number of Shares to be held by the Series A Investors immediately following completion of the Global Offering.*
2. *For illustration purposes only. Assuming the mid-point of the indicative Offer Price range of HK\$2.10 and HK\$2.90, on the basis of our enlarged issued share capital immediately upon completion of the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon exercise of options which may be granted under the Share Option Scheme).*

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its shareholding percentage or receive cash compensation according to a pre-determined formula. Before the Listing, the Series A Investors' percentage of shareholding in our Company shall be adjusted according to the following formula:

Adjusted Series A Investors' percentage of shareholding in our Company	=	US\$23,150,000 (being the total consideration paid for the subscription of 1,146,002 Series A Preferred Shares)	x	Pre-determined valuation multiple as set forth in the Series A Preferred Share Purchase Agreement. Such valuation multiple which is not linked to the market price or capitalization of the Shares.
		Guaranteed profit for the financial year ended December 31, 2014		

The Series A Investors' percentage of shareholding shall be adjusted by way of (a) the allotment and issue of additional Series A Preferred Shares to the Series A Investors at an aggregate consideration of US\$1; (b) our Company to repurchase the Ordinary Shares from Ms. Zhao Shu and Advant Performance; or (c) Ms. Zhao Shu and Advant Performance shall transfer the Ordinary Shares to the Series A Investors at an aggregate consideration of US\$1. The number of which shall correspond to such adjusted shareholding percentages of the Series A Investors.

Alternatively, the Series A Investors shall be entitled to the compensation by our Company, Ms. Zhao Shu and/or Advant Performance. The Compensation amount shall be calculated according to the following formula:

Compensation amount for the financial year ended December 31, 2014	=	(Guaranteed profit for the financial year ended December 31, 2014	-	Actual net profit for the financial year ended December 31, 2014)	x	Series A Investors' percentage of shareholding in our Company	x	Pre-determined valuation multiple as set forth in the Series A Preferred Share Purchase Agreement. Such valuation multiple which is not linked to the market price or capitalization of the Shares.
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Given that our Company's audited profit did not fall below 90% of the guaranteed amount for the financial year ended December 31, 2014, the Series A Investors' percentage shareholding in our Company was not adjusted and the Series A Investors did not receive any compensation. The special right above shall be suspended from a

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period of 18 months from being exercised by the Series A Investors upon our Company's submission of its formal listing application to the Stock Exchange and shall be automatically terminated upon Listing when the Series A Preferred Shares are converted into Ordinary Shares.

Use of Proceeds

US\$6.15 million shall be used for the Repurchase and the remaining balance of US\$17 million shall be used for the business expansion, operations and development of our Group. US\$6.15 million was utilized for the Repurchase. As of the Latest Practicable Date, the remaining balance has not been utilized and will be used in accordance with the Series A Preferred Share Purchase Agreement.

Shareholding in our Company upon Listing (assuming the Over-allotment Option is not exercised and without taking into account the shares to be issued upon exercise of options which may be granted under the Share Option Scheme)

8.0% by Kickstart

4.3% by Sea of Wealth

Lock-up Period

Not applicable.

Voting Rights

Series A Preferred Shares carry voting rights equal to such number of Ordinary Shares into which its Series A Preferred Shares are convertible.

Special Rights

Series A Preferred Shares will be fully converted into Ordinary Shares upon the completion of the Global Offering. The Series A Investors are entitled to the following special rights, all of which shall be suspended from a period of 18 months from being exercised by the Series A Investors upon our Company's submission of its formal listing application to the Stock Exchange and shall be automatically terminated upon Listing when the Series A Preferred Shares are converted into Ordinary Shares. Such special rights include, among others:

- *Board appointment right.* Kickstart has the right to appoint a director to the board of any members of our Group (other than Gu'an Denox and the members of our Group with a director already appointed by Kickstart) so long as it holds any Series A Preferred Shares or Ordinary Shares issued upon conversion of the Series A Preferred Shares. Removal of the Director nominated by Kickstart requires its prior consent.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- *Pre-emptive right.* For so long as the Series A Investors holds any Series A Preferred Shares or Ordinary Shares issued upon conversion of the Series A Preferred Shares, the Series A Investors, or their assignees, shall have a pre-emptive right to subscribe for the new securities issued by our Company on a rota basis based on their respective shareholding.
- *Right of first refusal and tag-along right.* The Series A Investors or other holders of the Series A Preferred Shares shall have a right of refusal to purchase all or any part of the Ordinary Shares offered to be sold (the “**Offered Shares**”) by the BVI Original Shareholders or other holders of the Ordinary Shares. If the Series A Investors or other holders of the Series A Preferred Shares do not take up all or part of the Offered Shares, the BVI Original Shareholders or other holders of the Ordinary Shares may transfer the remaining portion of the Offered Shares to third party, subject to the tag-along right of the Series A Investors or other holders of the Series A Preferred Shares to participate in such sale of the Offered Shares on the same term.
- *Redemption rights.* Upon our Company’s submission of its formal listing application to the Stock Exchange, the Series A Investors shall only be entitled to require any member of our Group, Ms. Zhao Shu and/or Advant Performance to redeem all or any part of the Series A Preferred Shares held thereby at a redemption price per Series A Preferred Shares of the original price of the Series A Preferred Share plus agreed interest rate ranging from 10% to 15% together with all declared but unpaid dividends in the following triggering events: (a) the Qualified IPO (as defined below) is not launched by December 31, 2017, (b) if our Company fails to launch its initial public offering as its listing application is rejected or its accountants’ cannot issue an unqualified audit report, or (c) our Company fails to meet certain financial indicators as set forth in the Series A Preferred Share Purchase Agreement. As of the Latest Practicable Date, each of the Series A Investors had not exercised, and had no intention to exercise, such redemption right.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- *Liquidation rights.* In the event of any liquidation, dissolution or winding up of our Company, each holder of the Series A Preferred Shares shall be entitled to receive an amount per share equal to 100% of the issue price of the Series A Preferred Shares, plus all interests of 15% and all accrued but unpaid dividends.
- *Veto Rights.* Our Group has provided covenants, and the BVI Original Shareholders and the BVI Holding Companies have undertaken to procure the members of our Group, not to take certain actions without unanimous prior written approval by all of the holders of the Series A Preferred Shares. These matters include, among other matters: amendment to the constitutional documents of the Company; amendment or change of our rights, preference, privileges, or power of, or the restrictions applicable to the Shares (including the Ordinary Shares and the Series A Preferred Shares); creation, authorization or issuance of the new equity securities; change in the authorized share capital and the registered capital (as the case may be) of the members of our Group; change of the size of the board of our Group; and any capital expenditure or acquisition exceeding RMB5 million beyond the annual budget of our Company.
- *Information and inspection rights.* Series A Investors and the holders of the Series A Preferred Shares have the right to receive, among others, the financial information, annual budgets and other information of our Group reasonably requested by them, as well as the rights to visit the members of our Group, examine the properties, books and records and discuss affairs with the directors, senior management, employees and advisors our Company.
- *Conversion rights.* Series A Preferred Shares are convertible at the then effective conversion price, which shall initially be the issue price of the Series A Preferred Shares, resulting in an initial per share conversation ratio between the Series A Preferred Shares and the Ordinary Shares shall be 1:1 and subject to adjustment from time to time provided in our then effective articles of association. The holders shall have the

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

rights described below with respect to the conversion of the Series A Preferred Shares to Ordinary Shares:

- *Optional conversion.* Any Series A Preferred Shares may, at the option of the holders hereof, be converted at any time.
- *Automatic Conversion.* Each Series A Preferred Share shall automatically be converted into Ordinary Shares at the then effective conversion price immediately prior to the closing of an underwritten initial public offering of the Ordinary Shares (or other securities representing the Ordinary Shares) of our Company (or of any member of our Group or any vehicle established or restructured for the purpose of the initial public offering of our Company), pursuant to the applicable securities laws, in Hong Kong, New York, Shanghai, Shenzhen, or in other jurisdiction and on an internationally recognized securities exchange approved by the holders of the Series A Preferred Shares (the “**Qualified IPO**”).
- *Adjustment of conversion price.* In addition to the other adjustment provisions, such as the subdivision, combination or consolidation of the Ordinary Shares, attached to the Series A Preferred Share, in the event that our Company shall issue additional Ordinary Shares (other than the Ordinary Shares issued or issuable under certain circumstances, such as upon conversion of the Series A Preferred Shares or pursuant to the Qualified IPO) without consideration or for a consideration per share received by our Company (net of any selling concessions, discounts or commissions) less than the conversion price in effect on the date of and immediately prior to such issue, then and in such event, concurrently with such issue, to the extent permitted by law, (i) a new issue price of the Series A Preferred Shares (the “**Series A New Issue Price**”) shall be determined in accordance with the following Formula I below, and the conversion price shall be adjusted to the Series A New Issue Price; or (ii) the

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

holders of Series A Preferred Shares shall be entitled to receive additional Series A Preferred Shares in accordance with the following Formula II below. If such additional Ordinary Shares are issued for no consideration, then the consideration per share shall be deemed to be the then current par value of each Ordinary Share.

Formula I:

Series A New Issue Price = actual price per share of the additional Ordinary Shares determined in accordance with our then articles of association

Formula II:

additional Series A Preferred Shares =
 $\$Volume / Series A New Issue Price - Existing Shares$

where:

$\$Volume$ = aggregate investment paid by the holders of Series A Preferred Shares.

Existing Shares = number of Series A Preferred Shares held by the holder of Series A Preferred Shares immediately before the issuance of additional Ordinary Shares.

As of the Latest Practicable Date, the conversion price has not been adjusted.

Information Regarding the Series A Investors

Kickstart was established and wholly owned by Spring Capital Asia Fund L.P. to hold its interests in our Group. Spring Capital Asia Fund L.P. is a private equity fund focused on the China market. Spring Capital Asia Fund L.P. and its beneficial owners who are 55 limited partners, are Independent Third Parties, save for their interest in our Company.

Sea of Wealth is an investment holding company and is a subsidiary of China Yongda Automobiles Services Holdings Limited (Stock Code: 3669), whose shares are listed on the Stock Exchange and the subsidiaries of which are principally engaged in the sale of automobiles and provision of after-sales services primarily through its 4S (sales, spare parts, service and survey) dealerships, automobile rental services, provision of finance leasing service and distribution of automobile financial products and automobile insurance products in the PRC. Sea of Wealth and its beneficial owners are Independent Third Parties, save for their interest in our Company.

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Series A Investors are regarded as members of the public and the Shares held by them should be regarded as being in public hands at and after the Listing pursuant to the Rule 8.24 of the Listing Rules.

Our Directors are of the view that our Company can benefit from the Series A Investors' commitment to our Company and their investments demonstrate their confidence in our Group's operation and serve as an endorsement of our Company's performance, strength and prospects.

Pre-IPO Investments by the Second Round Pre-IPO Investors

Pre-IPO Investments by Mr. Dai Fan

On March 9, 2015, Gold Rise Asia transferred 274,029 Ordinary Shares to Mr. Dai Fan at a consideration of approximately US\$4.7 million, which was based on the arms' length negotiation between Gold Rise Asia and Mr. Dai Fan, after taking into account the initial investment costs of Gold Rise Asia and settled on March 19, 2015.

Pre-IPO Investments by Mr. Chan Siuming

On March 9, 2015, Zymmetry transferred 140,029 Ordinary Shares to Mr. Chan Siuming at a consideration of US\$2.4 million, which was based on the arms' length negotiation between Zymmetry and Mr. Chan Siuming, after taking into account the initial investment costs of Zymmetry and settled on March 27, 2015.

Pre-IPO Investments by Agile Partners

On March 9, 2015, Gold Rise Asia transferred 134,000 Ordinary Shares to Agile Partners at a consideration of approximately US\$2.3 million, which was based on the arms' length negotiation between Gold Rise Asia and Agile Partners, after taking into account the initial investment costs of Gold Rise Asia and settled on March 19, 2015.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Principal Terms of the Pre-IPO Investments by the Second Round Pre-IPO Investors

Name of Second Round Pre-IPO Investors	Date of instrument of transfer	Amount of Consideration Paid	Payment Date of Consideration	Cost per Share paid by each Second Round Pre-IPO Investors ^(Note 1)	Discount to Offer Price ^(Note 2)	Shareholding in our Company upon the Listing (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of options which may be granted under the Share Option Scheme)
Mr. Dai Fan . . .	March 9, 2015	US\$4,675,000	March 19, 2015	US\$0.31	2.28%	3.0%
Mr. Chan Siuming	March 9, 2015	US\$2,400,000	March 27, 2015	US\$0.32	1.83%	1.5%
Agile Partners	March 9, 2015	US\$2,286,040	March 19, 2015	US\$0.33	2.29%	1.5%

Notes:

- (1) *Based on the amount of consideration paid by the Series A Investors, divided by the number of Shares to be held by the Series A Investors immediately following completion of the Global Offering.*
- (2) *For illustration purposes only. Assuming the mid-point of the indicative Offer Price range of HK\$2.10 and HK\$2.90, on the basis of our enlarged issued share capital immediately upon completion of the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon exercise of options which may be granted under the Share Option Scheme).*

Use of Proceeds

Our Company did not receive any proceeds in connection with the sales since the Shares purchased by the Second Round Pre-IPO Investors are Shares held by Zymmetry and Gold Rise Asia.

Lock-up

Mr. Dai Fan, Mr. Chan Siuming and Agile Partners are not subject to the lock-up period.

Special rights

No special rights were granted to Mr. Dai Fan, Mr. Chan Siuming and Agile Partners.

Information regarding the Second Round Pre-IPO Investors

Mr. Dai Fan is an individual investor with local business network and has experience in capital markets and investment. Mr. Dai Fan is an Independent Third Party, save for his interest in our Company.

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Mr. Chan Siuming is an individual investor with local business network and has experience in capital markets and investment. Mr. Chan Siuming is an Independent Third Party, save for his interest in our Company.

Agile Partners is a private equity fund with the focus on the investments of the Greater China region. Agile Partners is wholly owned by Mr. Teo Kean Eek. Agile Partners and its ultimate beneficial owners are an Independent Third Party, save for their interest in our Company.

Second Round Pre-IPO Investors are regarded as members of the public and the Shares held by Second Round Pre-IPO Investors should be regarded as being in public hands at and after the Listing pursuant to the Rule 8.24 of the Listing Rules.

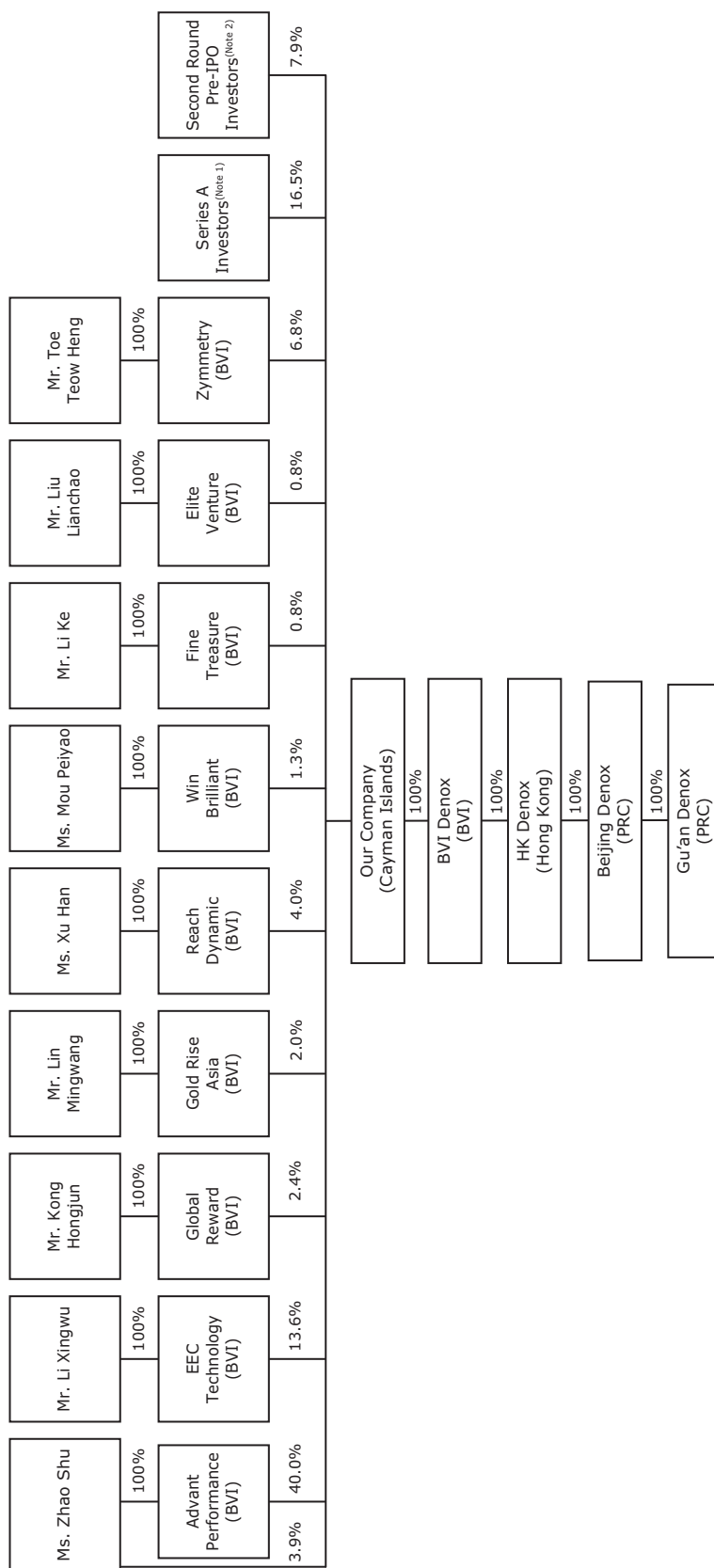
Our Directors are of the view that our Company can benefit from the commitment of Mr. Dai Fan, Mr. Chan Siuming and Agile Partners to our Company and can leverage on their local network to explore and broaden our Group's financing channels in Hong Kong.

Joint Sponsors' Confirmation

The Joint Sponsors have confirmed that the terms of the Pre-IPO Investments are under normal commercial terms and are in compliance with the Interim Guidance on Pre-IPO investments issued on October 13, 2010 by the Stock Exchange, the Guidance Letter HKEx-GL-43-12 issued in October 2012 and updated in July 2013 by the Stock Exchange and the Guidance Letter HKEx-GL44-12 issued in October 2012 by the Stock Exchange.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On January 23, 2015 and March 9, 2015, we completed all steps of the Reorganization and Pre-IPO Investments above, respectively. The following chart sets forth our Group's corporate and shareholding structure immediately after the Reorganization, but before the completion of the Global Offering and the Capitalization Issue:



Notes:

- (1) Before the completion of the Global Offering and the Capitalization Issue, each of Kickstart and Sea of Wealth was interested in 10.7% and 5.8% of the issued share capital of our Company.
- (2) Before the completion of the Global Offering and the Capitalization Issue, each of Mr. Dai Fan, Mr. Chan Siuming and Agile Partners was interested in 4.0%, 2.0% and 1.9% of the issued share capital of our Company.

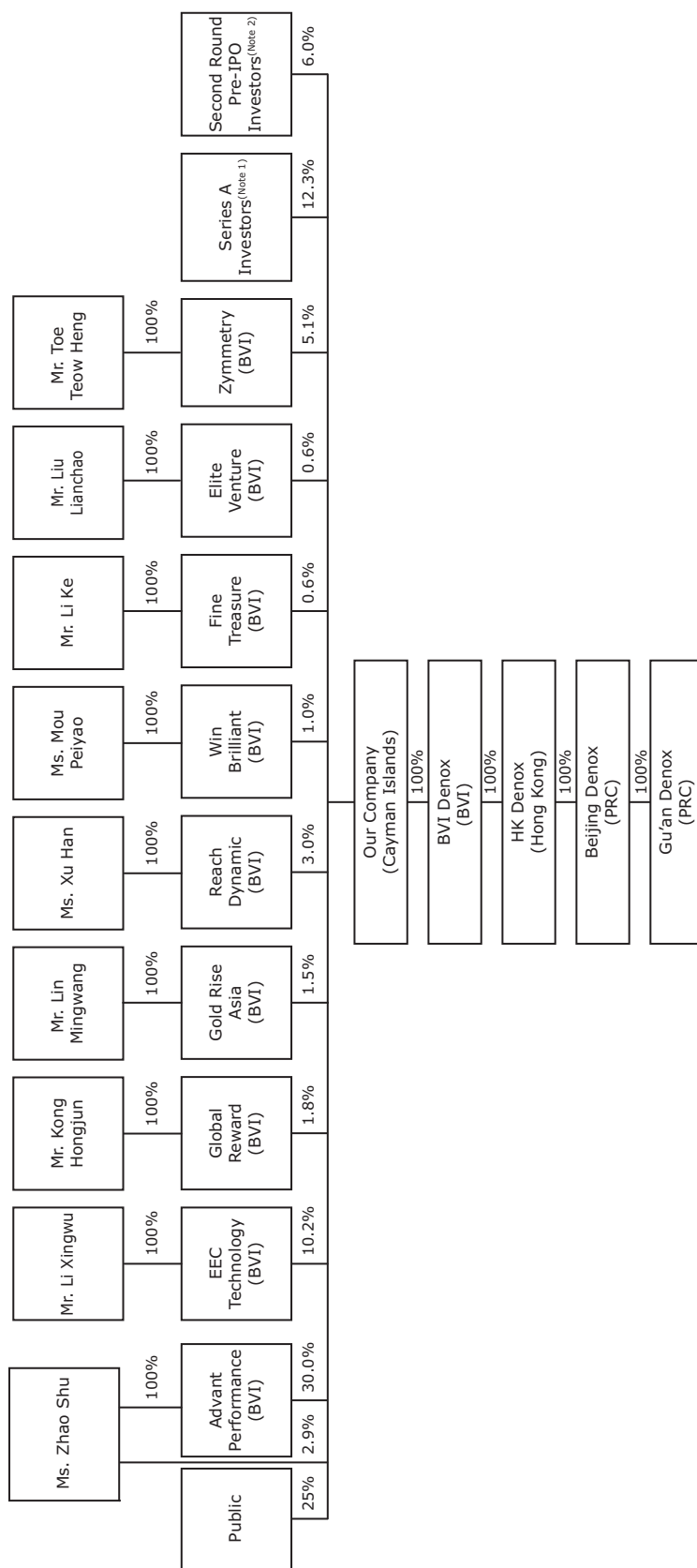
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CAPITALIZATION ISSUE

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors are authorized to capitalize an amount of US\$3,680,713.31 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 368,071,331 Shares for allotment and issue to the persons whose names appear on the register of members of our Company immediately prior to the Listing Date, on a pro rata basis.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets forth our Group's corporate and shareholding structure upon completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option is not exercised):



Notes:

- (1) Upon completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option is not exercised), each of Kickstart and Sea of Wealth was interested in 8.0% and 4.3% of the issued share capital of our Company.
- (2) Upon completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option is not exercised), each of Mr. Dai Fan, Mr. Chan Siuming and Agile Partners was interested in 3.0%, 1.5% and 1.5% of the issued share capital of our Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

M&A RULES

On August 8, 2006, six PRC regulatory agencies, including MOFCOM and CSRC, promulgated the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “**M&A Rules**”), a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and amended on June 22, 2009. The M&A Rules, among other things, provides that a foreign investor seeking acquisition of the equity interest in a non-foreign-invested PRC enterprise, or purchasing and operating the assets of that enterprise by establishing a foreign-invested enterprise in the PRC, shall obtain the approval of MOFCOM or its counterparts at provincial level.

As advised by our PRC legal advisors, Tian Yuan Law Firm, upon the onshore reorganization, Beijing Denox was a foreign-invested company, the onshore reorganization is an acquisition of equity in a foreign invested enterprise, and as such, the M&A Rules is not applicable and approval from MOFCOM, CSRC or other PRC government authorities for the Listing is not required.

CIRCULAR NO. 75 AND CIRCULAR NO. 37

On October 21, 2005, the SAFE issued the Circular of the SAFE on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Investing and Financing Overseas and Roundtrip Investment via Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the “**Circular No. 75**”). According to Circular No. 75, a domestic resident shall, before establishing or controlling an overseas special purpose company, apply to the local branch or office of SAFE (the “**SAFE Branch**”) for foreign exchange registration of overseas investments. The SAFE Branch shall, after examining and checking the materials to be inerrant, affix the special seal for foreign exchange business for capital account transactions on the Certificate of Foreign Exchange Registration of Overseas Investments (境外投資外匯登記證) or the Form of Foreign Exchange Registration of Overseas Investments of the Domestic Individual Resident (境內居民個人境外投資外匯登記表).

On July 4, 2014, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Investing and Financing Overseas and Roundtrip Investment via Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “**Circular No. 37**”) which rescinded the Circular No. 75. Domestic residents who invest in special purpose vehicles with legitimate assets or equity interest inside and outside the PRC prior to the implementation of the Circular No. 37, but fail to conduct the foreign exchange registration of overseas investments shall submit explanatory statement and state the reasons to the bureau of foreign exchange administration. The bureau of foreign exchange administration may allow complementary registration under the principles of legality and legitimacy. According to the Circular No. 37, a domestic resident is required to register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle that is directly established or controlled by the domestic resident for the purpose of conducting investment or financing. Following the initial registration, the domestic resident is also required to register with the local SAFE branch for any major change in respect of the special purpose vehicle, including, among other things, any major change of a PRC resident shareholder, name or term of operation of the special purpose vehicle, or any increase or reduction of the special purpose vehicle’s registered capital, share transfer or swap, merger or division.

As advised by our PRC legal advisors, Tian Yuan Law Firm, Ms. Zhao Shu, Mr. Li Xingwu, Mr. Kong Hongjun, Mr. Lin Mingwang, Ms. Xu Han, Ms. Mou Peiyao, Mr. Li Ke and Mr. Liu Lianchao, as

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRC domestic residents, completed the registration as required by Circular No. 37 on November 28, 2014. In view of the subsequent changes to shareholding structure of our Company due to among others, the Pre-IPO Investments and the Repurchase, Ms. Zhao Shu, as the only Shareholder who directly holds share in our Company amongst the PRC Shareholders, has completed the registration for subsequent changes to the shareholding structure of the Company as required by Circular No. 37 on July 2, 2015. Other PRC Shareholders, including Mr. Lin Mingwang, are not required to file with the relevant foreign exchange authority as they do not directly hold shares of our Company.

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OVERVIEW

We are a leading manufacturer in the fast-growing plate-type DeNOx catalyst industry in China. According to Frost & Sullivan Report, for the year ended December 31, 2014:

- in terms of production capacity in China, we were the third largest manufacturer of plate-type DeNOx catalysts with an approximately 17.5% market share;
- in terms of production volume in China, we were the fourth largest manufacturer of plate-type DeNOx catalysts with a production volume of 8,380 m³, accounting for an approximately 12.6% market share; and
- in terms of total revenue of plate-type DeNOx catalysts in China, we were the fourth largest manufacturer of plate-type DeNOx catalysts with a total revenue of RMB217.1 million in 2014, accounting for an approximately 15.0% market share.

We have achieved a solid track record of consistent growth in revenue and net profit. For the years ended December 31, 2012, 2013 and 2014, we recorded a total revenue of RMB22.5 million, RMB126.9 million, and RMB217.1 million, respectively, representing a CAGR of 210.6%. We recorded a total revenue of RMB57.1 million and RMB79.0 million for the four months ended April 30, 2014 and the four months ended April 30, 2015, respectively, representing an increase of 38.3%. We incurred a net loss of RMB1.4 million for the year ended December 31, 2012 due to the fact that we were in the early stage of our business and our net profit for the two years ended December 31, 2013 and 2014 were RMB32.7 million and RMB73.5 million, respectively. We incurred a net loss of RMB14.3 million for the four months ended April 30, 2015 primarily due to fair value loss of convertible redeemable preferred shares and share-based compensation expenses.

As the first domestic manufacturer of plate-type DeNOx catalysts in China and the third manufacturer in the world according to Frost & Sullivan Report, we believe we are well positioned to act as an industry consolidator and to capture greater market share. We mainly serve China's coal-fired power generation industry, which is subject to NOx emission reduction requirements that are among the most stringent in the world, presenting significant growth opportunities for us. According to Frost & Sullivan Report, the demand for plate-type DeNOx catalysts for coal-fired power plants in China grew significantly at a CAGR of approximately 76.3% from a volume of 4,400 m³ in 2009 to 75,000 m³ in 2014, and is expected to continue to grow at a CAGR of 18.0% from 2014 to 171,400 m³ in 2019. Before 2016, such growth has been and will continue to be primarily driven by coal-fired power plants' needs for first-time installation, and from 2016 onwards the growth will be primarily driven by coal-fired power plants' needs for replenishment and regeneration of DeNOx catalysts.

We sell our products under our brand, 迪諾斯, which is widely known within our industry. Certain key performance measures of our catalyst products such as adhesion strength and abrasion resistance outperform the industry average, according to Frost & Sullivan Report. Adhesion strength refers to adhesive capacity of the coating, containing the active ingredient, on the metal substrate by the brushing of dust-laden air. Typical adhesion strength of our products is nearly 0.2%, which is lower than industry average performance of 0.6%. The lower the number, the better is the adhesive ability of the active coating of catalysts. Abrasion resistance refers to the ratio between the percentage of weight loss of catalysts after wearing, and the consumed volume of abrasion agent. Typical abrasion resistance of our products is approximately 0.4 mg/100U, which is lower than the industry average performance of 0.5 mg/100U. The lower the number, the better is the resistance to abrasion of the catalysts. Leveraging our proprietary technologies and know-how, such as our database for customization of the catalyst formula

BUSINESS

and our degreasing and cleaning technology, we are able to ensure the stable quality of our products and have established our brand image as a leading and reliable supplier of plate-type DeNOx catalysts equipped with advanced technology and comprehensive solutions, which has also laid a solid foundation for us to explore new business areas, such as the design of DeNOx catalysts for diesel-powered vehicles and vessels.

Leveraging our effective cost control ability and proprietary technologies and know-how, we are able to provide competitive pricing of consistent, premium-quality products while maintain profitability. We recorded a steady growth in gross profit margin of 43.9%, 48.4% and 49.0% for the years ended December 31, 2012, 2013 and 2014, and our gross profit margin in 2014 was substantially higher than the average industry gross profit margin of 43% in the same year, according to Frost & Sullivan Report. Our gross profit margin dropped to 38.2% for the four months ended April 30, 2015, as compared to that of 51.9% for the four months ended April 30, 2014 mainly due to recent decrease in market price of plate-type DeNOx catalysts. Our investment on the production line was far beneath the industry average, and our self-developed production lines saved us significant equipment cost and ongoing maintenance cost compared to our major competitors, who typically import entire production lines from overseas suppliers. Our core technologies of customization of catalyst formula through our research and development efforts enable us to use domestic nano-type TiO₂ in our production, which is 30% less expensive than the imported nano-type TiO₂ used by other domestic manufacturers of plate-type DeNOx catalysts, according to Frost & Sullivan Report, therefore significantly lowering our raw material costs without affecting our product quality. This has become one of our key success factors. Our profitability also can be ensured in case of price fluctuation of our products due to our low cost. We have not registered the relevant patents for our core technologies of customization of catalyst formula since the registration requires the publication of such formula, which may inadvertently benefit our competitors and negatively affect our operations. Our catalyst formula is self-developed and customized in order to meet the respective requirements of each customer and, therefore, may vary from project to project. Our Directors confirm that, to the best of their knowledge and based on their experience in the DeNOx catalyst industry, a majority of the manufacturers in our industry generally do not register patents for their catalyst formulae and for those few manufacturers who registered patents for their DeNOx catalyst formulae, they do not fully disclose their respective precise core DeNOx catalyst formulae. According to Frost & Sullivan Report, not all manufacturers in our industry register patents for their respective precise core DeNOx catalyst formulae and for those who registered patents for the DeNOx catalyst formulae, they only give generic descriptions of the DeNOx catalyst formulae instead of presenting precise core DeNOx catalyst formulae. We have conducted searches on those registered patents of DeNOx catalyst formulae and our Directors confirm that none of the DeNOx catalyst formulae of those registered patents is similar to our core DeNOx catalyst formula. As such, it is unlikely that our core technologies of customization of DeNOx catalyst formula currently infringe the patent rights of DeNOx catalyst formulae of other manufactures in our industry. To protect our know-how, we enter into confidentiality agreements with our core personnel who have access to our research and development data as well as the DeNOx catalyst formulae. We have adopted the following measures to ensure that our core technologies of customization of catalyst formula and/or know-how do not infringe the intellectual property rights of other parties: (i) we will conduct due diligence with the transferor of the technologies and ensure that the technologies are legally owned by such transferor and free from any dispute; (ii) we will, by ourselves or commission an independent third party, to conduct searches on the intellectual property rights of the technologies in China and overseas to ensure the technologies do not infringe any intellectual property rights of other parties; (iii) if necessary, we will request the transferor to sign a declaration on the legitimacy of the source of the technologies being transferred; (iv) we, when applying for intellectual property protection for our self-developed technologies, will strictly follow the relevant requirements imposed by regulatory agencies; and in the event that we do not apply for intellectual property protection due to confidentiality concerns, we will carefully record the research and development processes and will maintain the records in writing for inspection; and (v) our research and development personnel constantly monitor the latest development in relation to our technologies and report to our senior management on a regular basis to avoid any likelihood of negligent infringement.

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We offer a comprehensive portfolio of 28 major products with 14 different height specifications ranging from 425 mm to 810 mm and two different pitch specifications, which enable us to provide a broader product range compared to the products offered by our peers. Utilizing our comprehensive portfolio, we are able to provide our customers with a wide selection to deal with different flue gas conditions and structures of DeNOx system in each project.

Through our delivery of consistent and premium-quality products, we rapidly expanded our customer base during the Track Record Period. The number of our customers steadily increased from two in 2012, to seven in 2013 and to 11 in 2014. We had seven customers for the four months ended April 30, 2015. We have established business relationships with subsidiaries of three of the Five Largest Chinese Power Generation Groups, as well as regional and provincial-level power generation groups. We also seek to diversify our customer base by establishing business relationships with customers in various industries including petroleum, petrochemical and metallurgical industries. We further broaden our customer base through developing international customers. In 2013, we became the first PRC manufacturer of plate-type DeNOx catalysts to export our products to Germany and Italy in the European market, which holds a leading position in DeNOx catalyst technology.

We have established stable relationships with our suppliers. We have entered into an exclusive long-term supply agreement for a term of five years until December 31, 2020 with our supplier of stainless steel mesh. We have also entered into non-fixed-term agreements with our key suppliers of TiO₂ and AHM, which generally provide us with stable and quality supply at competitive prices.

Our core technologies have been recognized as internationally leading by China Machinery Industry Federation (中國機械工業聯合會) in April 2012 and have enabled us to achieve product improvement, product quality and technological sophistication. We conducted our research and development activities on customization of our catalyst formula, upgrading of our production equipment and optimization of our production process and technique. Our proprietary technologies and know-how also enable us to ensure the production efficiency and stable quality of our products, which allow us to provide competitive pricing while maintaining profitability. We plan to continue to enhance our research and development capabilities and further focus our research and development activities on the following areas: (i) expanding the application of our products through upgrades of our technology; (ii) developing the technology for regeneration of DeNOx catalyst; (iii) developing the technology of disposal of DeNOx catalyst; and (iv) promoting the development of DeNOx catalyst used on diesel-powered vessels.

We believe that we will be able to maintain our leading position in the plate-type DeNOx catalyst market. In addition to providing first-time installation services, which historically constituted the majority of our services, we have started to provide replenishment services to our existing and new customers as well. We have also introduced potential customers to plate-type DeNOx catalysts to replenish their originally installed honeycomb DeNOx catalysts. We have completed four replenishment projects since our inception and have four replenishment projects in progress as of the Latest Practicable Date. We expect to strengthen our penetration in the replenishment market in the near future. Moreover, while many participants in the industry typically procure from overseas markets, the cost of which is subject to and may be impacted by foreign currency exchange fluctuations, our production costs remain stable as we procure substantially all of our raw materials from domestic suppliers. We are committed to offering quality products with competitive price by enhancing our cooperation with our stainless steel mesh supplier. We are also developing DeNOx catalysts in coating technology for diesel-powered vehicles and exploring its market. We have visited a number of manufacturers of diesel engines and authoritative examination institutions of DeNOx catalysts for diesel-powered vehicles with a view to further understanding the market and establishing business relationships with them. We expect such business relationships will not only provide us with direct sales channels but also first mover advantage in capturing future business opportunities. We have initiated our testing production in July 2015 and plan to

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deliver our test products to an independent third-party institution for performance examination in November 2015. We have also entered into a memorandum of cooperation with a company in Chongqing in August 2015, pursuant to which we would become one of its qualified suppliers of DeNOx catalysts for diesel-powered vehicles as soon as our catalyst products pass an independent third-party examination, which is expected to commence in November 2015. The company in Chongqing is 60% owned by one of the authoritative examination institutions and is primarily engaged in the research and development, production, sales and technical services provision of vehicle exhaust purification systems in China.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success:

Leading manufacturer of plate-type DeNOx catalysts in China with a first-mover advantage

We are a leading manufacturer in the fast-growing plate-type DeNOx catalyst industry in China. According to Frost & Sullivan Report, for the year ended December 31, 2014, (i) in terms of production capacity in China, we were the third largest manufacturer of plate-type DeNOx catalysts with an approximately 17.5% market share; (ii) in terms of production volume in China, we were the fourth largest manufacturer of plate-type DeNOx catalysts with a production volume of 8,380 m³, accounting for an approximately 12.6% market share; and (iii) in terms of total revenue of the plate-type DeNOx catalysts in China, we were the fourth largest manufacturer of plate-type DeNOx catalysts with a sales revenue of RMB217.1 million, accounting for an approximately 15.0% market share. We are also the second largest independent manufacturer of plate-type DeNOx catalysts in terms of production capacity which is not affiliated with any power generation group in China. We enjoy greater flexibility in business development without the limitation of servicing the needs of affiliates before pursuing other business opportunities. Accordingly, we believe we are able to serve a wider customer base and pursue business opportunities that are often untapped by those competitors affiliated with power generation groups.

As the first domestic manufacturer of plate-type DeNOx catalysts in China and the third manufacturer in the world according to Frost & Sullivan Report, we believe we are well positioned to act as an industry consolidator and to capture greater market share. Leveraging our advanced technologies and stable quality, our products have also been well recognized by our customers in Germany and Italy evidenced by our first export in 2013. According to Frost & Sullivan Report, we are the first PRC supplier that introduced plate-type DeNOx catalysts to the European market, which has a leading position in DeNOx catalyst technology.

The demand for DeNOx catalysts has grown at a CAGR of 58.9% between 2009 and 2014, and is expected to grow from 252,900 m³ in 2014 to 382,100 m³ in 2019 at a CAGR of 8.6%, according to Frost & Sullivan Report. In 2012, the PRC Government introduced mandatory measures for the use of DeNOx facilities in the coal-fired power generation industry, which was phased in over the course of two years and became fully mandatory by July 2014. The retrofit of all coal-fired power plants is expected to be completed by 2016, according to Frost & Sullivan Report. For coal-fired power plants, the penetration rate of DeNOx facilities is generally based on installed capacity rather than number of coal-fired power plants. As of December 31, 2014, the total installed capacity for coal-fired power plants in China amounted to 830 billion watt. Although the Emission Standard required existing coal-fired power to install DeNOx facilities by July 2014, 16.2% of the existing coal-fired power plants in China have not installed DeNOx facilities as of December 31, 2014, and approximately 10.0% of the existing coal-fired power plants in China have not installed DeNOx facilities as of June 30, 2015. The government is now actively promoting and accelerating the installation of DeNOx facilities. Taking into account these facts, it is expected that all

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coal-fired power plants would complete the installation of DeNOx facilities by 2016, according to Frost & Sullivan Report. We expect these regulatory measures will lead to a substantial increase in demand for DeNOx catalysts in the manufacturing sector, expanding beyond the national or regional power generation groups and their affiliates, which have historically been the major consumers of DeNOx catalysts. For the years ended December 31, 2012, 2013 and 2014, benefitting from the rapid growth in the industry, our revenue amounted to RMB22.5 million, RMB126.9 million and RMB217.1 million, respectively, representing a CAGR of 210.6%.

Proven research and development capability

Through our research and development efforts, we are able to provide plate-type DeNOx catalysts with some key performance measures that exceed the average levels in the industry and are able to suit various structures and conditions of DeNOx systems of our customers. We have focused on the following three core areas in our research and development:

- *Customization of our catalyst formula*

The technology for the customization of catalyst formula is one of our core technologies. Through the analysis of our proprietary technologies, we are able to customize the catalyst formula we use in each project to meet the diverse needs of our customers facing different operating conditions. We have also developed our own database to support our analysis of the customization of catalyst formula.

We also share our know-how with our key suppliers to improve the quality of raw materials with an aim to ensure the performance of our customized catalyst formula and optimize our cost structure. For example, working with our supplier, we have successfully improved the quality of stainless steel mesh, one of the major raw materials for our products, which not only enhances the wearability and adhesiveness of our plate-type DeNOx catalysts but also helps us achieve cost saving. This has become a key component to our success.

- *Upgrading of our production equipment*

We independently designed and assembled our No. 1 and No. 3 production lines to expand our production capacity. We are able to offer a comprehensive portfolio of 28 major products, with a height range from 425 mm to 810 mm, a broader range compared to the products offered by our peers, according to Frost & Sullivan Report.

- *Optimization of our production process and technique*

Through our proprietary production process and technique, we are able to ensure the stable quality of our products. We start our production process with grease cleaning of the stainless steel mesh, and we are the only domestic plate-type DeNOx catalyst manufacturer who employs this technology. We also adopted the technique of unit sealing (單元密封) before assembling to reduce the risk of leakage of flue gas in the use of our products.

We run laboratory testing on the effectiveness of our products to ensure the performance enhancement, which are realized through our research and development efforts. To further improve our ability in laboratory testing, we require our research and development team members to attend external training on laboratory testing skills from time to time.

Our core technologies have been recognized as internationally leading by China Machinery Industry Federation (中國機械工業聯合會) in April 2012 and have enabled us to achieve product improvement,

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product quality and technological sophistication. Some key performance measures of our catalyst products such as adhesion strength and abrasion resistance outperform industry average, according to Frost & Sullivan Report. For instance, typical adhesion strength of our products is nearly 0.2%, which is lower than industry average performance of 0.6%. Typical abrasion resistance of our products is around 0.4 mg/100U, which is lower than industry average performance of 0.5 mg/100U. For the avoidance of doubt, the lower figures of adhesion strength and abrasion resistance indicate better performance of the plate-type DeNOx catalysts in terms of adhesive ability of the active coating and resistance to abrasion of the catalysts. As of the Latest Practicable Date, we had ten patents, seven registered trademarks, one software copyright and one pending trademark application in China, and one registered trademark in Hong Kong. Leveraging our proprietary technologies and know-how, we are able to sustain our technological leadership through continual technological breakthroughs and enhancement, which has also laid a solid foundation for us to explore new business areas, such as the design of DeNOx catalysts for diesel-powered vehicles and vessels.

Provider of customized one-stop DeNOx solutions to meet diverse needs of customers

In the coal-fired power generation industry, the flue gas discharged by each coal-fired power plant has different components which are affected by factors such as the dust content, temperature, flow rate of the flue gas as well as the type of coals used in the operation. The composition of flue gas generated by our clients in different industries, such as petroleum, petrochemical and metallurgical industries, differs as well. In addition, the space to install DeNOx facilities in each of our projects varies widely. Therefore, our clients require a customized DeNOx solution plan which not only can help them to achieve satisfactory DeNOx rate but also can ensure the DeNOx facilities are properly installed.

By integrating our research and development, design and manufacturing capabilities, we offer our customers a one-stop solution to fulfill their DeNOx needs. We are able to help our clients to design a complete solution plan of DeNOx which tailors our TiO₂ formula, product specifications and installation plan to fit the various operating conditions of our customers based on our extensive project experience in the DeNOx industry and our self-developed database.

Leveraging our comprehensive portfolio with a broad product height coverage from 425 mm to 810 mm, we are able to provide our customers with a wide selection to deal with different flue gas conditions and structures of DeNOx system in each project. Our customers are furnished with the flexibility to choose the most suitable specifications of our products to make an optimized DeNOx facility.

One of the key steps in our one-stop solution is to design the catalyst formula based on varied flue gas composition in each project. Through our proprietary technologies, we are able to provide our customers with customized catalyst formula which can ensure that the required DeNOx rate is attained.

After installation of our products, we usually provide value-added services so that we can better understand and anticipate the changing needs of our customers and, thereby, foster long-term relationships with our customers. We also provide consulting service in relation to catalyst disposal plan to help clients properly discard used catalysts.

Ability to control cost effectively to realize attractive profitability

Our ability to control the cost of production effectively has been reflected in our profitability. For the years ended December 31, 2012, 2013 and 2014, we recorded steady growth in our gross profit margin, at 43.9%, 48.4% and 49.0%, respectively, and our gross profit margin in 2014 was substantially higher

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than the average industry gross profit margin for plate-type DeNOx catalysts of 43% in 2014, according to Frost & Sullivan Report.

The DeNOx catalysts is a capital intensive industry. According to Frost & Sullivan Report, investment in the imported production equipment could reach RMB80.0 million for a production capacity of 10,000 m³, while our investment in our self-designed and self-assembled No. 3 production line was far beneath the industry average. Our self-developed production lines saved us significant equipment cost and ongoing maintenance cost compared to many of our competitors, who typically import entire production lines from overseas suppliers, and lead to our high profitability. Our profitability also can be ensured in case of price fluctuation of our products due to our low cost. For the two years ended December 31, 2013 and 2014, our return on total assets was 20.5% and 31.8%, respectively.

We achieve our operational efficiency through cost control in every step of our value chain. We have established stable relationships with our suppliers to ensure the stable quality and competitive price of our key raw materials such as stainless steel mesh and TiO₂ so that we can realize cost control from procurement. For example, we have entered into an exclusive long-term supply agreement until December 31, 2020 with our supplier of stainless steel mesh.

Our core technologies of customization of catalyst formula, developed through our research and development efforts, enable us to use domestic nano-type TiO₂ in our production, which is 30% less expensive than the imported nano-type TiO₂ used by other domestic manufacturers of plate-type DeNOx catalysts in China according to Frost & Sullivan Report, therefore significantly lowering our raw material costs without affecting our product quality. This has become one of our key success factors.

Our proprietary technologies and know-how also enable us to ensure the production efficiency and stable quality of our products, which allow us to provide competitive pricing while maintaining profitability.

Strong and diverse customer base

Leveraging our delivery of consistent and premium-quality products, we rapidly expanded our customer base during the Track Record Period. The number of our customers steadily increased from two in 2012, to seven in 2013 and to 11 in 2014. We had seven customers for the four months ended April 30, 2015. Our brand, 迪諾斯, is widely known within our industry and we have established our brand image as a leading and reliable supplier of plate-type DeNOx catalysts equipped with advanced technologies and comprehensive solutions.

We believe our track record has attracted many coal-fired power plants to procure plate-type DeNOx catalysts from us and most of our customers are in the coal-fired power generation industry. We have established business relationships with subsidiaries of three of the Five Largest Chinese Power Generation Groups, as well as regional and provincial-level power generation groups. Some of our customers have established stable relationships with us. For example, China Huadian Engineering Co., Ltd. (中國華電工程(集團)有限公司), a subsidiary of one of the Five Largest Chinese Power Generation Groups, first became our customer in 2013 and, as of the Latest Practicable Date, it has procured plate-type DeNOx catalysts from us in eight projects.

We diversify our customer base by establishing business relationships with customers in various industries including petroleum, petrochemical and metallurgical industries. During the Track Record

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Period, we have provided our plate-type DeNOx catalysts to Coal-fired Power Plants of Guangxi Huayin Aluminum Co., Ltd. (廣西華銀鋁業有限公司熱電廠) and Coal-fired Power Plants of Jilin Petroleum Group Co., Ltd. (吉林石油集團有限責任公司熱電廠).

We further broaden our customer base through developing international customers. In 2013, we became the first PRC manufacturer of plate-type DeNOx catalysts to export our products to Germany and Italy in the European market, which holds a leading position in DeNOx catalyst technology.

An experienced and stable management team with in-depth understanding of the DeNOx industry

We have a highly dedicated management team with extensive experience in the DeNOx industry. Some members of our management team formerly worked in large-scale leading national power generation groups in China and have witnessed and experienced the development of environmental protection for the power generation industry. The long-lasting relationship of our management team has laid a solid foundation for the efficient management of our Company and effective execution of our operations. Our success in establishing a market-leading position in China's plate-type DeNOx catalyst industry reflects the significant experience, leadership and dedication of members of our management team and their in-depth knowledge of the DeNOx industry in China. Our Director and Chairlady, Ms. Zhao Shu, has over 20 years of experience in the environmental protection industry and has a deep understanding of this industry. She served in various positions in China Datang Technologies & Engineering Co., Ltd. (中國大唐集團科技工程有限公司), a subsidiary of one of the Five Largest Chinese Power Generation Groups from March 2006 to May 2011 and enjoys a respectful reputation in the industry. Mr. Li Ke, our Director and deputy general manager, formerly served in foreign-invested manufacturing companies and gained a solid knowledge of production equipment and manufacturing technique in the industry. Mr. Kong Hongjun, our Director and deputy general manager, formerly served in major state-owned enterprises in the power generation industry and accumulated significant experience in cost control and technical support. Mr. Liu Lianchao, our deputy general manager, formerly served in major state-owned enterprises in the power generation industry and attained a deep understanding of the industry. Mr. Liu Xianchen, our deputy general manager, formerly served in the sales and marketing department of several national power generation groups and obtained extensive experience in sales and marketing.

We believe that our management team's knowledge and market experience will continue to serve as a strong pillar for our Group's success and future development. For further details of the biographies and relevant industry experience of our key management team, please refer to the section headed "Directors and Senior Management" in this prospectus.

OUR BUSINESS STRATEGIES

We intend to maintain and solidify our leading position in the industry and achieve sustainable revenue growth. We have developed the following strategies to pursue our growth objectives:

Further increase our market share in the coal-fired power generation industry

We expect that in 2015, the market demand for DeNOx catalysts will continue to be driven primarily by first-time DeNOx catalyst installation. From 2016 onward, coal-fired power plants, which are the end-users of catalyst products in the coal-fired power generation industry, will mainly replenish and regenerate their existing DeNOx catalysts that can only maintain the required level of catalyst activity for three years. This demand for catalyst replenishment and regeneration is expected to be the major growth

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driver in the DeNOx catalyst industry from 2016 onward. We plan to continue to leverage our capabilities to offer plate-type catalysts to maintain and strengthen our relationships with our key customers for plate-type DeNOx catalyst procurement and to focus on the following areas to expand our market share in the coal-fired power generation industry:

Strengthen our sales network in coal-fired power generation industry

Coal-fired power plants will continue to serve as our primary customers and contribute a substantial majority of our income. Leveraging our relationships with key customers, we plan to capture the business opportunities of first-time installations or replenishment by continuing to optimize our pricing structure, technical design, support, consultation, testing and other technical value-added services. Hence, we intend to expand and diversify our customer base in the coal-fired power generation industry. We have established business relationships with three of the Five Largest Chinese Power Generation Groups during the Track Record Period and we will continue to seek opportunities to introduce our products to the remaining two of the Five Largest Chinese Power Generation Groups. We also seek to build relationships with other regional, provincial and local coal-fired power plants by expanding our sales network and establishing representative offices in regional markets.

Capture orders from replenishment market

As DeNOx catalysts can usually maintain their required level of catalyst activity for 24,000 hours (or approximately three years), we expect that the demand from our existing customers for catalyst replenishment service will grow as time goes by. The replenishment services are generally the same as the first-time installation projects, as new plate-type DeNOx catalysts replace the existing catalysts in their entirety when the existing catalysts come to the end of their chemical life. Therefore, the pricing and profitability of replenishment services are expected to remain close to that of first-time installation of the plate-type DeNOx catalysts. We plan to leverage close relationships with our existing coal-fired power plant customers to sell our products by entering into long-term cooperation agreements and providing value-added services such as product testing, technical consultation, analysis of DeNOx operating environments and periodic sampling. We believe the replenishment service we provide will lead to continued business and recurring income from our existing customers.

Introduce plate-type DeNOx catalysts to replace honeycomb DeNOx catalysts during replenishment phase

In China, coal generally contains complex components and high ash. Therefore, compared to honeycomb DeNOx catalysts, plate-type DeNOx catalysts are believed to be better suited for the Chinese coal-fired power plants due to their superior characteristics such as high wearability, high resistance to ash clogging and high resistance to poisoning. As a result, we believe an increasing number of coal-fired power generation plants will be aware of the advantages of plate-type DeNOx catalysts and will choose to replace the originally installed honeycomb DeNOx catalysts with plate-type DeNOx catalysts. In May 2014, we introduced our plate-type DeNOx catalysts to Guizhou Dalong Thermal Power Co., Ltd. (貴州大龍發電有限公司) to replace their originally installed honeycomb DeNOx catalysts for the first time.

We will strengthen our marketing efforts on coal-fired power plants that have already installed honeycomb DeNOx catalysts and offer them a comprehensive plan for switching to plate-type DeNOx catalysts. We aim to furnish our potential clients with the latest industry information highlighting the advantages of plate-type DeNOx catalysts so that they can better understand the necessity and essential importance of installing plate-type DeNOx catalysts. We have been engaged by two coal-fired power

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plants in Guizhou to change their installed honeycomb DeNOx catalysts to plate-type DeNOx catalysts. We plan to further promote our success in this regard in the coal-fired power generation industry.

Provide regeneration service to complement our current business scope

According to Frost & Sullivan Report, the demand volume for catalyst replenishment and regeneration is expected to grow from 57,700 m³ in 2014 to 321,500 m³ in 2019, representing a CAGR of 41.0%. In the next two to three years, the end-users in China will likely replenish their DeNOx catalysts at the end of the catalysts' lifespan instead of choosing regeneration services due to the relatively higher catalyst depletion rate in China and the unwarrantable mechanical strength of the catalyst itself. The average selling price of the regeneration services is expected to range from RMB8,000 to RMB10,000 per m³ and the gross profit margin is expected to range from 35% to 48%. We expect less than 10% of the revenue to be derived from regeneration services in the coming few years. The regeneration services generally consist of the refilling of chemical ingredients to restore the physical and chemical effectiveness of the existing plate-type DeNOx catalysts after a period of use. Less raw materials are used in regeneration services as compared to first-time installation and replenishment services and, therefore, the pricing and profitability of regeneration services are expected to be lower than the first-time installation and replenishment services. We have entered into a Technical Service Agreement with Institute of Urban Environment, Chinese Academy of Sciences (中國科學院城市環境研究所) (the "Institute"), pursuant to which the Institute will provide us with catalyst regeneration technology services. Such technology services will be provided on a project basis and the payment to be made by us will depend on the type of services provided. We will be responsible for collecting DeNOx catalyst samples which need regeneration and relevant data while the Institute will be responsible for conducting the experiment and analysis to make technology plan for catalyst regeneration. We engage the Institute for every regeneration project for data research and examination purposes. The average selling price and gross profit margin of the regeneration services have taken into account the fees payable to the Institute. DeNOx catalysts typically can maintain the required level of catalyst activity for 24,000 hours (approximately three years), at the end of which the catalyst users must either replenish new catalysts or regenerate the existing catalysts. Most DeNOx catalysts can be regenerated once or twice and the regenerated DeNOx catalyst can maintain the required level of catalyst activity ranging from 8,000 hours to 16,000 hours (approximately one to two years). An increasing number of our existing customers will have DeNOx catalysts with declining catalyst activity. We intend to enter into strategic cooperation or long-term cooperation agreements with our existing end-users to secure their catalyst regeneration business.

Provide disposal service to further meet customers' demands

We also plan to provide DeNOx catalyst disposal services through the technologies which are being developed by our own research and development team to coal-fired power plants in China. According to Frost & Sullivan Report, approximately 50% of the DeNOx catalysts in China can be regenerated. The catalysts that have been regenerated once or twice need to be disposed of in the end. We provided consulting service regarding disposal plans of DeNOx catalysts to several of our existing customers during the Track Record Period and plan to expand the service scope and help the coal-fired power plants to dispose of these catalysts. Leveraging our established relationships with coal-fired power plants, we believe we can successfully develop our catalyst disposal business, which in turn will help us increase our growth potential.

Combining our DeNOx catalyst production, sales, replenishment, regeneration and disposal, we believe we are able to provide one-stop DeNOx catalyst solutions to establish cooperation relationships with more customers in the coal-fired power generation industry, which in turn will help us expand our business and market share.

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Continue to expand and diversify the industry and geographical coverage of our customer base

In addition to maintaining relationships with power generation companies, we intend to diversify our customer base in other industries. During the Track Record Period, we already established business relationships with customers in petroleum, petrochemical and metallurgical industries and we expect to further expand our industry coverage to the cement and glass industries as well as waste incineration industry, which have growing demands for DeNOx catalysts. Our diversified customer base will ensure our stable growth and reduce our concentration risk in any single industry.

We also seek to expand the geographical coverage of our customer base in China. During the Track Record Period, our domestic customers are spread across 17 provinces and municipalities of China. We plan to establish regional offices of Northeastern, Northwestern, Southern and Southwestern China in phases by the end of 2015.

We will further explore and develop the international market. We are the first PRC manufacturer to export plate-type DeNOx catalysts to Germany and Italy of the European market, which holds a leading position in DeNOx catalyst technology. The quality of our products has been recognized by our customers in Europe. We plan to establish our overseas sales network and build a sales branch in Europe by the end of 2015 which will focus on expanding the sales of our products in the European market. Leveraging the stable quality and competitive pricing of our products, we are confident we can successfully promote our products in the European market. At the same time, we will also seek to introduce our products to Southeast Asian markets and we are currently in the process of seeking potential business partners which can help us promote our products in Southeast Asia. As of the Latest Practicable Date, we have not identified any of such business partners.

Extend our business to the manufacturing of DeNOx catalysts for diesel-powered vehicles and vessels

Vehicle exhaust, together with industrial sources, is another major source of air pollutants. On January 1, 2015, the PRC Government promulgated a new industry policy in relation to the DeNOx emission requirement of diesel-powered vehicles. To cope with the newly emerging market demand resulting from the implementation of this new rule, we plan to enlarge our product portfolio and explore the market for DeNOx catalysts deployed in diesel-powered vehicles. Some of our international competitors followed the same development path to expand their product portfolio for the diesel-powered vehicles, leveraging their success and experience in the manufacturing of DeNOx catalysts for industrial sources.

SCR is also used in the industry of DeNOx catalysts for diesel-powered vehicles and the core technology of manufacturing the DeNOx catalysts for diesel-powered vehicles can be categorized into coating and extrusion, which is substantially similar to that we utilize in our plate-type DeNOx catalysts production. Leveraging our accumulated experience in the DeNOx catalyst production, we believe we can successfully broaden our business product portfolio. Moreover, as a majority of the raw materials for the production of DeNOx catalysts for diesel-powered vehicles remain the same, our stable relationship with our suppliers are beneficial to our expansion in the manufacturing of DeNOx catalysts for diesel-powered vehicles.

We will conduct our development of DeNOx catalysts for diesel-powered vehicles in two phases. In the first phase, we will use our self-developed coating technology and we have procured a production line for trial production from a local supplier, who is an Independent Third Party at a consideration of RMB1.3 million in February 2015. So far as our Directors are aware, this supplier has supplied similar production

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lines to international manufacturers of DeNOx catalysts for diesel-powered vehicles. We have commenced our testing production in this regard in July 2015. We have sent the samples for internal review in September 2015, and expect to commence independent product performance examination in November 2015. We plan to commence our first phase of commercial production of DeNOx catalysts for diesel-powered vehicles in October 2016. The expected capital expenditure for the procurement of equipments and set up of the two commercial production lines is approximately RMB53.7 million, which will be financed by part of the proceeds from the Global Offering and self-raised funds. We also have obtained extrusion technology from Dr. Pley and we will consider further developing DeNOx catalysts for diesel-powered vehicles through extrusion technology in the second phase. Please refer to the paragraphs headed “— Production — Relationship with Dr. Pley” and “— Production — Expansion Plan” below for more details.

End customer of DeNOx catalyst for diesel-powered vehicles are manufacturers of diesel engines, who usually supply such products to manufacturers of diesel-powered vehicles. We plan to establish direct relationships with manufacturers of diesel-powered vehicles so that we can expect to enjoy the benefit of first mover and capture the business opportunities to cope with other future emission reduction requirements for vehicles.

We have also been exploring opportunities to develop DeNOx catalysts for diesel-powered vessels. We are in the process of developing such technology through our own research and development efforts.

Continue to enhance our research and development capabilities and to promote technological innovation and development in our businesses

Technological advancement provides a distinctive competitive advantage in the industry in which we operate and we intend to further enhance our research and development capabilities.

We aim to further focus our research and development activities on the following areas:

- *expand the application of our products through upgrades of our technology*
We will further develop our technology to customize the catalyst formula for customers in other industries such as the cement and glass industries as well as the waste incineration industries.
- *develop the technology for regeneration of DeNOx catalyst*
We will develop the technology of catalyst regeneration and seek to improve our capability to provide the regeneration service to our existing clients, whose catalysts have reached the end of the product life cycle.
- *develop the technology of disposal of DeNOx catalyst*
We will conduct our research and development in the technology of disposal of used DeNOx catalysts, which is complementary to our current service, to capitalize on the opportunities arising from the requirement of companies to conform to national policies that promote the energy conservation and emission reduction technologies.
- *promote the development of DeNOx catalyst used on diesel-powered vessels*
We will develop DeNOx technology for diesel-powered vessels through our own research and development efforts.

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Continue to pursue value enhancing development and acquisition opportunities

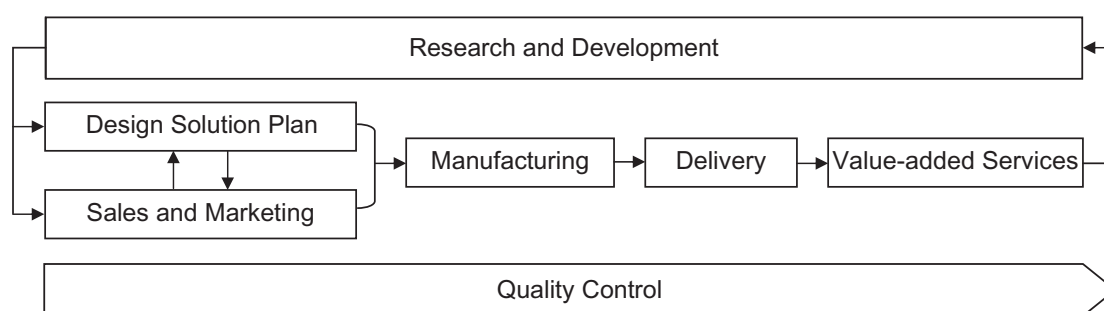
The increasingly stringent government regulations over NOx emission in various industries offer further growth opportunities for leading plate-type DeNOx catalyst manufacturers. As a leading player in the plate-type DeNOx catalyst market, we aim to take advantage of these market opportunities by making appropriate acquisitions to expand our market share. We have historically accomplished rapid expansion in geographical locations and scale of production through organic growth. Going forward, apart from organic growth, we intend to continue to pursue a disciplined and targeted acquisition strategy to strengthen our market position and enhance our competitiveness. Our decision to acquire a target company is based on a number of factors, including costs of acquisition compared with new production facility investment, historical performance, business value, customer base and quality of production facilities of the target company.

In addition, we plan to further strengthen cooperation with our key suppliers and seek opportunities to acquire upstream companies that complement our existing operations, align with our expansion strategies and increase our revenues and profits to better improve our vertical integration.

As of the Latest Practicable Date, we have not entered into any letter of intent or agreement for any acquisition nor identified any acquisition target.

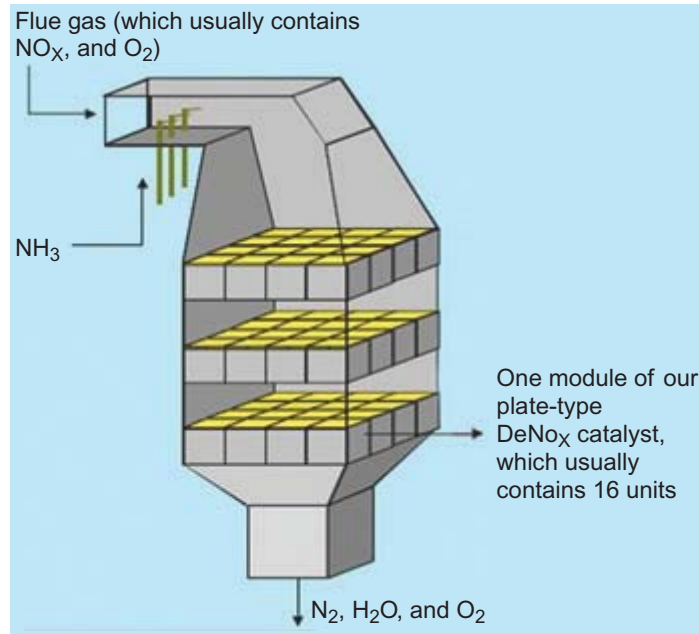
OUR BUSINESS MODEL

We are primarily engaged in the design and development, manufacturing, sales and marketing of plate-type DeNOx catalysts. To maintain a cost-competitive operating structure and benefit from economies of scale, we have adopted a vertically integrated business model that gives us control over the production cycle, comprising product design and development, procurement of key components and raw materials, manufacturing, delivery, quality control, sales and marketing. Our product design and development is conducted interactively with our sales and marketing. We also provide value-added services such as product testing, technical consultation, analysis of DeNOx operating environment and periodic sampling to our clients. The following diagram illustrates our business model:

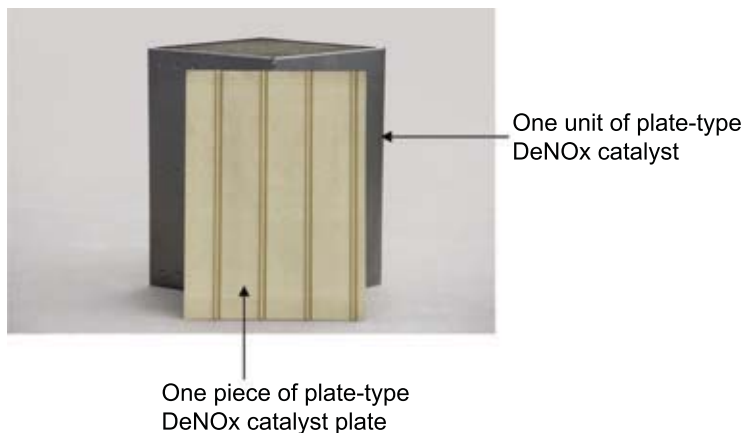


OUR PRODUCTS

We design, develop and manufacture plate-type DeNO_x catalysts mainly for China's coal-fired power generation industry. SCR is the process of reducing the NO_x concentration in industrial flue gas emissions. SCR is currently the most common, advanced and efficient flue gas DeNO_x technology in the world because of its high reliability and high NO_x removal efficiency. SCR technology is utilized in more than 90% of existing DeNO_x sets in coal-fired power plants. Currently, there is no alternative technology in existence or under development which may threaten the leading position of SCR, according to Frost & Sullivan Report. DeNO_x catalyst is the core material used in the SCR process for NO_x removal. With the aid of a DeNO_x catalyst, SCR process converts NO_x gases into pollution-free nitrogen gas and water. The diagram below illustrates an example of the SCR process in a typical coal-fired power plant in China:



A plate-type DeNO_x catalyst uses stainless steel mesh as the skeleton, the surfaces of which are coated with the active catalyst material, which are then packaged together to form the DeNO_x catalyst product. We typically sell our finished products in modules, which usually consist of 16 units of plate-type DeNO_x catalysts. The volume of our plate-type DeNO_x catalyst is measured in m³ of the finished products. The following picture depicts one unit of our typical plate-type DeNO_x catalyst product:



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We offer a comprehensive portfolio of 28 major products with 14 different height specifications ranging from 425 mm to 810 mm and two different pitch specifications. The main features that differentiate various products include height and pitch. Pitch refers to the distance between the centerlines of two adjacent catalyst plates, or the distance of the gap between two adjacent catalyst plates plus the thickness of a catalyst plate. The height we usually offer includes 425 mm, 450 mm, 475 mm, 500 mm, 525 mm, 550 mm, 575 mm, 600 mm, 635 mm, 670 mm, 710 mm, 750 mm, 775 mm and 810 mm, while the pitch we usually offer includes 6 mm and 7 mm.

DeNOx catalysts generally can maintain the required level of catalyst activity for 24,000 hours (or approximately three years), which may become shorter if used improperly or under sub-optimal conditions such as an unusually high concentration of ash and the high velocity of flue gas flow. Seasonality has some impact on our operations and sales. Our production volume and sales volume between January and March are relatively low because there is less demand for catalyst delivery from the end-users of our products between January and March, primarily due to the impact of the Chinese New Year holidays.

Compared to the industry average, which represents the average performance of domestically produced plate-type DeNOx catalysts, our plate-type DeNOx catalysts are superior in adhesion strength and abrasion resistance. Adhesion strength refers to adhesive capacity of the coating, containing the active ingredient, on the metal substrate by the brushing of dust-laden air. Abrasion resistance refers to the ratio between the percentage of weight loss of catalysts after wearing, and the consumed volume of abrasion agent. The following table sets forth quantitative comparison between the key specifications of our plate-type DeNOx catalysts and industry average:

	<u>Adhesion strength⁽¹⁾</u>	<u>Abrasion resistance⁽²⁾</u>
Our plate-type DeNOx catalysts	0.2%	0.4 mg/100U
Industry average	0.6%	0.5 mg/100U

Notes:

- (1) *The lower the figure, the better the adhesive ability of the active coating of the catalysts.*
(2) *The lower the figure, the better the resistance to abrasion of the catalysts.*

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Completed Projects

During the Track Record Period, we had completed 29 projects. The total contract value of these projects amounted to approximately RMB506.1 million. We did not complete any project in 2012 as we were in the early and development stage of our business. The following table sets forth all of our projects completed during the Track Record Period:

For the year ended December 31, 2013

Category	Customer ⁽¹⁾	Location	Date of contract	Date of completion	Contract value (RMB) (17% VAT included)	Total volume (m ³)	Production facilities involved
End user	Customer A	Shanxi	February 2012	March 2013	47,276,568	1,685.5	four units of generator sets with power of 600 MW each
End user	Customer B	Henan	February 2012	May 2013	33,740,128	1,259.0	two units of generator sets with power of 660 MW each
EPC service provider	Customer C	Germany	June 2013	July 2013	66,048	1.7	N/A
EPC service provider	Customer C	Italy	June 2013	August 2013	134,648	4.7	N/A
EPC service provider	Customer C	Italy	July 2013	September 2013	640,000	25.0	N/A
EPC service provider	Customer D	Zhejiang	August 2013	September 2013	760,000	38.0	one unit of boiler with power of 220t/h
EPC service provider	China Huadian Engineering Co., Ltd. (中國華電工程(集團)有限公司)	Hubei	May 2013	December 2013	13,800,000	456.1	one unit of generator set with power of 330 MW

Note:

(1) One power plant is involved in each project.

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For the year ended December 31, 2014

Category	Customer ⁽¹⁾	Location	Date of contract	Date of completion	Contract value (RMB) (17% VAT included)	Total volume (m ³)	Production facilities involved
EPC service provider	Tongfang Environment Co., Ltd. Jiangsu Branch (同方環境股份有限公司江蘇分公司)	Henan	June 2013	January 2014	14,046,648	456.1	one unit of generator set with power of 350 MW
EPC service provider	Customer E	Henan	July 2013	January 2014	22,973,480	741.1	one unit of generator set with power of 600 MW
End user	Customer F	Inner Mongolia	March 2013	January 2014	17,244,480	522.6	two units of generator sets with power of 350 MW each
EPC service provider	Tongfang Environment Co., Ltd. Jiangsu Branch (同方環境股份有限公司江蘇分公司)	Henan	June 2013	June 2014	22,373,940	721.7	two units of generator sets with power of 300 MW each
End user	Inner Mongolia Jingke Power Generation Co., Ltd. (內蒙古京科發電有限公司)	Inner Mongolia	September 2013	July 2014	12,996,400	424.9	one unit of generator set with power of 330 MW
End user	Shanxi Zhaoguang Power Generation Co., Ltd. (山西兆光發電有限責任公司)	Shanxi	July 2012	July 2014	65,172,800	2,327.6	two units of generator sets with power of 600 MW each, and two units of generator sets with power of 300 MW each
EPC service provider	Nanjing Longyuan Environmental Protection Co., Ltd. (南京龍源環保有限公司)	Hunan	May 2013	July 2014	11,854,090	382.4	one unit of generator set with power of 300 MW
EPC service provider	Tongfang Environment Co., Ltd. Jiangsu Branch (同方環境股份有限公司江蘇分公司)	Henan	December 2013	July 2014	6,284,880	199.5	two units of boilers with power of 220t/h each

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Category	Customer ⁽¹⁾	Location	Date of contract	Date of completion	Contract value (RMB) (17% VAT included)	Total volume (m ³)	Production facilities involved
EPC service provider	China Huadian Engineering Co., Ltd. (中國華電工程 (集團) 有限公司)	Hubei	April 2014	August 2014	21,060,960	726.2	two units of generator sets with power of 300 MW each
EPC service provider	China Huadian Engineering Co., Ltd. (中國華電工程 (集團) 有限公司)	Guizhou	May 2014	September 2014	13,510,760	509.8	one unit of generator set with power of 300 MW each
EPC service provider	Customer G	Guizhou	March 2013	September 2014	41,911,960	1445.2	two units of generator sets with power of 600 MW each
EPC service provider	China Huadian Engineering Co., Ltd. (中國華電工程 (集團) 有限公司)	Xinjiang	April 2014	September 2014	5,986,080	199.5	two units of generator sets with power of 125 MW each
EPC service provider	China Huadian Engineering Co., Ltd. (中國華電工程 (集團) 有限公司)	Xinjiang	June 2014	October 2014	2,465,000	92.3	two units of generator sets with power of 135 MW each
EPC service provider	Customer H	Guangxi	June 2014	October 2014	7,866,920	342.0	one unit of generator set with power of 330 MW each
EPC service provider	China Huadian Engineering Co., Ltd. (中國華電工程 (集團) 有限公司)	Yunnan	October 2013	November 2014	22,179,200	764.8	two units of generator sets with power of 300 MW each

Note:

(1) One power plant is involved in each project.

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For the four months ended April 30, 2015

Category	Customer ⁽¹⁾	Location	Date of contract	Date of completion	Contract value (RMB) (17% VAT included)	Total volume (m ³)	Production facilities involved
End user	Customer I	Hohhot	July 2014	January 2015	16,593,240	626.2	two units of generator sets with power of 200 MW each
End user	Customer J	Inner Mongolia	August 2014	January 2015	12,247,040	532.5	two units of generator sets with power of 200 MW each
EPC service provider	Customer K	Sichuan	February 2014	January 2015	6,118,200	203.9	two units of boilers with power of 220t/h each
EPC service provider	Customer E	Henan	February 2013	January 2015	44,909,448	1,482.2	two units of generator sets with power of 600 MW each
EPC service provider	Customer L	Guangxi	April 2014	February 2015	13,032,340	401.5	five units of boilers with power of 220t/h each
End user	Customer M	Inner Mongolia	July 2014	April 2015	13,831,940	522.0	two units of generator sets with power of 200 MW each
EPC service provider	China Huadian Engineering Co., Ltd. (中國華電工程（集團）有限公司)	Harbin	August 2014	April 2015	15,022,400	751.1	one unit of generator set with power of 600 MW

Note:

(1) *One power plant is involved in each project.*

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For a project where more than one set of product is involved, we typically deliver our products once each set is completed and meets the standard for sale. We recognize revenue from the sales of each set of product when we receive the preliminary acceptance certificate. However, we do not consider the project complete as a whole until all products are delivered and all preliminary acceptance certificates are received. The table below sets forth the reconciliation of revenue recognized and total contract value of the projects completed during the Track Record Period:

	VAT included	VAT excluded	Revenue recognized			
			For the year ended December 31,			Four months ended April 30, 2015
			2012	2013	2014	
(RMB in thousands)						
Contract value of completed projects in 2013 . . .	96,417	82,493	21,519	60,974	-	-
Contract value of completed projects in 2014 . . .	287,928	246,092	-	35,993	210,099	-
Contract value of completed projects during the four months ended April 30, 2015	121,755	104,064	-	19,192	5,911	78,961
Contract value of completed projects after April 30, 2015 and up to the Latest Practicable Date	61,677	52,738	-	10,713	-	-
Contract value of project in progress	55,901	47,778	-	-	-	-
	<u>623,678</u>	<u>533,165</u>				
Sales of goods			21,519	126,872	216,010	78,961
Provision of services			956	-	1,132	-
Total revenue			<u>22,475</u>	<u>126,872</u>	<u>217,142</u>	<u>78,961</u>

After April 30, 2015 and up to the Latest Practicable Date, we completed seven projects. The total contract value of these projects amounted to approximately RMB61.7 million. The following table sets forth the summary of these seven projects:

Category	Customer ⁽¹⁾	Location	Date of contract	Date of completion	Contract value (RMB) (17% VAT included)	Total volume (m ³)	Production facilities involved
EPC service provider	Babcock & Wilcox Beijing Company Ltd. (北京巴布科 克·威爾科克斯 有限公司)	Hebei	August 2014	May 2015	8,916,330	349.7	one unit of generator set with power of 600 MW
EPC service provider	Tongfang Environment Co., Ltd. Jiangsu Branch (同方環境股份有限公司 江蘇分公司)	Jiangsu	June 2013	May 2015	4,580,268	148.7	one unit of boiler with power of 440t/h
EPC service provider	China Huadian Engineering Co., Ltd. (中國華電工程(集 團)有限公司)	Guizhou	January 2015	June 2015	5,351,130	396.4	one unit of generator set with power of 300 MW
EPC service provider	Customer E	Inner Mongolia	February 2013	June 2015	25,067,920	849.8	two units of generator sets with power of 300 MW each

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Category	Customer ⁽¹⁾	Location	Date of contract	Date of completion	Contract value (RMB) (17% VAT included)	Total volume (m ³)	Production facilities involved
End user	Guangzhou Zhujiang Electric Co., Ltd. (廣州珠江電力有限公司)	Guangdong	April 2014	July 2015	12,041,664	430.06	two units of generator sets with power of 300 MW each
EPC service provider	Customer P	Jilin	August 2014	July 2015	5,564,240	252.92	six units of boilers with power of 220t/h each
End user	Customer V	Italy	June 2015	July 2015	150,495	8.5	N/A

Note:

(1) One power plant is involved in each project.

During the Track Record Period, we completed two replenishment projects. The average selling price of these two replenishment projects were approximately RMB25,462, and the average gross profit margin was 49.5%. During the same period, the average selling price of our first-time installation projects was approximately RMB25,177, and the average gross profit margin was 48.9%.

From April 30, 2015 and up to the Latest Practicable Date, we completed two replenishment projects. The average selling price of these two replenishment projects were approximately RMB16,346, and the average gross profit margin was 21.3%. During the same period, the average selling price of our first-time installation projects was approximately RMB24,216, and the average gross profit margin was 39.9%. The relatively lowered average selling price and average gross profit margin of these two replenishment projects after the Track Record Period was primarily due to the market price fluctuation in the first half of 2015, which influenced the average contract price of both the first-time installation projects and replenishment projects. As the lead time of first-time installation projects is typically longer than that of replenishment projects, the average selling price and gross profit margin for our first-time installation projects from April 30, 2015 to the Latest Practicable Date mostly reflects contracts that were entered into by us in second half of 2014. As such, the influence on our gross profit margin for our first-time installation projects from April 30, 2015 to the Latest Practicable Date has not fully reflected the market price fluctuation in the first half of 2015 in our revenue recognition. The cost of sales of both first-time installation projects and replenishment projects are generally the same, as the production procedures and raw materials used are the same.

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Projects in Progress

As of the Latest Practicable Date, we had 14 projects in progress with a total contract value of approximately RMB55.9 million. The following table sets forth our projects in progress as of the Latest Practicable Date:

Category	Customer ⁽¹⁾	Location	Date of contract	Contract value (RMB) (17% VAT included)	Total volume (m ³)	Payment received as of April 30, 2015 (RMB) (17% VAT included)	Expected completion date	Production facilities involved
EPC service provider	Customer N	Zhejiang	March 2014	4,920,000	189.68	nil	November 2015	two units of boilers with power of 450t/h each
End user	Yangxi Haibin Electric Development Co., Ltd. (陽西海濱電力發展有限公司)	Guangdong	July 2014	14,328,240	544.8	2,865,648	November 2015	two units of generator sets with power of 600 MW each
EPC service provider	Customer O	Liaoning	July 2014	5,004,120	227.46	2,502,060	November 2015	three units of boilers with power of 410t/h each
EPC service provider	Customer Q	Hebei	March 2015	5,883,980	405.64	nil	November 2015	one unit of generator set with power of 330 MW
EPC service provider	Customer E	Henan	March 2015	2,370,000	185.4	nil	November 2015	one unit of generator set with power of 135 MW
End user	Customer R	Guangdong	April 2015	5,592,960	430.06	nil	October 2015	two units of generator sets with power of 300 MW each
End user	Customer S	Jiangsu	May 2015	4,200,000	321.16	nil	October 2015	two units of generator sets with power of 350 MW each
EPC service provider	Customer T	Hebei	May 2015	1,445,000	119	nil	October 2015	one unit of boiler with power of 240t/h
EPC service provider	Customer U	Hebei	May 2015	205,395	12.51	nil	November 2015	two units of generator set with power of 330 MW

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Category	Customer ⁽¹⁾	Location	Date of contract	Contract value (RMB) (17% VAT included)	Total volume (m ³)	Payment received as of April 30, 2015 (RMB) (17% VAT included)	Expected completion date	Production facilities involved
EPC service provider	Tongfang Environment Co., Ltd. Jiangsu Branch (同方环境股份有限公司江苏分公司)	Jiangsu	June 2015	2,308,500	121.5	nil	November 2015	one unit of boiler with power of 440t/h
End user	Customer W	Yunnan	August 2015	1,828,488	98.0	nil	December 2015	three units of boiler with power of 220t/h each
End user	Customer X	Shaanxi	September 2015	1,696,572	122.94	nil	December 2015	two units of boiler with power of 165 t/h each
EPC service provider	Customer Y	Shandong	September 2015	1,921,402	190.02	nil	December 2015	one unit of generator set with power of 300 MW
EPC service provider	Babcock & Wilcox Beijing Company Ltd. (北京巴布科克•威爾科克斯有限公司)	Hebei	September 2015	4,195,920	349.66	nil	December 2015	one unit of generator set with power of 600 MW

Note:

(1) One power plant is involved in each project.

DESIGN OF SOLUTION PLAN

Our one-stop solution to fulfill DeNOx needs of our clients starts with the design of a comprehensive DeNOx solution plan. Our sales and marketing personnel usually communicate with our customers first to better understand their operating conditions and specified needs of DeNOx and collect relevant information such as the conditions of the flue gas, space constraints on installation, requirements on DeNOx rate, among other factors. Such information will be shared with our research and development department, which will design a solution plan that includes the recommended product specifications, suggested formula of catalyst paste, installation plan and expected DeNOx effect through our proprietary technologies. We also independently developed a software to form a database which contains all information we collected from our clients in different projects. Such database serves as an important technical reference when we design a new solution plan. Leveraging our proprietary technologies and broad product portfolio, we are able to offer clients reliable and cost-efficient solution plans.

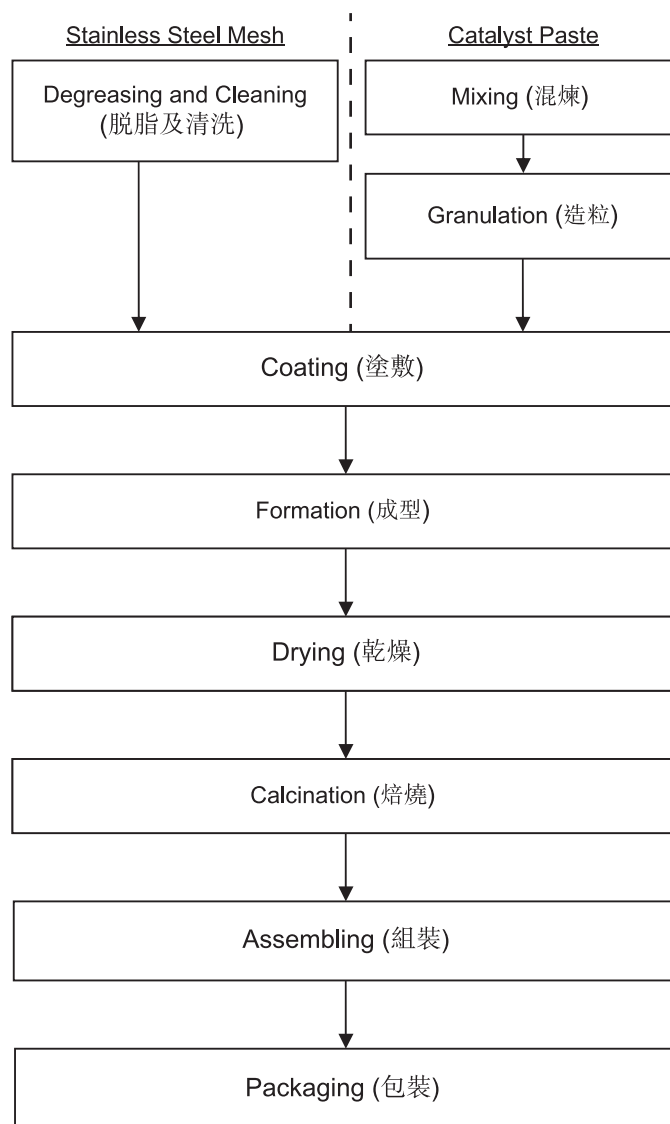
PRODUCTION

Production Process

We have designed and developed comprehensive and automated manufacturing processes to ensure the efficiency and accuracy during our production process, which enable us to produce high-quality products.

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The flow chart below illustrates the key production steps for our products:



The following is a description of the above production steps and the production of one unit of our products usually can be completed within 48 hours:

Degreasing and Cleaning: Stainless steel mesh, which is the raw material of the skeleton of our products, is first washed clean. We possess the technique of washing greasy dirt from the surface of stainless steel mesh. We are the only domestic plate-type DeNOx catalysts manufacturer using this technology. Our cleaning and degreasing technique helps to increase the adhesion and improve the performance of our products.

Mixing: Our major raw materials (primarily TiO₂ and AHM) and water are mixed together into a paste based on customized catalyst formula according to different requirements of our customers.

Granulation: The paste from the mixing process is filtered into a fine paste in the pre-extrusion process.

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Coating: The fine paste from the pre-extrusion process is coated onto the stainless steel mesh, and then dried by an infrared system and sent to the specific formation mold.

Formation: The coated stainless steel mesh is stamped by the specific formation mold and cut into pieces of catalyst plates with pre-determined specifications. Certain number of pieces of catalyst plates are then put into a metal box to form a catalyst unit which is designed based on our DeNOx solution plan.

Drying: The catalyst unit is dried for 24 hours to keep the moisture inside the unit consistently dry in order to prevent surface cracking.

Calcination: The catalyst units then undergo calcination, which is a thermal treatment process applied to the catalyst unit so that it can achieve high strength and generate catalyst activity.

Assembling: After calcination, our plate-type DeNOx catalysts units are assembled into specific modules.

Packaging: our finished catalyst products are packaged for delivery.

Production Facilities and Capacity

Our production facilities are located in Gu'an, Hebei Province, with a GFA of approximately 9,087.1 sq.m. As of the Latest Practicable Date, we had two production lines under operation for the manufacturing of plate-type DeNOx catalysts. Our production is arranged pursuant to the delivery date specified in the sales contract we entered into with our customers. We typically conduct weekly review to determine the production plan for the following week. Our production lines operate 22 hours a day (excluding idle time between work shifts) for approximately 270 days a year (excluding PRC statutory holidays, maintenance time and our slow-down of production during slack season which is usually from January to March).

We historically had three production lines under operation. We independently designed and assembled our No. 1 production line in the early stage of our business. Our No. 2 production line was entirely imported from Germany. Our No. 3 production line was designed and assembled on our own based on our experience with No. 1 production line, the advantages observed from No. 2 production line as well as our needs observed in the course of production. The self-assembled production lines shortened the construction period and reduced our equipment sourcing costs. We also perform necessary repair and maintenance for our self-assembled production lines in China to reduce cost and save time. We have ceased the operation of No. 1 production line since January 2014 due to its relatively low production efficiency and automation rate which resulted in relatively high labor costs. We therefore recorded an impairment on No. 1 production line of RMB1.3 million in 2014 in this regard. The total production capacity of our No. 2 and No. 3 production lines remain sufficient to satisfy our orders. As of December 31, 2014, our annual production capacity was 24,000 m³.

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The following table sets forth certain details of our production facilities:

Commencement Date	For the year ended December 31,									For the four months ended April 30,				
	2012			2013			2014			2015				
	Annual Designed Capacity ⁽¹⁾	Annual Production Volume ⁽²⁾	Actual Production Volume ⁽³⁾	Utilization Rate ⁽⁴⁾	Annual Production Capacity ⁽²⁾	Annual Production Volume ⁽³⁾	Actual Production Volume ⁽³⁾	Utilization Rate ⁽⁴⁾	Annual Production Capacity ⁽²⁾	Annual Production Volume ⁽³⁾	Actual Production Volume ⁽³⁾	Utilization Rate ⁽⁴⁾		
	(m ³)	(m ³)	(%)	(m ³)	(m ³)	(m ³)	(%)	(m ³)	(m ³)	(m ³)	(%)	(m ³)	(m ³)	(%)
No. 1 production line November 2011	5,200	5,200 ⁽⁵⁾	2,492	48	5,200	1,601	31	N/A	N/A	N/A	N/A	N/A	N/A	N/A
No. 2 production line December 2012	12,000	1,100 ⁽⁵⁾	232	21	12,000	8,022	67	12,000	8,030	67	4,000 ⁽⁶⁾	1,207	30	
No. 3 production line November 2014	12,000	N/A	N/A	N/A	N/A	N/A	N/A	2,000 ⁽⁵⁾	350	18	4,000 ⁽⁶⁾	534	13	
Total		<u>6,300⁽⁵⁾</u>	<u>2,724</u>	<u>43</u>	<u>17,200</u>	<u>9,623</u>	<u>56</u>	<u>14,000⁽⁵⁾</u>	<u>8,380</u>	<u>60</u>	<u>8,000⁽⁶⁾</u>	<u>1,741</u>	<u>22</u>	

Notes:

- (1) The annual designed capacity for our plate-type DeNOx catalysts refers to the theoretical maximum cubic meters of plate-type DeNOx catalysts manufactured by our production line without taking into account the pro rata calculation with respect to the commencement date of operation of each production line.
- (2) Annual production capacity for our plate-type DeNOx catalysts during any time period refers to the theoretical maximum cubic meters of plate-type DeNOx catalysts our production line can manufacture during such period. The estimation of such amount is based on the operating condition of the production line, the number of workers involved in production and other relevant conditions of the production facility, assuming production is carried on 22 hours a day (excluding idle time between work shifts) and 300 days a year which exclude statutory holidays.
- (3) Actual production volume refers only to the total cubic meters of plate-type DeNOx catalysts we have actually manufactured in our production facility.
- (4) Utilization rate equals actual production volume of plate-type DeNOx catalysts divided by annual production capacity.
- (5) Annual production capacity of our production lines is calculated on a pro rata basis with reference to the respective commencement date of operation of each production line.
- (6) Annual production capacity of our production lines is calculated on the basis of 100 days for the four months ended April 30, 2015 (excluding statutory holidays) and 22 hours a day (excluding idle time between work shifts).

For the years ended December 31, 2012, 2013 and 2014, our utilization rate was 43%, 56% and 60% respectively, which shows an increasing trend. Each production line is expected to experience a ramp-up period which usually lasts for approximately six months. During the ramp-up period, the utilization rate is relatively low since the equipment needs to be adjusted. In 2012, our No. 2 production line was in its ramp-up period while in 2014, our No. 3 production line was in its ramp-up period. The utilization rate of our production lines can increase to approximately 60% after their ramp-up periods, which we believe is consistent with the industry norm. In 2013, we prioritized the use of the No. 2 production line after its ramp up period when determining the production plan, which resulted in the relatively low utilization rate of No. 1 production line. For the four months ended April 30, 2015, our utilization rate was 22%, which was primarily due to the ramp-up period of our No. 3 production line, our scheduled inspection and maintenance on our production equipment of No. 2 and No. 3 production lines during the slack season of 26 days including statutory holidays, and slow-down production during the Chinese New Year holidays of 23 days including statutory holidays.

There has not been any material interruption of our production during the Track Record Period.

Production Equipment

The key equipment used in our production process of plate-type DeNOx catalysts include degreasing and cleaning machine (脱脂機), mixer (混煉機), coating line (成型線) and calcination furnace (焙燒爐). We have a maintenance plan for each of our key production equipment and conduct periodic

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maintenance. We usually perform the maintenance and repairs for our equipments when they are not in use, so it does not cause any material suspension in our production. We procure most of our production equipment and components from machinery manufacturers in China except for the mechanical arm of No. 3 production line and the entire No. 2 production line, which were procured from Germany. We select our equipment suppliers taking into account prices, technology and delivery speed, among other factors.

Expansion Plan

Expansion of the Manufacturing of Plate-Type DeNOx Catalysts

We plan to expand our production capacity in our Gu'an production base by replacing our No. 1 production line with an additional production line that is similar to our current No. 3 production line. As we have prioritized the use of our No. 2 and No. 3 production lines and have ceased the operation of No. 1 production line since January 2014, we do not expect that the replacement will incur any production interruption nor any loss of revenue. We have made provision of impairment for our No. 1 production line of RMB1.3 million in 2014 and its residue value was minimal. We expect to place the purchase orders to procure the necessary machinery for the new production line in November 2015, and complete the replacement and commence production by the first quarter of 2016. Our estimated annual maximum production capacity of plate-type DeNOx catalysts is expected to increase from 24,000 m³ to 36,000 m³ with the addition of this production line. We expect our current production capacity will run short according to our business expansion plan in the coming years. We plan to prepare in advance to improve our production capacity to cope with emerging customer demands. Part of the proceeds from the Global Offering will be used to conduct the above expansion plan. Please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus for more details.

The breakeven period is expected to be three months from commencement of commercial production. The breakeven period refers to the period of time required by the revenues to cover the total amount of fixed and variable expenses. The estimated investment payback period is expected to be approximately six months. The payback period refers to the period of time required to recoup the funds expended in an investment. In arriving our expected breakeven period and investment payback period, we have assumed that there is (i) no material increase in the cost for procurement of machinery and equipment; (ii) no delay in installation of machinery and equipment; (iii) no delay in obtaining the required licenses and permits under the relevant laws and regulations for the production; (iv) no material adverse change in relevant government policies; and (v) no significant increase in the level of competition in this industry in China.

Development of DeNOx Catalysts for Diesel-Powered Vehicles

We plan to broaden our DeNOx catalyst product portfolio and expand our business into diesel-powered vehicle industry in China. SCR technology is also used in the industry of DeNOx catalysts for diesel-powered vehicles and the core technology of manufacturing DeNOx catalysts for diesel-powered vehicles can be categorized into coating and extrusion and is substantially similar to that we utilize in our current plate-type DeNOx catalyst production. Some of our international competitors followed the same development path to expand their product portfolio for the diesel-powered vehicles, leveraging their success and experience in the manufacturing of DeNOx catalysts for industrial sources. Leveraging our accumulated experience in operating and managing the manufacturing of plate-type DeNOx catalysts, we believe our senior management can successfully apply the industrial knowledge and management skills to the manufacturing of DeNOx catalysts for diesel-powered vehicles. According to Frost & Sullivan Report, the demand for DeNOx catalysts for diesel-powered vehicles is expected to increase from 998,000 sets in 2014 to 2,990,000 sets in 2019, with a CAGR of 24.5% from 2014 to 2019. The market price of DeNOx catalysts for diesel-powered vehicles is approximately RMB3,000 per set.

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We expect to construct a production facility in Gu'an Industrial Park in Hebei Province with a site area of 40,000 sq.m. and a GFA of 30,000 sq.m. and the total investment for the development of DeNOx catalysts for diesel-powered vehicles is expected to be approximately RMB238.6 million, which will be financed through part of our proceeds from the Global Offering and self-raised funds. Our target end customers are manufacturers of diesel-powered engines and manufacturers of diesel-powered vehicles.

We plan to conduct our development of DeNOx catalysts for diesel-powered vehicles in two phases, the first of which has been commenced in July 2015 and the second of which is planned to commence in 2017. In the first phase of our development, we use our self-developed coating technology. We have obtained patents for our technology to upgrade the production equipment for the manufacturing of DeNOx catalysts for diesel-powered vehicles. In preparation of the second phase, we have entered into a technical transfer agreement with Dr. Pley in April 2015 on the research and development as well as production of DeNOx catalysts for diesel-powered vehicles using extrusion technology. Please refer to the paragraph headed “— Production —Relationship with Dr. Pley” below for more details. We decided to acquire the extrusion technology from Dr. Pley primarily taking into account the following considerations: (i) the production cost of the DeNOx catalysts for diesel-powered vehicles using extrusion technology is lower than using coating technology, (ii) the DeNOx catalysts for diesel-powered vehicles using extrusion technology is commonly adopted in the European market, and (iii) our Directors foresee that the extrusion technology will be advanced development phase of DeNOx catalysts for diesel-powered vehicles in China in the future. The table below sets forth our development plan for each of the two phases:

<u>Schedule</u>	<u>Arrangements</u>
Phase I	<ul style="list-style-type: none">• Phase I has been commenced in July 2015.• We procured a prototype line in January 2015, which have passed the examination and arrived at our production facilities in June 2015. We initiated the testing production in July 2015. We have sent the samples for internal review in September 2015, and expect to commence independent examination in November 2015.• The commencement of commercial production is expected to be in October 2016.• We plan to procure two production lines for commercial production using self-developed coating technique, with a designated annual production capacity of DeNOx catalysts for diesel-powered vehicles for 250,000 sets.• The expected amount of investment is approximately RMB178.6 million, including RMB53.7 million for the procurement of equipments and set-up of production lines, RMB3.0 million for the establishment of testing laboratory, RMB31.0 million for the land purchase, RMB40.9 million for the factory construction and RMB50.0 million for the purchase of raw materials.• We plan to employ 30 personnel for the production in Phase I.
Phase II	<ul style="list-style-type: none">• Phase II is expected to commence in 2017.• The commencement of commercial production is expected to be in 2018.• We plan to procure one production line from leading overseas suppliers for this phase of commercial production using extrusion technique transferred from Dr. Pley, with a designated annual production capacity of DeNOx catalysts for diesel-powered vehicles for 125,000 sets.• The expected amount of investment is approximately RMB60.0 million, including RMB45.0 million for the procurement of equipment and RMB15.0 million for the expansion of production facilities.

The breakeven period is expected to be two months from commencement of commercial production. The estimated investment payback period is expected to be approximately four years. In arriving at our expected breakeven period and investment payback period, we have assumed that there

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is (i) no material increase in the cost for acquisition of machinery, equipment and land; (ii) no delay in construction and installation of factory, machinery and equipment; (iii) no delay in obtaining the required licenses and permits under the relevant laws and regulations for the production of DeNOx catalysts for diesel-powered vehicles; (iv) no material adverse change in government policy related to the air pollution control for diesel-powered vehicles; and (v) no significant increase in the level of competition in this industry in China.

We expect our commercial production will commence in October 2016. The production volume of DeNOx catalysts for diesel-powered vehicles is expected to reach 20,000, 185,000 and 375,000 sets in 2016, 2017 and 2018, respectively. According to Frost & Sullivan Report, the market demand for DeNOx catalysts for heavy-duty diesel vehicles is 1,967,000, 2,408,000 and 2,705,000 sets in 2016, 2017 and 2018, respectively. Assuming the average selling price of the DeNOx catalysts for diesel-powered vehicles is RMB3,000 per set, we expect the gross profit margin to be around 36%.

We are actively exploring the market of the DeNOx catalysts for diesel-powered vehicles by visiting the manufacturers of diesel engines and authoritative examination institutions of DeNOx catalysts for diesel-powered vehicles with a view to establishing business relationships. We have also entered into a memorandum of cooperation with a company in Chongqing in August 2015, pursuant to which we would become one of its qualified suppliers of DeNOx catalysts for diesel-powered vehicles as soon as our catalyst products pass an independent third-party examination, which is expected to commence in November 2015. The company in Chongqing is 60% owned by one of the authoritative examination institutions and is primarily engaged in the research and development, production, sales and technical services provision of vehicle exhaust purification systems in China. We plan to secure the customers by offering competitive pricing. We plan to source the raw materials for the production of DeNOx catalysts for diesel-powered vehicles from qualified domestic suppliers, which we expect to be of comparable quality as raw materials sourced from overseas suppliers. To the best knowledge of our Directors, all of the multinational companies source their raw materials from overseas, and we expects the localization of the sourcing of raw materials to allow us to better control our cost of sales. In view of the market development, we believe that domestic manufacturers are often able to catch up as their businesses grow and they obtain a competitive advantage to overseas or multinational manufacturers, as domestic manufacturers tend to be more familiar with the national policies and domestic market.

Based on the geographical divisions of the diesel-powered vehicle market, we plan to establish two sales and marketing subsidiaries in Nanning city of Guangxi Province and Jinan city of Shandong Province, respectively, by the end of 2015 and recruit personnel in the automotive industry who are familiar with the technical requirements and sales of engines and automobiles to establish the sales channel and conduct the sales of DeNOx catalysts for diesel-powered vehicles. Leveraging our experience and success in the manufacturing of plate-type DeNOx catalysts, we believe we are able to manage our cost effectively, which will allow us to set a competitive price for our DeNOx catalysts for diesel-powered vehicles to attract customers.

We plan to use part of the proceeds from the Global Offering and self-raised funds to conduct the above expansion plan. Please refer to the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus for more details.

Relationship with Dr. Pley

Dr. Pley is an expert in the DeNOx catalyst industry in Germany with solid experience. Dr. Pley obtained his diploma in chemistry and his doctorate degree in inorganic solid state chemistry from

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University of Cologne in Germany in 2003 and in 2004, respectively. Dr. Pley served as a research associate in the Chemistry III Department at the Max-Planck Institute for Solid State Research from January 1, 2005 to November 30, 2005, a project and sales engineer in the Environmental Technology department of Eisenmann Anlagenbau GmbH & Co. KG, from December 1, 2005 to March 31, 2008, and Head of PPI Technology in Johnson Matthey Catalysts (Germany) GmbH from October 3, 2008 to March 2, 2010.

Dr Pley Environmental GmbH is owned by Dr. Pley, which is engaged in the development of catalyst systems and SCR catalysts with which we entered into several agreements. As advised by Dr. Pley, the technology which Dr. Pley transferred to us was optimized and modified by himself with reference to his industry knowledge accumulated from his past working experience. Dr. Pley did not apply for the patents in respect of his technology so that confidentiality of such technology can be maintained. We have obtained Dr. Pley's written confirmation dated August 24, 2015 that: (i) the technologies provided by Dr. Pley and his associates to us were, as of the date of each technical transfer agreement, legally and beneficially owned by him and/or his associates (as applicable); (ii) Dr. Pley and/or his associates had the right(s) to transfer the relevant technologies to us and the transfer of which was not subject to any third party consent (including Dr. Pley's former employer and the relevant government authorities) and such technologies, when transferred to us, were free from all charges, mortgages, pledges, equities, encumbrances and other third party rights; (iii) the technologies provided by Dr. Pley and his associates to us are optimized and modified by Dr. Pley with reference to his industry knowledge accumulated from his past working experience and, as of the date of each technical transfer agreement and during the period from the date of each technical transfer agreement to the date of the confirmation, did not and do not infringe the intellectual property rights of other third parties, including Dr. Pley's former employers; and (iv) as of the date of the confirmation, Dr. Pley and his associates did not receive and are not aware of any actual, threatened or potential claim or complaint in relation to the technologies that are/were used by us that were provided to us by Dr. Pley and his associates. Our Directors confirm that as of the Latest Practicable Date, we did not receive and were not aware of any actual, threatened or potential claim or complaint in relation to the technologies that are/were used by us and were provided to us by Dr. Pley and his associates. As advised by Dr. Pley, our external consultant who has extensive knowledge and experience in the industry in which we operate, there were only two patents that were granted to his former employers in Germany in respect of technologies that may be similar to those transferred by Dr. Pley and his associates to us. Searches have also been conducted on the website of DPMA, the German Patent and Trademark Office, which indicated that one of the two said patents have expired as of the date of the first technology transfer agreement from Dr. Pley to us. The other patent has only expired in May 2015 but, according to Dr. Pley, the technology was different from the ones transferred to us. Searches have also been made on the website of the State Intellectual Property Office of the PRC and as confirmed by our Directors, there is no indication that any technology for the manufacturing plate-type DeNOx catalysts has been registered by Dr. Pley's former employers as patents in China which are similar to that of the technology transferred from Dr. Pley to us. Our Directors confirm that, based on the above and their industry knowledge, we have no reason to believe the technologies provided to us by Dr. Pley and his associates infringe the intellectual property rights of its competitors or other third parties. Dr. Pley agreed to cooperate exclusively with us on the development of plate-type DeNOx catalysts and DeNOx catalysts for diesel-powered vehicles for a term until December 31, 2017 within the territory of the PRC.

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We have over four years of relationship with Dr. Pley since 2011. We entered into a number of agreements with Dr. Pley. The following table sets forth the summary of major terms in each of our agreement with Dr. Pley.

<u>Date of agreement</u>	<u>Services provided/ Technology transferred</u>	<u>Consideration</u>	<u>Duration</u>	<u>Exclusivity</u>	<u>Notes</u>
August 2011	Dr. Pley agreed to: <ul style="list-style-type: none"> • transfer to us, among others, lists and specifications of production machines, chemical composition of raw materials, quality control plans, lists of laboratory design and supplier candidates for the manufacturing of plate-type DeNOx catalysts, • provide advice on plate-type DeNOx catalyst development • review the first few projects developed by us • visit us periodically to provide on-site assistance 	EUR453,985	August 2011 to August 2012	Our cooperation relationship remained exclusive during the term of the agreement.	The agreement does not contain any time limit on our right to use the relevant technology.
June 2012	Dr. Pley agreed to provide additional services in relation to our plate-type DeNOx catalysts including, but not limited to, support on installation and commissioning of our analytical laboratory and assistance in sales activities	EUR253,000	June 29, 2012 to July 31, 2013	Our cooperation relationship remained exclusive during the term of the agreement.	The agreement does not contain any time limit on our right to use the relevant technology.

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Date of agreement	Services provided/ Technology transferred	Consideration	Duration	Exclusivity	Notes
August 2013	Dr. Pley agreed to, among other things, transfer a full bench testing device, provide consulting service on development of DeNOx catalyst recycling technology and application of plate-type DeNOx catalysts in new industries.	EUR250,000	August 6, 2013 to July 31, 2014	Our cooperation relationship remained exclusive during the term of the agreement.	The agreement does not contain any time limit on our right to use the relevant technology.
April 2015	Dr. Pley agreed to: <ul style="list-style-type: none"> • help us explore the European market including, but not limited to, preparing marketing materials, providing consignment stock of our plate-type DeNOx catalysts up to 50 m³ and handling logistics in Europe. • serve as our sales agent in the European market • In the event that the unit price of the products sold by Dr. Pley is more than a certain amount agreed by both parties, the excess amount will be shared equally between Dr. Pley and us. 	EUR96,000	April 6, 2015 to January 31, 2016	Our cooperation relationship remained exclusive during the term of the agreement.	N/A

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Date of agreement	Services provided/ Technology transferred	Consideration	Duration	Exclusivity	Notes
April 2015	Dr. Pley agreed to provide us with, among other things, formula of DeNOx catalysts for diesel-powered vehicles, technical specifications of raw materials, candidates of suppliers, major equipment list, advice on testing in the analytical laboratory and quality control plan.	EUR250,000	April 29, 2015 to July 31, 2016	Dr. Pley is obliged to work exclusively with us in respect of the development of DeNOx catalysts for diesel-powered vehicles in China during the term of this agreement.	The agreement does not contain any time limit on our right to use the relevant technology.

We plan to adopt technologies in relation to diesel-powered vehicles transferred from Dr. Pley, which is categorized as extrusion technology, to develop our DeNOx catalysts for diesel-powered vehicles in the second phase of our development plan. Please refer to the paragraph headed “— Expansion Plan” above for more details. We do not anticipate any disruption to our cooperation with Dr. Pley as we have been in a business relationship with Dr. Pley for more than four years and the stable relationship demonstrates the well-established trust we have in each other. In the event that our cooperation is discontinued, we do not expect any adverse impact on our business operations primarily because we have already obtained the formula and production technologies of extrusion technology from Dr. Pley and are capable of continuing developing the extrusion technology based on our own in-house research and development capabilities.

Except for the consideration amount in the first agreement in August 2011, which was categorized as an intangible asset, the consideration amounts in the remaining agreements were all categorized as expenses.

The Directors are of the view that our core technologies of manufacturing of plate-type DeNOx catalysts were developed and modified based on the technologies transferred to us from Dr. Pley, which makes us capable of fully managing the technologies on our own and running our production independently. For those technologies we acquired from Dr. Pley to develop our new products and services, we upgrade and modify them through our own research and development efforts to maintain their suitability in the PRC market as well. In addition, we have developed and possessed our own coating technology in the development of DeNOx catalysts for diesel-powered vehicles, which ensures our expansion plan in this regard will not be affected even without extrusion technology transferred from Dr. Pley.

SALES AND MARKETING

Sales

We sell our products to our customers, including coal-fired power plants, EPC service providers, boiler manufacturers and customers in other industries such as petroleum, petrochemical and metallurgical industries in China through our sales team.

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We have a sales team dedicated to developing customer relationships. As of the Latest Practicable Date, our sales team consisted of five sales personnel. All members of our sales team have extensive working experience in the DeNOx catalyst industry and have in-depth understanding of the DeNOx catalyst and power generation industries in China. Our sales team has an average of eight years of experience in sales, and is primarily responsible for the establishment of sales channels, obtaining of sales orders through the bidding and tender process, and follow-up matters such as payment collection with our financial department. Besides our sales team, our management also develops our overall marketing strategy as well as provides guidance and supervision on our sales activities. We believe we can better understand the latest market developments and our customers' businesses and requirements and fulfill their needs in a timely manner through concerted efforts and expertise of our management team and sales team. Our current sales network covers the domestic market of DeNOx catalysts. We plan to subdivide our sales network by establishing a number of regional sales representative offices and recruiting additional local sales personnel.

During the Track Record Period, our domestic customers are spread across 17 provinces and municipalities of China. We plan to establish regional offices in Northeastern, Northwestern, Southern and Southwestern China in phases by the end of 2015.

Dr. Pley will establish a European sales branch by the end of 2015 on behalf of us and he will serve as our sales agent in the European market. Please refer to the paragraph headed "— Production — Relationship with Dr. Pley" above for detailed discussion. Part of our proceeds from the Global Offering will be used to expand our domestic and overseas sales network. Please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus for more details.

Public Bidding

We typically first set business objectives and identify target customers and market segments, before pursuing specific business opportunities, including participating in customers' bidding processes. We generally participate in bidding by receiving letters of invitation to bidding or otherwise becoming aware of open biddings. After becoming aware of the opportunity, we usually make an assessment of such opportunity and our Chairlady, Ms. Zhao Shu and our deputy general manager, Mr. Liu Xianchen usually decide whether to proceed based on assessment results. We consider, among other things, basic details such as customer credit worthiness, project parameters and technical requirements, fees chargeable, contract period and payment terms to assess the feasibility. We also consider the status of our current projects and whether we have enough spare resources to maintain our standard of quality for the new projects. Based on our assessment, if we decide to proceed with the bidding, we usually start preparing our custom-made bidding proposals on technical, business and pricing in accordance with the requirements of the prospective customer. We prepare proposals with the support of our research and development department based on our direct communications with coal-fired power plants to understand their design requirements and detailed technical parameters such as coal quality, density of ashes and velocity of flue gas. In some cases, we also engaged independent third-party consultants, who normally provide us with prospective customer's information, relevant technical parameters, and advice on preparation of bidding proposals. After winning the bid, we finalize the technical design and commercial terms with the customer and enter into a contract. We then manufacture the product based on the contract. Thereafter, we conduct follow-up calls with and pay site visits to the coal-fired power plants to understand their usage of our products and further demands in order to provide better value-added service. During the Track Record Period, all of our domestic sales of plate-type DeNOx catalysts were obtained through public bidding. During the Track Record Period, our success rate in public biddings was 42.9%, 35.1%, 38.8% and 41.7%, respectively.

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Pricing Policy

We price our DeNOx catalysts in our bidding proposal taking into account the prevailing costs of raw material at the time of submitting the bidding proposal, the specifications and the technical complexity of the product offered, the prevailing market conditions, competition, credit worthiness of the customers and pricing requirements set out in the bidding documents. Our costs of raw material is usually determined at the time of placing orders of raw material, which is within a few days after we win the bid and sign the contract. We believe our technological advantages enable us to optimize our technical design to lower our cost, so as to keep our price competitive against competing products without compromising on product quality and gross margin.

The average selling price per m³ of our plate-type DeNOx catalysts for the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2015 was RMB23,963, RMB24,226, RMB25,080 and RMB22,450, respectively.

Marketing

We explore market opportunities mainly through targeted marketing, such as visiting potential and existing customers, conducting product and technical demonstrations and providing to our clients free services such as product testing, technical consultation, analysis of DeNOx operating environment and periodic sampling. We implement a marketing strategy which focuses on developing and maintaining close relationships with major customers based on detailed customer classification. Our marketing strategy has helped us build a strong brand, maintain our reputation among customers and increase marketing efficiency.

Warranty and Product Return

Our warranties typically last for one year and provide that our products will conform to the customer's technical specifications and DeNOx requirements. During the Track Record Period, we have not incurred any warranty expense and were not aware of any customer claim in respect of warranties. We made warranty provisions based on our general warranty policy. We have not established any product return policy, which we believe is in line with the industry practice. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any product recall nor have we experienced any material customer complaint or liability claim.

Value-Added Service

We provide our customers with comprehensive value-added services, which include on-site installation consultation, free testing during our products' life-time, on-site support, maintenance training, continuous monitoring of product quality, regular telephone follow-up and on-site visit and annual sampling. We also shared data and information collected from value-added service with our research and development team to further improve our products.

Our customer and end-user services enable us to obtain customer and end-user feedback in a timely manner and help us introduce new products or improve existing products to meet their needs. As of the Latest Practicable Date, our technical support department had six personnel, who are responsible for providing value-added services.

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CUSTOMERS

During the Track Record Period, our customers mainly include major coal-fired power plants, EPC service providers, boiler manufacturers and customers in other industries such as petroleum, petrochemical and metallurgical industries in China. Our key customers in coal-fired power generation industry include subsidiaries of three of the Five Largest Chinese Power Generation Groups and other national, provincial and local power generation groups such as provincial power generation groups in Shanxi and Henan Provinces. We have also provided products to customers in Germany and Italy in 2013, which accounted for 0.6% of our sales in the year of 2013. We believe that the export of our products symbolized that the quality of our plate-type DeNOx catalysts have been recognized by our customers in Europe, which holds a leading position in DeNOx catalyst technology. During the Track Record Period, customers in the coal-fired power generation industry accounted for most of our total customers.

Our customers can be categorized into end-users and EPC service providers. Some end-users entered into sales and purchase contracts of plate-type DeNOx catalysts with us, while other end users engaged us through relevant intermediary EPC service providers. DeNOx catalysts are installed in DeNOx systems, which form part of an environmental protection system of coal-fired power plants. Coal-fired power plants in some cases rely on EPC service providers to install the overall environmental protection system and procure DeNOx catalysts. The end-users of our products are mainly coal-fired power plants such as subsidiaries of the three of the Five Largest Chinese Power Generation Groups. We maintain a business relationship with our major customers for an average of two years.

The table below sets forth the information regarding the percentage of our sales to end users and EPC service providers:

	Percentage of total sales			
	For the year ended December 31,			For the four months ended April 30, 2015
	2012	2013	2014	
End users	100.0	66.0	23.7	38.7
EPC service providers	-	34.0	76.3	61.3
Total	100.0	100.0	100.0	100.0

For the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2015, sales to our five largest customers accounted for 100.0%, 98.9%, 77.1% and 85.9% of our revenues, respectively, and sales to our largest customer accounted for 95.7%, 28.4%, 25.7% and 24.3% of our total revenue, respectively. The number of our customers steadily increased from two in 2012 to seven in 2013, and to 11 in 2014. For the four months ended April 30, 2015, we had seven customers. According to Frost & Sullivan Report, the demand volume of DeNOx catalysts in the coal-fired power generation industry is expected to increase steadily in the near future. Additionally, during the Track Record Period, we have also started exploring and have obtained purchase orders from other industries such as two customers from the petroleum and petrochemical industries and one customer from the metallurgical industry. As a result of the expansion and diversification of our customer base, we expect the reliance on our major customers to decrease. For the risk related to the concentration of customer, please refer to the section headed “Risk Factors — Risks Related to Our Business — A significant proportion of our revenue is derived from our major customers. Our failure to maintain business relationship with our major customers and changes in their requirements may have a material adverse effect on our business.” in this prospectus.

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Our customers usually make payments to us within 30 days after we issue the commercial invoices to customers. We negotiate with our customers in relation to payment terms taking into account their operational scale, number of years of business relationship with us, their financial status, and payment history. For the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2015, the average turnover days of our trade and bills receivables were 14.2 days, 8.1 days, 25.1 days and 52.9 days, respectively. In 2013, we made a provision for impairment of trade receivables in the amount of RMB5.0 million, which was primarily because one of our customers was experiencing financial difficulties and did not make timely payment. We are preparing to take legal action against this customer to collect the outstanding payment. For details, please refer to “Financial Information — Description of Principal Components of Consolidated Statements of Comprehensive Income — Administrative Expenses” and “Financial Information — Description of Certain Items In the Consolidated Balance Sheets — Trade and Bills Receivables.” Our accounting policy on provision for bad and doubtful debts had been consistent during the Track Record Period.

Our Directors confirm that none of our customers are our suppliers. Save for Yu The Great Environmental Engineering (Beijing) Co., Ltd. (中禹環境工程(北京)有限公司), in which Mr. Li Xingwu who is our non-executive Director and Shareholder, has an interest, our Directors confirm that, as of the Latest Practicable Date, all of our five largest customers were Independent Third Parties and none of our Directors or their close associates or our existing Shareholders who, to the best knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest customers. During the Track Record Period, our sales to Yu The Great Environmental Engineering (Beijing) Co., Ltd. (中禹環境工程(北京)有限公司) amounted to RMB1.0 million, nil, nil and nil, respectively.

Product Supply Agreements with Our Customers

We enter into product supply agreements with our customers. Below is a summary of certain key terms of our legally binding products supply agreements with our customers:

Term and Termination

We usually enter into a product supply agreement after we win public bidding and such agreements can be terminated upon written confirmation by both parties. The agreement can also be terminated by the customer if we breach any of the terms in such agreements, and we will be responsible for an agreed-upon liquidated damage in that case.

Pricing and Price Adjustment

The prices for plate-type DeNO_x catalysts sold under most of our product supply agreements are fixed at the time of signing of our product supply agreements awarded through public bidding. There is usually no price adjustment clause in our agreements with customers.

Payment Terms

Our product supply agreements contain various payment terms. We typically receive payments in four or five installments, including down payment ranging from 10% to 30%, payment made on the progress of the project ranging from nil to 30%, payment made upon delivery ranging from 30% to 70%, payment made after acceptance of products ranging from 10% to 20% and quality assurance payment paid at the end of the warranty period ranging from 5% to 10%. The number of installments and the payment percentage of each installment is determined on a case-by-case basis.

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Delivery

Typically we are responsible for the delivery to the destination designated by the customers.

Insurance

We procure and maintain insurance against all risks during the process of transportation for all of our products.

Warranty

We typically warrant, among other things, that our products are in compliance with relevant national standards and the technical requirements proposed by our customers. We usually provide a warranty period of one year from the issuance of the preliminary acceptance certificate.

RAW MATERIALS AND PROCUREMENT

Our raw materials for plate-type DeNOx catalyst production primarily consist of stainless steel mesh, TiO₂ and AHM, the prices of which showed a decreasing trend during the Track Record Period. Please refer to the section headed “Industry Overview — DeNOx Catalyst Industry in China” in this prospectus for more details. Leveraging our proprietary technologies, we designed and assembled our No.1 and No.3 production lines, in which we can use domestic raw materials to lower the production cost while maintaining the satisfactory performance of our products.

We have a well-managed procurement system and strict supplier selection process, including qualification authentication, laboratory testing, production examinations as well as annual review and reassessment. These raw materials are generally available from multiple sources in sufficient quantities to meet our needs except stainless steel mesh. We have shared with our exclusive stainless steel mesh supplier our production know-how to help them improve the quality of the stainless steel mesh to meet our production needs. We also entered into an exclusive long-term supply agreement, which was negotiated on an arm’s length basis with reference to the prevailing market price, with our supplier of stainless steel mesh utilized for the manufacturing of plate-type DeNOx catalysts so that we could secure the stable supply with a competitive price, therefore lowering our cost. We reserve the right to seek alternative sources if necessary. According to Frost & Sullivan Report, the procurement price of the stainless steel mesh from our exclusive stainless steel mesh supplier is lower compared with the average price in the industry. The discounted price reflects our exclusive long-term strategic cooperation with our stainless steel mesh supplier and the bulk-procurement during the negotiation of our supply agreement. In 2012, our purchase price with one domestic and one overseas stainless steel mesh supplier was on average approximately 8.0% and 124.0%, respectively, higher than the price offered by our exclusive stainless steel mesh supplier in the same year. In order to avoid the adverse impact of reliance on major suppliers and to guarantee the best price and quality, we generally procure each type of raw materials from multiple suppliers and for each procurement, we usually obtain quotes from at least three qualified suppliers. We negotiate the prices of most of our raw materials with our suppliers periodically according to the price trends of each raw material. For example, if the prices are decreasing, we usually negotiate periodically to guarantee the best price. We typically enter into procurement agreements with our suppliers based on our assessment of the inventory level of raw materials and shortly after the execution of our supply agreements with our customers. We do not expect material price fluctuation during such a short period between the execution of our agreements with our customers and procurement of raw materials. During the Track Record Period, we had not experienced any significant shortage of raw materials, and we carried inventories of raw materials at reasonable levels to meet our needs. Please refer to “Financial Information — Description of Principal Components of Consolidated Statements of Comprehensive Income — Cost of Sales — Sensitivity Analysis” in this prospectus for more details.

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For the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2015, procurement from our top five suppliers accounted for 71.6%, 78.0%, 72.3% and 70.3% of our total raw material procurement, respectively, and procurement from our single largest supplier accounted for 25.3%, 41.0%, 37.1% and 36.9% of our total raw material procurement, respectively. Our top five suppliers are manufacturers of stainless steel mesh, TiO₂ and AHM. We maintain a business relationship with our major suppliers for an average of two and a half years.

We have established stable relationships with our suppliers. The current agreements with our major suppliers of TiO₂ and AHM are without a fixed term, and these agreements provide us with a price adjustment mechanism based on market price fluctuation and a credit limit. The supplier of TiO₂ also guarantees to provide us with adequate supply of TiO₂ that meet our quality and quantity requirements during the term of our agreement. Such agreements help us secure a stable supply of high-quality raw materials. There is no minimum purchase requirement in any of our raw material procurement agreements.

Long Term Procurement of Stainless Steel Mesh

We have entered into long-term agreement with our stainless steel mesh supplier, pursuant to which the supplier is obliged to exclusively supply us with the designated type of stainless steel mesh utilized for the manufacturing of plate-type DeNOx catalysts. There is no minimum supply or purchase quantity requirement in the procurement agreement. We have been in business with the stainless steel mesh supplier since its inception in 2012 and have been in business relationship for three years. The stainless steel mesh supplier provides a range of mesh products including expanded sheet mesh, flattened mesh, decorating sheet mesh, rolled mesh, curtain wall mesh, expanded metal ceiling mesh and sun-shade mesh. The mesh products are in different specifications of steel, stainless, titanium, aluminum and copper. The management of the stainless steel mesh supplier confirmed that we were the only customer of its stainless steel mesh during the Track Record Period and the revenue generated from us accounted for most of its revenue for the Track Record Period. The stainless steel mesh supplier and us consider each other to be an important strategic business partner of the other. Ms. Zhao Lu, the cousin of Ms. Zhao Shu, our executive Director and the Controlling Shareholder, previously held 40% of the equity interest in our stainless steel mesh supplier from July 19, 2013 to June 17, 2014, which she subsequently disposed of to an independent third party (the “**Subsequent Shareholder**”) due to her personal investment decision. The Subsequent Shareholder did not and does not have any other past or present relationship, business or otherwise (other than being a shareholder of our stainless steel mesh supplier), with us, our connected persons and close associates. We confirm that (i) the stainless steel mesh supplier was not connected to us during the Track Record Period and thereafter; and (ii) the purchase price of stainless steel mesh from the supplier was not significantly higher than the then fair market price.

Below is a summary of certain key terms of our procurement agreement with our stainless steel mesh supplier:

Term and Termination

The procurement agreement has a term until December 31, 2020, which is renewable subject to the parties' negotiation before the expiration. The agreement will be terminated if (i) this supplier fails to meet our quality and technology requirements, (ii) this supplier's stainless steel mesh is not of satisfactory quality and fails to improve, (iii) we find another supplier with better technique or price and this supplier fails to improve or make adjustment to the price, (iv) this supplier substantially changes its business and no longer provides the stainless steel mesh we require, or (v) we adjust our business and no longer need the specific type of stainless steel mesh. We will not be liable for any legal or economic consequence if

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the termination is due to any of the above-mentioned reasons. During the Track Record Period and up to the Latest Practicable Date, the agreement has not been terminated.

Pricing

We procure the stainless steel mesh at a fixed price, which comprises fixed processing fee and pre-determined raw materials cost. We will negotiate to adjust the raw materials cost only when the fluctuation exceeds RMB100 per ton. During the term of the procurement agreement, with reference to our production plan, we will enter into purchase orders with the supplier, which will state, among other things, supply quantity, price, payment terms, specifications and delivery of the stainless steel mesh.

Payment Terms

We are required to make monthly payment in full amount for the order from the previous month after both parties' confirmation on the order amount and our receipt of the invoice.

Confidentiality

Both parties are bound by confidentiality obligations with respect to the technologies utilized and commercial terms and conditions shared during our cooperation. Rights to the information shared during manufacturing remain with the information provider and no other party is allowed to disclose or use such developed information without the other party's permission. We jointly hold the intellectual property rights on the production equipment and technology with this supplier.

Our Directors are of the view that the supplier will be able to supply sufficient stainless steel mesh for our production of plate-type DeNOx catalysts based on the supplier's existing and planned production capacity, our discussion with the supplier on our demand for the stainless steel mesh in the future and the total production capacity of the supplier. We have had business contact with another overseas stainless steel mesh supplier, from which we procured sample stainless steel mesh during the Track Record Period. In 2012, we procured the stainless steel mesh from the overseas supplier in a small amount. We examined the supply from the overseas supplier and were satisfied with the quality of the stainless steel mesh. However, the long delivery time and high price of the overseas procurement would increase our cost of sales and its limited specifications may restrict our provision of broad range of products to our customers. As such, we generally incline to procure from domestic suppliers. There are also two qualified suppliers of stainless steel mesh in China. We procured the stainless steel mesh from one of the domestic suppliers once in 2011 and subsequently entered into a long-term agreement for a term of 17 months. We also obtained quotes from the other domestic supplier in 2011. As confirmed by these two domestic suppliers of stainless steel mesh, their combined production capacity would be sufficient for our current operations and our planned expansion, and they are willing to supply to us in the event that we choose to do so. In the event that the supply from our current stainless steel mesh supplier cannot satisfy our demand or is disrupted or terminated, we would consider procuring from these two domestic stainless steel mesh suppliers. To the best knowledge of our Directors, as of the Latest Practicable Date, nothing has been brought to our attention to suggest that there is material adverse change in our stainless steel mesh supplier's business and financial position and the Joint Sponsors concur with our Directors' view.

We closely monitor the quality and punctuality of the raw materials delivered, and we reserve the right to reject any delivery if the quality cannot pass our quality test. During the Track Record Period, we did not reject any delivery of raw materials due to unsatisfactory quality. We also review the production schedules of some of our suppliers to ensure the timely supply of our raw materials.

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During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material production disruption resulting from shortage of key components or other raw materials nor any early termination of the procurement agreements with our suppliers. Given our extensive supplier network and our abundant experience in developing new suppliers, our Directors are of the view that we are able to maintain a steady supply of key components and raw materials without a substantial increase in procurement costs in the event that we experience any unexpected disruption in supplies from our major suppliers. During the Track Record Period, the prices of the raw materials were decreasing. Our Directors are of the view that, in the event of any increase in the price of key components and raw materials, we will be able to find alternative suppliers in the market.

Our Directors confirm that, none of our suppliers are our customers or connected persons. Our Directors confirm that, as of the Latest Practicable Date, all of our five largest suppliers were Independent Third Parties and none of our Directors or their close associates or our existing Shareholders who, to the knowledge of our Directors, own more than 5% of our issued share capital has any interest in any of our five largest suppliers.

Raw Material Procurement Agreements with Our Suppliers

We purchase a variety of raw materials to manufacture our plate-type DeNOx catalysts. Below is a summary of certain key terms of our legally binding procurement agreements with our suppliers:

Term and Termination

The procurement agreements generally have a term of one year which is renewable upon negotiation. However, the exclusive procurement agreement of stainless steel mesh with our supplier is of a term of five years until December 31, 2020, and the procurement agreements of TiO₂, AHM, metavanadate (偏鈮酸鉍) and ammonia (氨水) are without a fixed term. Most of our long-term agreements are terminable with a 30-day written notice and, in some cases, additionally with the consent of the other party.

Pricing and Price Adjustment

The unit price for raw materials under most procurement agreements is fixed subject to certain adjustment. The price of TiO₂ is kept unchanged for the first half year after signing the agreement, after which the parties agree to negotiate for a renewed price every three months, and the final price for each order is usually listed in the monthly purchase order. The price of AHM is determined with reference to the lowest average unit price in the industry in that month, which is listed on the website of China Commodity Marketplace (中華商務網). The price of stainless steel mesh is fixed per unit and remains the same during a pre-determined period ranging from four months to one year. The price of metavanadate (偏鈮酸鉍) is negotiated at the end of each quarter and remains unchanged in the following quarter. The price of ammonia (氨水) is negotiated semi-annually.

Payment Terms

The payments are usually settled by wire transfer or acceptance bill on an agreed upon schedule. We are generally granted credit terms ranging from 30 days to 90 days by our suppliers. We made prepayment ranging from 20% to 30% of the total amount of each purchase order to our supplier of TiO₂ in 2012. Since 2013, we have started making monthly payment to our supplier of TiO₂ based on the actual purchase amount for the previous month. For the procurement of AHM, we typically make

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payment one month after the delivery. For the procurement of metavanadate, we typically make full payment before the delivery. For the procurement of ammonia, we typically make quarterly payment based on the actual purchase amount for the previous quarter.

Delivery

Typically, the supplier is responsible for the delivery of the raw materials to the designated place.

Warranty

The suppliers typically warrant, among others, that the supplied raw materials conform to the relevant technical requirements specified in the agreements. They typically provide a warranty period no longer than six months. Our suppliers are required to provide test report with each shipment, and we reserve the right to conduct a sampling test if needed. We also have the rights to reject the delivery if the quality is not satisfactory. If any dispute arises on the quality of the raw materials, a qualified independent laboratory, as determined in the agreement, will be engaged to conduct a final test.

QUALITY CONTROL

To ensure the quality of our products, we have established and maintained stringent quality control and assurance standards as well as inspection procedures at each critical step of our production process. To ensure compliance with these standards and procedures, we maintain policies requiring that each of our quality control personnel is properly trained before being staffed to our quality control department. We did not experience any material product quality problem during the Track Record Period.

As of April 30, 2015, our quality control department comprised of four personnel. One of our executive Directors, Mr. Li Ke is responsible for the supervision of our quality control department. Please refer to the section headed “Directors and Senior Management” for more details of Mr. Li Ke’s working experience. The members of our quality control department have an average of five years of experience in quality control or production in manufacturing industry. Two of our quality control personnel obtained their respective certificates as inspector of the integrated management system of quality, environment and occupational health and safety (質量/環境/職業健康安全一體化管理體系審核員) from Beijing Zhongzhihuan Management Consulting Center (北京中質環管理顧問中心) in April 2014. Personnel from other departments, such as production and research and development, are involved in the quality control procedures as well when necessary.

Our quality control procedures primarily consist of the following:

Raw material procurement and inspection. We have formulated stringent supplier selection criteria based on product safety, quality, delivery and cost, and have maintained relationships with our principal raw material and key component suppliers. Such relationships enable us to procure quality raw materials with stable supplies. Our research and development department runs the laboratory testing and assist the quality control team in examining the raw materials upon delivery to ensure they meet our requirements before they are used for production. Our suppliers are required to provide raw material inspection reports each time upon delivery. If such raw materials fail to meet our standards, we either return such materials to the supplier and ask them to send raw materials that are up to our standards, or we may directly order from another supplier.

Process control. We have implemented various quality control measures in each of the key stages of our production process. Typically, we conduct mixer sample inspection, in-process inspection and final inspection to ensure the quality standard of our products before they are delivered to our customers.

- Mixer sample inspection: after receiving orders from a customer, our research and development, quality control and production departments jointly perform an assessment of the

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relevant production process and techniques, and produce a sample mixer of the plate-type DeNOx catalyst. Such sample shall then be passed to our research and development team for a preliminary inspection.

- In-process inspection: Once the sample mixer has obtained the approval from our research and development team, we start our mass production. Our experienced quality control personnel conduct a random testing on our products throughout our production, including degreasing and cleaning, mixing, granulation, coating, formation, drying, calcination and assembling.
- Final inspection: Before packing our finished products for delivery, our quality control department conducts a final inspection on specifications and appearance, and our research and development department conducts a final inspection on performance for all of our products.

As a result of our continuous quality control efforts, our quality management system has been accredited with various quality control certifications including ISO9001:2008 certification in 2011, ISO14001:2004 certification in 2011, and OHSAS18001:2007 certification in 2011. All certifications have been successfully renewed in 2014 and are valid for three years.

INVENTORIES

As of the Latest Practicable Date, we had one warehouse at our production base in Gu'an, Hebei Province. Our raw materials, packaging materials and finished products are stored in separate areas of the warehouse.

Our inventories comprise of raw materials, work-in-progress, finished goods and goods in transit. We typically enter into procurement agreements with our suppliers based on our assessment of the inventory level of raw materials and shortly after the execution of our supply agreement with our customers. We set a minimum inventory level for each type of raw materials. We manage our raw material sourcing, inventory and product delivery processes, we monitor our raw material level to ensure that we have sufficient raw materials for our production in the following month. Following our inventory control procedures, we conduct assessments and stock count on our finished products when they are transferred to our warehouse and at the end of each month, and conduct inspections on the rest of the raw materials everyday. Our inventory turnover days for the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2015 were 357.1 days, 356.5 days, 326.7 days and 198.6 days, respectively. The delivery of plate-type DeNOx catalyst products is subject to the installation schedule of our customers' new power plants and/or DeNOx facilities. We typically receive several installments from our customers before delivery and installation of our products according to product supply agreements. Such installment payments are recognized as advances from customers. Finished goods and goods in transit are recognized as inventories in our consolidated balance sheets and can only be recognized as revenue when our products are delivered and installed in our customers' designated power plants and have passed customers' test run and received the preliminary acceptance certificate.

After the Emission Standard came into effect on January 1, 2012, there was a shortage of supply of the plate-type DeNOx catalyst products in China in 2012 and 2013, which led to a strong demand for our products. As a result, our customers typically placed their orders far in advance of their installation

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schedule with advance payments to us to secure their orders during that period and they may postpone the delivery and installation schedule of our products according to their own schedule, resulting in a longer lead time from the order date to the issue date of preliminary acceptance certificates for our products, which in turn significantly increased the amount of advance from customers and our inventory level during the same period. In 2014, due to an increase in the supply of domestic plate-type DeNOx catalysts in China which reduced the need for customers to make large advance payments to secure supply, the lead time for our products was shortened and the amount of advance payments from our customers were decreased. For the years ended December 31, 2012, 2013 and 2014, it normally took around six months after delivery for us to receive the preliminary acceptance certificate from our customers. The lead time from the delivery of our products to receiving the preliminary acceptance certificate was reduced to five months on average for contracts executed in the last quarter of 2014 and the first quarter of 2015, and further to three months for the contract executed in June 2015, as we provided more replenishment services to our customers. The lead time of first-time installation projects is longer than that of replenishment projects and/or replacement of honeycomb DeNOx catalyst by plate-type DeNOx catalyst projects primarily because of a number of factors, including the working condition of the coal-fired power plant, the research and development of the catalyst formula, the delay of the project by the general contractor, and the preparation and readiness of the customer, which would often influence the delivery and installation schedule of our products. Our Directors expect the lead time to be approximately three months going forward as first-time installations become completed and replenishment services and/or replacement of honeycomb DeNOx catalyst projects by plate-type DeNOx catalysts become a major driver of our business.

We made a provision for inventories in an amount of RMB4.2 million for the four months ended April 30, 2015. For details of our inventories provision policy, please refer to the section headed “Financial Information — Critical Accounting Policies and Estimates — Inventories” in this prospectus.

LOGISTICS

We outsource the delivery of our products to third party logistics service providers at our cost. We are responsible for the delivery of our finished products to places designated by our customers. We typically enter into delivery orders with logistics companies for the transportation of our finished products and we didn't enter into any long-term agreement with any logistics company during the Track Record Period. The delivery and transportation risks are covered by product insurance that we purchased. This arrangement enables us to avoid capital investment in logistics.

Key components and raw materials from our suppliers are generally delivered to our production facility at the suppliers' own cost and risk.

During the Track Record Period, we did not experience any material disruption to our delivery arrangements and we did not suffer any material loss or pay any compensation as a result of delays in delivery or damage to our products by the logistics companies engaged by us in the delivery of our products.

RESEARCH AND DEVELOPMENT

Since our inception, we have invested significant resources to develop and improve our proprietary technologies and know-how in order to meet changing market demands. With our extensive industry experience, deep understanding of customer needs, and continuous innovation and improvement of technologies, we believe our research and development policy has enabled us, and will continue to enable us, to sustain our leading position in the DeNOx catalyst industry in China.

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We own a series of advanced technologies and technical know-how, which are utilized in each key step of our manufacturing process, including degreasing and cleaning, mixing, granulation, coating, formation, drying and calcination. Our proprietary technologies and know-how have enabled us to continuously achieve technological breakthroughs and enhancements.

Our research and development department consists of three personnel with an average of three years of experience in the DeNOx catalyst, environmental protection and chemical industries. Two of our research and development personnel received master's degrees in chemical engineering. Members of our management team have also gained broad research and development experience through their previous work experience. Leveraging over 20 years of experience with coal-fired power generation groups in the environment protection industry and solid technology background, Ms. Zhao Shu is familiar with the technology development of our industry. She has been guiding and supervising our research and development activities to ensure our technology advantages in the industry. Mr. Kong Hongjun has accumulated abundant experience in the research and development and is crucial in developing our own technologies. He led the development of our own project information database, which is one of our core proprietary technologies and has obtained our own patent right.

Our research and development efforts are mainly focused on the technologies that can achieve long-term and sustainable growth by enhancing our product performance, reducing our production costs and expanding the applications of our products. In particular, we currently focus on the following three areas:

- *Customization of our catalyst formula*

The technology for the customization of catalyst formula is one of our core technologies. Through the analysis of our proprietary technologies, we are able to customize the catalyst formula we use in each project to meet the diverse needs of our customers facing different operating conditions. We have also developed our own database to support our analysis of the customization of catalyst formula.

We also share our know-how with our key suppliers to improve the quality of raw materials with an aim to ensure the performance of our customized catalyst formula and optimize our cost structure. For example, working with our supplier, we have successfully improved the quality of stainless steel mesh, one of the major raw materials for our products, which not only enhances the wearability and adhesiveness of our plate-type DeNOx catalysts but also helps us achieve cost saving. This has become a key component to our success.

- *Upgrading of our production equipment*

We independently designed and assembled our No. 1 and No. 3 production line to expand our production capacity. We are able to offer a comprehensive portfolio of 28 major products, with a height range from 425 mm to 810 mm, a broader product range compared to the products offered by our peers, according to Frost & Sullivan Report.

- *Optimization of our production process and technique*

Through our proprietary production process and technique, we are able to ensure the stable quality of our products. We start our production process with grease cleaning of the stainless steel mesh, and we are the only domestic plate-type DeNOx catalyst manufacturer who employs this technology. We also adopted the technique of unit sealing (單元密封) before assembling to reduce the risk of leakage of flue gas in the use of our products.

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We aim to further focus our research and development activities on the following areas:

- *expand the application of our products through upgrades of our technology*
We will further develop our technology to customize the catalyst formula for customers in other industries such as the cement and glass industries as well as the waste incineration industry.
- *develop the technology for regeneration of DeNOx catalyst*
We will develop the technology of catalyst regeneration and seek to improve our capability to provide the regeneration service to our existing clients, whose catalysts have reached the end of the product life cycle.
- *develop the technology of disposal of DeNOx catalyst*
We will conduct our research and development in the technology of disposal of used DeNOx catalysts, which is complementary to our current service, to capitalize on the opportunities arising from the requirement of companies to conform to national policies that promote the energy conservation and emission reduction technologies.
- *promote the development of DeNOx catalyst used on diesel-powered vessels*
We will develop DeNOx technology for diesel-powered vessels through our own research and development efforts.

For the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2015, our research and development expenses were RMB1.2 million, RMB2.3 million, RMB1.4 million and RMB0.3 million, respectively.

AWARDS AND RECOGNITION

Year	Award/Recognition	Issuing Organization
2014	Z-Park High and New Technology Enterprise (中關村高新技術企業)	Zhongguancun Science Park Management Committee (中關村科技園區管理委員會)
2013	Technology Innovation Award (科技創新獎)	Hebei Gu'an Industrial Park Management Committee (河北固安工業園區管理委員會)
2012	High and New Technology Enterprise (高新技術企業證書)	Beijing Municipal Science and Technology Commission (北京市科學技術委員會), Beijing Municipal Finance Bureau (北京市財政局), Beijing Municipal State Administration of Taxation (北京市國家稅務局), Beijing Municipal Local Taxation Bureau (北京市地方稅務局)
	China Machinery Industry Science and Technology Award (中國機械工業科學技術獎)	China Machinery Industry Federation (中國機械工業聯合會), Chinese Mechanical Engineering Society (中國機械工程學會)
	Our plate-type DeNOx technology was recognized as Internationally Leading	China Machinery Industry Federation (中國機械工業聯合會)
	Member of China Association of Machinery Industry for Environmental Protection (中國環保機械行業協會)	China Association of Machinery Industry for Environmental Protection (中國環保機械行業協會)
	Outstanding Enterprise for First Innovation and Entrepreneurship Competition (首屆中國創新創業大賽優秀企業)	China Innovation and Entrepreneurship Competition Advisory Committee (中國創新創業大賽指導委員會)
2011	State-encouraged Major Environmental Protection Technology and Equipment Support Unit (國家鼓勵發展的重大環保技術裝備依託單位)	China Association of Machinery Industry for Environmental Protection (中國環保機械行業協會), China Association of Environmental Protection Industry (中國環境保護產業協會)

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MARKET AND COMPETITION

The plate-type DeNOx catalysts market in China is competitive, and the customers may procure plate-type DeNOx catalysts from different suppliers in different projects. The demand for plate-type DeNOx catalysts has been growing steadily in recent years, in line with the PRC Government's requirements and the increasing awareness on air pollution control and environmental protection. We believe the PRC plate-type DeNOx catalyst market demonstrates a high level of dominance. According to Frost & Sullivan Report, the five largest manufacturers of plate-type DeNOx catalysts took approximately 90.5% market share in China in terms of production capacity in 2014.

The industry has certain entry barriers such as capital barrier, technical barrier and market barrier. We compete with other domestic and international plate-type DeNOx catalyst manufacturers such as Datang Nanjing Environmental Protection Technology Co., Ltd., Tianhe (Baoding) Environmental Engineering Co., Ltd. and Babcock-Hitachi (Hangzhou) Environmental Equipment Co., Ltd., primarily on product quality, price, technology and reputation.

Our Group is the first domestic plate-type DeNOx catalyst manufacturer in China and the third plate-type DeNOx catalyst manufacturer worldwide. Our Directors believe that our key competitive advantages over our competitors are our first-mover advantage, proven research and development capability, ability to provide customized one-stop DeNOx solutions, effective cost control ability, strong and diverse customer base and experienced and stable management team.

Please refer to the section headed "Industry Overview" for more details.

EMPLOYEES

Beijing Denox functions as our headquarters and all of our production facilities are located in Gu'an, Hebei Province. As of the Latest Practicable Date, we employed 113 full-time employees. The following table shows a breakdown of our employees by function as of the Latest Practicable Date:

Function	Number of employees
Management and Finance	11
Research and Development	4
Production and Quality Control	69
Sales and Marketing	13
Other Administration	16
Total	113

The following table shows a breakdown of our employees by geographic location as of the Latest Practicable Date:

Location	Number of employees
Beijing	14
Gu'an	99
Total	113

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We place great emphasis on recruiting quality personnel. We recruit certain employees from universities and technical schools. In compliance with the relevant PRC labor laws, we enter into individual employment contracts with our employees. These contracts cover matters such as salaries, working hours, employee benefits, workplace safety, confidentiality obligations and grounds for termination. We also provide on-going trainings and development opportunities to our staff members. Our training programs cover topics such as sales and production, customer service, quality control, sales fairs planning and pre-employment training. We have also provided training on workplace ethics, fire protection and other areas relevant to the industry. We believe that staff training plays an important role in recruiting and retaining talent and enhancing employee loyalty. During the Track Record Period, we did not retain any employment agent, nor did we have any labor union. Our Directors confirmed that there were no labor dispute during the Track Record Period.

Under the relevant PRC laws and regulations, we are required to contribute to social insurance funds (including pension insurance, unemployment insurance, medical insurance and work-related injuries insurance) and housing provident funds for our employees. During the Track Record Period, save for the disclosure in the section headed “— Regulatory Compliance and Legal Proceedings — Non-Compliance” below, we made required contributions to the social insurance funds and housing provident funds for our employees. For the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2015, we incurred social insurance fund and housing provident fund contributions of RMB0.7 million, RMB1.2 million, RMB1.3 million and RMB0.4 million, respectively.

We incurred staff costs, including salaries, allowance and benefits, of approximately RMB5.2 million, RMB8.8 million, RMB9.1 million and RMB13.0 million for the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2015, respectively. We recorded a substantial increase in staff costs as a result of the share-based compensation expenses incurred.

We maintain satisfactory working relationships with our employees and have not experienced any significant problem with our employees or disruption to our operation due to labor disputes, staff retention problems or recruitment difficulties, nor have we experienced any difficulty in the recruitment and retention of experienced staff. To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, our employees and affiliates have complied with all anti-corruption measures related to public bidding.

INTELLECTUAL PROPERTY

Intellectual property rights are important to our business. Our core technologies have enabled us to achieve product improvement and technological sophistication and were recognized as internationally leading by China Machinery Industry Federation (中國機械工業聯合會) in April 2012. As of the Latest Practicable Date, we had ten patents, seven registered trademarks, one software copyright and one pending trademark application in China, and one registered trademark in Hong Kong. In addition, we use a number of trademarks, trade names, copyrights and domain names in connection with our business. Please refer to the section headed “Statutory and General Information — Information About the Business — Intellectual property rights of our group” in Appendix IV to this prospectus for more details.

For our proprietary technologies and know-how that are not suitable for protection by, or cannot be effectively protected by, patents or copyrights, we rely on confidentiality agreements and other measures to safeguard our trade secrets. All of our employees have entered into confidentiality and non-competition agreements with us, which require them to assign to us all of their inventions, designs and technologies developed during their employment with us. To the best knowledge of our Directors and based on their experience in the DeNOx catalyst industry, as of the Latest Practicable Date, none of the inventions,

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designs and technologies infringed the intellectual property rights of other manufacturers in our industry. We also impose strict restrictions on access to our key technical documentation. In our internal documentation and communications, we use code names to preserve the confidentiality of our key ingredients, formulae and processes.

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any material claims or disputes arising from or in connection with any of our intellectual property rights.

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Owned properties

As of the Latest Practicable Date, we owned one parcel of land with a total site area of 28,593.2 sq.m. and properties with a GFA of approximately 16,485.0 sq.m., all of which are located in Gu'an, Hebei Province. Our owned properties are primarily used as our production facility, warehouse, office and employees' dining hall. We have obtained the land use right certificate for the parcel of land in March 2015. We have also obtained the property ownership certificate for part of our properties with a GFA of 13,461.0 sq.m. in April 2015. We are in the process of obtaining the property ownership certificates for the rest of our properties with a GFA of 3,024.0 sq.m. which is used as our warehouse. We have applied for the construction work planning permit and are preparing to apply for the construction work permit for such properties, both of which are prerequisites for the application of property ownership certificate. Our PRC legal advisors, Tian Yuan Law Firm, are of the view that after meeting the requirements of relevant PRC laws and the competent authority, there is no material obstacle for us to obtain such permits and certificate. We expect to obtain the property ownership certificate by the end of 2015. In case we fail to obtain such property ownership certificate, we will be able to lease the warehouse located in Gu'an Industrial Park with a GFA of approximately 2,000.0 sq.m. which we used to lease during the Track Record Period at a similar rent. We do not expect such relocation of warehouse would incur any material disturbance to our business. Please refer to the section headed "— Regulatory Compliance and Legal Proceedings — Non-Compliance — Property ownership certificate" below for more details.

According to Chapter 5 of the 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 Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all of our interests in land and buildings, because as of December 31, 2014, we had no single property interest with a carrying amount of 15% or more of our total assets.

Leased properties

As of the Latest Practicable Date, we leased two properties which are located in Fengtai District of Beijing and used as offices with an aggregate GFA of 298.9 sq. m. from two lessors. Both of the current leases will expire at the end of 2017, and we have a right to renew such leases upon mutual agreements. One lessor is a connected person, and please refer to the section headed "Connected Transactions" in this prospectus for more details. Our PRC legal advisors, Tian Yuan Law Firm, have confirmed that our leasing agreements with the lessors of the above leased properties have been duly signed, and our leasing of the aforementioned properties are legal and valid.

ENVIRONMENTAL AND SAFETY MATTERS**Environmental Matter**

We are subject to PRC environmental laws and regulations, including the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Law on the Prevention and Control of Water Pollution of the PRC (中華人民共和國水污染防治法), the Law on the Prevention and Control of Atmospheric Pollution of the PRC (中華人民共和國大氣污染防治法), the Law on the Prevention and Control of Pollution From Environmental Noise of the PRC (中華人民共和國環境噪聲污染防治法) and the Law on the Prevention and Control of Environmental Pollution by Solid Waste of the PRC (中華人民共和國固體廢物污染環境防治法). These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge.

The relevant PRC laws and regulations require any entity operating a facility that produces pollutants or other hazards to incorporate environmental protection measures into its operations and to establish an environmental protection responsibility system, pursuant to which the entity must adopt effective measures to control and properly dispose of waste water, waste residue, dust or other waste materials. Entities undertaking new construction, expansion or reconstruction projects and other installations that discharge pollutants to the environment must submit a pollutant discharge declaration statement to the competent authorities for examination. Such declaration statement must contain details about the amount, type, location and method of treatment of the pollutants. The facilities for the prevention and control of pollutants are required to be designed, constructed and put into operation simultaneously with the main part of a construction project. Companies are also required by relevant PRC laws and regulations to carry out an environmental impact assessment prior to commencing the construction or expansion of production facilities.

For the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2015, our expenditure in respect of applicable environmental protection requirements was RMB87,900, RMB139,700, RMB316,600 and RMB40,040, respectively. Our expected expenditure in respect of applicable environmental protection requirements for the year ending December 31, 2015 is RMB300,000. Our Directors believe that the likelihood of encountering potential future environmental risks is minimal and therefore do not plan to undertake any additional measures to address the environmental risks.

As advised by the Environmental Protection Bureau of Gu'an (固安縣環境保護局), which is the relevant competent authority, our PRC legal advisors, Tian Yuan Law Firm, are of the view that we were in compliance with applicable environmental laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date and, as of the Latest Practicable Date, there was no claim, administrative penalty or other kind of legal proceedings in respect of environmental protection against us.

Safety

We are required to maintain safe production conditions and to protect the occupational health of our employees under relevant PRC laws and regulations. We have established work safety policies and procedures to ensure compliance with applicable laws and regulations and to minimize the risk of injury of employees. Our employees are provided with work safety manuals and occupational safety education and trainings to enhance their awareness of safety issues. We have also designated work safety personnel to monitor safety at our workplace and to implement safety related measures. Our engineering

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team conducts periodic inspections of our operating facilities and carries out equipment maintenance on a regular basis to ensure that our operations are in compliance with applicable laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material stoppage of production due to equipment failure, and we did not experience any material accident during our manufacturing process. During the Track Record Period and up to the Latest Practicable Date, our manufacturing facilities have complied with applicable laws, regulations and standards and we have obtained all necessary license in relation to safety.

INSURANCE

We maintain mandatory motor vehicle insurance and transportation insurance for each delivery to our customers. We maintain insurance policies for certain assets, including our major production machinery, equipment, buildings and inventories and for losses arising from natural disasters, such as fire, lightning, explosion and flood. We do not carry any production liability insurance, business interruption insurance, third-party liability insurance for personal injury or property or environmental damage arising from accidents on their property or relating to their operations. We do not carry insurance against war or acts of terrorism. Please refer to the section headed “Risk Factors — Risks Relating to Our Business — We may be subject to product liability claims relating to our defective products and, as a result, our reputation and operating results may be adversely affected” and “Risk Factors — Risks Relating to Our Business — Our insurance coverage may not be sufficient to cover the risks related to our operations” in this prospectus for more details. As advised by our PRC legal advisors, Tian Yuan Law Firm, product liability insurance is not mandatory under PRC laws. We are of the view that our insurance coverage is adequate and in line with industry practice in China.

During the Track Record Period and up to the Latest Practicable Date, we did not make, or have not been the subject of, any material insurance claims.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

Licenses, Approvals and Permits

We are required to obtain relevant licenses, certificates, permits and approvals from the competent government authorities. As confirmed by our PRC legal advisors, Tian Yuan Law Firm, as of the Latest Practicable Date, we have obtained all licenses, certificates, permits and approvals that were required for our business operations, and such licenses, certificates, permits and approvals were valid and remained effective. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulty in renewing these licenses, certificates, permits and approvals. Our PRC legal advisors, Tian Yuan Law Firm, confirmed that up to the Latest Practicable Date, there were no legal impediment for us to renew these licenses, certificates, permits and approvals when they expire.

Non-Compliance

Except as disclosed below, we complied with the laws and regulations applicable to us in all material aspects during the Track Record Period and up to the Latest Practicable Date. The paragraphs below set out summaries of all of our historical non-compliance with applicable law and regulations during the Track Record Period. Our Directors believe that these incidents of non-compliance, whether individually or collectively, will not have a material operational or financial impact on us. Our PRC legal

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advisors, Tian Yuan Law Firm, are of the view that we were, as of the Latest Practicable Date, in compliance with relevant PRC laws and regulations in all material respects in China.

Social Insurance Funds

During the years ended December 31, 2012, 2013 and 2014 and up to April 2015, Gu'an Denox did not fully contribute to certain social insurance funds for some of its employees due to the personal choices of such employees. Some of these employees have already contributed to the rural cooperative medical insurance where their residences are registered. However, the relevant PRC authorities may notify us that we are required to pay the outstanding contributions within a stipulated deadline and we may be liable to a daily penalty equal to 0.05% of the outstanding amount from the date the relevant social insurance funds became payable and, if we fail to make such payments in arrears, we may be subject to a fine of one to three times the outstanding contribution amount.

We have received a confirmation letter dated April 13, 2015 from the Human Resources and Social Security Bureau of Gu'an (固安縣人力資源和社會保障局), which, according to our PRC legal advisors, Tian Yuan Law Firm, is the competent and responsible authority in Gu'an, Hebei Province in respect of our social insurance funds. Such confirmation letter confirmed that, among other things, during the Track Record Period, the Human Resources and Social Security Bureau of Gu'an (固安縣人力資源和社會保障局) was not aware that we were in breach of the PRC social insurance laws and regulations and we were not subject to any administrative punishment as a result of any breach of the applicable PRC social insurance laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we have not received any notice from the relevant PRC authorities ordering us to make payments in respect of the outstanding social insurance funds. Based on the above, our PRC legal advisors, Tian Yuan Law Firm, are of the view that the likelihood that the relevant social insurance authorities will order us to make full payment or impose any late payment or penalty on us is remote. We have made provisions of approximately RMB0.2 million, RMB0.4 million, RMB0.3 million and RMB0.1 million in our financial statements in respect of the outstanding social insurance funds in 2012, 2013 and 2014 and the four months ended April 30, 2015, respectively. We began making full contributions to the social insurance funds for all employees of Gu'an Denox since April 2015.

In the event that the relevant PRC authorities require us to pay the outstanding social insurance funds, our Controlling Shareholders have provided an indemnity against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines arising from this regard.

Housing Provident Funds

During the years ended December 31, 2012, 2013 and 2014 and up to April 2015, Gu'an Denox did not register with the relevant housing provident fund authority. During the same period, Gu'an Denox did not make housing provident fund contributions for its employees due to the personal choices of such employees. The relevant PRC authorities may notify us that we are required to pay the outstanding contributions with a stipulated deadline and, in case we fail to do so, we may be subject to a fine of RMB10,000 to RMB50,000 or an order from the relevant PRC court to make such payment.

We have received a confirmation letter dated April 22, 2015 from the Housing Provident Fund Administration Center of Langfang, Gu'an County (廊坊市住房公積金管理中心固安縣管理部), which, according to our PRC legal advisors, Tian Yuan Law Firm, is the competent and responsible authority in Gu'an, Hebei Province in respect of our housing provident fund contribution. Such confirmation letter confirmed that, among other things, during the Track Record Period, we have not been subject to any

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administrative punishment as a result of any breach of the applicable PRC housing fund laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we have not received any notice from the relevant PRC authorities ordering us to make payments in terms of the outstanding housing provident fund. Based on the above, our PRC legal advisors, Tian Yuan Law Firm, are of the view that the likelihood that the relevant housing provident fund authorities will order us to make full payment or impose any late payment or penalty on us is remote. We have made provisions of RMB0.04 million, RMB0.08 million, RMB0.09 million and RMB0.03 million in our financial statements in respect of the outstanding housing provident funds in 2012, 2013 and 2014 and the four months ended April 30, 2015, respectively. We began making full contributions to the housing provident funds for all the employees of Gu'an Denox since April 2015.

In the event that the relevant PRC authorities require us to pay the outstanding housing provident funds, our Controlling Shareholders have provided an indemnity against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines arising from this regard.

Property Ownership Certificate

We constructed all of our properties with a GFA of approximately 16,485.0 sq.m., which are located in Gu'an, Hebei Province. Such properties are used as our production facility, warehouse, office and employees' dining hall before we obtain the relevant construction project planning permits, construction work commencement permits and property ownership certificates. We obtained the construction project planning permit in October 2010 and construction work commencement permit and property ownership certificate in April 2015 for some of our properties with a GFA of approximately 13,461.0 sq.m. Based on the information from Urban and Rural Planning Bureau of Gu'an (固安縣城鄉規劃局), the relevant competent authority, our PRC legal advisors, Tian Yuan Law Firm, are of the view that the possibility that we will be subject to any penalty for our use of these properties prior to our obtaining the required certificates is remote. We have applied for the construction project planning permit and are preparing to apply for the construction work commencement permit for the remaining properties with a GFA of approximately 3,024.0 sq.m., accounting for approximately 18.3% of the total GFA of the properties occupied by us (the "**Defective Property**"). The Defective Property is currently used as a warehouse by us. We will apply for the property ownership certificate for the Defective Property after we obtain the construction project planning permit and construction work commencement permit. As of the Latest Practicable Date, we have yet to obtain the required permits and certificates, and are awaiting for the relevant PRC Government authorities to examine and approve our applications.

In respect of the construction of our properties before we have obtained the construction project planning permit, the relevant PRC authorities have the right to order us to cease construction and to take remedial actions within a stipulated time. We may also be liable to a penalty equal to 5% to 10% of the total construction cost of such properties. If we fail to take remedial actions as required, our income from such properties may be confiscated and we may be required to demolish the building and/or be liable to a penalty of up to 10% of the total construction cost of such properties. In respect of the construction of our properties before we have obtained construction work commencement permit, the relevant PRC authorities have the right to order us to cease construction and we may be liable to a penalty pursuant to the Administration of Construction Permits for Construction Projects (建築工程施工許可管理辦法) or up to RMB30,000 in case the Administration of Construction Permits for Construction Projects (建築工程施工許可管理辦法) does not stipulate the penalty. As advised by our PRC legal advisors, Tian Yuan Law Firm, the maximum penalty which may be imposed on us would be not more than RMB0.4 million.

The relevant authorities will assist us to follow the required procedures for obtaining such permits in accordance with relevant laws and regulations. We expect to receive the property ownership certificate

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for the Defective Property by the end of 2015. Based on the information from the Urban and Rural Planning Bureau of Gu'an (固安縣城鄉規劃局) and Construction Bureau of Gu'an (固安縣建設局), the relevant competent authorities, our PRC legal advisors, Tian Yuan Law Firm, have advised that: (i) after meeting the requirements of the relevant PRC laws and the competent authority, there are no legal obstacles for us to obtain such property ownership certificate; (ii) the likelihood that we will be penalized by the relevant authorities for our use of the Defective Property is remote; and (iii) as we currently do not have the property ownership certificate, the Defective Property is not transferable and may not be accepted as security. We do not plan to sell or use the Defective Property as security.

Our Directors believe that our use of the Defective Property does not have a material impact on our business, financial condition and results of operation. If we are required to relocate from the Defective Property, we will be able to lease, at a rent which we do not expect to be materially different from what we have paid in the past, a warehouse that was previously rented and used by us during the Track Record Period, which is located in Gu'an Industrial Park with a GFA of approximately 2,000.0 sq.m. We will be able to relocate to such warehouse in a timely manner and expect the relocation would not materially affect our business operations. We are of the view that there is no significant difference in property cost if the Defective Property did not have defective title.

Enhanced Internal Control

In relation to social insurance and housing provident fund contributions, we have enhanced our review procedures and assigned designated personnel in our Human Resource department to ensure: (i) continuous communication with our employees in relation to the contribution to social insurance and housing provident funds for our employees is in line with the standards stipulated under the applicable PRC laws and regulations; (ii) the contribution base is administratively updated and registered with the relevant authorities on a monthly basis; and (iii) the actual payments of contributions are made on a monthly basis after being reviewed by our executive Director and are reconciled by our finance department with the supporting document issued by the competent authorities.

In relation to license and permit for land use and properties, we have established a compliance policy which requires executive Directors to (i) pre-approve any proposed additions and/or change of land use and properties before making applications to relevant administrative authorities; (ii) inspect the necessary licenses and permits required for using any parcel of land or property; and (iii) report to the Board on our compliance status.

We have appointed Cinda International Capital Limited as our compliance advisor with effect from the Listing Date to advise on ongoing compliance with Listing Rules issues and other applicable securities laws and regulations in Hong Kong.

Having considered the facts and circumstances leading to the non-compliance incidents disclosed above, the advice given by our PRC legal advisors, the relevant rectification measures disclosed above, our Directors are of the view that: (i) these past non-compliance incidents do not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules, or the suitability for listing of our Company under Rule 8.04 of the Listing Rules; (ii) all necessary remedial measures in respect of the past non-compliance incidents have been taken; and (iii) the enhanced internal control measures described above are adequate and effective in assisting us to ensure compliance with the relevant laws and regulations in the future. The Joint Sponsors concurred with such view of our Directors on the same basis as described above.

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Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material legal proceeding, claim or dispute currently existing or pending against us, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us or our Directors that may have a material adverse effect on our business, results of operations or financial condition.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately upon completion of the Capitalization Issue and the Global Offering without taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme, Ms. Zhao Shu will own, and will via Advant Performance indirectly and beneficially own, in total 32.9% of the issued share capital of our Company, and hence Ms. Zhao Shu and Advant Performance are our Controlling Shareholders.

Advant Performance is an investment holding company and is wholly owned by Ms. Zhao Shu, who is a Controlling Shareholder, the chairlady, the chief executive officer and an executive director of the Company. Further details of Ms. Zhao Shu's background are set out in the section headed "Directors and senior management — Board of Directors — Executive Directors" of this prospectus.

Our Controlling Shareholders confirm that they do not have any interest in any business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has, unconditionally and irrevocably, undertaken to us in the Deed of Non-Competition that she/it will not, and will procure her/its close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with our business or undertaking (the "**Restricted Activity**"), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time except where our Controlling Shareholders and/or her/its close associates hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they are not entitled to appoint a majority of the composition of the board of directors of such company.

Further, each of our Controlling Shareholders has undertaken to procure that if any new business investment or other business opportunity relating to the Restricted Activity (the "**Competing Business Opportunity**") is identified by or made available to him/it or any of her/its close associates, she/it shall, and shall procure that her or its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice ("**Offer Notice**") to our Company of such Competing Business Opportunity within 30 business days (or such later time as the independent non-executive Directors may agree) of identifying the target company (if relevant) and the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;
- upon receiving the Offer Notice, our Company shall seek approval from our Board or a board committee (in each case comprising only independent non-executive Directors) which has no interest in the Competing Business Opportunity (the "**Independent Board**") as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);

- the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisors to assist in the decision-making process in relation to such Competing Business Opportunity at the costs of our Company;
- the Independent Board shall, within 30 business days (or such later time as the independent non-executive Directors may agree) of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;
- our Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if she/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 days' period (or such later time as the independent non-executive Directors may agree) mentioned above; and
- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholders, she/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-competition will lapse automatically if our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 30% of our Shares or our Shares cease to be listed on the Stock Exchange.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-competition includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- each of our Controlling Shareholders has undertaken to us that she/it will, and shall procure her/its close associates to, provide all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-competition;
- we will disclose the review by the independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;
- we will disclose the decisions on matters reviewed by the independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

referred to our Company) either through our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;

- each of our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-competition in accordance with the principle of voluntary disclosure in the corporate governance report; and
- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of Non-competition, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

We are committed that our Board shall include a balanced composition of executive and non-executive Directors (including the independent non-executive Directors). Given that the independent non-executive Directors represents one-third of the Board, we believe that there is strong independent element on our Board, which allow them to exercise independent judgment and to protect the interests of our public Shareholders. For further details of our independent non-executive Directors, please refer to the section headed “Directors and Senior Management — Board of Directors — Independent Non-executive Directors” in this prospectus.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates (other than our Group) after Listing for the following reasons:

Management Independence

As of the Latest Practicable Date, none of our Directors and senior management had overlapping roles or responsibilities in any business operation of our Controlling Shareholders and their respective close associates (other than our Group).

Operational Independence

We are independent from our Controlling Shareholders as we do not share operational capabilities with our Controlling Shareholders, and we have independent access to suppliers and customers, as well as an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently from our Controlling Shareholders.

Financial Independence

All loans, advances and balances due from our Controlling Shareholders and their respective close associates will be fully settled and all loans, advances and balances due to our Controlling Shareholders will be fully repaid before Listing. All share pledges and guarantees provided by/to our Controlling Shareholders and their respective close associates on our Group’s borrowing will also be fully released upon Listing. Accordingly, we believe we are able to maintain financial independence from our Controlling

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Shareholders and their respective close associates. In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing.

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective close associates may not compete with us as provided in the Deed of Non-Competition. Each of our Controlling Shareholders has confirmed that she/it fully comprehends her/its obligations to act as our Shareholders' and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Global Offering, we have amended our Articles to comply with the Listing Rules. In particular, our Articles provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (c) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed "Directors and Senior Management — Board of Directors — Independent non-executive Directors" in this prospectus; and
- (d) we have appointed Cinda International Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

CONNECTED TRANSACTIONS

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, substantial Shareholders and chief executive officer or those of our subsidiaries, any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date and any of their associates will become a connected person of our Company upon the Listing. Upon the Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

Our Directors confirm that the following transaction which will continue after the Listing will constitute continuing connected transaction for our Company under Chapter 14A of the Listing Rules.

Continuing connected transaction which is fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements

Lease Agreement in respect of leasing of the Premises by Beijing Denox

On December 28, 2014, Mr. Chen entered into a lease agreement (the "**Lease Agreement**") with Beijing Denox, pursuant to which Mr. Chen as landlord agreed to lease to Beijing Denox as tenant the premises situated at (a) Room 1506, 12/F., Block 2, Nos. 1516-10 Huaxiangsihe Zhuang, Fengtai District, Beijing, the PRC with a GFA of approximately 158.81 sq.m. (the "**Office Premises**") for use as our office premises in the PRC for a term commencing from January 1, 2015 to December 31, 2017 at an annual rent of approximately RMB290,000, RMB290,000 and RMB305,000 (excluding utilities and management fees) for each of the three years ending December 31, 2017; and (b) Unit B2, Block 2, Nos. 1516-10 Huaxiangsihe Zhuang, Fengtai District, Beijing, the PRC for use as car park in the PRC (the "**Carpark Space**", together with the Office Premises, the "**Premises**") for a term commencing from January 1, 2015 to December 31, 2017 at a monthly rent of approximately RMB700, RMB700 and RMB736 (excluding utilities and management fees) for each of the three years ending December 31, 2017 with a rent-free period for 6 months from January 1, 2015 to June 30, 2015.

There was no historical transaction amount for the year ended December 31, 2012 as there was no such leasing arrangement during that time. Our rental expenses in relation to such leasing arrangement of the Office Premises for the two years ended December 31, 2013 and 2014 and the four months ended April 30, 2015 were approximately RMB290,000, RMB290,000 and RMB97,000, respectively. As the Carpark Space was leased by Mr. Chen to Beijing Denox for free during the period from January 1, 2013 to June 30, 2015, no rental expense was incurred in relation to such leasing arrangement during that period.

The rental amount payable by Beijing Denox under the Lease Agreement was determined with reference to (i) the rentable area leased to Beijing Denox under the Lease Agreement; and (ii) the prevailing market rent at that time for similar premises.

Mr. Chen is the son of Ms. Zhao Shu, the executive Director and our Controlling Shareholder and therefore is a connected person of our Company for the purpose of the Listing Rules.

Since each of the applicable percentage ratios (other than the profits ratio) for the Lease Agreement is expected to be more than 0.1% but less than 5.0% on an annual basis and the annual consideration is less than HK\$3,000,000, the transaction is fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board currently consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase of our issued share capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into a service contract with each of our executive Directors. We have also entered into a letter of appointment with each of our non-executive Directors and our independent non-executive Directors.

The table below shows certain information with respect to our Directors:

Name	Age	Position in our Company	Date of joining our Group	Date of appointment as Director	Roles / Responsibilities
Ms. Zhao Shu (趙姝)	49	Chairlady, chief executive officer and executive Director	May 6, 2011	November 7, 2014	Overall management
Mr. Kong Hongjun (孔紅軍)	47	Executive Director	May 5, 2011	February 9, 2015	Cost management of raw materials and equipment procurements and provision of technical support
Mr. Li Ke (李可)	47	Executive Director	September 30, 2010	February 9, 2015	Production management, equipment management, research and development and quality control
Mr. Li Xingwu (李興武)	48	Non-executive Director	August 27, 2010	November 7, 2014	Overseeing the management
Mr. Jia Wenzhong (賈文中)	43	Non-executive Director	February 9, 2015	February 9, 2015	Overseeing the management
Mr. Teo Yi-Dar (張毅達)	44	Non-executive Director	February 9, 2015	February 9, 2015	Overseeing the management
Mr. Li Junhua (李俊華)	45	Independent non-executive Director	October 18, 2015	October 18, 2015	Overseeing the management independently
Mr. Lam Yiu Por (林曉波)	39	Independent non-executive Director	October 18, 2015	October 18, 2015	Overseeing the management independently
Mr. Ong Chor Wei (王祖偉)	46	Independent non-executive Director	October 18, 2015	October 18, 2015	Overseeing the management independently

Executive Directors

Ms. Zhao Shu (趙姝), aged 49, was appointed as a Director on November 7, 2014 and was re-designated as an executive Director on October 19, 2015. She is our Chairlady and chief executive officer and is primarily responsible for the overall management of our Group. Ms. Zhao has over 20 years of experience in the environmental protection industry. Prior to joining our Group, Ms. Zhao held various positions in the 5th Design and Research Institute of China Ordnance Industry (中國兵器工業第五設計研究院), now known as China Wuzhou Engineering Corporation Ltd. (中國五洲工程設計有限公司), a company providing integrated services for engineering construction, from

DIRECTORS AND SENIOR MANAGEMENT

August 1988 to February 1998 where she last served as an engineer and was primarily responsible for coordinating with different professionals to complete the whole design of power projects. From February 1998 to December 2004, Ms. Zhao held various positions in China Huadian Engineering Co., Ltd. (中國華電工程(集團)有限公司), a prime contractor for project construction and service applied in the industry of electronic power, petrification, harbor, metallurgy, mining, civilian and new energy engineering where she last served as executive deputy general manager of its desulphurization business department and was primarily responsible for the implementation of the prime contracts and procurement contracts. From February 2005 to February 2006, Ms. Zhao served as the general manager assistant of Guohua Ebara Environmental Engineering Co., Ltd. (國華荏原環境工程有限責任公司), a company engaging in environmental engineering projects where she was primarily responsible for handling commercial and legal matters. From March 2006 to May 2011, Ms. Zhao held various positions in China Datang Technologies & Engineering Co., Ltd. (中國大唐集團科技工程有限公司), a prime contractor for the projects related to environmental protection for the power industry, including denitrification in power plants where she served as the general manager of its environmental affairs department until late 2010 and was primarily responsible for the management of the desulphurization and denitrification business. Ms. Zhao received her bachelor of engineering, majoring in engineering for thermal power conversion, from Shanghai Institute of Mechanism (上海機械學院), now known as the University of Shanghai for Science and Technology (上海理工大學) in July 1988. Ms. Zhao obtained the qualification as a senior project manager (高級項目管理師) granted by the Occupational Skills Appraisal Center from the Ministry of Labor and Social Security (勞動和社會保障部職業技能鑒定中心) in November 2006.

Mr. Kong Hongjun (孔紅軍), aged 47, was appointed as our Director on February 9, 2015 and was re-designated as an executive Director on October 19, 2015. Mr. Kong is the deputy general manager of our Company and is primarily responsible for the cost management of raw materials and equipment procurement of, and provision of technical support to, our Group. Prior to joining our Group, Mr. Kong served as procurement manager of the environmental protection department of China Huadian Engineering Co., Ltd. (中國華電工程(集團)有限公司), a company principally engaged in for project construction and service applied in the industry of electronic power, petrification, harbor, metallurgy, mining, civilian and new energy engineering, from May 1993 to April 2006, where he was primarily responsible for the procurement of machinery. From June 2006 to April 2008, he served as the general manager of Beijing Mixwell Mixing Equipment Co., Ltd. (北京邁士華混合設備有限公司), a manufacturer of mixers, where he was primarily responsible for management of the company. Mr. Kong held various positions in China Datang Technology & Engineering Co., Ltd. (中國大唐集團科技工程有限公司) from May 2008 to February 2011 where he last served as deputy manager of the environmental affairs department and was primarily responsible for procurement management, project management and cost control. Mr. Kong received his bachelor of engineering from China University of Mining and Technology (中國礦業大學) in July 1990, majoring in engineering for thermal power engineering (電廠熱能動力工程) of power plants. He received his master of engineering from Southeast University (東南大學) in February 1993, majoring in thermal power engineering (電廠熱能動力工程) of power plants. Mr. Kong obtained the qualification as an engineer granted by the Ministry of Electric Power Industry of the PRC (中華人民共和國電力工業部) in September 1996.

Mr. Li Ke (李可), aged 47, was appointed as our Director on February 9, 2015 and was re-designated as an executive Director on October 19, 2015. Mr. Li is the deputy general manager of our Company. He is primarily responsible for the production management, equipment management, research and development and quality control of our Group. Prior to joining our Group, he was the assistant engineer of Scivic Engineering Corporation (機械工業第四設計研究院), a company engaged in the engineering management and supervision, from July 1991 to January 1994 where he was primarily responsible for the design of power stations. From February 1994 to January 2010, Mr. Li held various positions in Kurabo Denim (Zhuhai) Textile Co., Ltd. (倉紡(珠海)紡織有限公司), a company engaged in manufacturing of textile products, where he last served as the head of its engineering works department and was primarily responsible for the set-up and maintenance of the equipment and enhancement of technical alterations. Mr. Li received his bachelor of engineering from Southeast University (東南大學) in

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July 1991, majoring in thermal power engineering (電廠熱能動力工程) of power plants. Mr. Li was awarded the China Machinery Industry Science and Technology Award (Third Class) in October 2012.

Non-executive Directors

Mr. Li Xingwu (李興武), aged 48, was appointed as our Director on November 7, 2014 and was re-designated as a non-executive Director on October 19, 2015. Prior to joining our Group, Mr. Li held various positions in China National Electric Equipment Corporation (中國電工設備總公司), now known as China National Electric Engineering Co., Ltd. (中國電力工程有限公司), a company engaged in EPC contracting, complete equipment supply, engineering consultation, engineering design, project management and supervision, installation and commissioning, technical service, power plant maintenance and operation from July 1988 to January 2000 where he last served as project manager and was primarily responsible for providing technical support and advice to major projects and helping to promote technological innovation. From January 2000 to July 2009, Mr. Li served as project manager of General Machinery Development Co., Ltd. (通達機械有限公司), a trading company engaged in the sale of various types of general machinery, electrical equipment and instrument products, where he was primarily responsible for implementation and management of the transportation and water supplies projects. Since August 2009, Mr. Li founded Yu The Great Environmental Engineering (Beijing) Co., Ltd. (中禹環境工程(北京)有限公司), a contractor for construction projects where he serves as the chairman and is primarily responsible for strategic planning. Mr. Li received his bachelor of engineering, majoring in engineering for thermal conversion, from Shanghai Institute of Mechanism (上海機械學院), now known as University of Shanghai for Science and Technology (上海理工大學) in July 1988. Mr. Li obtained the qualification as a senior engineer (高級工程師) in respect of construction of the thermal conversion granted by the Ministry of Mechanical Industry (機械工業部) in October 1998.

Mr. Jia Wenzhong (賈文中), aged 43, was appointed as our Director on February 9, 2015 and was re-designated as a non-executive Director on October 19, 2015. From October 2000 to March 2003, Mr. Jia served as the manager of Shanghai Jinhua Consulting Co., Ltd. (上海金華諮詢有限公司), a consulting firm engaged in investment consulting services, where he was primarily responsible for providing financial services. From April 2003 to December 2007, Mr. Jia served as general manager of Shanghai Guobang Investment Consulting Co., Ltd. (上海國邦投資諮詢有限公司), a firm engaged in investment consulting services, where he was primarily responsible for providing financial services. Since December 2008, Mr. Jia held various positions in Spring Capital Asia Fund L.P., which is a private equity fund and the registered owner of Kickstart, where he is currently the managing director, responsible officer and investment committee member, and is primarily responsible for investment, including selecting, negotiating, completing and managing investments of the fund. Mr. Jia received his bachelor of engineering, majoring in thermal power engineering (電廠熱能動力工程) of power plants and a master of law, majoring in economic law, from Xi'an Jiaotong University (西安交通大學) in July 1994 and June 1997, respectively. Mr. Jia also received his master of business administration from China Europe International Business School in Shanghai in October 2013. Mr. Jia obtained the PRC lawyer qualification granted by the Ministry of Justice of the PRC (中華人民共和國司法部) in September 1995. Further, Mr. Jia obtained the qualification as a PRC accountant granted by the Ministry of Finance of the PRC (中華人民共和國財政部) in April 1997.

Mr. Teo Yi-Dar (張毅達), aged 44, was appointed as our Director on February 9, 2015 and was re-designated as a non-executive Director on October 19, 2015. Mr. Teo has over 15 years of direct investment experience. From July 1996 to June 1997, Mr. Teo served as a manufacturing engineer in SGS-Thomson Microelectronics Pte. Ltd. (now known as ST Microelectronics), a company engaged in the manufacturing of semiconductors, where he was primarily responsible for manufacturing. From July 1997 to September 1999, Mr. Teo served as a business development executive of Keppel Corporation Limited (Stock Code: BN4), a company engaged in the marine, property, and infrastructure businesses and whose shares are listed on the Singapore Exchange, where he was primarily responsible for business development. Since October 1999, Mr. Teo joined SEAVI Advent Private Equity Group, a

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capital firm, where he is currently an investment director and is primarily responsible for managing direct investment activities in Asia. Mr. Teo was, or has been, a non-executive director of the following companies in the last three years preceding the Latest Practicable Date:

<u>Period of Services</u>	<u>Name of the Companies</u>	<u>Principal business activities</u>	<u>Position</u>	<u>Responsibilities</u>
July 2006 to present	Yangzijiang Shipbuilding (Holdings) Ltd., whose shares are listed on the Singapore Exchange (Stock Code: BS6)	Agency service for shipbuilding and related activities	Independent non-executive director	Overseeing the management independently
March 2007 to present	China Yuanbang Property Holdings Limited, whose shares are listed on the Singapore Exchange (Stock Code: B2X)	Development of real estate	Independent non-executive director	Overseeing the management independently
July 2008 to May 2012 ^(Note 1)	Sin Heng Heavy Machinery Ltd (“Sin Heng”), whose shares are listed on the Singapore Exchange (Stock Code: KF4)	Rental and trading of cranes, aerial lifts and other lifting equipment	Non-executive director	Overseeing the management
February 2010 to April 2015 ^(Note 2)	Net Pacific Financial Holdings Limited (“Net Pacific”), whose shares are listed on the Singapore Exchange (Stock Code: 5QY)	Provision of financial services	Independent non-executive director	Overseeing the management independently
November 2010 to November 2013 ^(Note 3)	Hainan Shuangcheng Pharmaceuticals Co., Ltd (“ Hainan Shuangcheng ”), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002693)	Pharmaceutical applications, with integration of research & development, manufacturing and sales	Non-executive director	Overseeing the management

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<u>Period of Services</u>	<u>Name of the Companies</u>	<u>Principal business activities</u>	<u>Position</u>	<u>Responsibilities</u>
February 2013 to present	Smartflex Holdings Ltd., whose shares are listed on the Singapore Exchange (Stock Code: 5RE)	Provider of IC module assembly and testing services	Independent non-executive director	Overseeing the management independently
November 2014 to present	HG Metal Manufacturing Limited, whose shares are on the Singapore Exchange (Stock Code: 526)	Trading of steel products	Non-executive Director	Overseeing the management

Notes:

- (1) *In view of the sale of shares in Sin Heng by funds managed by and advised by SEAVI Advent Corporation Limited, Mr. Teo, being nominated to the board of Sin Heng by such funds, ceased to be the non-executive director of Sin Heng in May 2012.*
- (2) *Mr. Teo retired as an independent non-executive director of Net Pacific at the annual general meeting held in April 2015 and did not stand for re-election in order to focus on his other commitments.*
- (3) *Mr. Teo was appointed as a non-executive director of Hainan Shuangcheng for a term of three years commencing from November 2010. Hainan Shuangcheng Pharmaceuticals Co., Ltd was an investment in the portfolio of SEAVI Advent Private Equity Pte. Ltd., where he was nominated to the board of Hainan Shuangcheng. In considering that SEAVI Advent Private Equity Pte. Ltd. had divested from Hainan Shuangcheng in 2013, Mr. Teo retired as a non-executive director of Hainan Shuangcheng in November 2013.*

Mr. Teo received his bachelor of engineering (electrical), master of science, majoring in industrial and systems engineering, and master of science, majoring in applied finance, from the National University of Singapore in July 1996, June 1998 and August 2000, respectively. Mr. Teo obtained his qualification as a chartered financial analyst granted by the Association for Investment Management and Research in September 2001.

Independent Non-executive Directors

Mr. Li Junhua (李俊華), aged 45, was appointed as our independent non-executive Director on October 18, 2015. Since December 2007, Mr. Li has been a researcher in the school of environment of Tsinghua University where he is currently a professor and is primarily responsible for teaching and researching air pollution control. His research projects are related to environmental catalysis, adsorbent materials and observation of air pollution complex and formation mechanism. Mr. Li received his doctorate's degree in engineering, majoring in natural circulation and nuclear materials (核燃料循環與材料), from the China Institute of Atomic Energy in July 2001. Mr. Li is the co-author of a book entitled "Environmental Catalysis: Principle and Application" published by Science Press in 2008. Mr. Li is also an author of a book entitled "Development and Application of Key Technologies for Selective Catalytic Reduction of NO_x from Flue Gas" published by Science Press in 2015. He was awarded the National Science Progress award (Second Class) in November 2010 by the State Council of the PRC.

Mr. Lam Yiu Por (林曉波), aged 39, was appointed as our independent non-executive Director on October 18, 2015. From July 2004 to December 2005, Mr. Lam was a qualified accountant and the financial controller of Zhongtian International Limited (Stock Code: 2379), a business solutions provider whose shares are listed on the Stock Exchange, where he was primarily responsible for financial control.

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From December 2005 to May 2008, Mr. Lam served as the qualified accountant, chief financial officer and company secretary of Lijun International Pharmaceutical (Holding) Co. Ltd. (Stock Code: 2005), a company engaged in the research, development, manufacturing and sale of finished medicines and pharmaceutical products and the shares of which are listed on the Stock Exchange, where he was primarily responsible for company secretarial matters and financial reporting. From May 2010 to December 2013, he served as the chief financial officer and company secretary of Globalwide Assets Management Limited (寰博資產管理有限公司), the holding company of Universtar Science and Technology (Shenzhen) Co. Ltd. which was engaged in the provision of digital environmental monitoring services and products in China where he was primarily responsible for company secretarial matters and financial reporting. Since November 2013, he has been the vice president and chief financial officer of L'sea Resources International Holdings Limited (Stock Code: 195), a company whose shares are listed on the Stock Exchange and which is primarily engaged in the mining and sales of tin, where he is primarily responsible for accounting, compliance matters and investor relations. Mr. Lam was, or has been, an independent non-executive director of the following companies in the last three years preceding the Latest Practicable Date:

<u>Period of Services</u>	<u>Name of the Companies</u>	<u>Principal business activities</u>	<u>Position</u>	<u>Responsibilities</u>
December 2014 to present	Yat Sing Holdings Limited, whose shares are listed on the Main Board of Stock Exchange (Stock Code: 3708)	Provision of building maintenance and renovation services	Independent non-executive director	Overseeing the management independently
June 2012 to February 2014 ^(Note)	Buildmore International Limited (now known as GR Properties Limited) (" Buildmore International "), whose shares are listed on the Main Board of Stock Exchange (Stock Code: 108)	Property investment, hotel management and manufacture and sales of dye-sublimation printed products	Independent non-executive director	Overseeing the management independently

Note: Pursuant to the subscription agreement entered into among Buildmore International and three Independent Third Parties, the board composition of Buildmore International shall be changed upon completion of such subscription agreement. In considering that such completion took place on February 17, 2014, the resignation of Mr. Lam as an independent non-executive director of Buildmore International took place on the same date.

Mr. Lam received his bachelor of arts in accountancy from the Hong Kong Polytechnic University in November 1997. Mr. Lam has been a member of the Hong Kong Institute of Certified Public Accountants, an associate of The Institute of Chartered Secretaries and Administrators, a chartered financial analyst and a fellow of the Association of Chartered Certified Accountants since October 2004, March 2006, September 2006 and November 2007, respectively.

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Mr. Ong Chor Wei (王祖偉), aged 46, was appointed as our independent non-executive Director on October 18, 2015. He has extensive experience in finance and accounting. Mr. Ong was, or has been, a director of the following companies in the last three years preceding the Latest Practicable Date:

<u>Period of Services</u>	<u>Name of the Companies</u>	<u>Principal business activities</u>	<u>Position</u>	<u>Responsibilities</u>
December 2007 to present	Joyas International Holdings Limited, whose shares are listed on the Singapore Exchange (Stock Code: E9L)	Design, manufacture and sale of metal gift products and jewelry products	Non-executive director	Overseeing the management
February 2010 to present	Net Pacific Financial Holdings Limited (Stock Code: 5QY), whose shares are listed on the Singapore Exchange	Provision of financing services	Executive director and chief executive officer	Day-to-day operations, strategic planning and major decision making
March 4, 2014 to present	Zibao Metals Recycling Holdings Plc, whose shares are listed on the London Exchange (Stock Code: BO)	Trading of recyclable metal	Executive finance director (Part-time)	Overseeing the finance function within Zibao Metals Recycling Holdings Plc and its subsidiaries
March 2010 to present	Man Wah Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1999)	Production and sales of sofas	Independent non-executive director	Overseeing the management independently
April 2010 to present	O-Net Communications (Group) Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 877)	Design, manufacturing and sale of optical networking subcomponents, modules and subsystem used in high-speed telecommunications and data communications	Independent non-executive director	Overseeing the management independently

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<u>Period of Services</u>	<u>Name of the Companies</u>	<u>Principal business activities</u>	<u>Position</u>	<u>Responsibilities</u>
November 2012 to present	Hong Wei (Asia) Holdings Company Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8191)	Manufacturing and sale of particle board	Non-executive director	Supervision

Note: Mr. Ong had been a non-executive director of Jets Technics International Holdings Limited, whose shares were previously listed on the Singapore Exchange. He ceased to be a non-executor director thereof since February 2013.

Mr. Ong received the bachelor of laws from The London School of Economics and Political Science in August 1990. Mr. Ong also received a distance learning degree in master of business administration which was jointly awarded by the University of Wales and the University of Manchester in March 2000. Mr. Ong has been an associate of The Institute of Chartered Accountants in England and Wales and an associate of the Hong Kong Institute of Certified Public Accountants since December 1993 and October 1995, respectively.

As of the Latest Practicable Date, each of our Directors (a) had no other relationship with other Directors and senior management of our Company and (b) did not have any interest in a business, apart from the business of our Group, which would compete or would likely compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Each of our Directors has not been involved in any of the events described under Rule 13.51(2) of the Listing Rules. Save as disclosed above, none of our Directors has been a director of other listed companies for the three years immediately preceding the date of this prospectus.

SENIOR MANAGEMENT

The following table sets forth certain information in respect of our senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining our Group</u>	<u>Roles / Responsibilities</u>
Mr. Liu Lianchao (劉連超)	40	Deputy general manager and Company secretary	April 18, 2012	Human resources management
Mr. Liu Xianchen (柳顯臣)	49	Deputy General Manager	April 10, 2011	Marketing
Mr. Chan Chung Kik, Lewis (陳仲戟)	42	Chief Financial Officer and Company Secretary	April 13, 2015	Financial management

Mr. Liu Lianchao (劉連超), aged 40, is the deputy general manager of our Company and one of the joint company secretaries of our Company. Mr. Liu is primarily responsible for the management of human

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resources. Prior to joining our Group, Mr. Liu served as a technician of Daimler Chrysler Railway System Signal (Shenyang) Co., Ltd. (瀋陽戴姆勒克萊斯勒鐵路系統信號有限公司), a company principally engaged in the design of railway signaling system from June 1999 to March 2001, where he was primarily responsible for technical works. From April 2004 to April 2005, Mr. Liu served as a manager of the human resources department of Zhejiang Putong Fuwu Shichang Co., Ltd. (浙江普通服務市場有限公司), a company providing the storage and distribution services, where he was responsible for the set-up of the distribution center and management of human resources. From February 2006 to April 2012, Mr. Liu served as an officer of the department of planning and development of China Datang Technologies & Engineering Co., Ltd. (中國大唐集團科技工程有限公司) where he was primarily responsible for planning and development. Mr. Liu received his bachelor of engineering, majoring in fluid power transmission and control, from Beijing University of Aeronautics and Astronautics (北京航空航天大學), now known as Beihang University, in July 1998. Mr. Liu received his master of business administration from Tongji University (同濟大學) in November 2004. Mr. Liu received his doctorate's degree of management, majoring in corporate management, from Renmin University of China (中國人民大學) in January 2011. Mr. Liu obtained the qualification as economist granted by the Personnel Bureau in November 2006.

Mr. Liu Xianchen (柳顯臣), aged 49, is the deputy general manager of our Company and is primarily responsible for marketing. Mr. Liu joined our Company in April 2011 and is primarily responsible for marketing activities. Prior to joining our Group, Mr. Liu served as the deputy general manager of the environmental protection department of China Huadian Engineering Co., Ltd. (中國華電工程(集團)有限公司) from January 1988 to August 2004, where he was primarily responsible for marketing activities. From November 2004 to June 2011, Mr. Liu served as a general manager of pneumatic transmission department of China Datang Technologies & Engineering Co., Ltd. (中國大唐集團科技工程有限公司), where he was primarily responsible for management of operations. Mr. Liu obtained his bachelor of engineering, majoring in thermal power engineering (電廠熱能動力工程) of power plants, from the Beijing Power Institute of Electric Power (華北電力學院), now known as North China Electric Power University (華北電力大學), in July 1988.

Mr. Chan Chung Kik, Lewis (陳仲戟), aged 42, is our chief financial officer of our Group and one of the joint company secretaries of our Company. He has more than 17 years of experience in auditing, accounting and corporate finance. From May 1997 to February 2001, Mr. Chan held various positions in Grant Thornton, an accounting firm, where he last served as audit supervising senior and was primarily responsible for providing auditing services. From February 2001 to February 2005, he held various positions at Ernst & Young, an accounting firm, where he last served as manager and was primarily responsible for audit of listed and non-listed companies in Hong Kong and China. From March 2005 to March 2006, he served as a group finance manager of Tianjian Development Holdings Limited (Stock Code: 882), a company engaged in (i) utilities including supply of electricity, water and heat and thermal power; (ii) hotels; (iii) electrical and mechanical including the manufacture and sale of presses, mechanical and hydroelectric equipment and large scale pump units; and (iv) strategic and other investments including investments in associates and whose shares are listed on the Stock Exchange, where he was primarily responsible for financial matters. From August 2006 to May 2007, Mr. Chan served as the financial controller and company secretary of Tianjin Lishen Battery Joint-Stock Co., Ltd. (天津力神電池股份有限公司), a company that specialized in the technological development, manufacture and sales of Li-ion batteries, where he was primarily responsible for financial functions and company secretarial matters. From July 2007 to February 2015, Mr. Chan served as the chief financial officer of Xingye Copper International Group Limited (興業銅業國際集團有限公司) (Stock Code: 505), a company engaged in the manufacturing and sales of high precision copper plates and strips, trading of raw materials, provision of processing services and the management of a portfolio of investment and whose shares are listed on the Stock Exchange; and was mainly responsible for the overall financial management functions of the group. From July 2007 to May 2008 and from June 2009 to May 2015, Mr. Chan also served as the company secretary of Xingye Copper International Group Limited, where he

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was primarily responsible for company secretarial matters. Mr. Chan was, or has been, an independent non-executive director of the following companies in the last three years preceding the Latest Practicable Date:

<u>Period of Services</u>	<u>Name of the Companies</u>	<u>Principal business activities</u>	<u>Position</u>	<u>Responsibilities</u>
March 2015 to present	Kwan On Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 8305)	Provision of (i) waterworks engineering services; (ii) road works and drainage services; (iii) LPM services; and (iv) building works in Hong Kong	Independent non-executive director	Overseeing the management independently
May 2014 to present	Shandong Xinhua Pharmaceutical Company Limited, whose shares are listed on the Stock Exchange (Stock Code: 719) and Shenzhen Stock Exchange (Stock Code: 756)	Development, manufacture and sales of bulk pharmaceutical, preparations and chemical products	Independent non-executive director	Overseeing the management independently

Mr. Chan obtained his bachelor of commerce in accounting from the University of Canberra, Australia in September 1997. Mr. Chan has been a member of the Certified Practising Accountant (Australia) and a fellow of the Hong Kong Institute of Certified Public Accountants since July 2001 and March 2015, respectively.

JOINT COMPANY SECRETARIES

Mr. Liu Lianchao (劉連超), aged 40, is one of the joint company secretaries of our Company and was appointed on May 8, 2015. Please refer to his biography under the section headed “— SENIOR MANAGEMENT— Mr. Liu Lianchao” above.

Mr. Chan Chung Kik, Lewis (陳仲載), aged 42, is one of the joint company secretaries of our Company and was appointed on May 8, 2015. Please refer to his biography under the section headed “— SENIOR MANAGEMENT— Mr. Chan Chung Kik, Lewis” above.

BOARD COMMITTEE

Audit Committee

We have established an audit committee on October 19, 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee consists of three

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independent non-executive Directors, Mr. Lam Yiu Por (being the chairman of the audit committee who has a professional qualification in accountancy), Mr. Jia Wenzhong and Mr. Li Junhua. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a remuneration committee on October 19, 2015 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The remuneration committee consists of three members, namely Mr. Li Junhua, Mr. Ong Chor Wei and Ms. Zhao Shu. Two of the members are our independent non-executive Directors. The remuneration committee is chaired by Mr. Li Junhua. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

Nomination Committee

We have established a nomination committee on October 19, 2015 with written terms of reference. The nomination committee consists of three members, namely Ms. Zhao Shu, Mr. Li Junhua and Mr. Ong Chor Wei. Two of the members are our independent non-executive Directors. The chairman of the nomination committee is Ms. Zhao Shu. The primary function of the nomination committee is to make recommendations to our Board on the appointment of members of our Board.

CORPORATE GOVERNANCE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

According to code provision A.2.1 of the Corporate Governance Code in Appendix 14 to the Listing Rules, the role of the chairman and chief executive of our Company should be separate and should not be performed by the same individual. In considering that (a) the day-to-day responsibilities of the chief executive officer have been assumed by Ms. Zhao Shu, who is also the chairlady of our Company; and (b) Ms. Zhao Shu is chairlady of our Group and has extensive experience in our business operation and management in general, there is no separation of the roles of the chairlady and the chief executive officer of our Company. Given the current stage of the development of our Group, the Board is of the view that vesting the two roles in the same person provides our Company with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategies which are in the best interests of our Company.

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Under the leadership of Ms. Zhao Shu, the Board works efficiently and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committee, and there are three independent non-executive Directors on the Board offering independent perspective, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of our Company.

Save as disclosed above, we will comply with the code provisions stated in the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules after the Listing. Our Company is committed to the view that the Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary and cash bonus.

The aggregate amount of remuneration of our Directors including fees, salaries, discretionary bonuses, contributions to pension schemes, housing allowances and other allowances and benefits in kind incurred by our Group (excluding the share-based compensation) for the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2015 was approximately RMB382,000, RMB620,000, RMB743,000 and RMB254,000, respectively. Further, approximately RMB10.2 million, representing an excess of the Repurchase Consideration against the fair value of the Repurchased Shares as of February 9, 2015, was accounted for as a share-based payment to Ms. Zhao Shu and Mr. Li Xingwu under the relevant accounting treatment. Further details of the Repurchase are set out in the section headed “History, Reorganization and Corporate Structure — Subscription of Shares by BVI Original Shareholders”.

The aggregate amount of remuneration including fees, salaries, discretionary bonuses, contributions to pension schemes, housing allowances and other allowances and benefits in kind which were paid by our Group (excluding the share-based compensation) to the five highest paid individuals for the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015 was approximately RMB636,000, RMB1,002,000, RMB1,214,000 and RMB335,000, respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the years ended December 31, 2012, 2013 and 2014 and four months ended April 30, 2015. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind) of our Directors for the year ending December 31, 2015 is estimated to be no more than RMB1.3 million.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on October 14, 2015. For details of the Share Option Scheme, please refer to the sections headed “Statutory and General Information — D. Other Information — 1. Share Option Scheme” in Appendix IV to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

We have appointed Cinda International Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Our core business and operations are substantially based in the PRC. It would be practically difficult and commercially unnecessary for us to relocate two of our executive Directors to Hong Kong. Therefore, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules on the following conditions:

- (1) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that we will comply with the Listing Rules at all times. The two authorized representatives appointed are Ms. Zhao Shu, our executive Director and Mr. Liu Lianchao, our company secretary. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the two authorized representatives will be authorized to communicate on our behalf with the Stock Exchange.
- (2) Each of the authorized representatives has means to contact all of our Directors (including our independent non-executive Directors) and all of our senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. To enhance communication between the Stock Exchange, the authorized representatives and our Directors, we will implement a policy that (a) each Director will have to provide his/her office phone number, mobile phone number, fax number and email address to our authorized representatives; (b) in the event that a Director expects to travel or is otherwise out of office, he/she will endeavor to provide the phone number of the place of his/her accommodation to the authorized representatives or maintain an open line of communication via his/her mobile phone; and (c) each of the Directors and authorized representatives will provide their respective office phone numbers, mobile phone numbers, fax numbers and email addresses to the Stock Exchange.
- (3) We have appointed Cinda International Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules, which will have access at all times to our authorized representatives, Directors and senior management, and will act as an additional channel of communication between the Stock Exchange and us.
- (4) Meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or our compliance advisor, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change in our authorized representatives under the Listing Rules and/or our compliance advisor.

JOINT COMPANY SECRETARIES

According to Rules 3.28 and 8.17 of the Listing Rules, the secretary of our Company must be a person who has the requisite knowledge and experience to discharge the functions of the company

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

secretary and is either (i) a member of the Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a certified public accountant as defined in the Professional Accountants Ordinance, or (ii) an individual who, by virtue of his relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

We have appointed Mr. Chan Chung Kik, Lewis and Mr. Liu Lianchao as our joint company secretaries. Mr. Chan Chung Kik, Lewis is a fellow member of Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia and meets the requirements under Rules 3.28 and 8.17 of the Listing Rules. Since Mr. Liu Lianchao does not possess a qualification stipulated in Rules 3.28 and 8.17 of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Liu Lianchao as our joint company secretary. In order to provide support to Mr. Liu Lianchao, we have appointed Mr. Chan Chung Kik, Lewis to act as a joint company secretary and to provide assistance to Mr. Liu Lianchao, for a three-year period from the Listing Date so as to enable him to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to duly discharge his duties. The waiver is valid for an initial period of three years from the Listing Date and will be revoked immediately when Mr. Chan Chung Kik, Lewis ceases to provide assistance to Mr. Liu Lianchao during the three-year period.

Upon the expiry of such three-year period, we will assess the then experience of Mr. Liu Lianchao in order to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied at that time and, if such requirements cannot be satisfied, we will employ a suitable candidate who will be able to comply with the requirements under Rules 3.28 and 8.17 of the Listing Rules as the secretary of our Company.

Further information on the qualifications and experience of Mr. Liu Lianchao and Mr. Chan Chung Kik, Lewis is disclosed in the section headed “Directors and senior management — Senior management” in this prospectus.

SHARE CAPITAL

The authorized share capital of our Company immediately before the Capitalization Issue and Global Offering was US\$50,000,000 divided into (a) 4,998,000,000 Ordinary Shares of par value of US\$0.01 and (b) 2,000,000 Series A Preferred Shares of par value of US\$0.01 each.

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately upon the completion of the Global Offering and the Capitalization Issue (without taking into account the exercise of the Over-allotment Option or Shares which may be granted under the Share Option Scheme):

Authorized share capital:		Nominal value US\$
5,000,000,000	Shares of US\$0.01 each	50,000,000
Issued and to be issued, fully paid or credited as fully paid:		Nominal value US\$
6,928,669	Shares in issue as of the date of this prospectus <i>(Note)</i>	69,286.69
368,071,331	Shares to be issued pursuant to the Capitalization Issue	3,680,713.31
125,000,000	Shares to be issued under the Global Offering	1,250,000
<u>500,000,000</u>	Total	<u>5,000,000</u>

Note: It includes 5,782,667 Shares in issue and 1,146,002 Shares to be issued upon conversion of all Series A Preferred Shares on a one-for-one basis.

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering and Capitalization Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The Offer Shares will be Ordinary Shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalization Issue.

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total nominal value of not more than the sum of:

- (1) 20% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalization Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and

SHARE CAPITAL

- (2) the total nominal amount of share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to our Shares which they are authorized to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option which may be granted under the Share Option Scheme.

This general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or the Articles to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further information about our Group — 3. Resolutions in writing of our Shareholders passed on October 14, 2015" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalization Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which our Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further information about our Group — 6. Repurchases of our Shares" in Appendix IV to this prospectus.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or the Articles to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further information about our Group — 3. Resolutions in writing of our Shareholders passed on October 14, 2015" in Appendix IV to this prospectus.

SHARE CAPITAL

SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders dated October 14, 2015, we conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the section headed “Statutory and General Information — D. Other information — 1. Share Option Scheme” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company currently has two classes of shares, Ordinary Shares and Series A Preferred Shares. All the Series A Preferred Shares will be converted into Ordinary Shares upon Listing at which time, our Company will have only one class of shares in issue, namely Ordinary Shares, each of which will rank *pari passu* with the other Shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Law, reduce its share capital or capital redemption reserve by its shareholders passing special resolution. For further details, please refer to the section headed “Summary of the Constitution of the Company and Cayman Company Law — Articles of Association — Alteration of capital” in Appendix III to this prospectus.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. For further details, please refer to the section headed “Summary of the Constitution of the Company and Cayman Company Law — Articles of Association — Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors or chief executive officer as of the Latest Practicable Date, the following persons would, immediately prior to and following the completion of the Global Offering and the Capitalization Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Name of Shareholder	Nature of Interest	Shares held immediately prior to the Capitalization Issue and the Global Offering ^(Note 1)		Shares held immediately following the completion of the Capitalization Issue and the Global Offering ^(Note 1)	
		Number	Percentage (approx.)	Number	Percentage (approx.)
Ms. Zhao Shu	Interest of a controlled corporation	2,769,391(L)	40.0%	149,887,609(L)	30.0%
	Beneficial owner	273,682(L)	3.9%	14,812,477(L)	2.9%
Advant Performance ^(Note 2)	Beneficial owner	2,769,391(L)	40.0%	149,887,609(L)	30.0%
Mr. Li Xingwu	Interest of a controlled corporation	943,685(L)	13.6%	51,075,015(L)	10.2%
EEC Technology ^(Note 3)	Beneficial owner	943,685(L)	13.6%	51,075,015(L)	10.2%
Mr. Toe	Interest of a controlled corporation	469,001(L)	6.8%	25,383,717(L)	5.1%
Zymmetry ^(Note 4)	Beneficial owner	469,001(L)	6.8%	25,383,717(L)	5.1%
Kickstart ^(Note 5)	Beneficial owner	742,550(L)	10.7%	40,188,996(L)	8.0%
Spring Capital Asia Fund L.P. ^(Note 5)	Interest in a controlled corporation	742,550(L)	10.7%	40,188,996(L)	8.0%

Notes:

- (1) The letter "L" denotes the person's long position in our Shares.
- (2) Advant Performance is beneficially and wholly owned by Ms. Zhao Shu. By virtue of the SFO, Ms. Zhao Shu is deemed to be interested in our Shares held by Advant Performance.
- (3) EEC Technology is beneficially and wholly owned by Mr. Li Xingwu. By virtue of the SFO, Mr. Li Xingwu is deemed to be interested in our Shares held by EEC Technology.
- (4) Zymmetry is beneficially and wholly owned by Mr. Toe. By virtue of the SFO, Mr. Toe is deemed to be interested in our Shares held by Zymmetry.
- (5) Assuming the Series A Preferred Shares are converted into Ordinary Shares on a one-for-one basis, Kickstart shall hold 40,188,996 Ordinary Shares, following the Global Offering and the Capitalization Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme). Kickstart is beneficially and wholly owned by Spring Capital Asia Fund L.P.. By virtue of the SFO, Spring Capital Asia Fund L.P. is deemed to be interested in our Shares held by Kickstart.

SUBSTANTIAL SHAREHOLDERS

If the Over-allotment Option is fully exercised, the beneficial interests of each of Ms. Zhao Shu, Advant Performance, Mr. Li Xingwu, EEC Technology, Mr. Toe, Zymmetry, Kickstart and Spring Capital Asia Fund L.P. will be approximately 2.9%, 28.9%, 9.8%, 9.8%, 4.9%, 4.9%, 7.7% and 7.7%, respectively.

Except as disclosed in this prospectus, our Directors and our chief executive officer are not aware of any person who will, immediately prior to and following the completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in any Shares or underlying Shares, which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information together with the accompanying notes, as set forth in the Accountant's Reports included as Appendix I and the unaudited pro forma financial information included in Appendix II to this prospectus. Our consolidated financial information is prepared in conformity with IFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions, including the United States. You should read the whole of the Accountant's Report included as Appendix I to this prospectus and not rely merely on the information contained in this section.

The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results reported in future periods could differ materially from those discussed in such forward-looking statements. Factors that could cause or contribute to such differences include those discussed in the section headed "Risk Factors" and elsewhere in this prospectus.

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading manufacturer in the fast-growing plate-type DeNOx catalyst industry in China. According to Frost & Sullivan Report, for the year ended December 31, 2014, (i) in terms of production capacity, we were the third largest manufacturer of plate-type DeNOx catalysts in China with an approximately 17.5% market share; (ii) in terms of production volume, we were the fourth largest manufacturer of plate-type DeNOx catalysts in China with a production volume of 8,380 m³, accounting for an approximately 12.6% market share; and (iii) in terms of total revenue of plate-type DeNOx catalysts in China, we were the fourth largest manufacturer of plate-type DeNOx catalysts with a sales revenue of RMB217.1 million accounting for an approximately 15.0% market share.

We have achieved a solid track record of consistent growth in revenue and net profit. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015, we recorded a total revenue of RMB22.5 million, RMB126.9 million, RMB217.1 million and RMB79.0 million, respectively. We incurred a net loss of RMB1.4 million for the year ended December 31, 2012 due to the fact that we were in the early stage of our business and our net profit for the two years ended December 31, 2013 and 2014 were RMB32.7 million, RMB73.5 million, respectively. We incurred a net loss of RMB14.3 million for the four months ended April 30, 2015 primarily due to fair value loss of convertible redeemable preferred shares and share-based compensation expenses.

We sell our products under our brand, 迪諾斯, which is widely known within our industry. Certain key performance measures of our catalyst products such as adhesion strength and abrasion resistance outperform the industry average, according to Frost & Sullivan Report. Adhesion strength refers to adhesive capacity of the coating, containing the active ingredient, on the metal substrate by the brushing of dust-laden air. Typical adhesion strength of our products is nearly 0.2%, which is lower than industry average performance of 0.6%. The lower the number, the better is the adhesive ability of the active coating of catalysts. Abrasion resistance refers to the ratio between the percentage of weight loss of catalysts after wearing, and the consumed volume of abrasion agent. Typical abrasion resistance of our products is approximately 0.4 mg/100U, which is lower than the industry average performance of 0.5 mg/100U. The lower the number, the better is the resistance to abrasion of the catalysts. Leveraging our proprietary technologies and know-how, such as our database for customization of the catalyst formula and our degreasing and cleaning technology, we are able to ensure the stable quality of our products and

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have established our brand image as a leading and reliable supplier of plate-type DeNOx catalysts equipped with advanced technologies and comprehensive solutions, which has also laid a solid foundation for us to explore new business areas, such as the design of DeNOx catalysts for diesel-powered vehicles and vessels. Through our proprietary production process and technique, we are able to ensure the stable quality of our products.

Through our delivery of consistent and premium-quality products, we rapidly expanded our customer base during the Track Record Period. The number of our customers steadily increased from two in 2012, to seven in 2013 and to 11 in 2014. We had seven customers for the four months ended April 30, 2015. We have established business relationships with subsidiaries of three of the Five Largest Chinese Power Generation Groups, as well as regional and provincial-level power generation groups. We diversify our customer base by establishing business relationships with customers in various industries including petroleum, petrochemical and metallurgical industries. We further broaden our customer base through developing international customers. In 2013, we became the first PRC manufacturer of plate-type DeNOx catalysts to export our products to Germany and Italy in the European market, which holds a leading position in DeNOx catalyst technology.

BASIS OF PRESENTATION

Immediately prior to and after the Reorganization, our business is held by the Controlling Shareholder and are mainly conducted through Beijing Denox and Gu'an Denox. Pursuant to the Reorganization, Beijing Denox, Gu'an Denox and our business are transferred to and held by the Company. The Company, BVI Denox and HK Denox have not been involved in any other business prior to the Reorganization and do not meet the definition of a business. The Reorganization is merely a recapitalization of our business with no change in management of such business and the ultimate owners of our business remain the same. Accordingly the consolidated financial information of the companies now comprising our Group is presented using the carrying values of our business for all periods presented as if the current group structure had been in existence during the Track Record Period.

For details on the basis of presentation of our financial information included herein, please refer to the Accountant's Report included as Note 1(c) of Section II in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATION

Our results of operations and our financial condition have been and will continue to be affected by a number of factors, including those set out below.

Regulatory Environment and Government Support

The market demand for our products has been stimulated by the provision and initiatives issued by the PRC Government, which provided support to coal-fired power plants, cement plants, glass plants, steelworks, petroleum refineries, waste incineration plants, heavy-duty diesel automobile manufacturers and steamship manufacturers as well as product providers in the DeNOx catalyst industry. The PRC Government has also provided support in the form of subsidies to coal-fired power plants. Continued government focus on and support for the environmental protection industry is crucial to our financial condition and results of operations.

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Competition

We face competition in the PRC DeNOx catalyst market. We believe the factors that are critical to our competitiveness in this market include research and development capabilities, product quality, production capacity, sales and marketing channels and pricing. We believe that we enjoy certain competitive advantages as a result of our leading position in China's plate-type DeNOx catalyst industry, our breadth and quality of product offerings, strong research and development capabilities, strong and diverse customer base, as well as experienced and entrepreneurial management team.

Sales Volume and Selling Price of Our Products

Our revenue is primarily determined by the sales volume and the selling price of the products sold. The sales volume of our products during the Track Record Period were 898 m³, 5,237 m³, 8,613 m³ and 3,517 m³, respectively. The sales volume of our products has increased during the Track Record Period primarily as a result of the increased demand for plate-type DeNOx catalysts in China.

The average selling price of our plate-type DeNOx catalyst per m³ were RMB23,963, RMB24,226, RMB25,080 and RMB22,450, respectively, during the Track Record Period. The average selling prices of our plate-type DeNOx catalysts per m³ are generally in line with the market situation from 2012 to 2014 primarily due to the increased demand for DeNOx catalysts in China as a result of implementation of the Emission Standard which required all newly-built coal-fired power plants from 2012 to install DeNOx facilities, and all existing coal-fired power plants to finish installation of DeNOx facilities by July 2014. For the historical price trend of plate-type DeNOx catalyst in China, please refer to the section headed "Industry Overview" for more details. We price our DeNOx catalysts in our bidding proposal taking into account the prevailing cost of raw materials at the time of submitting the bidding proposal, the specifications and the technical complexity of the product offered, the prevailing market conditions, competition, credit worthiness of the customers and pricing requirements set out in the bidding documents. Our cost of raw materials is usually determined at the time of placing orders of raw material, which is within a few days after we win the bid and sign the contract. Our technological advantages enable us to optimize our technical design to lower our cost, so as to keep our price competitive against competing products without compromising product quality and gross margin. For the sales volume and the average selling price of our plate-type DeNOx catalysts per m³ sold during the Track Record Period, please refer to the paragraph headed "— Description of Principal Components of Consolidated Statements of Comprehensive Income" below for more details.

Cost of Raw Materials

The cost of raw materials, consisting primarily of stainless steel mesh, TiO₂ and AHM for the manufacturing of plate-type DeNOx catalysts, represents the largest component of our cost of sales. For the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015, cost of raw materials accounted for 78.0%, 83.6% and 81.7% and 81.9% of our total cost of sales, respectively. During the Track Record Period, the average purchase price of stainless steel mesh, TiO₂ and AHM experienced a decrease in a range of 6.5% to 22.8%. With the increasing demand for DeNOx catalysts, the demands for these raw materials have also increased. Therefore, changes in the price and availability of stainless steel mesh, TiO₂ and AHM could have a significant impact on our operating costs and results of operations. All of our business in relation to the domestic sales of our plate-type DeNOx catalysts is conducted pursuant to sales contracts awarded on a competitive bidding basis. We generally price our products in our bidding proposals with reference to our raw material costs. We usually procure our raw materials according to the sales orders we obtained through bidding taking into account our inventory level. Our cost of raw materials is usually determined at the time of placing orders of raw

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materials, which is within a few days after we win the bid and sign the contract and such contracts generally do not contain provisions for price adjustment in relation to price fluctuation of raw materials.

Taxation

Our results of operations are affected by changes in the applicable tax rates in China, where we carry out our operations and derive substantially all of our revenue and profits. The enterprise income tax rate generally applicable in the PRC has been 25% since January 1, 2008, while preferential tax treatments are available to certain companies, industries and regions. For example, Beijing Denox, one of our PRC subsidiaries, was designated a “High and New Technology Enterprise” on December 13, 2012, and is entitled to a preferential tax rate of 15% from January 1, 2012 to December 31, 2014. The High and New Technology Enterprise qualification is reviewed for renewal every three years and Beijing Denox is under the process of renewal. We may not be able to continue to enjoy such preferential enterprise income tax rates if we are unable to renew such qualification upon expiration. Please refer to the section headed “Risk Factors — Risks Related to Our Business — Discontinuation of any of the preferential tax treatment we enjoy or imposition of any additional taxes could adversely affect our financial condition and results of operations” for more details.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following are the accounting policies applied in preparing our financial statements that we believe are most relevant on the application of these judgments and estimates and certain other significant accounting policies.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of value-added taxes. We recognize revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of our activities, as described below. We base our estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

We manufacture and sell plate-type DeNOx catalysts with several different specifications to certain coal-fired power plants (the “**Power Plants**”) in China. We are responsible for the delivery of the goods, pursuant to which, the Power Plants are responsible for the test run of the function of the plate-type DeNOx catalysts, after installation and will issue preliminary acceptance certificate when the products are qualified. Sales of goods are recognized when significant risks and rewards of ownership of the goods are transferred to the customers, generally coincides with the time when the goods has passed the performance test and received the preliminary acceptance certificate. It usually takes around six months for us to receive the preliminary acceptance certificate from our customers since delivery under normal circumstances.

We provide technical support for certain environmental protection projects and derives revenue through consultancy agreement entered with designing institutes and environment engineering companies, in which we agree to provide either experts or expertise over the project period. Revenue is recognized when the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of actual services provided as a proportion of the total service to be provided.

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Property, Plant and Equipment

Our property, plant and equipment are stated in the consolidated balance sheets at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognized so as to write off the cost of items of plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statements of comprehensive income.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	<u>Estimated useful lives</u>
Leasehold Improvements	Shorter of remaining term of the lease and the estimated useful lives of assets
Buildings	20 years
Machinery	3-10 years
Vehicles	4 years
Office equipment and others	3-5 years

Intangible Assets

(a) Patent rights

Patent right is shown at historical cost. Patent right has a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and patent rights over their estimated useful lives. The useful lives of our current patent rights are estimated to be 10 years.

(b) Technical know-how

Acquired technical know-how of manufacturing processes is shown at historical cost. Acquired technical know-how is capitalized on the basis of the costs incurred to acquire and is amortized over their estimated useful lives. The useful lives of our technical know-how are estimated to be 10 years.

Inventories

Our inventories mainly consist of raw material, work-in-progress and finished goods in our production base in Gu'an, Hebei Province and goods in transit held in customers' places. Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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Income Tax

Income tax expense represents the sum of the current and deferred tax expense. The current income tax is calculated based on taxable profit for the year. Taxable profit differs from “profit before tax” as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Research and Development

Research expenditures is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when the following criteria are fulfilled:

- (i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (ii) management intends to complete the intangible asset and use or sell it;
- (iii) there is an ability to use or sell the intangible asset;
- (iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;
- (v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- (vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized on a straight-line basis over its useful life.

Impairment of Non-Financial Assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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Financial Assets

We classify our financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. Our loans and receivables comprise: “trade and bills receivables,” “other receivables,” “restricted cash,” and “cash and cash equivalents” in the balance sheet.

Regular-way purchases and sales of financial assets are recognized on the trade-date — the date on which we commit to purchasing or selling the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and we have transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Impairment of Financial Assets

We assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economics conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, we may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statements of comprehensive income.

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Key Sources of Estimation Uncertainty

Useful Lives of Plant and Equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, we estimate the useful lives of various categories of property, plant and equipment according to the historical experience of the actual useful lives of property, plant and equipment. If the actual useful lives of property, plant and equipment is different from the original estimated useful lives due to changes in commercial and technological environment, we will revise the depreciation charges for the remaining period accordingly.

Impairment of Property, Plant and Equipment, Land Use Right and Intangible Assets

Impairment losses for property, plant and equipment, land use right and intangible assets are recognized for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amounts, being the higher of fair value less costs to sell and value in use. Changes in the assumptions selected by our management in assessing impairment could materially affect the net present value used in the impairment test and as a result affect our financial position and results of operations.

Impairment of Trade and Other Receivables

The policy for making impairment loss on our trade and other receivables is based on management's evaluation of collectability. A considerable amount of judgment is required in assessing the ultimate recoverability of these receivables, including the current credit worthiness and the past collection history of each debtor. Where the expectation is different from the original estimates, such differences will impact carrying value of trade and other receivables and impairment charge in the period in which such estimate has been changed.

Net Realizable Value of Inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. We made these estimates based on the current market condition and the historical experience of selling products of similar nature. The estimates may change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. We will reassess these estimates at each balance sheet date.

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Consolidated Statements of Comprehensive Income

	Year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
	(unaudited)				
	(RMB in thousands)				
Revenue	22,475	126,872	217,142	57,074	78,961
Cost of sales	(12,605)	(65,448)	(110,729)	(27,425)	(48,818)
Gross profit	<u>9,870</u>	<u>61,424</u>	<u>106,413</u>	<u>29,649</u>	<u>30,143</u>
Selling and marketing expenses	(2,570)	(7,507)	(7,849)	(1,718)	(1,112)
Administrative expenses	(8,180)	(14,741)	(12,870)	(3,390)	(23,594)
Other gains/(losses) - net	-	-	189	400	(316)
Operating (loss)/profit	<u>(880)</u>	<u>39,176</u>	<u>85,883</u>	<u>24,941</u>	<u>5,121</u>
Finance income	71	156	277	153	182
Finance costs	(964)	(611)	(8)	-	(3,708)
Finance (costs)/income - net	(893)	(455)	269	153	(3,526)
Fair value loss of Series A convertible redeemable preferred shares	-	-	-	-	(11,879)
(Loss)/Profit before income tax	<u>(1,773)</u>	<u>38,721</u>	<u>86,152</u>	<u>25,094</u>	<u>(10,284)</u>
Income tax credits/(expenses)	395	(6,013)	(12,617)	(3,589)	(4,033)
(Loss)/Profit for the year/period, all attributable to owners of the Company ..	<u>(1,378)</u>	<u>32,708</u>	<u>73,535</u>	<u>21,505</u>	<u>(14,317)</u>
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences	-	-	207	-	17
Other comprehensive income for the year/ period	<u>-</u>	<u>-</u>	<u>207</u>	<u>-</u>	<u>17</u>
Total comprehensive (loss)/income for the year/period, all attributable to owners of the Company	<u>(1,378)</u>	<u>32,708</u>	<u>73,742</u>	<u>21,505</u>	<u>(14,300)</u>
Other financial measures					
Adjusted net (loss)/profit ⁽¹⁾ (unaudited)...	(1,378)	32,708	73,742	21,505	7,776
Basic and diluted earnings per share	<u>(0.25)</u>	<u>5.89</u>	<u>13.24</u>	<u>3.87</u>	<u>(2.59)</u>
Dividends	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note:

(1) Please refer to the section headed “— Other Financial Measures” in this prospectus.

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Consolidated Balance Sheets

	As of December 31,			As of
	2012	2013	2014	April 30, 2015
	(RMB in thousands)			
ASSETS				
Non-current assets				
Property, plant and equipment	39,738	48,844	48,254	46,881
Land use right	8,235	8,063	7,891	8,324
Intangible assets	9,983	8,680	7,377	6,943
Long-term prepayments	311	2,892	1,930	1,831
Deferred income tax assets	1,625	1,742	1,951	2,455
Restricted cash	4,364	1,395	287	270
Total non-current assets	64,256	71,616	67,690	66,704
Current assets				
Inventories	24,665	103,170	95,055	66,560
Trade and bills receivables	1,750	3,852	26,036	43,564
Prepayments, deposits and other receivables	6,600	16,184	5,825	18,097
Restricted cash	1,105	5,484	3,628	996
Cash and cash equivalents	2,312	18,158	45,333	130,243
Total current assets	36,432	146,848	175,877	259,460
Total assets	100,688	218,464	243,567	326,164
EQUITY				
Equity attributable to owners of the Company				
Share capital	-	-	-	356
Share premium	-	-	-	574,945
Capital reserve	43,123	43,123	(1,981)	(552,410)
Other reserves	-	3,095	10,783	22,145
(Accumulated deficits)/retained earnings	(6,857)	22,756	71,932	56,484
Total equity	36,266	68,974	80,734	101,520
LIABILITIES				
Non-current liabilities				
Deferred income	-	-	1,900	1,900
Series A convertible redeemable preferred shares	-	-	-	153,411
Total non-current liabilities	-	-	1,900	155,311
Current liabilities				
Trade payables	2,732	9,716	9,018	10,676
Advances from customers	37,482	122,374	64,516	22,830
Accruals and other payables	9,729	10,868	20,988	21,925
Amount due to related parties	14,479	429	52,947	-
Current income tax liabilities	-	6,103	13,464	13,902
Total current liabilities	64,422	149,490	160,933	69,333
Total liabilities	64,422	149,490	162,833	224,644
Total equity and liabilities	100,688	218,464	243,567	326,164
Net current (liabilities)/assets	(27,990)	(2,642)	14,944	190,127
Total assets less current liabilities	36,266	68,974	82,634	256,831

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Consolidated Cash Flows Statements

	Year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
	(unaudited)				
	(RMB in thousands)				
Cash flows from operating activities					
Cash generated from operations	12,825	46,821	34,505	2,855	(15,233)
Interest received	71	156	277	153	28
Income tax paid	-	(26)	(5,466)	(4,051)	(4,099)
Net cash generated from/(used in) operating activities	<u>12,896</u>	<u>46,951</u>	<u>29,316</u>	<u>(1,043)</u>	<u>(19,304)</u>
Cash flows from investing activities					
Purchase of land use rights	-	-	-	-	(490)
Purchases of property, plant and equipment	(17,389)	(12,690)	(6,240)	(1,230)	(523)
(Increase in)/decrease of pledged deposits	(5,469)	(1,410)	2,964	3,565	2,650
Purchases of intangible assets	(1,076)	-	-	-	-
Proceeds from government grant	-	-	1,900	-	-
Proceeds from disposals of property, plant and equipment	-	-	36	-	-
Net cash used in investing activities	<u>(23,934)</u>	<u>(14,100)</u>	<u>(1,340)</u>	<u>2,335</u>	<u>1,637</u>
Cash flows from financing activities					
Proceeds from bank borrowings	-	3,000	10,000	-	-
Capital injection by equity holders	12,500	-	-	-	62,723
Proceeds from issuance of Series A convertible redeemable preferred shares	-	-	-	-	140,347
Distribute of equity holders for Reorganization	-	-	-	-	(62,290)
Payment for repurchase of ordinary shares	-	-	-	-	(37,885)
Repayments of bank borrowings	-	(3,000)	(10,000)	-	-
Repayments of loans from related parties	-	(13,600)	-	-	-
Repayment of a third party loan	-	(2,400)	-	-	-
Interest paid	(670)	(835)	(801)	(793)	-
Cash paid for other financing activities	-	(170)	-	-	-
Net cash generated from/(used in) financing activities	<u>11,830</u>	<u>(17,005)</u>	<u>(801)</u>	<u>(793)</u>	<u>102,895</u>
Net increase in cash and cash equivalents	792	15,846	27,175	499	85,228
Cash and cash equivalents at beginning of year	1,520	2,312	18,158	18,158	45,333
Exchange (losses)/gains on cash and cash equivalents	-	-	-	-	(318)
Cash and cash equivalents at end of year	<u>2,312</u>	<u>18,158</u>	<u>45,333</u>	<u>18,657</u>	<u>130,243</u>

DESCRIPTION OF PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following summarizes components of certain items appearing in the Accountant's Report set out in Appendix I to this prospectus, which we believe will be helpful in understanding the period-to-period discussion that follows below.

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Revenue

During the Track Record Period, we derived our revenue primarily from sales of plate-type DeNOx catalysts in China. Our revenue represents the amount received or receivable for sales of plate-type DeNOx catalysts, net of sales related taxes. We also generated a small portion of revenue from providing environmental protection consulting services upon the request of our clients. Our revenue increased by 464.0% from RMB22.5 million in 2012 to RMB126.9 million in 2013, and further increased by 71.1% to RMB217.1 million in 2014. Our revenue increased from RMB57.1 million for the four months ended April 30, 2014 to RMB79.0 million for the four months ended April 30, 2015, representing an increase of 38.3%. Our revenue is primarily affected by the pricing of our plate-type DeNOx catalysts and our sales volume. During the Track Record Period, the average selling prices of our plate-type DeNOx catalysts per m³ were RMB23,963, RMB24,226, RMB25,080, and RMB22,450, respectively, and our sales volume were 898 m³, 5,237 m³, 8,613 m³, and 3,517 m³, respectively. We consider a number of factors when pricing our products, including the prevailing cost of raw materials at the time of submitting the bidding proposal, the specifications and the technical complexity of the product offered, the prevailing market conditions, competition, credit worthiness of the customers and pricing requirements set out in the bidding documents.

The following table sets forth our revenue generated from sale of goods and provision of services in absolute amount and as percentages of our revenue for the periods presented:

	For the year ended December 31,						Four months ended April 30,			
	2012		2013		2014		2014		2015	
	Revenue (RMB in thousands)	% of revenue %	Revenue (RMB in thousands)	% of revenue %	Revenue (RMB in thousands)	% of revenue %	Revenue (RMB in thousands)	% of revenue %	Revenue (RMB in thousands)	% of revenue %
Sales of goods	21,519	95.7	126,872	100.0	216,010	99.5	55,942	98.0	78,961	100.0
Provision of services ..	956	4.3	-	-	1,132	0.5	1,132	2.0	-	-
Total	<u>22,475</u>	<u>100.0</u>	<u>126,872</u>	<u>100.0</u>	<u>217,142</u>	<u>100.0</u>	<u>57,074</u>	<u>100.0</u>	<u>78,961</u>	<u>100.0</u>
Sales volume (m ³)	898		5,237		8,613		2,081		3,517	
Average selling price of sale of goods per m ³ (RMB)	23,963		24,226		25,080		26,888		22,450	

Revenue generated from sales of goods, which are plate-type DeNOx catalysts, increased continuously during the three years ended December 31, 2014, primarily attributable to the increase in our sales volume during the three years ended December 31, 2014 as a result of the facts that (i) implementation of the Emission Standard drove the increase of the market demand; (ii) our customers increased from two in 2012, to seven in 2013, to 11 in 2014, and to seven in April 2015 due to our selling efforts; and (iii) there is a limited number of competitors due to high technology entry barrier in this industry. During the three years ended December 31, 2014, the continuous increase in average selling price of our plate-type DeNOx catalysts per m³ was primarily due to the emerging market demand stimulated by the Emission Standard. Revenue generated from sales of goods increased from the four

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months ended April 30, 2014 to the four months ended April 30, 2015, primarily attributable to the increase in our sales volume as a result of the continuous increase of the market demand.

Revenue generated from provision of services during the Track Record Period primarily consists of the consulting service we provided for the environmental protection projects for coal-fired power plants. These sales of services was provided upon request of our clients.

Cost of Sales

Our cost of sales primarily consists of raw materials, depreciation and amortization, and employee benefit expenses. Our cost of sales increased by 419.0% from RMB12.6 million in 2012 to RMB65.4 million in 2013, and further increased by 69.3% to RMB110.7 million in 2014. Our cost of sales increased by 78.0% from RMB27.4 million for the four months ended April 30, 2014 to RMB48.8 million for the four months ended April 30, 2015.

The following table sets forth the components of our costs of sales for the periods indicated and as a percentage of total cost of sales:

	For the year ended December 31,						Four months ended April 30,			
	2012		2013		2014		2014		2015	
	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	%
Raw materials . . .	9,829	78.0	54,715	83.6	90,490	81.7	22,117	80.7	39,977	81.9
— Stainless steel mesh	4,224	33.5	21,433	32.7	35,163	31.8	8,672	31.6	15,507	31.8
— TiO ₂	2,387	18.9	14,041	21.5	20,875	18.9	5,531	20.2	8,463	17.3
— AHM	1,127	8.9	5,825	8.9	9,157	8.3	2,297	8.4	3,900	8.0
— Others	2,091	16.6	13,416	20.5	25,295	22.8	5,617	20.5	12,107	24.8
Employee benefit expenses . .	676	5.4	2,687	4.1	5,039	4.5	1,212	4.4	2,401	4.9
Depreciation and amortization	1,011	8.0	2,627	4.0	4,991	4.5	1,139	4.2	2,576	5.3
Others	1,089	8.7	5,419	8.3	10,209	9.2	2,957	10.7	3,864	7.9
Total	<u>12,605</u>	<u>100.0</u>	<u>65,448</u>	<u>100.0</u>	<u>110,729</u>	<u>100.0</u>	<u>27,425</u>	<u>100.0</u>	<u>48,818</u>	<u>100.0</u>

Our cost of raw materials, including but not limited to stainless steel mesh, TiO₂ and AHM represented approximately 78.0%, 83.6%, 81.7% and 81.9% of our cost of sales for the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015, respectively. The increase in the cost of raw materials during the Track Record Period was primarily due to increased production volume driven by increased demand and sales.

Sensitivity Analysis

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in cost of raw materials, which is the critical component of our cost of sales, on our gross profit and our profit after tax

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for the year during the Track Record Period. Fluctuations are assumed to be 5.0%, 10.0% and 15.0% for the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015, respectively, which correspond to the range of historical fluctuations of our cost of raw materials during the Track Record Period.

(RMB in thousands, except percentages)						
Hypothetical Fluctuation on the Cost of Raw Materials	+5%	-5%	+10%	-10%	+15%	-15%
<i>Impact on certain items of as indicated in the consolidated statements of comprehensive income for the year ended December 31, 2012</i>						
Change in gross profit	(491)	491	(983)	983	(1,474)	1,474
Change in net profit	(418)	418	(835)	835	(1,253)	1,253
<i>Impact on certain items of as indicated in the consolidated statements of comprehensive income for the year ended December 31, 2013</i>						
Change in gross profit	(2,736)	2,736	(5,472)	5,472	(8,207)	8,207
Change in net profit	(2,325)	2,325	(4,651)	4,651	(6,976)	6,976
<i>Impact on certain items of as indicated in the consolidated statements of comprehensive income for the year ended December 31, 2014</i>						
Change in gross profit	(4,525)	4,525	(9,049)	9,049	(13,574)	13,574
Change in net profit	(3,846)	3,846	(7,692)	7,692	(11,537)	11,537
<i>Impact on certain items of as indicated in the consolidated statements of comprehensive income for four months ended April 30, 2015</i>						
Change in gross profit	(1,999)	1,999	(3,998)	3,998	(5,997)	5,997
Change in net profit	(1,699)	1,699	(3,398)	3,398	(5,097)	5,097

For the year ended December 31, 2012 and the four months ended April 30, 2015, it is estimated that with a decrease in cost of raw materials of approximately 16.5% and 30.4%, respectively, we would achieve breakeven. For the years ended December 31, 2013 and 2014, it is estimated that with increase in cost of raw materials of approximately 70.3% and 95.6%, respectively, we would achieve breakeven.

Employee benefit expenses represented approximately 5.4%, 4.1%, 4.5% and 4.9% of our total cost of sales for the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015, respectively and mainly consist of salaries and benefits for our employees.

Depreciation and amortization represented approximately 8.0%, 4.0%, 4.5% and 5.3% of our total cost of sales for the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015, respectively and mainly consist of the depreciation of our production facilities and equipments and amortization of our intangible assets. The fluctuation of the depreciation and amortization during the Track Record Period was due to the benefit from economies of scale.

Other cost of sales, including but not limited to utilities charges and office expenses, sales tax and other surcharges, represented approximately 8.7%, 8.3%, 9.2% and 7.9% of our total cost of sales in 2012, 2013 and 2014 and the four months ended April 30, 2015, respectively.

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Gross Profit and Gross Profit Margin

Our gross profit for the years ended December 31, 2012, 2013 and 2014 amounted to RMB9.9 million, RMB61.4 million, and RMB106.4 million, respectively. Our gross profit margin increased from 43.9% in 2012 to 48.4% in 2013, and further increased to 49.0% in 2014, primarily due to (i) the benefit from economies of scale; and (ii) and a slight increase in average selling price of our plate-type DeNOx catalysts per m³ from RMB23,963 in 2012, to RMB24,226 in 2013 and to RMB25,080 in 2014. The continuous increase in the average selling price, despite of the decreasing trend of the prices of our major raw materials, of our plate-type DeNOx catalysts per m³ was primarily due to the emerging market demand stimulated by Emission Standard during the Track Record Period.

Our gross profit for the four months ended April 30, 2014 and the four months ended April 30, 2015 amounted for RMB29.6 million and RMB30.1 million, respectively. Our gross profit margin decreased from 51.9% for the four months ended April 30, 2014 to 38.2% for the four months ended April 30, 2015 primarily due to the decrease in average selling price of our plate-type DeNOx catalysts per m³ from RMB26,888 for the four months ended April 30, 2014 to RMB22,450 for the four months ended April 30, 2015, representing a decrease of 16.5%, mainly due to market competition.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of bidding service fee, consulting service expenses and transportation cost. Our bidding service fee refers to the mandatory fees we incurred for participating in the bidding process. Our consulting service expenses refer to the expense we incurred for the consulting service provided by independent third-party consultants in relation to our business operations, which is conditioned on the award of the bidding contract.

The following table sets forth our selling and distribution expenses for the periods indicated and as a percentage of total selling and marketing expenses:

	For the year ended December 31,						Four months ended April 30,			
	2012		2013		2014		2014		2015	
	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	%
Transportation cost	600	23.3	3,019	40.2	3,843	49.0	808	47.0	369	33.2
Employee benefit expenses	319	12.4	697	9.3	804	10.2	307	17.9	315	28.3
Consulting service expenses	514	20.0	2,480	33.0	2,102	26.8	602	35.0	157	14.1
Bidding service fee	616	24.0	601	8.0	360	4.6	-	-	59	5.3
Others	521	20.3	710	9.5	740	9.4	1	0.1	212	19.1
Total	2,570	100.0	7,507	100.0	7,849	100.0	1,718	100.0	1,112	100.0

Our selling and marketing expenses were RMB2.6 million, RMB7.5 million, and RMB7.8 million for the years ended December 31, 2012, 2013 and 2014, respectively. The increase in our selling and marketing expenses was in line with our increased sales. Our selling and marketing expenses were RMB1.7 million and RMB1.1 million for the four months ended April 30, 2014 and the four months ended April 30, 2015, respectively. The decrease in our selling and marketing expenses was due to the

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decrease in transportation cost as fewer shipments were provided for the four months ended April 30, 2015.

Administrative Expenses

Our administrative expenses mainly consist of employee benefit expenses, depreciation and amortization and research and development expenses.

The following table sets forth our administrative expenses for the periods indicated and as a percentage of total administrative expenses:

	For the year ended December 31,						Four months ended April 30,			
	2012		2013		2014		2014		2015	
	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	%
Share-based compensation expenses	-	-	-	-	-	-	-	-	10,214	43.3
Employee benefit expenses, including directors' emoluments	3,104	38.0	3,045	20.7	3,133	24.3	980	28.9	1,092	4.6
Depreciation and amortization	269	3.3	392	2.7	825	6.4	183	5.4	370	1.6
Provision for impairment of equipment	958	11.7	-	-	1,299	10.1	-	-	-	-
Utilities charges	850	10.4	1,273	8.6	1,371	10.7	374	11.0	307	1.3
Travelling, communication and entertainment charges	699	8.5	939	6.4	1,012	7.9	306	9.0	523	2.2
Research and development expenses	1,156	14.1	2,278	15.4	1,429	11.1	1,065	31.4	293	1.2
Provision for/ (realization of) trade receivables	-	-	4,987	33.8	-	-	-	-	(228)	(1.0)
Listing expenses	-	-	-	-	1,649	12.8	-	-	10,305	43.7
Others ⁽¹⁾	1,144	14.0	1,827	12.4	2,152	16.7	482	14.3	718	3.1
Total	8,180	100.0	14,741	100.0	12,870	100.0	3,390	100.0	23,594	100.0

Note:

(1) Others include rental fee, conference fee and professional service fee.

Our administrative expenses were RMB8.2 million, RMB14.7 million and RMB12.9 million, for the years ended December 31, 2012, 2013 and 2014, respectively. The increase in administrative expenses

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from 2012 to 2013 was primarily due to an increase in the research and development expense and provision for impairment of trade receivables. The research and development expenses we incurred in 2013 was primarily for improving the quality and technological capabilities of our products and the provision for impairment of trade receivables we incurred in 2013 was primarily because one of our customers was experiencing financial difficulty and did not make timely payment. For details, refer to “— Results of Operations — Trade and Bills Receivables” in this section. The decrease in administrative expenses from 2013 to 2014 was primarily due to the decrease in provision for impairment of trade receivables, which is partially offset by the increase in provision for impairment of equipment and listing expenses. The provision for impairment we made in 2012 was for the molding machine for the manufacturing of the stainless steel mesh of an amount of RMB1.0 million and in 2014 was for No. 1 production line, which was ceased operation since January 2014, of an amount of RMB1.3 million. Our administrative expenses were RMB3.4 million and RMB23.6 million for the four months ended April 30, 2014, and the four months ended April 30, 2015, respectively. The increase in administrative expenses was primarily due to the increase of one-off listing expenses of RMB10.3 million and share-based compensation expenses of RMB10.2 million arising from the Repurchase. Further details of such repurchase are set out in the section headed “History, Reorganization and Corporate Structure — Subscription of Shares by BVI Original Shareholders”.

Other Gains — Net

Our other gains — net primarily consist of subsidy income, foreign exchange losses and loss on disposal of property, plant and equipment.

	For the year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
	(RMB in thousands)				
Government subsidies	-	-	650	400	-
Foreign exchange losses	-	-	(205)	-	(318)
Loss of disposal of property, plant and equipment	-	-	(256)	-	-
Others	-	-	-	-	2
	-	-	<u>189</u>	<u>400</u>	<u>(316)</u>
	=	=	=	=	=

Subsidy income we received during the year ended December 31, 2014 primarily comprised financial subsidies we received from local government of Gu’an, Hebei Province, in relation to technology research and development. There are no unfulfilled conditions or contingencies relating to these incomes.

Finance (Costs) / Income — Net

Our finance costs — net primarily consist of finance income and finance costs. Our finance income includes interest income on cash and cash equivalents and restricted cash deposits. Our finance costs includes interest expense on bank borrowings, other borrowings, credit facility charges and the costs for issuance of series A convertible redeemable preferred shares.

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The following table sets forth our net finance expenses for the periods indicated:

	For the year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
	(unaudited)				
	(RMB in thousands)				
Finance income					
Interest income on cash and cash equivalents and restricted cash deposits	71	156	277	153	28
Exchange gains	-	-	-	-	154
	<u>71</u>	<u>156</u>	<u>277</u>	<u>153</u>	<u>182</u>
Finance costs					
Interest expense on bank borrowings	-	(31)	(8)	-	-
Interest expense on borrowings from related parties	(834)	(354)	-	-	-
Interest expense on borrowings from a third party	(130)	(56)	-	-	-
Issuance costs for series A convertible redeemable preferred shares	-	-	-	-	(3,708)
Others	-	(170)	-	-	-
	<u>(964)</u>	<u>(611)</u>	<u>(8)</u>	<u>-</u>	<u>(3,708)</u>
Finance (Costs) / Income — Net	<u>(893)</u>	<u>(455)</u>	<u>269</u>	<u>153</u>	<u>(3,526)</u>

For the three years ended December 31, 2014, the decrease in our finance costs were primarily as a result of repayment of borrowings in 2013. For more details on the borrowings from related parties, please refer to the paragraph headed “— Related Party Transactions — Amounts due to related parties” below.

For the four months ended April 30, 2015, we incurred an expense of RMB3.7 million for the issuance of preferred shares.

Income Tax Expense

Cayman Islands

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands, and accordingly, is exempted from payment of Cayman Islands income tax.

Hong Kong

Enterprises incorporated in Hong Kong are subject to profits tax rates of 16.5% during the Track Record Period. No provision for Hong Kong profits tax has been made as our income neither arose in nor was derived from Hong Kong during the Track Record Period.

PRC

We recorded income tax credit of RMB0.4 million in 2012 due to a loss in 2012, and incurred income tax expense of RMB6.0 million and RMB12.6 million in 2013 and 2014, respectively. We incurred income tax expense of RMB3.6 million and RMB4.0 million for the four months ended April 30, 2014 and the four months ended April 30, 2015, respectively. Our effective income tax rate in 2012, 2013 and 2014 was

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22.3%, 15.5% and 14.7%, respectively. Our effective income tax rate was 14.3% for the four months ended April 30, 2014. We recorded a negative effective income tax rate of 39.2% for the four months ended April 30, 2015, which was primarily because our loss before income tax as a result of the occurrence of listing expenses, share-based compensation expenses and fair value loss of convertible redeemable preferred shares. Our subsidiary, Beijing Denox was recognized as a High and New Technology Enterprise and enjoyed a preferential enterprise income tax rate of 15% for the years ended December 31, 2012, 2013 and 2014. Gu'an Denox is currently subject to an enterprise income tax rate of 25%.

During the Track Record Period, we have made all the required tax filings and have paid all outstanding tax liabilities with the relevant tax authorities in China, and we are not aware of any outstanding or potential dispute with such tax authorities.

Profit/(Loss) for the Year/Period and Net Profit Margin

We recorded a loss of RMB1.4 million for the year ended December 31, 2012, primarily because we incurred a large amount of administrative expense in the early stage of our business. We recorded a profit of RMB32.7 million and RMB73.5 million for the years ended December 31, 2013 and 2014, respectively, primarily due to the increase of our sales volume of plate-type DeNOx catalysts resulting from increased sales orders from new customers. Our net profit margin increased from 25.8% in 2013 to 33.9% in 2014 due to (i) an increase in sales volume; (ii) the benefit from economies of scale; and (iii) a slight increase in average selling price of our plate-type DeNOx catalysts per m³ from RMB24,226 in 2013 to RMB25,080 in 2014.

We recorded a profit of RMB21.5 million for the four months ended April 30, 2014 and a loss of RMB14.3 million for the four months ended April 30, 2015, respectively. Our net profit margin was 37.7% for the four months ended April 30, 2014. Our loss for the four months ended April 30, 2015 was mainly due to (i) a decrease in average selling price of our plate-type DeNOx catalysts per m³ from RMB26,888 for the four months ended April 30, 2014 to RMB22,450 for the four months ended April 30, 2015; and (ii) the occurrence of once-off expenses such as listing expenses of RMB10.3 million, share-based compensation expenses of RMB10.2 million and fair value loss of convertible redeemable preferred shares of RMB11.9 million for the four months ended April 30, 2015.

Other Financial Measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net profit/(loss) as additional financial measures. We present these financial measures because they are used by our management to evaluate our operating performance. We also believe that these financial measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

We define adjusted net profit/(loss) as net income or loss excluding share-based compensation expenses and fair value change of the issuance of preferred shares. Adjusted net profit/(loss) eliminates the effect of non-cash share-based compensation expenses and non-cash fair value change of preferred shares which have been and may continue to be recurring factors in our business prior to the completion of the Global Offering. The term of adjusted net profit/(loss) is not defined under IFRS. The use of adjusted net profit/(loss) has material limitations as an analytical tool, as adjusted net profit/(loss) does not include all items that impact our net loss or income for the year/period.

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RESULTS OF OPERATIONS

Four Months Ended April 30, 2015 Compared to Four Months Ended April 30, 2014

Revenue. Our revenue increased by RMB21.9 million, or 38.3%, from RMB57.1 million for the four months ended April 30, 2014 to RMB79.0 million for the four months ended April 30, 2015. The increase was primarily due to the increased sales volume of our plate-type DeNOx catalysts.

Cost of Sales. Our cost of sales increased by RMB21.4 million, or 78.0%, from RMB27.4 million for the four months ended April 30, 2014 to RMB48.8 million for the four months ended April 30, 2015. The increase was primarily due to the increased demand for raw material associated with the increase in sales volume of our plate-type DeNOx catalysts.

Gross Profit and Gross Profit Margin. As a result of the foregoing, our gross profit increased by RMB0.5 million, or 1.7%, from RMB29.6 million for the four months ended April 30, 2014 to RMB30.1 million for the four months ended April 30, 2015. Our gross profit margin decreased from 51.9% for the four months ended April 30, 2014 to 38.2% for the four months ended April 30, 2015 primarily due to (i) the decrease in average selling price per m³ from RMB26,888 for the four months ended April 30, 2014 to RMB22,450 for the four months ended April 30, 2015 and (ii) the increase in cost of sales per m³.

Selling and Marketing Expenses. Our selling and marketing expenses decreased by RMB0.6 million, or 35.3%, from RMB1.7 million for the four months ended April 30, 2014 to RMB1.1 million for the four months ended April 30, 2015. This decrease was primarily due to the decrease in transportation cost as fewer shipments were provided for the four months ended April 30, 2015.

Administrative Expenses. Our administrative expenses increased by RMB20.2 million, or 596.0%, from RMB3.4 million for the four months ended April 30, 2014 to RMB23.6 million for the four months ended April 30, 2015. This increase was primarily due to the occurrence of listing expenses of RMB10.3 million and share-based compensation expenses of RMB10.2 million.

Finance Costs/Income — Net. We recorded a net finance income of RMB0.2 million for the four months ended April 30, 2014 as compared to a net finance costs of RMB3.5 million for the four months ended April 30, 2015 primarily due to the costs for issuance of preferred shares of RMB3.7 million incurred during the four months ended April 30, 2015.

Income Tax Expenses. Our income tax expense increased by RMB0.4 million, or 12.4%, from RMB3.6 million for the four months ended April 30, 2014 to RMB4.0 million for the four months ended April 30, 2015. Our effective income tax rate was 14.3% for the four months ended April 30, 2014. We recorded a negative effective income tax rate of 39.2% for the four months ended April 30, 2015, which was primarily because we recorded a loss before income tax as result of the occurrence of listing expenses, share-based compensation expenses and fair value loss of convertible redeemable preferred shares.

Profit for the Period and Net Profit Margin. As a result of foregoing, we recorded a net profit of RMB21.5 million for the four months ended April 30, 2014, compared to a net loss of RMB14.3 million for the four months ended April 30, 2015. Our net profit margin was 37.7% for the four months ended April 30, 2014.

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Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenue. Our revenue increased by RMB90.2 million, or 71.1%, from RMB126.9 million in 2013 to RMB217.1 million in 2014. The increase was primarily due to the increase in sales volume of our plate-type DeNOx catalysts as a result of (i) the increased number of our contracts executed in 2014; (ii) our enlarged customer coverage through our selling efforts; and (iii) the increase in market demand after the implementation of the Emission Standard.

Cost of Sales. Our cost of sales increased by RMB45.3 million, or 69.3%, from RMB65.4 million in 2013 to RMB110.7 million in 2014. The increase was primarily due to the increased demand for raw material associated with the increase in sales volume of our plate-type DeNOx catalysts.

Gross Profit and Gross Profit Margin. As a result of the foregoing, our gross profit increased by RMB45.0 million, or 73.3%, from RMB61.4 million in 2013 to RMB106.4 million in 2014. Our gross profit margin increased slightly from 48.4% in 2013 to 49.0% in 2014 primarily due to (i) the increase in average selling price of our plate-type DeNOx catalysts per m³ from RMB24,226 in 2013 to RMB25,080 in 2014 due to emerging market demand stimulated by the Emission Standard; and (ii) the launch of our self designed and assembled No. 3 production line in 2014, which reduced our procurement cost of equipment and enabled us to use less expensive domestic nano-type TiO₂ as raw materials.

Selling and Marketing Expenses. Our selling and marketing expenses increased by RMB0.3 million, or 4.0%, from RMB7.5 million in 2013 to RMB7.8 million in 2014. This increase was primarily due to the increased transportation cost, which resulted from the increased executed sales orders. As we were responsible for the delivery of our products, we bore the transportation cost.

Administrative Expenses. Our administrative expenses decreased by RMB1.8 million, or 12.3%, from RMB14.7 million in 2013 to RMB12.9 million in 2014. This decrease was primarily due to one-off provision for impairment of trade receivables of RMB5.0 million made in 2013, which was partially offset by the listing expense of RMB1.7 million incurred in 2014 and provision for impairment of RMB1.3 million made for our No. 1 production line due to its low production efficiency in 2014.

Other Gains — Net. We recorded a net of other gains of RMB0.2 million for the year ended December 31, 2014, primarily represented the financial subsidies received from local PRC governments in relation to technology research and development.

Finance Costs/Income — Net. We recorded a net finance income of RMB0.3 million for the year ended December 31, 2014 as compared to a net finance cost of RMB0.5 million for the year ended December 31, 2013 primarily due to the decrease of interest expense of borrowings from related parties as working capital which was fully repaid in 2013.

Income Tax Expenses. Our income tax expense increased by RMB6.6 million, or 110.0%, from RMB6.0 million for the year ended December 31, 2013 to RMB12.6 million for the year ended December 31, 2014, which was in line with the increase in our profit before income tax. Our effective tax rate decreased slightly from 15.5% for the year ended December 31, 2013 to 14.7% for the year ended December 31, 2014 due to more super deduction for research and development expenses in 2014.

Profit for the Year and Net Profit Margin. As a result of foregoing, we recorded a net profit of RMB73.5 million for the year ended December 31, 2014, compared to a net profit of RMB32.7 million for the year ended December 31, 2013. Our net profit margin increased from 25.8% in 2013 to 33.9% in 2014.

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Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue. Our revenue increased by RMB104.4 million, or 464.0%, from RMB22.5 million in 2012 to RMB126.9 million in 2013. The increase was primarily due to (i) the increase of sales volume as a result of the increased number of contracts executed in 2013; (ii) the increase in market demand after the implementation of Emission Standard; (iii) our enlarged customer base and industry coverage; and (iv) the increase in selling price of our plate-type DeNOx catalysts.

Cost of Sales. Our cost of sales increased by RMB52.8 million, or 419.0%, from RMB12.6 million in 2012 to RMB65.4 million in 2013. The increase primarily due to the increased demand for raw material associated with the increase in sales volume of our plate-type DeNOx catalysts.

Gross Profit and Gross Profit Margin. As a result of the foregoing, our gross profit increased by RMB51.5 million, or 520.2%, from RMB9.9 million in 2012 to RMB61.4 million in 2013. Our gross profit margin increased from 43.9% in 2012 to 48.4% in 2013 primarily due to (i) the increase in average selling price of our plate-type DeNOx catalysts per m³ from RMB23,963 in 2012 to RMB24,226 in 2013; and (ii) the economies of scale.

Selling and Marketing Expenses. Our selling and marketing expenses increased by RMB4.9 million, or 188.5%, from RMB2.6 million in 2012 to RMB7.5 million in 2013. This increase was primarily due to (i) the increase in transportation cost as we were responsible for the delivery of our products and our sales increased significantly in 2013; and (ii) the increase in consulting service expenses, which was in line with the expansion of our operations.

Administrative Expenses. Our administrative expenses increased by RMB6.5 million, or 79.3%, from RMB8.2 million in 2012 to RMB14.7 million in 2013. This increase was primarily due to (i) the increase in research and development expenses which was relating to the upgrade of our catalyst formula and production technique; and (ii) provision for impairment of trade receivables because trade receivables due from one of our customers, who was experiencing financial difficulty, did not make timely payment.

Finance Cost/Income — Net. Our finance costs — net decreased by RMB0.4 million, or 44.4%, from RMB0.9 million in 2012 to RMB0.5 million in 2013 due to the decrease in interest expense charged from related parties as all of the borrowings had been repaid in the 1st half of 2013.

Income Tax Expenses. We recorded an income tax credit of RMB0.4 million in 2012 and an income tax expense of RMB6.0 million in 2013. Our effective tax rate decreased from 22.3% for the year ended December 31, 2012 to 15.5% for the year ended December 31, 2013, which was primarily due to the profit contributed by Beijing Denox which enjoyed a preferential enterprise income tax rate of 15%.

Profit for the Year and Net Profit Margin. As a result of foregoing, we recorded a net profit of RMB32.7 million in 2013, compared to a net loss of RMB1.4 million in 2012. Our net profit margin in 2013 is 25.8%.

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DESCRIPTION OF CERTAIN ITEMS IN THE CONSOLIDATED BALANCE SHEETS

Inventories

Our inventories comprise of raw materials, work-in-progress, finished goods and goods in transit. The following table sets forth a breakdown of our inventory balance as of the years indicated:

	As of December 31,			As of
	2012	2013	2014	April 30, 2015
	(RMB in thousands)			
Raw materials	3,740	19,504	17,995	15,361
Work-in-progress	3,560	1,682	2,130	5,109
Finished goods	16,515	29,536	10,200	20,100
Goods in transit	850	52,448	64,730	30,159
Less: provision	-	-	-	(4,169)
Total	<u>24,665</u>	<u>103,170</u>	<u>95,055</u>	<u>66,560</u>

Our inventories increased from RMB24.7 million as of December 31, 2012 to RMB103.2 million as of December 31, 2013, primarily because (i) the market demand has substantially increased due to the implementation of Emission Standard and we increased the inventory level to accommodate the increased orders we received in 2013; (ii) we had a large amount of products due at the beginning of 2014, and we therefore scheduled the production of those products in advance at the end of 2013, which resulted in the high inventory level of raw materials, work-in-progress and finished goods at the end of 2013; and (iii) increased delivery of finished goods upon clients' requests.

Our inventories as of December 31, 2014 were relatively stable as compared to that of December 31, 2013. A large amount of our inventories were goods in transit in 2013 and 2014, which were delivered to the designated places of customers for installation and quality check but had not received the preliminary acceptance certificates from the customers. We understand such situation is consistent with our past customer experience during the Track Record Period as well as industry norm. Please refer to the section headed "Business — Inventories" for more details.

Our inventories decreased from RMB95.1 million as of December 31, 2014 to RMB66.6 million as of April 30, 2015, primarily because the goods in transit brought forward from end of 2014 were recognized as cost of sales during the four months ended April 30, 2015. We made a provision of RMB4.2 million as of April 30, 2015 primarily as a result of certain sales were made below the costs due to market competition. It is noted that the recent market price of plate-type DeNOx catalysts starts to rebound after market consolidation, which resulted from the merger and acquisition of market players in market under price competition.

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Inventory Aging Analysis

The following table sets forth our average inventory turnover days for the periods indicated:

	<u>Year ended December 31,</u>			<u>Four months ended</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>April 30, 2015</u>
Inventory turnover days ⁽¹⁾	357.1	356.5	326.7	198.6
Inventory turnover days (excluding goods in transit) ⁽²⁾	344.8	207.8	133.6	82.0

Notes:

- (1) *Turnover days of inventories for a certain period is the arithmetic mean of the opening and closing balances of inventories after provision of impairment for the relevant period divided by costs of sales for the relevant period and multiplied by 365 for each year or 120 for four months ended April 30, 2015.*
- (2) *Turnover days of inventories (excluding goods in transit) for a certain period is the arithmetic mean of the opening and closing balances of inventories (excluding goods in transit) after provision of impairment for the relevant period divided by cost of sales for the relevant period and multiplied by 365 for each year or 120 for four months ended April 30, 2015.*

The relatively long inventory turnover days were due to large amount of goods in transit. Goods in transit refer to the finished goods which have been delivered to the places designated by customers for installation and quality check. We understand such situation is consistent with the industry norm and please refer to the section headed “Business — Inventories” for more details. The constant decrease in average turnover days of inventory (excluding goods in transit) was because we further improved the management of our supply chain and better understood the needs of our customers so that we could better schedule the production to decrease the inventory turnover days.

As of April 30, 2015, our inventories were RMB66.6 million, approximately RMB26.3 million or 39.5% of which had been sold as of August 31, 2015.

Trade and Bills Receivables

Our trade and bills receivables mainly represented the amount due from our customers in the ordinary course of business and our bill receivables consist primarily of promissory notes issued to us by banks and other financial institutions for our customers in lieu of cash payment. Our customers usually made payments to us within 30 days after we issue the commercial invoices to customers. Our gross trade and bills receivables increased by 388.9% from RMB1.8 million as of December 31, 2012 to RMB8.8 million as of December 31, 2013, and increased by 252.3% to RMB31.0 million as of December 31, 2014, and further increased by 55.8% to RMB48.3 million as of April 30, 2015.

The table below sets forth a breakdown of our trade and bill receivables as of the dates indicated:

	<u>As of December 31,</u>			<u>As of</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>April 30,</u>
	(RMB in thousands)			<u>2015</u>
Bills receivables	600	-	16,901	5,300
Trade receivables	1,150	8,839	14,122	43,023
	1,750	8,839	31,023	48,323
Less: provision for impairment	-	(4,987)	(4,987)	(4,759)
Total	<u>1,750</u>	<u>3,852</u>	<u>26,036</u>	<u>43,564</u>

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Aging Analysis of Trade Receivables

The following is an ageing analysis of our trade receivables as of the dates indicated:

	As of December 31,			As of
	2012	2013	2014	April 30, 2015
	(RMB in thousands)			
Less than 3 months	1,150	-	2,717	23,874
3 months to 6 months	-	-	-	8,238
6 months to 1 year	-	8,839	6,418	5,785
1 to 2 years	-	-	4,987	5,126
Total	1,150	8,839	14,122	43,023

As of August 31, 2015, RMB11.4 million or 26.5% of our trade receivables as of April 30, 2015 were subsequently settled.

The following is an ageing analysis of our past due but not impaired trade receivables as of the dates indicated:

	As of December 31,			As of
	2012	2013	2014	April 30, 2015
	(RMB in thousands)			
Less than 6 months	-	-	2,717	13,962
6 months to 1 year	-	-	2,302	2,536
Total	=	=	5,019	16,498

In determining the recoverability of trade receivables, we consider any significant change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Our customers usually made payment to us within 30 days after we issue the commercial invoices to customers. In 2013, we made a provision for impairment of trade receivables in the amount of RMB5.0 million, which was primarily because one of our customers, which is a provincial coal-fired power plant, was experiencing financial difficulties and did not make timely payment. We are taking legal action to seek the recovery of such outstanding payment. We do not have any further ongoing business with this customer. Other than that, based on the credit worthiness, the past experiences and review of the operating situation with the customers, our Directors are of the view that past due trade receivables were not impaired and the balances are considered fully recoverable.

The ageing of bills receivables is within 180 days.

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The following table sets forth the average turnover days of our trade and bill receivables for the years indicated:

	Year ended December 31,			Four months ended April 30, 2015
	2012	2013	2014	
Turnover days of trade and bills receivables ⁽¹⁾	14.2	8.1	25.1	52.9

Note:

(1) Turnover days of trade and bills receivables for a certain period is the arithmetic mean of the opening and closing balances of trade and bills receivables after provision for impairment for the relevant period divided by revenue for the relevant period and multiplied by 365 for each year or 120 for four months ended April 30, 2015.

Turnover days of trade and bills receivables were 14.2 days, 8.1 days, 25.1 days, and 52.9 days for 2012, 2013 and 2014 and for the four months ended April 30, 2015, respectively. The increase in turnover days of trade and bills receivables from 8.1 days for 2013 to 25.1 days for 2014 as we had approximately RMB16.9 million of the bank acceptance notes from our customers as of December 31, 2014 while we had nil balance as of December 31, 2013. The increase in turnover days of trade and bills receivables from 25.1 days for 2014 to 52.9 days for the four months ended April 30, 2015 primarily due to the increase in trade receivables for less than 3 months as a result of an increased amount of sales were recognized for the four months ended April 30, 2015.

We have not experienced any material default or cancellation of sales contracts by customers during the Track Record Period and up to the Latest Practicable Date.

Intangible Assets

Our intangible assets include patent rights and technical know-how. As of December 31, 2012, 2013 and 2014 and four months ended April 30, 2015, our intangible assets were RMB10.0 million, RMB8.7 million, RMB7.4 million and RMB6.9 million, respectively.

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Prepayments, Deposits and Other Receivables

The table below sets forth a breakdown of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of
	2012	2013	2014	April 30, 2015
	(RMB in thousands)			
Current assets				
Value-added tax recoverable	5,110	-	518	56
Prepayments to suppliers	788	14,832	412	7,657
Staff advance	339	313	80	324
Deposits as guarantee for bidding	255	370	3,550	1,680
Prepaid employees' housing subsidy	-	420	410	410
Deferred listing expenses	-	-	293	3,513
Amount due from related party	-	-	306	340
Amount due from a third party agent	-	-	-	927
Receivables of withholding individual income tax due to the transfer of 100% equity interests in Beijing Denox in the Reorganization	-	-	-	2,598
Others	108	249	256	592
	<u>6,600</u>	<u>16,184</u>	<u>5,825</u>	<u>18,097</u>
Long-term Prepayments				
Long-term prepaid expenses	-	2,375	1,858	1,719
Prepayments for acquisition of property, plant and equipment	311	517	72	112
Total	<u>311</u>	<u>2,892</u>	<u>1,930</u>	<u>1,831</u>
	<u>6,911</u>	<u>19,076</u>	<u>7,755</u>	<u>19,928</u>

Our value-added tax recoverable was RMB5.1 million in 2012 because our sales in 2012 was relatively small and we incurred a significant amount to purchase raw materials and machineries to prepare for the expansion of our production.

Our prepayments to suppliers substantially increased from RMB0.8 million in 2012 to RMB14.8 million in 2013 because in order to meet the delivery schedule of a large amount of products due in early 2014, we engaged a new supplier to provide TiO₂ in 2013 and we made a substantial prepayment to this supplier with an aim to secure the procurement of TiO₂. Such prepayment was settled in 2014. Our prepayment to suppliers increased to RMB7.7 million as of April 30, 2015 from RMB0.4 million as of December 31, 2014 primarily due to the prepayment made to the suppliers in the first quarter to secure the supply of the raw materials in 2015.

Our deposits as guarantee for bidding substantially increased from RMB0.4 million as of December 31, 2013 to RMB3.6 million as of December 31, 2014 due to the increase in the number of biddings in which we participated for the year ended December 31, 2014. Our deposits as guarantee for bidding decreased to RMB1.7 million as of April 30, 2015 primarily due to deposits refunded from earlier projects and less projects initiated for biddings during slack season, i.e. four months ended April 30, 2015.

Our prepaid employees' housing subsidy refers to the benefits in kind we provided to some senior management members and key technical staffs. Long-term prepaid expenses mainly include housing subsidy of our employees which are expected to be settled for at least 12 months after each reporting date.

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Our amount due from related party amounted to RMB0.3 million and RMB0.3 million as of December 31, 2014 and April 30, 2015, respectively, which represented our unpaid share capital and has been settled as of the Latest Practicable Date.

Trade Payables

Our trade payables mainly represent the balance due to our suppliers of raw materials to which we are generally granted credit terms ranging from 30 days to 90 days.

The table below sets forth the amounts of our trade payables as of the dates indicated:

	As of December 31,			As of
	2012	2013	2014	April 30, 2015
	(RMB in thousands)			
Trade Payables	2,732	9,716	9,018	10,676

Our trade payables as of April 30, 2015 increased by 18.4% to RMB10.7 million for the four months ended April 30, 2015 from RMB9.0 million in 2014 whereas our turnover days of trade payables remained around 30 days. Our trade payables as of December 31, 2014 decreased by 7.2% to RMB9.0 million in 2014 from RMB9.7 million in 2013 primarily due to our accelerated payments to supplies. Our trade payables increased by 259.3% to RMB9.7 million as of December 31, 2013 from RMB2.7 million as of December 31, 2012 primarily because we increased our purchase from suppliers due to our expansion of production.

Aging Analysis of Trade Payables

The following is an ageing analysis of our trade payables as of the dates indicated:

	As of December 31,			As of
	2012	2013	2014	April 30, 2015
	(RMB in thousands)			
Within 6 months	2,707	9,388	7,888	9,716
6 months to 1 year	25	328	1,028	564
1 to 2 years	-	-	102	396
Total	2,732	9,716	9,018	10,676

As of August 31, 2015, RMB8.6 million or 80.6% of our trade payables as of April 30, 2015 were subsequently settled.

The following table sets forth the turnover days of our trade payables for the periods indicated:

	Year ended December 31,			Four months ended
	2012	2013	2014	April 30, 2015
Turnover days of trade payables ⁽¹⁾	39.6	34.7	30.9	24.2

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Note:

(1) Turnover days of trade payables for a certain period is the arithmetic mean of the opening and closing balances of trade payables for the relevant period divided by the cost of sales for the relevant period and multiplied by 365 for each year or 120 for four months ended April 30, 2015.

The decrease in turnover days of trade payables was primarily due to (i) the expansion of our business and the increase in our working capital; and (ii) the acceleration of payment in order to secure the price and supply of the raw materials.

Advances from Customers

Our advances from customers include down payment from our customers. We typically receive payments in four or five installments, including down payment ranging from 10% to 30% of the total payment, payment made on the progress of the project ranging from nil to 30%, payment made upon delivery ranging from 30% to 70%, payment made after acceptance of products ranging from 10% to 20% and quality assurance payment to be paid at the end of the warranty period ranging from 5% to 10%. As of December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015, our advances from customers were RMB37.5 million, RMB122.4 million, RMB64.5 million and RMB22.8 million, respectively. The amount of advances from customers increased significantly from RMB37.5 million as of December 31, 2012 to RMB122.4 million as of December 31, 2013. Our customers made advance payment to secure their orders, as the demand for plate-type DeNOx catalysts increased as a result of the implementation of the Emission Standard. The amount of advance from customers decreased from RMB122.4 million as of December 31, 2013 to RMB64.5 million as of December 31, 2014 mainly because an increase in the supply of the domestic plate-type DeNOx catalysts in the PRC market reduced the need for customers to make large advance payments to secure supply. The amount of advances from customers decreased from RMB64.5 million as of December 31, 2014 to RMB22.8 million as of April 30, 2015, and was mainly because less orders were received during the slack season for the first quarter of 2015.

Accruals and Other Payables

	As of December 31,			As of
	2012	2013	2014	April 30, 2015
	(RMB in thousands)			
Current liabilities				
Payables for purchases of property, plant and equipment	2,808	2,660	1,440	1,212
Borrowing from a third party	2,709	364	-	-
Payables for purchases of land use right	2,573	2,573	2,573	2,573
Payroll and welfare payables	735	1,800	2,084	1,966
Accruals and payables for utilities and transportation fee	266	937	1,569	765
Warranty provision	108	627	1,080	1,195
Value-added and other taxes payables	1	1,660	435	1,571
Payables in relation to the acquisition of Beijing Denox	-	-	9,343	-
Accruals and payables for listing expenses	-	-	1,356	9,268
Payables for consulting service fee	-	-	808	808
Payables for the transaction cost in relation to issuance of Series A convertible redeemable preferred shares	-	-	-	2,318
Others	529	247	300	249
	<u>9,729</u>	<u>10,868</u>	<u>20,988</u>	<u>21,925</u>
Other non-current liabilities				
Deferred income	-	-	1,900	1,900
	<u>9,729</u>	<u>10,868</u>	<u>22,888</u>	<u>23,825</u>

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Payables in relation to the acquisition of Beijing Denox refer to the payables to those who are not related parties of the Company, including Mr. Lin Mingwang, Ms. Xu Han and Ms. Mou Peiyao, in relation to the acquisition of Beijing Denox by HK Denox. Please refer to the section headed “History, Reorganization and Corporate Structure — Reorganization — Acquisition of Beijing Denox and Gu’an Denox” for more details. Such payables have been settled in April 2015 through self-raising fund and proceeds from our Pre-IPO investment.

Payables for purchases of land use rights refers to the remaining payment of purchase of land use rights of the land in Gu’an, Hebei Province where our production facilities are located. According to the land use right purchase agreement dated July 26, 2010, the purchase price for the land use right is RMB8,578,000 in total. The first installment payment of RMB6,004,600 has been settled within five business days upon the execution of the land use right purchase agreement. The second installment payment of RMB2,573,400 shall be settled within five days upon receiving the payment notice from the seller. As of December 2014, Gu’an Denox has not received the payment notice requesting for the second installment payment. The land use right purchase agreement (土地使用權轉讓協議) was executed between Gu’an Denox and a company authorized to represent Hebei Gu’an Industrial Park Management Committee to execute such land use right purchase agreement (the “**Seller**”). The Seller is principally engaged in the construction and development of industrial park and is indirectly and wholly owned by a non-state-owned company listed on the Shanghai Stock Exchange. In addition, according to the investment agreement executed between Gu’an Denox and Hebei Gu’an Industrial Park Management Committee (the “**Investment Agreement**”) (入區協議), Gu’an Denox should execute the land use right purchase agreement with the Seller and is entitled to a rebate from the Seller in the amount of 20% of the total consideration of the land use rights once the total investment in fixed assets by Gu’an Denox exceeds RMB1.2 million per Mu. As of the Latest Practicable Date, Gu’an Denox has achieved such total investment in the fixed assets and therefore is entitled to a rebate from the Seller. The Company understands that the Seller is in the course of processing the final amount payable by Gu’an Denox, having regard to the rebate which may be offset against the second installment payment. As advised by our PRC legal advisors, Tian Yuan Law Firm, the prolonged settlement was not in violation of any applicable laws or regulations in China. Given that (i) the Investment Agreement has been duly executed and is valid and (ii) the land transferring fee has been settled in full to Gu’an County Bureau of Land and Resources, the rebate from the Seller in the amount of 20% of the total consideration for the conveyance of the land use rights from the Seller to us did not reduce nor was in any way relevant to the land transferring fee paid to Gu’an County Bureau of Land and Resources, our PRC legal advisors, Tian Yuan Law Firm, advised us that the rebate arrangement under the Investment Agreement was not in violation and is not a circumvention of the applicable laws or regulations in China.

Deferred income refer to the grants provided by the local government of Gu’an to us to support our new project development in relation to a construction project. This government grant will be credited to the consolidated comprehensive income statements on a straight-line basis over the expected lives of the related assets.

Payables for the transaction costs in relation to issuance of Series A convertible redeemable preferred shares refer to the commission for issuance of preferred shares. Please refer to the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments — Pre-IPO Investments by the Series A Investors” for more details.

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LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, our liquidity requirements primarily relate to our working capital needs, expansion and upgrade of our production facilities and equipment. During the Track Record Period, our principal sources of liquidity were cash generated from our operations and capital injection from our equity holders. Going forward, we intend to fund our working capital and other capital requirements through a combination of cash flow generated from operating activities, other financial activities, bank borrowings and part of the net proceeds from the Global Offering.

Cash Flow

Consolidated Cash Flows Statements

	Year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
	(unaudited)				
	(RMB in thousands)				
Cash flows from operating activities					
Cash generated from operations	12,825	46,821	34,505	2,855	(15,233)
Interest received	71	156	277	153	28
Income tax paid	-	(26)	(5,466)	(4,051)	(4,099)
Net cash generated from/(used in) operating activities	12,896	46,951	29,316	(1,043)	(19,304)
Cash flows from investing activities					
Purchase of land use rights	-	-	-	-	(490)
Purchases of property, plant and equipment	(17,389)	(12,690)	(6,240)	(1,230)	(523)
(Increase in)/decrease of pledged deposits	(5,469)	(1,410)	2,964	3,565	2,650
Purchases of intangible assets	(1,076)	-	-	-	-
Proceeds from government grant	-	-	1,900	-	-
Proceeds from disposals of property, plant and equipment	-	-	36	-	-
Net cash (used in)/generated from investing activities	(23,934)	(14,100)	(1,340)	2,335	1,637
Cash flows from financing activities					
Proceeds from bank borrowings	-	3,000	10,000	-	-
Capital injection by equity holders	12,500	-	-	-	62,723
Proceeds from issuance of Series A convertible redeemable preferred shares	-	-	-	-	140,347
Distribute of equity holders for Reorganization	-	-	-	-	(62,290)
Payment for repurchase of ordinary shares	-	-	-	-	(37,885)
Repayments of bank borrowings	-	(3,000)	(10,000)	-	-
Repayments of loans from related parties	-	(13,600)	-	-	-
Repayment of a third party loan	-	(2,400)	-	-	-
Interest paid	(670)	(835)	(801)	(793)	-
Cash paid for other financing activities	-	(170)	-	-	-
Net cash generated from/(used in) financing activities	11,830	(17,005)	(801)	(793)	102,895
Net increase in cash and cash equivalents	792	15,846	27,175	499	85,228
Cash and cash equivalents at beginning of year/period	1,520	2,312	18,158	18,158	45,333
Exchange (losses) on cash and cash equivalents	-	-	-	-	(318)
Cash and cash equivalents at end of year/period	2,312	18,158	45,333	18,657	130,243

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Cash Flows from Operating Activities

For the four months ended April 30, 2015. Our net cash used in operating activities was RMB19.3 million for the four months ended April 30, 2015, primarily attributable to (i) a decrease in advance from customers of RMB41.7 million because fewer orders were received during the slack season for the first quarter of 2015; and (ii) an increase in trade and bills receivables of RMB17.3 million as a result of an increased amount of sales were recognized for the four months ended April 30, 2015, partially offset by (i) a decrease in inventories of RMB24.3 million due to the goods in transit brought forward from end of December 2014 were recognized as cost of sales during the four months ended April 30, 2015; and (ii) operating profits before working capital changes of RMB21.7 million after the adjustments of non-cash expenses of RMB28.5 million and finance costs of RMB3.5 million.

For the year ended December 31, 2014. Our net cash generated from operating activities was RMB29.3 million in 2014, primarily attributable to the cash generated from operations of RMB34.5 million, partially offset by income tax of RMB5.5 million paid in China. Operating profits before working capital changes was RMB93.4 million after the adjustments of non-cash expenses and income of RMB7.2 million. The decrease in working capital of RMB58.9 million was primary due to (i) a decrease in advance from customers of RMB57.9 million because an increase in the supply of domestic plate-type DeNOx catalysts in the PRC market reduced the need for customers to make large advance payments to secure supply; and (ii) an increase in trade and bills receivables of RMB22.2 million due to the increase in our sales.

For the year ended December 31, 2013. Our net cash generated from operating activities was RMB47.0 million in 2013, primarily attributable to the cash generated from operations of RMB46.8 million. Operating profits before working capital changes was RMB48.9 million after the adjustments of non-cash expenses and income of RMB10.1 million. The decrease in working capital of RMB2.0 million was primary due to (i) an increase in advance from customers of RMB84.9 million due to the fact that our customers made advance payment to secure their orders, as the demand for plate-type DeNOx catalysts increased as a result of the implementation of the Emission Standard; (ii) an increase in inventories of RMB78.5 million due to the expansion of our production in the end of 2013 in order to meet the delivery and installation schedule of a large amount of products which were due in January 2014 and; (iii) an increase in prepayments, deposits and other receivables of RMB12.0 million due to the increased amount of prepayment to supplier resulting from the down payment we made to a new supplier to secure the procurement of TiO₂.

For the year ended December 31, 2012. Our net cash generated from operating activities was RMB12.9 million in 2012, primarily attributable to the cash generated from operations of RMB12.8 million. Operating profits before working capital changes was RMB3.0 million after the adjustments of non-cash expenses and income of RMB4.8 million. The increase in working capital of RMB9.8 million was primary due to (i) an increase in advance from customers of RMB37.5 million due to the increased number of orders we received in 2012; and (ii) an increase in inventories of RMB24.7 million due to our expansion of production.

Cash Flows from Investing Activities

For the four months ended April 30, 2015. Our net cash generated from investing activities was RMB1.6 million for the four months ended April 30, 2015, primarily consisted of decrease of pledged deposits of RMB2.7 million due to the release of letters of guarantee upon the completion of related projects during the four months ended April 30, 2015., partially offset by purchase of land use rights of RMB0.5 million.

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For the year ended December 31, 2014. Our net cash used in investing activities was RMB1.3 million in 2014, primarily consisted of purchase of property, plant and equipment of RMB6.2 million for the construction of our expanded production facility and newly added No. 3 production line in 2014, partially offset by (i) the received government grant amounting to RMB1.9 million; and (ii) settlement of pledged deposit amounting to RMB3.0 million.

For the year ended December 31, 2013. Our net cash used in investing activities was RMB14.1 million in 2013, primarily consisted of purchase of property, plant and equipment of RMB12.7 million for part of our No. 2 and No. 3 production lines and construction of office building.

For the year ended December 31, 2012. We had net cash used in investing activities was RMB23.9 million in 2012, primarily consisted of (i) purchase of property, plant and equipment of RMB17.4 million for the construction of our production facilities in Gu'an and a part of our imported No. 2 production line; and (ii) increased in the pledged deposit of RMB5.5 million.

Cash Flows from Financing Activities

For the four months ended April 30, 2015. Our net cash generated from financing activities was RMB102.9 million primarily due to proceeds from issuance of convertible redeemable preferred shares of RMB140.3 million, which was partially offset by payment for repurchases of ordinary shares of RMB37.9 million.

For the year ended December 31, 2014. Our net cash used in financing activities was RMB0.8 million in 2014 primarily due to interest paid to Mr. Li Xingwu for the related party loan.

For the year ended December 31, 2013. Our net cash used in financing activities was RMB17.0 million in 2013, primarily attributable to repayment of related party loans of RMB13.6 million and a third party loan of RMB2.4 million which was used as working capital.

For the year ended December 31, 2012. Our net cash generated from financing activities was RMB11.8 million in 2012, primarily attributable to the capital injection by equity holders of RMB12.5 million.

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Net Current Assets/Liabilities

	As of December 31,			As of	As of
	2012	2013	2014	April 30, 2015	August 31, 2015
	(RMB in thousands)				(unaudited)
Current Assets					
Inventories	24,665	103,170	95,055	66,560	58,548
Trade and bills receivables	1,750	3,852	26,036	43,564	48,913
Prepayments, deposits and other receivables	6,600	16,184	5,825	18,097	24,094
Restricted cash	1,105	5,484	3,628	996	1,566
Cash and cash equivalents	2,312	18,158	45,333	130,243	104,793
Total current assets	<u>36,432</u>	<u>146,848</u>	<u>175,877</u>	<u>259,460</u>	<u>237,914</u>
Current Liabilities					
Trade payables	2,732	9,716	9,018	10,676	3,819
Advances from customers	37,482	122,374	64,516	22,830	14,255
Accruals and other payables	9,729	10,868	20,988	21,925	18,667
Amount due to related parties	14,479	429	52,947	-	-
Current income tax liabilities	-	6,103	13,464	13,902	7,575
Total current liabilities	<u>64,422</u>	<u>149,490</u>	<u>160,933</u>	<u>69,333</u>	<u>44,316</u>
Net current assets/(liabilities)	<u>(27,990)</u>	<u>(2,642)</u>	<u>14,944</u>	<u>190,127</u>	<u>193,598</u>

We had net current liabilities of RMB28.0 million and RMB2.6 million as of December 31, 2012 and 2013, and net current assets of RMB14.9 million and RMB190.1 million as of December 31, 2014 and April 30, 2015, respectively. We had net current assets of approximately RMB193.6 million as of August 31, 2015, being the latest practicable date for liquidity disclosure purposes. The net current liability position as of December 31, 2012 was primarily due to (i) advances from customers of RMB37.5 million; and (ii) amount due to related parties in the amount of RMB14.5 million to finance the purchase of fixed assets.

Our net current liabilities decreased to RMB2.6 million as of December 31, 2013, primarily attributable to (i) an increase in inventories due to the increase in finished goods and raw materials, which resulted from the expansion of our business; and (ii) an increase in advances from customers due to the increase in prepayments from customers to secure our products supply.

Our net current assets increased to RMB14.9 million as of December 31, 2014, primarily attributable to (i) the increase in cash and cash equivalent due to our sustainable profit growth; (ii) a decrease in advances from customers because an increase in the supply of domestic plate-type DeNOx catalysts in the PRC market reduced the need for customers to make large advanced payments to secure supply; and (iii) an increase in trade and bills receivables due to increase in revenue and our bank acceptance notes held on hand as of December 31, 2014, and partially offset by an increase in accruals and other payables due to the increase in amounts due to related parties as a part of our Reorganization.

Our net current assets increased from RMB14.9 million as of December 31, 2014 to RMB190.1 million as of April 30, 2015, primarily attributable to cash received from issuance of preferred shares of RMB140.3 million.

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Our net current assets as of August 31, 2015 remained relatively stable as compared to that of April 30, 2015.

RELATED PARTY TRANSACTIONS

We entered into certain transactions with related parties from time to time. For details of our significant related party transactions during the Track Record Period, please refer to Note 29 in the Accountant's Report in Appendix I to this prospectus. Our Directors are of the view that each of the related party transactions set out in Note 29 to the Accountant's Report in Appendix I was conducted in the ordinary course of business on an arm's length basis between the relevant parties, and would not distort our track record results or make our historical results not reflective of our future performance.

Amount Due to Related Parties

As of December 31, 2012, 2013 and 2014, the amount due to related parties were RMB14.5 million, RMB0.4 million and RMB52.9 million, respectively. The amount due to related parties as of December 31, 2012, 2013 and 2014 primarily consisted of principal and interests payable for shareholders loans and payables in relation to the acquisition of Beijing Denox. As of the April 30, 2015, our amount due to related parties were fully settled.

Since 2011, Mr. Li Xingwu, our non-executive Director and shareholder provided shareholder loans to Beijing Denox with a total amount of RMB13.6 million. Such loans were unsecured, bore interest rate ranging from 5.40% to 6.65% per annum and were fully repaid in 2013.

In 2013, Ms. Zhao Shu, our Chairlady and Controlling Shareholder and Mr. Kong Hongjun, our executive Director and shareholder provided the loans to Gu'an Denox with amounts of RMB0.4 million and RMB0.2 million, respectively. Such loans were unsecured, bore interest rate at 5.60% per annum and had been fully repaid during the same year.

As advised by our PRC legal advisors, Tian Yuan Law Firm, our borrowings from related parties were in compliance with relevant PRC laws.

Guarantee Provided by Related Parties

The guarantees provided by related parties as of December 31, 2014 and April 30, 2015 primarily consisted of the personal guarantee provided by three shareholders, being Ms. Zhao Shu, Mr. Liu Lianchao and Mr. Kong Hongjun of the Company. Such personal guarantee has been released in May 2015.

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CAPITAL EXPENDITURE

We incur capital expenditures to expand our operations, maintain our equipment and increase our operating efficiency. The following table sets forth our historical capital expenditures for the periods indicated:

	Year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
	(RMB in thousands)				
Purchase of property, plant and equipment	17,389	12,690	6,240	1,230	523
Purchase of intangible assets	1,076	-	-	-	-
Total	<u>18,465</u>	<u>12,690</u>	<u>6,240</u>	<u>1,230</u>	<u>523</u>

We anticipate our capital expenditure to increase as we expand our product range and related production capacities to capture new business opportunities. Please refer to the section headed “Business — Production — Expansion Plan” for more details. Our capital expenditures for the years ending December 31, 2015, 2016 and 2017 are expected to be approximately RMB37.7 million, RMB93.0 million and RMB123.9 million, respectively, for the purpose of the development of production of DeNOx catalysts for diesel-powered vehicles, purchase of a new production line for the manufacturing of plate-typed DeNOx catalysts and potential acquisition of suppliers of our key raw materials. We expect to fund these capital needs by our cash and bank balances, cash generated from operations and a portion of the proceeds from the Global Offering. Please refer to the section headed “Future Plans and Use of Proceeds” for more details.

CAPITAL COMMITMENT

As of December 31, 2012, 2013 and 2014, and April 30, 2015 the capital commitment was nil, RMB2.0 million, nil, and RMB2.7 million, respectively. The capital commitment as of December 31, 2013 and April 30, 2015 was made for the expansion of our production facilities.

OPERATING LEASE COMMITMENT

The operating lease commitment relates to our leases of office in Beijing.

The following table sets forth our operating lease commitments under non-cancellable operating leases for the dates indicated:

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	(RMB in thousands)			
No later than 1 year	<u>728</u>	<u>546</u>	<u>546</u>	<u>363</u>

WORKING CAPITAL

Taking into account the financial resources available to us, including the cash flow from operating activities and the estimated net proceeds from the Global Offering, our Directors, after due and careful

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enquiry, are of the opinion that we have sufficient working capital for its present requirements for at least 12 months from the date of this prospectus.

INDEBTEDNESS

Other Borrowings

As of December 31, 2012, the outstanding balances of unsecured borrowings from the then shareholders of Beijing Denox were RMB16.0 million, with the weighted average effective interest rate ranging from 5.4% to 6.65% per annum. No borrowing from bank was recorded as of December 31, 2012, 2013 and 2014, April 30, 2015 and August 31, 2015.

As of December 31, 2012, 2013, 2014, April 30, 2015 and August 31, 2015, we had bank guarantees of RMB5.5 million, RMB12.8 million, RMB13.9 million, RMB5.4 million and RMB5.7 million, respectively, in favor of our customers with respect to the contract penalties or obligations in connection with our performance, product quality and tender. Unutilized bank facilities amounted to nil, RMB16.6 million, RMB11.1 million, RMB19.6 million and RMB19.3 million as of December 31, 2012, 2013, 2014, April 30, 2015 and August 31, 2015, respectively. Our Directors are of the view that the possibility of any loss as a result of bank guarantee is low based on our assessment on the credit worthiness of clients before we submit the bidding proposal as well as the fact that we had no product quality issue during the Track Record Period. These bank facilities were secured by: (i) guarantee given by an Independent Third Party, which is a company as a professional guarantee service provider; (ii) pledge of machinery; (iii) personal guarantee by Shareholders, being Ms. Zhao Shu, Mr. Liu Lianchao and Mr. Kong Hongjun of the Company which has been released in May 2015; and (iv) pledged bank deposits.

Except as disclosed in this section, we did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees on other material contingent liabilities outstanding as of August 31, 2015.

We confirm that, other than as disclosed in this prospectus, there has been no material change in our indebtedness from August 31, 2015 up to the Latest Practicable Date.

Contingent Liabilities

As of August 31, 2015, we had no material contingent liabilities. We are not involved in any current material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss contingencies when, based on information then available. We confirm that there has not been any material change in the level of our contingent liabilities and capital commitment since August 31, 2015.

OFF-BALANCE SHEET TRANSACTIONS

As of the Latest Practicable Date, we did not have any material off-balance sheet transactions or agreements.

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KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	As of or for the year ended December 31,			As of or for the four months ended April 30,
	2012	2013	2014	2015
	Current ratio (times) ⁽¹⁾	0.6	1.0	1.1
Quick ratio (times) ⁽²⁾	0.2	0.3	0.5	2.8
Gross profit margin (%) ⁽³⁾	43.9	48.4	49.0	38.2
Net profit margin (%) ⁽⁴⁾	N/A ⁽⁷⁾	25.8	33.9	N/A ⁽⁸⁾
Return on equity (%) ⁽⁵⁾	N/A ⁽⁷⁾	62.2	98.2	N/A ⁽⁸⁾
Return on total assets (%) ⁽⁶⁾	N/A ⁽⁷⁾	20.5	31.8	N/A ⁽⁸⁾

Notes:

- (1) Current ratio is calculated based on total current assets divided by total current liabilities as of the end of the respective year/period.
- (2) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities as of the end of the respective year/period.
- (3) Gross profit margin is calculated by dividing gross profit by revenue for each financial period and multiplied by 100%.
- (4) Net profit margin is calculated by dividing net profit for the year attributable to owners of the Company by revenue for each financial period and multiplied by 100%. Our net profit margin for the year ended December 31, 2012 and the fourth months end April 30, 2015 was not meaningful because we recorded a loss for that year/period.
- (5) Return on equity is calculated by dividing net profit for the year/period attributable to owners of the Company by the arithmetic mean of the opening and closing balance of total equity attributable to owners of the Company. Our return on equity for the year ended December 31, 2012 and the fourth months end April 30, 2015 was not meaningful because we recorded a loss for that year/period.
- (6) Return on total assets is calculated by dividing net profit for the year/period attributable to owners of the Company by the arithmetic mean of the opening and closing balance of total assets. Our return on total assets for the year ended December 31, 2012 and the fourth months end April 30, 2015 was not meaningful because we recorded a loss for that year/period.
- (7) We recorded a loss of RMB1.4 million in 2012 primarily because we were in the early stage of our business.
- (8) We recorded a loss of RMB14.3 million for the four months ended April 30, 2015 primarily due to the fair value loss of convertible redeemable preferred shares and share-based compensation expenses.

Current Ratio

Our current ratio increased from 0.6 times as of December 31, 2012 to 1.0 times as of December 31, 2013 primarily due to (i) the increase in inventories due to increase in sales volume; and (ii) the increase in cash generated from operating activities as a result of increase in sales during 2013. Our current ratio remained relative stable at 1.1 times as of December 31, 2014. Our current ratio increased from 1.1 times as of December 31, 2014 to 3.7 times as of April 30, 2015 primarily due to cash received from issuance of preferred shares of RMB140.3 million and settlement of amount due to related parties of RMB53.0 million.

Quick Ratio

Our quick ratio increased from 0.2 times as of December 31, 2012 to 0.3 times as of December 31, 2013, primarily due to the increase in cash generated from operating activities as a result of increase in sales during 2013. Our quick ratio further increased to 0.5 times as of December 31, 2014, primarily due

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to the increased amount of trade receivables due to increase in sales and decreased amount of advances from our customers because an increase in the supply of domestic plate-type DeNOx catalysts in the PRC market reduced the need for customers to make large advanced payments to secure supply. Our quick ratio increased from 0.5 times as of December 31, 2014 to 2.8 times as of April 30, 2015 primarily due to cash received from issuance of preferred shares of RMB140.3 million and settlement of amount due to related parties of RMB53.0 million.

Gross Profit Margin

Our gross profit margin was 43.9%, 48.4%, 49.0% and 38.2% for the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2015, respectively. For details on our gross profit margin, please refer to “— Gross profit and gross profit margin” in this section of this prospectus.

Net Profit Margin

We did not record net profit margin for the year ended December 31, 2012 or for the four months ended April 30, 2015 as we recorded net loss in that year or period. Our net profit margin was 25.8% and 33.9% for the two years ended December 31, 2013 and 2014, respectively. For details on our net profit margin, please refer to “— Profit/(loss) for the year/period and net profit margin” in this section of this prospectus.

Return on Equity

We did not record return on equity in 2012 as we recorded a net loss for the year ended December 31, 2012 because we incurred a large amount of administrative expense in the early stage of our business. Our return on equity increased from 62.2% in 2013 to 98.2% in 2014 primarily due to (i) the increase of our net profit in 2014; and (ii) the percentage of increase in net profit was higher than the percentage of increase in total equity in 2014 as the increase in total equity in 2014 was offset by the deemed distribution to equity holders of approximately RMB 62.3 million as a result of the cash to be paid to the then shareholders of Beijing Denox in relation to the Reorganization.

Return on Total Assets

We did not record return on total asset in 2012 as we recorded a net loss for the year ended December 31, 2012 because we incurred a large amount of administrative expense in the early stage of our business. Our return on total assets increased from 20.5% in 2013 to 31.8% in 2014 primarily due to the increase of our net profit in 2014 while our total assets remained relatively stable in 2014 as compared to that of 2013.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to a variety of financial risks, including market risk, credit risk and liquidity risk.

Market Risk

Foreign Exchange Risk

Most of the Company’s subsidiaries’ functional currency is RMB as majority of the revenues of these companies are derived from operations in the PRC. We are exposed to foreign exchange risk

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arising from various currency exposures. All of the transactions of the Company and its overseas subsidiaries are dominated and settled in their functional currency, which is HK\$. Therefore, foreign exchange risk primarily arises from recognized assets and liabilities in our subsidiaries incorporated in the PRC (the “**PRC Subsidiaries**”) when receiving or to receive foreign currencies from counterparties. We do not hedge against any fluctuation in foreign currency. As at December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015, we did not have any significant exchange risk from operation.

Cash Flow and Fair Value Interest Rate Risk

As we have no significant interest-bearing assets (other than restricted cash and cash and cash equivalents), our income and operating cash flows are substantially independent of changes in market interest rates.

Our interest rate risk primarily arises from bank and other borrowings. Our borrowings were issued at fixed rates and expose us to fair value interest rate risk. During the Relevant Periods, the interest rate risk was not material to us.

Credit Risk

Our maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, restricted cash, trade and bills receivables and other receivables.

As of December 31, 2012, 2013, 2014 and April 30, 2015, most of our restricted cash and cash and cash equivalents were deposited in the major financial institutions in the PRC with good credit rating. We categorize our major counterparties into the following groups:

- Group 1 — Top 4 banks in the PRC (China Construction Bank, Bank of China, Agricultural Bank of China, and Industrial and Commercial Bank of China) and Hongkong and Shanghai Banking Corporation Limited in Hong Kong;
- Group 2 — Other major listed banks and regional banks in the PRC; and
- Group 3 — Other banks and financial institutions.

<u>Category</u>	<u>As of December 31</u>			<u>As of April 30,</u>	
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>	<u>2015</u>
	(RMB in thousands)				
Group 1	7,779	22,461	21,824	18,861	121,951
Group 2	-	2,572	27,419	3,098	9,551
Group 3	-	-	-	-	-
	<u>7,779</u>	<u>25,033</u>	<u>49,243</u>	<u>21,959</u>	<u>131,502</u>

Our customer base is highly concentrated. Sales to our top five customers accounted for 100%, 99%, 77%, and 86% of our total revenue for the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015, respectively. The trade receivables which are past due are analyzed in Note 11 in the Accountant’s Report in Appendix I to this prospectus.

The Company typically requests down payment upon the sales contract being signed. In respect of trade receivables, individual credit evaluations are performed on all customers. These evaluations focus

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on the customers' financial position, past history of making payments and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

Liquidity Risk

Our policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed credit facilities to meet its working capital requirements.

The table below analyses our financial liabilities into relevant maturity groupings based on the remaining year at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<u>Less than 6 months</u>	<u>Between 6 months and 1 year</u>
	(RMB in thousands)	
As at December 31, 2012		
Trade payables	2,732	-
Amount due to related parties	14,479	-
Accruals and other payables (excluding payroll payable and tax payable)	8,994	-
	<u>26,205</u>	<u>-</u>

	<u>Less than 6 months</u>	<u>Between 6 months and 1 year</u>
	(RMB in thousands)	
As at December 31, 2013		
Trade payables	9,716	-
Amount due to related parties	429	-
Accruals and other payables (excluding payroll payable and tax payable)	9,068	-
	<u>19,213</u>	<u>-</u>

	<u>Less than 6 months</u>	<u>Between 6 months and 1 year</u>
	(RMB in thousands)	
As at December 31, 2014		
Trade payables	9,018	-
Amount due to related parties	52,947	-
Accruals and other payables (excluding payroll payable and tax payable)	18,904	-
	<u>80,869</u>	<u>-</u>

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	Less than 6 months	More than one year
	(RMB in thousands)	
As at April 30, 2015		
Trade payables	10,676	-
Accruals and other payables (excluding payroll payable and tax payable)	16,446	-
Series A convertible redeemable preferred share	-	153,411
	<u>27,122</u>	<u>153,411</u>

DIVIDENDS AND DIVIDEND POLICY

We have not formulated any dividend policy and do not have any predetermined dividend payout ratio. Neither the Company nor any of its subsidiaries has paid or declared any dividend since its inception. The determination to pay dividends will be made at the discretion of the Board. The declaration, payment and amount of any future dividends will depend on our financial condition, results of operation, level of cash, statutory and regulatory restrictions in relation thereto, future prospects, and other factors that our Directors may consider relevant. Any declaration and payment as well as the amount of the final dividends will require the approval of our Shareholders, and will be subject to our constitutional documents and the Cayman Islands company law. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on November 7, 2014. As of April 30, 2015, no distributable reserves were available for distribution to our shareholders.

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UNAUDITED PRO FORMA NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules on the basis of the notes set forth below for the purpose of illustrating the effect of the Global Offering and the Capitalization Issue on our net tangible assets attributable to equity holders of the Company as of April 30, 2015, assuming the Over-allotment option is not exercised.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of April 30, 2015 or any future date following the Global Offering. It is prepared based on our consolidated net assets as of April 30, 2015 as set out in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of net tangible assets does not form part of the Accountant's Report as set out in Appendix I of this prospectus.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of April 30, 2015	Estimated net proceeds from the Global Offering	Estimated impact to the net tangible assets upon conversion of Series A Preferred Shares	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets per ordinary share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 3)	RMB'000	RMB	HK\$ (Note 4)
Based on an Offer Price of HK\$2.10 per share	<u>94,577</u>	<u>187,834</u>	<u>153,411</u>	<u>435,822</u>	<u>0.87</u>	<u>1.06</u>
Based on an Offer Price of HK\$2.90 per share	<u>94,577</u>	<u>267,479</u>	<u>153,411</u>	<u>515,467</u>	<u>1.03</u>	<u>1.25</u>

Notes:

- (1) The audited consolidated net tangible assets attributable to the owners of the Company as at April 30, 2015 is extracted from the accountant's report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as of April 30, 2015 of RMB101,502,000 with an adjustment for the intangible assets as of April 30, 2015 of RMB6,943,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$2.10 (equivalent to RMB1.73) and HK\$2.90 (equivalent to RMB2.38) per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB11,954,000 which have been accounted for prior to April 30, 2015) payable by the Company.
- (3) On February 9, 2015, Kickstart Holdings Limited and Sea of Wealth International Investment Company Limited subscribed 1,146,002 Series A Preferred Shares of the Company for an aggregate consideration of US\$23,150,000 (equivalent to RMB141,655,000). Upon completion of the Global Offering, the entire Series A Preferred Shares will be converted to Ordinary Shares of the Company at the then effective conversion price. Accordingly, the net tangible assets of the Company will increase by US\$25,093,000 (equivalent to RMB153,411,000), being the carrying amounts of the Series A Preferred Shares as at April 30, 2015.
- (4) The unaudited pro forma net tangible assets per ordinary share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis 500,000,000 Ordinary Shares were in issue assuming that the Global Offering has been completed on April 30, 2015 but takes no account of any Share which may be allotted and issued or repurchased by the Company pursuant to the General Mandate to Allot and Issue New Shares or the General Mandate to Repurchase Shares as described in the section headed "Share Capital" and any Shares to be issued upon the exercise of the Share Option Scheme and Over-allotment Option.
- (5) Save as disclosed in Note (3) above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to April 30, 2015.
- (6) For the purpose of this unaudited pro forma adjusted net tangible assets statement, the balances stated in Renminbi ("RMB") are converted into Hong Kong dollars (HK\$) at the rate of HK\$1.00 to RMB0.822.

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The estimated net proceeds from the Global Offering are based on the Offer Shares and the relevant indicative offer price as attributable to us, after deduction of underwriting fees and related expenses payable by us.

We calculated our unaudited pro forma net tangible assets per Share with adjustments referred to in the preceding paragraph and on the basis that a total of 500,000,000 Shares are in issue immediately following the completion of the Global Offering and without taking account any Shares which may be allotted and issued or repurchased by us pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to in the section headed "Share Capital" in this prospectus.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission and fees incurred in connection with the Listing and the Global Offering. Listing expenses to be borne by us are estimated to be approximately RMB41.2 million (assuming an Offer Price of HK\$2.50, being the mid-point of the Offer Price range, the Over-allotment Option is not exercised and without taking into account any discretionary incentive fees). As of April 30, 2015, we have incurred listing expenses of RMB12.0 million for the Global Offering, which has been charged to our consolidated income statements. We expect to incur an additional listing expenses of RMB29.2 million until the completion of the Global Offering, of which RMB14.3 million is expected to be charged to our income statement for the year ending December 31, 2015 and RMB14.9 million is expected to be recognized as a deduction in equity directly. We expect these expenses to have a material adverse impact on our results of operation in 2015.

RECENT DEVELOPMENTS

Our business model has remained largely unchanged since April 30, 2015. For the six months ended June 30, 2015, we recorded an increase in sales volume as compared to that in the six months ended June 30, 2014. According to Frost & Sullivan Report, the market price of plate-type DeNOx catalysts per m³ in China has dropped significantly since December 31, 2014 and rebounded recently. The market price decreased from RMB22,100 per m³ in 2014 to RMB15,000 per m³ in June 2015, representing a decrease of 32.1%, mainly due to intensified market competition as a result of the price reduction measures initiated by some of the plate-type DeNOx catalyst suppliers. In response to the competition and to gain our market share, we have lowered our contract price and the average contract price for sales to our customers in China and/or overseas was approximately RMB15,203 per m³ (excluding VAT) on average since 2015 and up to the Latest Practicable Date. Moreover, it is noted that the recent market price of plate-type DeNOx catalysts started to rebound after market consolidation, which resulted from the merger and acquisition of market players in market under price competition. Our average contract price from June 2015 to the Latest Practicable Date in China and/or overseas rose to approximately RMB17,008 per m³ (excluding VAT) which was also in line with such market trend. We expect the lowered contract price to have a negative impact on our gross profit margin and net profit margin in the second half of 2015 when products start to be delivered to our customers and revenue to be recognized thereafter. As a result, it is expected that the gross profit margin for the year ending December 31, 2015 will decrease relative to the year ended December 31, 2014. Save for the disclosure above, there has not been, as far as we are aware, any material change in the general economic and market conditions in China or the industry in which we operate that have had a material and adverse impact on our business operations and financial condition since April 30, 2015 and up to the Latest Practicable Date.

We believe that we will be able to maintain our leading position in the plate-type DeNOx catalyst market. In addition to providing first-time installation services, which historically constituted the majority of

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our services, we have started to provide replenishment services to our existing and new customers as well. We have also introduced potential customers to plate-type DeNOx catalysts to replenish their originally installed honeycomb DeNOx catalysts. We have completed four replenishment projects and have four replenishment projects in progress up to the Latest Practicable Date. We expect to strengthen our penetration in the replenishment market in the near future. We do not expect any material impact on our gross profit margin as a result of the expected shift from first-time installation services to replenishment services primarily because the pricing and profitability of replenishment services are anticipated to remain close to that of first-time installation of the plate-type DeNOx catalysts. Moreover, while many participants in the industry typically procure from overseas markets, the cost of which is subject to and may be impacted by foreign currency exchange fluctuations, our production costs remain stable as we procure substantially all of our raw materials from domestic suppliers. We are committed to offering quality products with competitive price by enhancing our cooperation with our stainless steel mesh supplier. We are also developing DeNOx catalysts in coating technology for diesel-powered vehicles and exploring its market. We have visited a number of manufacturers of diesel engines and authoritative examination institutions of DeNOx catalysts for diesel-powered vehicles with a view to further understanding the market and establishing business relationships with them. We expect such business relationships will not only provide us with direct sales channels but also first mover advantage in capturing future business opportunities. We have initiated our testing production in July 2015 and plan to deliver our test products to an independent third-party institution for performance examination in November 2015. We have also entered into a memorandum of cooperation with a company in Chongqing in August 2015, pursuant to which we would become one of its qualified suppliers of DeNOx catalysts for diesel-powered vehicles as soon as our catalyst products pass an independent third-party examination, which is expected to take place in November 2015. The company in Chongqing is 60% owned by one of the authoritative examination institutions and is primarily engaged in the research and development, production, sales and technical services provision of vehicle exhaust purification systems in China.

There have been two rounds of Pre-IPO Investments in our Company. The first round of Pre-IPO Investments was undertaken by the Series A Investors and their respective investment with the total proceeds amount of US\$23.2 million were contributed in February 2015. The second round of Pre-IPO Investments was undertaken by the Second Round Pre-IPO Investors and their respective investment with the total proceeds amount of US\$9.4 million were contributed and received by Zymmetry and Gold Rise Asia in March 2015. Please refer to the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments” in this prospectus for detailed information. We designated the Series A Preferred Shares as financial liabilities at fair value through profit or loss and the fair value changes after the issuance of the Series A Preferred Shares will be recognized as fair value gain/(loss) of convertible redeemable preferred shares in the consolidated income statement. Based on the mid-point of the indicative Offer Price range, the Company expects to record a fair value gain of approximately RMB20.0 million upon conversion of the Series A Preferred Shares to Ordinary Shares at the time of the Listing. We expect to realize fair value losses which may have a negative impact on our results for the year ending December 31, 2015 if the Offer Price is fixed at a price higher than the carrying amount of the Series A Preferred Shares on the investment date. Excluding the fair value losses, if any, we believe our adjustment results for the year ending December 31, 2015 will remain stable.

Save for the above, our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since April 30, 2015, being the date to which our latest audited consolidated financial statements have been prepared, and there has been no event since April 30, 2015 which would materially affect the information shown in the Accountant’s Report set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business — Our Business Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

The net proceeds of the Global Offering we expect to receive from the Global Offering (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering and without taking into account any discretionary incentive fees are estimated to be approximately HK\$262.4 million, assuming the Over-allotment Option is not exercised and an Offer Price of HK\$2.50 per Share, being the mid-point of the Offer Price range. We presently plan to use the net proceeds from the Global Offering as follows:

- Approximately 46%, or HK\$120.7 million, is expected to be used for the development of DeNOx catalysts for diesel-powered vehicles. We plan to conduct the development of DeNOx catalysts for diesel-powered vehicles in two phases, the first of which has been commenced in July 2015 and the second of which is planned to commence in 2017. The expected amount of investment in the first phase is approximately RMB178.6 million, including RMB53.7 million for the procurement of equipments and set up of production lines, RMB3.0 million for the establishment of testing laboratory, RMB31.0 million for the land purchase, RMB40.9 million for the factory construction and RMB50.0 million for the purchase of raw materials. The expected amount of investment in the second phase is approximately RMB60.0 million, including RMB45.0 million for the procurement of equipment and RMB15.0 million for the expansion of production facilities. For more details, please refer to the section headed “Business — Expansion Plan”. We expect to utilize our internal source of funding to finance the gap between the proceeds to be received and the expected expenses.
- Approximately 27%, or HK\$70.9 million, is expected to be used for acquisition of potential target companies in our industry that can help to expand our market coverage or key raw material suppliers. As a leading player in the plate-type DeNOx catalyst market, we aim to take advantage of these market opportunities by making appropriate acquisitions to expand our market share. In addition, we plan to further strengthen cooperation with our key suppliers and seek opportunities to acquire suppliers of our key raw materials that complement our existing operations, align with our expansion strategies and increase our revenues and profits to better improve our vertical integration. As of the Latest Practicable Date, we have not entered into any agreement for any acquisition nor identified any acquisition target.
- Approximately 10%, or HK\$26.2 million, is expected to be used for the research and development. We will further conduct research and development activities on the following areas: (i) develop our technology to customize the catalyst formula for customers in other industries; (ii) develop our proprietary technology of catalyst regeneration; (iii) continue our research and development in the technology for disposal of used DeNOx catalysts; and (iv) further develop our DeNOx technology for diesel-powered vehicles through our own research and development efforts.
- Approximately 4%, or HK\$10.5 million, is expected to be used for the expansion of our sales network and establishment of our regional sales offices in China as well as in

FUTURE PLANS AND USE OF PROCEEDS

Europe. We plan to establish regional offices of Northeastern, Northwestern, Southern and Southwestern China in phases by the end of 2015. We also plan to establish our overseas sales network and build an overseas sales branch by the end of 2015 which will focus on expanding the sales of our products in the European market. At the same time, we will also seek to introduce our products to Southeast Asian markets and are currently in the process of seeking potential business partners. As of the Latest Practicable Date, we have not identified such business partner.

- Approximately 3%, or HK\$7.9 million, is expected to be used primarily for the replacement of our No. 1 production line. We plan to expand our production capacity in our Gu'an production base by replacing our No. 1 production line with an additional production line that is similar to our current No. 3 production line. We expect to place the purchase orders to procure necessary machinery for the new production line in November 2015, and complete the replacement and commence production by the first quarter of 2016.
- The remaining approximately 10%, or HK\$26.2 million, is expected to be used for working capital and general corporate purposes.

The additional net proceeds that we expect to receive if the Over-allotment Option is exercised in full will be approximately HK\$45.4 million (assuming the Offer Price at the mid-point of the stated Offer Price range of HK\$2.50). If the Over-allotment Option is exercised in full, we intend to allocate the additional net proceeds to our use of proceeds proportionately.

If the Offer Price is fixed at HK\$2.90, being the high end of the stated Offer Price range and assuming the Over-allotment Option is not exercised, our net proceeds will increase by approximately HK\$48.4 million, as compared to the net proceeds that we would receive with the Offer Price fixed at the mid-point of the indicative range. We intend to allocate 10% of such additional proceeds to our working capital and the remaining 90% to the development of DeNOx catalysts for diesel-powered vehicles.

If the Offer Price is fixed at HK\$2.10, being the low end of the stated Offer Price range and assuming the Over-allotment Option is not exercised, our net proceeds will decrease by approximately HK\$48.4 million, as compared to the net proceeds that we would receive with the Offer Price fixed at the mid-point of the indicative range. In this case, we intend to reduce our use of proceeds proportionately as earmarked.

To the extent that the net proceeds to us from the Global Offering are not immediately applied to the above purposes, we will deposit the net proceeds into short-term demand deposits and/or money market instruments.

UNDERWRITING

HONG KONG UNDERWRITERS

CCB International Capital Limited

China Merchants Securities (HK) Co., Limited

Convoy Investment Services Limited

RHB Securities Hong Kong Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

We are initially offering 12,500,000 Shares for subscription by the public in Hong Kong on the terms and subject to the conditions set out in this prospectus and the Application Forms. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten on a several basis, not jointly nor jointly and severally, by the Hong Kong Underwriters in accordance with their respective Hong Kong Underwriting Commitments (as defined in the Hong Kong Underwriting Agreement) set out in the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon, amongst other things:

- (a) the Listing Committee granting listing of, and permission to deal in, our Shares in issue (including those to be issued pursuant to the exercise of conversion rights attaching to the Series A Preferred Shares held by the Series A Investors) and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), Shares to be issued pursuant to the Capitalization Issue and any Shares which may be issued upon the exercise of any options to be granted under the Share Option Scheme;
- (b) the International Underwriting Agreement having been duly executed and delivered and having become unconditional and not having been terminated in accordance with its terms (save as regards any condition relating to the Hong Kong Underwriting Agreement having become unconditional); and
- (c) certain other conditions set out in the Hong Kong Underwriting Agreement (including the Offer Price being agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters)).

Grounds for Termination

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination at any time prior to 8:00 a.m. on the Listing Date. The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may in their sole and absolute discretion, by giving notice in writing to our Company, to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date upon the occurrence of any of the following events:

- (a) there has come to the notice of the Joint Global Coordinators:
 - (i) that any statement contained in any of this prospectus, the Application Forms and the formal notice (including any supplement or amendment thereto) or any other document

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published or to be published by our Company in connection with the Global Offering was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any forecasts, estimates, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms, the formal notice and/or any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) are not fair and honest nor based on reasonable assumptions; or

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, result in a misstatement in, constitute an omission from, any of this prospectus, the Application Forms, the formal notice and/or any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) in any material respect; or
 - (iii) any material breach of any of the obligations, or undertakings imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
 - (iv) any event, act or omission which gives or is likely to give rise to any material liability of any of the Warrantors (as defined in the Hong Kong Underwriting Agreement) pursuant to the indemnities referred to in the Hong Kong Underwriting Agreement; or
 - (v) any material adverse change or development involving a prospective material adverse change in the earnings, business, operations, assets, liabilities, conditions, business affairs, management, prospects, Shareholders' equity, profits, losses or financial or trading position or performance of any member of our Group; or
 - (vi) any breach of any of the Warranties (as defined in the Hong Kong Underwriting Agreement) given by any of the Warrantors under the Hong Kong Underwriting Agreement or any matter or event showing any of such Warranties to be untrue, incorrect, inaccurate or misleading in any respect when given or repeated under the Hong Kong Underwriting Agreement; or
 - (vii) approval by the Listing Committee of the listing of, and permission to deal in, our Shares in issue and to be issued or sold under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (viii) our Company withdraws this prospectus (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering; or
 - (ix) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (b) there develops, occurs, exists or comes into force:
- (i) any act of force majeure including, without limitation, acts of government, economic sanctions, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, acts of war, acts of God, acts of terrorism, outbreak of infectious diseases or

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epidemics (including, but not limited to, SARS and H5N1 and such related/mutated forms) and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or any other state of emergency or calamity or crisis in or affecting Hong Kong, the PRC, the United States, the European Union, the United Kingdom, the Cayman Islands, the BVI or Singapore (collectively, the “**Relevant Jurisdictions**”); or

- (ii) any change or development involving a prospective change, or any event or series of events or circumstance likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or equity securities or stock or other financial market condition or any monetary or trading settlement system or disaster in the Relevant Jurisdictions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the New York Stock Exchange or the London Stock Exchange or a material devaluation of Hong Kong dollars or the Renminbi against any foreign currencies (including but not limited to any change in the system under which the value of the Hong Kong currency is linked to that of the United States), or any suspension of trading of any of the securities of our Company on any exchange or over-the-counter market or any disruption in monetary, trading or securities settlement or clearance services or procedures in or affecting any of the Relevant Jurisdictions); or
- (iii) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions, or there is any disruption in commercial banking, foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or
- (iv) any new law or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or
- (v) the imposition of economic sanctions, in whatever form, directly or indirectly, on the Relevant Jurisdictions; or
- (vi) a change or development occurs involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (or the implementation of any exchange control) (including without limitation a material devaluation of the Hong Kong dollar, the Renminbi, the United States dollar, the Euro, the Singapore dollars or the British pound sterling against any foreign currencies in any of the Relevant Jurisdictions; or
- (vii) any actions, suits, claims (whether or not any such claim involves or results in any actions or proceedings), demands, investigations, judgment, awards and proceedings, joint or several, from time to time (together, the “**Actions**”) of any third party being made, brought, instituted, threatened, or instigated against any member of our Group; or
- (viii) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of or from acting as a director of or found unsuitable for acting as a director of a company by any Governmental Authority (as defined in the Hong Kong Underwriting Agreement); or

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- (ix) Ms. Zhao Shu, the chairlady and chief executive officer of our Company vacating her office in circumstances where the operations of our Group may be affected; or
- (x) the commencement by any regulatory or political body or organization of any Action against a Director or an announcement by any regulatory or political body or organization that it intends to take any such Action; or
- (xi) a contravention by any member of our Group or any executive Director of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO, the PRC Company Law or the Companies Law or any of the Listing Rules or applicable laws; or
- (xii) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of our Shares pursuant to the terms of the Global Offering; or
- (xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of our Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law (other than by any of the Hong Kong Underwriters or the International Underwriters); or
- (xiv) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription of our Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xvi) an order or a petition being presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xvii) any change or prospective change, or a materialization of, any of the risks set out in the section headed “Risk Factors” in this prospectus;

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (aa) is or is likely to or will or may have an material adverse effect on the business, financial, trading or other condition or prospects of our Company or our Group as a whole; or
- (bb) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

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- (cc) makes it inadvisable, inexpedient or impracticable to proceed with or market the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated in this prospectus; or
- (dd) has or will or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the Hong Kong Underwriting Agreement.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertaking by Us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering, and in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking by Our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that except pursuant to the Global Offering, she/it will not and shall procure that the relevant registered holder(s) will not, unless in compliance with the requirements of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of her/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which she/it is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, she/it would then cease to be our Company’s controlling shareholder.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and our Company that within the period commencing on the date by reference to which disclosure of her/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, she/it shall:

- (a) when she/it pledges or charges any securities of our Company beneficially owned by her/it in favor of any authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

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- (b) when she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities of our Company will be disposed of, immediately inform our Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertaking by Us

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to the Joint Global Coordinators and each of the Hong Kong Underwriters that we will not, except pursuant to the Global Offering (including the offer and sale of Shares pursuant to the Over-allotment Option), exercise of conversion rights attaching to the Series A Preferred Shares held by the Series A Investors, the Capitalization Issue or the Share Option Scheme, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of the First Six-month Period without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) (such consent shall not be unreasonably withheld or delayed) and unless in compliance with the Listing Rules:

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, and in the event of us doing any of the foregoing during the period of six months immediately following the expiry of the First Six-month Period, we will take all steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Undertaking by Our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to us, the Joint Global Coordinators and each of the Hong Kong Underwriters that, except pursuant to the Global Offering, at

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any time during the First Six-month Period, it/she will not, and will procure that none of its/her associates will, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) owned directly or indirectly by it/her or with respect to which it/she has beneficial ownership; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
- (d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in (a), (b) or (c) above, whether any such transaction described in (a) or (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

Each of the Controlling Shareholders has further undertaken that within the six months immediately following the expiry of the First Six-month Period, each of our Controlling Shareholders will not enter into any of the foregoing transactions described in (a), (b), (c) or (d) above if, immediately following such transaction, our Controlling Shareholders in aggregate will cease to be controlling shareholders of the Company within the meaning of the Listing Rules.

Each of the Controlling Shareholders has further undertaken that subject to the restrictions above, until the expiry of the period of six months immediately after the expiry of the First Six-month Period, if any of our Controlling Shareholders enters into any of the foregoing transactions described in (a), (b), (c) or (d) above, it/she will take all reasonable steps to ensure that it/she will not create a disorderly or false market in our Shares or other securities of our Company.

Notwithstanding anything in the restrictions above, any of our Controlling Shareholders may use such Shares held by them respectively as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, provided that such Controlling Shareholder shall immediately inform us, the Joint Sponsors and the Joint Global Coordinators in writing (i) when it/she pledges or charges such Shares and the number of Shares so pledged or charged; and (ii) when it/she receives indications, either verbal or written, from any pledgee or charge that any of the pledged or charged Shares will be disposed of. We have undertaken that upon receiving such information in writing from any Controlling Shareholder, we will, as soon as practicable, notify the Stock Exchange, the Joint Sponsors, the Joint Global Coordinators and make a public disclosure in relation to such information by way of an announcement in accordance with the Listing Rules.

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Indemnity

We and each of our Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including, among other things, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the provisions of the Hong Kong Underwriting Agreement.

Commissions and Expenses

The Hong Kong Underwriters will receive a gross commission of 3.0% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering and any International Offer Shares reallocated from the International Offering to the Hong Kong Public Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters.

The aggregate commissions (exclusive of any discretionary incentive fees), together with listing fees, the SFC transaction levy and the Stock Exchange trading fee in respect of the Offer Shares offered by us, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to amount to approximately HK\$50.1 million (assuming an Offer Price of HK\$2.50, which is the mid-point of the Offer Price range, and the Over-allotment Option is not exercised) in total and are payable by us.

Our Company may also in its sole discretion pay the Joint Global Coordinators an additional incentive fee of up to 1.0% of the aggregate proceeds from the offer of Shares offered by us under the Global Offering.

Activities by Syndicate Members

We describe below a variety of activities that the Hong Kong Underwriters and International Underwriters (together referred to as “**Syndicate Members**”) may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, all of them (except for CCB International Capital Limited and/or its affiliates and as the Stabilization Manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own

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account and for the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have our Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to any issue by Syndicate Members or their affiliates of any listed securities having Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in the section headed “Structure and Conditions of the Global Offering — Stabilization” in this prospectus. These activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Hong Kong Underwriters’ Interests in Us

Save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, none of the Hong Kong Underwriters has any shareholding interests in us or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in us.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

In connection with the Global Offering, we expect our Company will enter into the International Underwriting Agreement with, amongst others, the International Underwriters. Pursuant to the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally to subscribe and/or purchase or procure subscribers or buyers for the subscription or purchase of the International Offer Shares being offered pursuant to the International Offering.

We will grant to the Joint Global Coordinators the Over-allotment Option, exercisable at any time from the date of the International Underwriting Agreement up to (and including) the day which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 18,750,000 additional Shares, being 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Offering.

Joint Sponsors’ Independence

The Joint Sponsors satisfy the independence requirements applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of:

- (a) the Hong Kong Public Offering of 12,500,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the paragraph headed “Hong Kong Public Offering” in this section; and
- (b) the International Offering of initially 112,500,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S. Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares in the International Offering. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to the Price Determination Date.

The number of Hong Kong Offer Shares to be offered under the Hong Kong Public Offering and the number of International Offer Shares to be offered under the International Offering respectively may be subject to reallocation as described under the paragraph headed “Pricing and allocation” below.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Wednesday, November 4, 2015 and in any event, on or before Thursday, November 5, 2015. The Offer Price will be not more than HK\$2.90 per Offer Share and is expected to be not less than HK\$2.10 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If, based on the level of interest expressed by prospective institutional and professional investors and other investors during the book-building process, the Joint Global Coordinators (on behalf of the Underwriters and with the consent of our Company) considers the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range inappropriate, the Joint Global Coordinators (on behalf of the Underwriters) may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times

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(in Chinese) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.china-denox.com. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon, will under no circumstances be set outside the Offer Price range as stated in this prospectus. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the indicative Offer Price range is/are so reduced, such applications can subsequently be withdrawn.

Our Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the listing of the Offer Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants, although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, and the basis of allocations of the Hong Kong Offer Shares and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section headed “How to Apply for Hong Kong Offer Shares — Publication of results of allocations” in this prospectus from Wednesday, November 11, 2015.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional upon, among others:

- (a) the Listing Committee granting listing of, and permission to deal in, our Shares in issue (including those to be issued pursuant to the exercise of conversion rights attaching to the Series A Preferred Shares held by the Series A Investors) and to be issued pursuant to the

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Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), Shares to be issued pursuant to the Capitalization Issue and any Shares which may be issued upon the exercise of any options to be granted under the Share Option Scheme;

- (b) the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (c) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of such agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent that such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering have become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered and their Allocation

We are initially offering 12,500,000 Shares at the Offer Price, representing approximately 10% of the 125,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 2.5% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. In Hong Kong, individual

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retail investors are expected to apply for Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Offering will not be allocated Offer Shares in the Hong Kong Public Offering.

For allocation purposes only, the total number of Hong Kong Offer Shares initially available for subscription by the public under the Hong Kong Public Offering, on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service (subject to any adjustment of our Shares between the International Offering and the Hong Kong Public Offering) will be divided equally (to the nearest board lot) into two pools for allocation purposes: Pool A and Pool B. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with a total subscription amount of HK\$5 million or below (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee payable). The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with a total subscription amount of more than HK\$5 million (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total initial value of Pool B.

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. The applicant can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within Pool A or Pool B.

In the case of over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares. Multiple or suspected multiple applications and any application for more than 50% of the Hong Kong Offer Shares initially being offered for subscription by the public (that is, to apply for more than 6,250,000 Shares) are liable to be rejected.

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, or (iii) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 37,500,000, 50,000,000 and 62,500,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as **"Mandatory Reallocation"**. In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B in the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate. In addition to any Mandatory

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Reallocation which may be required, the Joint Global Coordinators may, at their sole discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Our Company, our Directors and the Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have received Shares in the International Offering and to identify and reject indications of interest in the International Offering from investors who have received Shares in the Hong Kong Public Offering.

The Offer Price will be not more than HK\$2.90 and is expected to be not less than HK\$2.10. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$2.90 per Offer Share plus 1.0% brokerage fee, 0.0027% SFC transaction levy, and 0.005% Stock Exchange trading fee. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK\$2.90, being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

INTERNATIONAL OFFERING

Number of Offer Shares Offered and their Allocation

The number of Shares to be initially offered for subscription and purchase under the International Offering will be 112,500,000 Shares (subject to adjustment and the Over-allotment Option), representing approximately 90% of the Offer Shares initially available under the Global Offering.

The International Offering is subject to the Hong Kong Public Offering becoming unconditional. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, before taking into account any exercise of the Over-allotment Option, the International Offer Shares will represent approximately 22.5% of our total issued share capital immediately after completion of the Global Offering.

Pursuant to the International Offering, the International Underwriters will conditionally place our Shares with institutional and professional investors and other investors expected to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and allocation" in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators in order to allow them to identify the relevant applications under the Hong Kong Public Offering and to consider whether it should be excluded from any application for Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

We expect to grant the Over-allotment Option to the Joint Global Coordinators exercisable at any time from the date of the International Underwriting Agreement up to (and including) the date which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, being Friday, December 4, 2015. Pursuant to the Over-allotment Option, the Joint Global Coordinators will have the right to require us to allot and issue up to an aggregate of 18,750,000 additional new Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering. These Shares will be issued at the Offer Price. We will make an announcement if the Over-allotment Option is exercised.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilization Manager may choose to borrow, whether on its own or through its affiliates and agents, up to 18,750,000 Shares from EEC Technology pursuant to a stock borrowing arrangement (being the maximum number of Shares which may be allotted and issued by the Company upon exercise of the Over-allotment Option), or acquire Shares from other sources, including the exercise of the Over-allotment Option.

If such stock borrowing arrangement with EEC Technology is entered into, it will only be effected by the Stabilization Manager or its agent for settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with.

STABILIZATION

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

In connection with the Global Offering, the Stabilization Manager and/or its affiliates and agents, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period from the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering being Friday, December 4, 2015. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilization Manager or its agent to conduct any such stabilizing activity, which if

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

commenced, will be done at the absolute discretion of the Stabilization Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, being Friday, December 4, 2015. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued under the Over-allotment Option, namely 18,750,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules, Chapter 571W of the Laws of Hong Kong. Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocations for the purpose of preventing or minimizing any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares; and (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in our Shares should note that:

- (a) the Stabilization Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in our Shares;
- (b) there is no certainty regarding the extent to which and the time period for which the Stabilization Manager, or any person acting for it, will maintain such a long position;
- (c) liquidation of any such long position by the Stabilization Manager may have an adverse impact on the market price of our Shares;
- (d) no stabilizing action can be taken to support the price of our Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on Friday, December 4, 2015, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- (e) the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- (f) stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

In connection with the Global Offering, the Stabilization Manager may over-allocate up to and not more than an aggregate of 18,750,000 additional Shares and cover such over-allocations by the

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

exercise of the Over-allotment Option, which will be exercisable by the Joint Global Coordinators, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Offering, the Stabilization Manager may borrow up to 18,750,000 Shares from EEC Technology, equivalent to the maximum number of Shares to be allotted and issued by the Company on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements.

No payments or other benefit will be made to EEC Technology by the Stabilization Manager in relation to the stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, November 12, 2015, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, November 12, 2015. The Shares will be traded in board lots of 1,000 Shares each. The Stock Code of the Shares is 1452.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date.

We expect that we will, on or about Wednesday, November 4, 2015, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering.

The underwriting arrangements are summarized in the section headed "Underwriting" in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **White** or **Yellow** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

WHO CAN APPLY FOR THE HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares on a **White** or **Yellow** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person duly authorized under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions if think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any its subsidiaries;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate of any of the above;
- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **White** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **Yellow** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **White** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, October 30, 2015 to 12:00 noon on Wednesday, November 4, 2015 from:

- (a) any of the following offices of the Hong Kong Underwriters:

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

China Merchants Securities (HK) Co., Limited

48th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

Convoy Investment Services Limited

Room C, 24/F, @Convoy
169 Electric Road
North Point
Hong Kong

RHB Securities Hong Kong Limited

12/F, World-Wide House
19 Des Voeux Road
Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(b) any of the branches of the following receiving bank(s):

Standard Chartered Bank (Hong Kong) Limited

	<u>Branch name</u>	<u>Address</u>
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
	North Point Centre Branch	Shop G, G/F, North Point Centre, 284 King's Road, North Point
Kowloon	Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
	Mei Foo Manhattan Branch	Shop Nos.07 & 09, Ground Floor, Mei Foo Plaza, Mei Foo Sun Chuen
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 8A-10 Granville Road, Tsimshatsui
New Territories	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi
	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21-27 Shatin Centre Street, Shatin

You can collect a **Yellow** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, October 30, 2015 until 12:00 noon on Wednesday, November 4, 2015 from the Depository Counter of HKSCC at HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **White** or **Yellow** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited — Denox Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank(s) listed above, at the following times:

- Friday, October 30, 2015 — 9:00 a.m. to 5:00 p.m.
- Saturday, October 31, 2015 — 9:00 a.m. to 1:00 p.m.
- Monday, November 2, 2015 — 9:00 a.m. to 5:00 p.m.
- Tuesday, November 3, 2015 — 9:00 a.m. to 5:00 p.m.
- Wednesday, November 4, 2015 — 9:00 a.m. to 12:00 noon.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, November 4, 2015, the last application day or such later time as described in the paragraph headed “Effect of bad weather conditions on the opening of the application lists” in this section.

TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (f) agree that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (h) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank(s), the Joint Global Coordinators, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators

HOW TO APPLY FOR HONG KONG OFFER SHARES

and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;
- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (q) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **White** or **Yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **White** or **Yellow** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

HOW TO APPLY FOR HONG KONG OFFER SHARES

APPLYING BY USING HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed “Who can apply for the Hong Kong Offer Shares” in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, October 30, 2015 until 11:30 a.m. on Wednesday, November 4, 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, November 4, 2015 or such later time under the paragraph headed “Effects of bad weather conditions on the opening of the application lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up And Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under

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their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a White Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **White** Application Form or this prospectus;
- (b) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

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- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank(s), the Joint Global Coordinators, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that

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application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **White** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

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Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, October 30, 2015 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Monday, November 2, 2015 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Tuesday, November 3, 2015 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Wednesday, November 4, 2015 — 8:00 a.m.⁽¹⁾ - 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, October 30, 2015 until 12:00 noon on Wednesday, November 4, 2015 (24 hours daily, except from 3:00 a.m. on Saturday, October 31, 2015 until 12:00 noon on Sunday, November 1, 2015 and on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, November 4, 2015, the last application day or such later time as described in the paragraph headed “Effect of bad weather conditions on the opening of the application lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up And Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving banker(s), the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Hong Kong Underwriters, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **White** or **Yellow** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, November 4, 2015.

HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **White** or **Yellow** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;

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- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW MUCH ARE THE HONG KONG OFFER SHARES

The **White** and **Yellow** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **White** or **Yellow** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the participants of the Stock Exchange, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Global Offering — Pricing and allocation” in this prospectus.

EFFECT OF BAD WEATHER CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, November 4, 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, November 4, 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

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PUBLICATION OF RESULTS OF ALLOCATIONS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, November 11, 2015 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on our Company's website at www.china-denox.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.china-denox.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, November 11, 2015;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, November 11, 2015 to 12:00 midnight on Tuesday, November 17, 2015;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, November 11, 2015 to Monday, November 16, 2015 (excluding Saturday, Sunday and public holiday in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, November 11, 2015 to Friday, November 13, 2015 at the designated receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of

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the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Offer Shares either:

- within three weeks from the closing date of the application lists;
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;

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- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$2.90 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure and Conditions of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, November 11, 2015.

DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **Yellow** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application. If you apply by **White** or **Yellow** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **Yellow** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the

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difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Wednesday, November 11, 2015. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, November 12, 2015 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(a) If you apply using a White Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, November 11, 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, November 11, 2015, by ordinary post and at your own risk.

(b) If You Apply Using A Yellow Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund

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cheque(s) will be sent to the address on the relevant Application Form on Wednesday, November 11, 2015, by ordinary post and at your own risk.

If you apply by using a **Yellow** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, November 11, 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(c) If You Apply Through A Designated CCASS Participant (Other Than A CCASS Investor Participant)

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

(d) If You Are Applying As A CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of results of allocations" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, November 11, 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(e) If You Apply Through The HK eIPO White Form Service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, November 11, 2015, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, November 11, 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

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(f) If you apply via electronic application instructions To HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, November 11, 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "Publication of results of allocations" above on Wednesday, November 11, 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, November 11, 2015 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, November 11, 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, November 11, 2015.

ADMISSION OF THE OFFER SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Offer Shares and we comply with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible

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securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Offer Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Offer Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

October 30, 2015

The Directors
Denox Environmental & Technology Holdings Limited

China Merchants Securities (HK) Co., Limited

CCB International Capital Limited

Dear Sirs,

We report on the financial information of Denox Environmental & Technology Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as of December 31, 2012, 2013 and 2014 and April 30, 2015, the balance sheets of the Company as of December 31, 2014 and April 30, 2015, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2012, 2013 and 2014 and the four months ended April 30, 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated October 30, 2015 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on November 7, 2014 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization as described in Note 1(b) of Section II headed "Reorganization" below, which was completed on January 23, 2015, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganization").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1(b) of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganization. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1(b) of Section II.

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The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods, in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with IFRSs. PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所 (特殊普通合夥)) has audited the Underlying Financial Statements in accordance with International Standards on Auditing (the “ISAs”) issued by the International Auditing and Assurance Standards Board (“IAASB”) pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors’ Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant’s Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as of December 31, 2014 and April 30, 2015 and of the state of affairs of the Group as of December 31, 2012, 2013 and 2014 and April 30, 2015 and of the Group’s results and cash flows for the Relevant Periods then ended.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the four months ended April 30, 2014 and a summary of significant accounting policies and other explanatory information (the “Stub Period Comparative Financial Information”).

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the IAASB. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION

The following is the financial information of the Group prepared by the directors of the Company as of December 31, 2012, 2013 and 2014 and April 30, 2015 and for each of the years ended December 31, 2012, 2013 and 2014 and each of the four months ended April 30, 2014 and 2015 (the "Financial Information").

(a) Consolidated balance sheets

	Section II Note	As of December 31,			As of April 30,
		2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	39,738	48,844	48,254	46,881
Land use right	6	8,235	8,063	7,891	8,324
Intangible assets	7	9,983	8,680	7,377	6,943
Long-term prepayments	12	311	2,892	1,930	1,831
Deferred income tax assets	9	1,625	1,742	1,951	2,455
Restricted cash	13	4,364	1,395	287	270
Total non-current assets		<u>64,256</u>	<u>71,616</u>	<u>67,690</u>	<u>66,704</u>
Current assets					
Inventories	10	24,665	103,170	95,055	66,560
Trade and bills receivables	11	1,750	3,852	26,036	43,564
Prepayments, deposits and other receivables . . .	12	6,600	16,184	5,825	18,097
Restricted cash	13	1,105	5,484	3,628	996
Cash and cash equivalents	13	2,312	18,158	45,333	130,243
Total current assets		<u>36,432</u>	<u>146,848</u>	<u>175,877</u>	<u>259,460</u>
Total assets		<u>100,688</u>	<u>218,464</u>	<u>243,567</u>	<u>326,164</u>

	Section II Note	As of December 31,			As of April 30,
		2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000
EQUITY					
Equity attributable to owners of the Company					
Share capital	14	-	-	-	356
Share premium	15	-	-	-	574,945
Capital reserves	15	43,123	43,123	(1,981)	(552,410)
Other reserves	15	-	3,095	10,783	22,145
(Accumulated deficits)/Retained earnings		(6,857)	22,756	71,932	56,484
Total equity		<u>36,266</u>	<u>68,974</u>	<u>80,734</u>	<u>101,520</u>
LIABILITIES					
Non-current liabilities					
Deferred income	17	-	-	1,900	1,900
Series A convertible redeemable preferred shares	18	-	-	-	153,411
Total non-current liabilities		<u>-</u>	<u>-</u>	<u>1,900</u>	<u>155,311</u>
Current liabilities					
Trade payables	16	2,732	9,716	9,018	10,676
Advances from customers		37,482	122,374	64,516	22,830
Accruals and other payables	17	9,729	10,868	20,988	21,925
Amount due to related parties	30(c)	14,479	429	52,947	-
Current income tax liabilities		-	6,103	13,464	13,902
Total current liabilities		<u>64,422</u>	<u>149,490</u>	<u>160,933</u>	<u>69,333</u>
Total liabilities		<u>64,422</u>	<u>149,490</u>	<u>162,833</u>	<u>224,644</u>
Total equity and liabilities		<u>100,688</u>	<u>218,464</u>	<u>243,567</u>	<u>326,164</u>
Net current (liabilities)/assets		<u>(27,990)</u>	<u>(2,642)</u>	<u>14,944</u>	<u>190,127</u>
Total assets less current liabilities		<u>36,266</u>	<u>68,974</u>	<u>82,634</u>	<u>256,831</u>

(b) Balance sheets— Company

	Section II	As of December 31, 2014	As of April 30, 2015
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	8	-	560,335
Amounts due from subsidiaries	8	-	63,081
Total non-current assets		-	623,416
Current assets			
Cash and cash equivalents	13	-	99,231
Prepayments, deposits and other receivables	12	599	3,853
Total current assets		599	103,084
Total assets		<u>599</u>	<u>726,500</u>
EQUITY			
Share capital	14	308	356
Share premium	15	-	574,945
Other reserves	15	2	10,229
Accumulated deficits		(1,706)	(27,799)
Total Equity		<u>(1,396)</u>	<u>557,731</u>
LIABILITIES			
Non-current liabilities			
Series A convertible redeemable preferred shares	18	-	153,411
Current liabilities			
Accruals and other payables	17	1,388	11,671
Amount due to subsidiaries		607	3,687
Total current liabilities		<u>1,995</u>	<u>15,358</u>
Total liabilities		<u>1,995</u>	<u>168,769</u>
Total equity and liabilities		<u>599</u>	<u>726,500</u>
Net current (liabilities)/assets		<u>(1,396)</u>	<u>87,726</u>
Total assets less current liabilities		<u>(1,396)</u>	<u>711,142</u>

(c) Consolidated statements of comprehensive income

	Section II Note	Year ended December 31,			Four months ended April 30,	
		2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000 (Unaudited)	2015 RMB'000
Revenue	19	22,475	126,872	217,142	57,074	78,961
Cost of sales	20	(12,605)	(65,448)	(110,729)	(27,425)	(48,818)
Gross profit		<u>9,870</u>	<u>61,424</u>	<u>106,413</u>	<u>29,649</u>	<u>30,143</u>
Selling and marketing expenses	20	(2,570)	(7,507)	(7,849)	(1,718)	(1,112)
Administrative expenses	20	(8,180)	(14,741)	(12,870)	(3,390)	(23,594)
Other gains/(losses) – net	21	-	-	189	400	(316)
Operating (loss)/profit		<u>(880)</u>	<u>39,176</u>	<u>85,883</u>	<u>24,941</u>	<u>5,121</u>
Finance income	23	71	156	277	153	182
Finance costs	23	(964)	(611)	(8)	-	(3,708)
Finance (costs)/income — net		<u>(893)</u>	<u>(455)</u>	<u>269</u>	<u>153</u>	<u>(3,526)</u>
Fair value loss of series A convertible redeemable preferred shares	18	-	-	-	-	(11,879)
(Loss)/Profit before income tax		<u>(1,773)</u>	<u>38,721</u>	<u>86,152</u>	<u>25,094</u>	<u>(10,284)</u>
Income tax credits/(expenses)	24	395	(6,013)	(12,617)	(3,589)	(4,033)
(Loss)/Profit for the year/period, all attributable to owners of the Company		<u>(1,378)</u>	<u>32,708</u>	<u>73,535</u>	<u>21,505</u>	<u>(14,317)</u>
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences	15	-	-	207	-	17
Other comprehensive income for the year/period		<u>-</u>	<u>-</u>	<u>207</u>	<u>-</u>	<u>17</u>
Total comprehensive (loss)/income for the year/period, all attributable to owners of the Company		<u>(1,378)</u>	<u>32,708</u>	<u>73,742</u>	<u>21,505</u>	<u>(14,300)</u>
Basic and diluted (loss)/earnings per share	25	<u>(0.25)</u>	<u>5.89</u>	<u>13.24</u>	<u>3.87</u>	<u>(2.59)</u>
Dividends	26	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(d) Consolidated statements of changes in equity

	Section II	Attributable to owners of the Company					Total equity
		Share capital	Share premium	Capital reserves	Other reserves	Retained earnings/ (Accumulated deficits)	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2012		-	-	30,623	-	(5,479)	25,144
Comprehensive loss							
Loss for the year		-	-	-	-	(1,378)	(1,378)
Total comprehensive loss		-	-	-	-	(1,378)	(1,378)
Transaction with owners							
Capital injection by equity holders	15	-	-	12,500	-	-	12,500
Total transaction with owners, recognized directly in equity		-	-	12,500	-	-	12,500
Balance at December 31, 2012		-	-	43,123	-	(6,857)	36,266
Balance at January 1, 2013		-	-	43,123	-	(6,857)	36,266
Comprehensive income							
Profit for the year		-	-	-	-	32,708	32,708
Total comprehensive income		-	-	-	-	32,708	32,708
Transaction with owners							
Appropriation to statutory reserves	15	-	-	-	3,095	(3,095)	-
Total transaction with owners, recognized directly in equity		-	-	-	3,095	(3,095)	-
Balance at December 31, 2013		-	-	43,123	3,095	22,756	68,974

	Section II	Attributable to owners of the Company					Total equity
		Share capital	Share premium	Capital reserves	Other reserves	Retained earnings/ (Accumulated deficits)	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2014		-	-	43,123	3,095	22,756	68,974
Comprehensive income							
Profit for the year		-	-	-	-	73,535	73,535
Other comprehensive income							
Currency translation differences		-	-	-	207	-	207
Total comprehensive income		-	-	-	207	73,535	73,742
Transaction with owners							
Issuance of new shares by the Company	14	-	-	308	-	-	308
Capital injection by equity holders	15	-	-	16,878	-	(16,878)	-
Deemed distribution to equity holders	15	-	-	(62,290)	-	-	(62,290)
Appropriation to statutory reserves	15	-	-	-	7,481	(7,481)	-
Total transaction with owners, recognized directly in equity		-	-	(45,104)	7,481	(24,359)	(61,982)
Balance at December 31, 2014		-	-	(1,981)	10,783	71,932	80,734

Section II	Attributable to owners of the Company						
	Note	Share capital	Share premium	Capital reserves	Other reserves	Retained earnings/ (Accumulated deficits)	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at December 31, 2014		-	-	(1,981)	10,783	71,932	80,734
Comprehensive income							
Loss for the period		-	-	-	-	(14,317)	(14,317)
Other comprehensive income							
Currency translation differences		-	-	-	17	-	17
Total comprehensive income		-	-	-	17	(14,317)	(14,300)
Transaction with owners							
Issuance of shares to Zymmetry Investments Ltd.	14	-	-	34	-	-	34
Completion of Reorganization	14	342	550,121	(550,463)	-	-	-
Repurchase of ordinary shares	14	(17)	(37,868)	-	-	-	(37,885)
Issuance of shares to shareholders	14	31	62,692	-	-	-	62,723
Appropriation to statutory reserves	15	-	-	-	1,131	(1,131)	-
Share-based compensation	15	-	-	-	10,214	-	10,214
Total transaction with owners, recognized directly in equity		356	574,945	(550,429)	11,345	(1,131)	35,086
Balance at April 30, 2015 ...		<u>356</u>	<u>574,945</u>	<u>(552,410)</u>	<u>22,145</u>	<u>56,484</u>	<u>101,520</u>
(Unaudited)							
Balance at January 1, 2014		-	-	43,123	3,095	22,756	68,974
Comprehensive income							
Profit for the period		-	-	-	-	21,504	21,504
Total comprehensive income		-	-	-	-	21,504	21,504
Transaction with equity holders							
Appropriation to statutory reserves		-	-	-	2,108	(2,108)	-
Total transaction with equity holders		-	-	-	2,108	(2,108)	-
Balance at April 30, 2014 ...		<u>-</u>	<u>-</u>	<u>43,123</u>	<u>5,203</u>	<u>42,152</u>	<u>90,478</u>

(e) Consolidated statements of cash flows

	Section II Note	Year ended December 31,			Four months ended April 30,	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from operating activities						
Cash generated from operations	27(a)	12,825	46,821	34,505	2,855	(15,233)
Interest received		71	156	277	153	28
Income tax paid		-	(26)	(5,466)	(4,051)	(4,099)
Net cash generated from/(used in) operating activities		<u>12,896</u>	<u>46,951</u>	<u>29,316</u>	<u>(1,043)</u>	<u>(19,304)</u>
Cash flows from investing activities						
Purchase of land use rights		-	-	-	-	(490)
Purchases of property, plant and equipment		(17,389)	(12,690)	(6,240)	(1,230)	(523)
(Increase in)/decrease of pledged deposits		(5,469)	(1,410)	2,964	3,565	2,650
Purchases of intangible assets		(1,076)	-	-	-	-
Proceeds from government grant	17(a)	-	-	1,900	-	-
Proceeds from disposals of property, plant and equipment	27(b)	-	-	36	-	-
Net cash (used in)/generated from investing activities		<u>(23,934)</u>	<u>(14,100)</u>	<u>(1,340)</u>	<u>2,335</u>	<u>1,637</u>
Cash flows from financing activities						
Proceeds from bank borrowings		-	3,000	10,000	-	-
Capital injection by equity holders	14(a), 15(a)	12,500	-	-	-	62,723
Proceeds from issuance of series A convertible redeemable preferred shares		-	-	-	-	140,347
Distribution to equity holders for Reorganization		-	-	-	-	(62,290)
Payment for repurchase of ordinary shares		-	-	-	-	(37,885)
Repayments of bank borrowings		-	(3,000)	(10,000)	-	-
Repayments of loans from related parties	30(b)(ii)	-	(13,600)	-	-	-
Repayment of a third party loan	17(a)(i)	-	(2,400)	-	-	-
Interest paid		(670)	(835)	(801)	(793)	-
Cash paid for other financing activities	23(b)	-	(170)	-	-	-
Net cash generated from/(used in) financing activities		<u>11,830</u>	<u>(17,005)</u>	<u>(801)</u>	<u>(793)</u>	<u>102,895</u>
Net increase in cash and cash equivalents						
Cash and cash equivalents at beginning of year/period	13	1,520	2,312	18,158	18,158	45,333
Exchange losses on cash and cash equivalents		-	-	-	-	(318)
Cash and cash equivalents at end of year/period	13	<u>2,312</u>	<u>18,158</u>	<u>45,333</u>	<u>18,657</u>	<u>130,243</u>

II. NOTES TO THE FINANCIAL INFORMATION**1. GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION****(a) General information**

Denox Environmental & Technology Holdings Limited (the "Company") was incorporated in the Cayman Islands on November 7, 2014 as an exempted company with limited liability under the Companies Law Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively, the "Group") are principally engaged in design, development and manufacture of plate-type DeNOx catalysts in the People's Republic of China (the "PRC") (the "Listing Businesses"). The ultimate holding company of the Group is Advant Performance Limited, a company incorporated in the British Virgin Islands ("BVI") which is wholly-owned by Ms. Zhao Shu (the "Controlling Shareholder").

The Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

(b) Reorganization

Prior to the incorporation of the Company and the completion of the reorganization as described below (the "Reorganization"), the Listing Businesses were carried out by Beijing Denox Environmental & Technology Co., Ltd. ("Beijing Denox") and its subsidiary. In preparation for the initial public offering of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), the Reorganization was undertaken pursuant to which the group companies engaged in the Listing Businesses controlled by the Controlling Shareholder were transferred to the Company.

The Reorganization involved the following steps:

- (1) The Company was incorporated on November 7, 2014 with an initial authorized share capital of US\$50,000 divided into 5,000,000 shares of US\$0.01 each, in which the Controlling Shareholder held 2,916,666 shares (58.33%), EEC Technology Limited, a company incorporated in the BVI and controlled by Mr. Li Xingwu, a non-executive director of the Company, held 1,000,000 shares (20%) and other six BVI companies owned by Mr. Lin Mingwang, Ms. Xu Han, Mr. Kong Hongjun, Ms. Mou Peiyao, Mr. Li Ke and Mr. Liu Lianchao (the "Individual Shareholders"), respectively, held 1,083,334 shares (21.67%) in aggregate.
- (2) On November 12, 2014, Denox Investments Holdings Limited ("BVI Denox") was incorporated by the Company as a wholly-owned subsidiary of the Group.
- (3) On November 21, 2014, Denox Environmental & Technology (HK) Investments Co., Ltd. ("HK Denox") was incorporated by BVI Denox as a wholly-owned subsidiary of the Group.
- (4) Pursuant to a series of equity transfer agreements dated November 28, 2014, HK Denox acquired a 100% equity interests in Beijing Denox from its then shareholders, including 52.5%

equity interest from the Controlling Shareholder, 18.0% equity interest from Mr. Li Xingwu, 10.0% equity interest from Denox Environmental & Technology (HK) Co., Limited (香港迪諾斯環保科技有限公司, "Denox Hong Kong") and 19.5% equity interest from the Individual Shareholders, for an aggregate cash consideration of RMB62,290,000.

- (5) On January 23, 2015, Zymmetry Investments Ltd., a company incorporated in the BVI by the controlling shareholder of Denox Hong Kong, subscribed for 555,555 ordinary shares of the Company at cash consideration of US\$5,555. Upon completion, all the original owners of Beijing Denox have become the shareholders of the Company with the same shareholding percentages as those right before the Reorganization.

Upon completion of the Reorganization, the Company became holding company of the companies comprising the Group. The Group had direct or indirect interests in the following subsidiaries as of December 31, 2012, 2013 and 2014, and April 30, 2015 and the date of this report:

Company name	Country /place and date of incorporation	Registered/ Issued and paid-up capital	Attributable equity interest of the Group				Principal activities/ place of operation	Note	
			December 31,		April 30,				
			2012	2013	2014	2015			As at the date of this report
Directly owned:									
Denox Investments Holdings Limited	BVI / November 12, 2014	US\$1 / US\$1	N/A	N/A	100%	100%	100%	Investment holding / BVI	(a)
Indirectly owned:									
Denox Environmental & Technology (HK) Investments Co., Ltd	Hong Kong / November 21, 2014	HK\$1 / HK\$1	N/A	N/A	100%	100%	100%	Investment holding / Hong Kong	(b)
Beijing Denox Environmental & Technology Co., Ltd. (北京迪諾斯環保科技有限公司)	Beijing, the PRC / September 30, 2010	RMB 150,000,000/ RMB 60,000,000	100%	100%	100%	100%	100%	Plate-type DeNOx catalysts design, distribution and selling / the PRC	(c)
Gu'an Denox Environmental Equipment Manufacturing Co., Ltd ("Gu'an Denox") (固安迪諾斯環保設備製造有限公司)	Gu'an, the PRC / August 27, 2010	RMB 15,000,000/ RMB 15,000,000	100%	100%	100%	100%	100%	Plate-type DeNOx catalysts production / the PRC	(c)

All companies comprising the Group adopt December 31, as their financial year end date.

The English names of certain companies referred herein represent management's best effort in translating the Chinese names of these companies as no English names had been registered.

Notes:

- (a) No statutory audited financial statements have been prepared by this company as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.
- (b) No statutory audited financial statements have been prepared by this company as it was newly incorporated in November 2014.
- (c) The financial statements of Beijing Denox for the year ended December 31, 2012 were audited by Beijing Zhongtian Xinda Certified Public Accountants Co., Ltd, certificated public accountants in the PRC. The financial statements of Gu'an Denox

for the year ended December 31, 2012 were audited by Langfang Hua Anda Certified Public Accountants Co., Ltd, certificated public accountants in the PRC. The financial statements of Beijing Denox and Gu'an Denox for the years ended December 31, 2013 and 2014 were audited by Beijing Yingke Certified Public Accountants Co., Ltd, certificated public accountants in the PRC.

(c) Basis of presentation

Immediately prior to and after the Reorganization, the Listing Businesses are held by the Controlling Shareholder and are mainly conducted through Beijing Denox and Gu'an Denox. Pursuant to the Reorganization, Beijing Denox, Gu'an Denox and the Listing Businesses are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganization and do not meet the definition of a business. The Reorganization is merely a reorganization of the Listing Businesses with no change in management of such business and the ultimate owners of the Listing Businesses remain the same. Accordingly, the consolidated financial information of the companies now comprising the Group is presented using the carrying values of the Listing Businesses for all periods presented as if the current group structure had been in existence throughout the Relevant Periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of convertible redeemable preferred shares.

The preparation of the Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

All new standards, amendments and interpretation to the existing standards that are effective during the Relevant Periods have been adopted by the Group consistently throughout the Relevant Periods unless prohibited by the relevant standards to apply retrospectively.

The following new standards, amendments and interpretations to existing standards which have been issued but are not effective for the fiscal year beginning January 1, 2015 and have not been early adopted by the Group:

<u>Standards</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IFRS 11 on accounting for acquisitions of interests in joint operations	January 1, 2016
Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortization	January 1, 2016
Amendments to IAS 16 and IAS 41 on Agriculture: bearer plants	January 1, 2016
Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture	January 1, 2016
Amendment to IAS 27 on equity method in separate financial statements	January 1, 2016
Annual improvements 2014	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 on investment entities: applying the consolidation exception	January 1, 2016
Amendments to IAS 1 for the disclosure initiative	January 1, 2016
IFRS 15 "Revenue from contracts with customers"	January 1, 2017
IFRS 9 "Financial Instruments"	January 1, 2018

The Group is yet to assess the full impact of these new standards and amendments and intends to adopt them no later than the respective effective dates of these new standards and amendments.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in the consolidated statements of comprehensive income.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. As a result of this evaluation, the Group determined that its business, as a whole, falls into one segment.

The Group is principally engaged in design, development and manufacture of plate-type DeNOx catalysts. All of its revenue is derived in the PRC during the Relevant Periods except for the export sales amounting to approximately RMB800,000 in the year ended December 31, 2013.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company, BVI Denox and HK Denox is the Hong Kong dollar ("HK\$"). The subsidiaries incorporated in the PRC considered RMB as their functional currency as the major operations of the Group during the Relevant Periods are within the PRC, the Group determined to present its Financial Information in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statements of comprehensive income within 'finance (costs)/income — net'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains/(losses) — net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged in the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	<u>Estimated useful lives</u>
Leasehold improvements	Shorter of remaining term of the lease and the estimated useful lives of assets
Buildings	20 years
Machinery	3-10 years
Vehicles	4 years
Office equipment and others	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents buildings, machinery under construction or pending installation and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other gains — net' in the consolidated statements of comprehensive income.

2.6 Land use right

Land use right represents upfront prepayments made for the land use right at historical cost and are expensed in the consolidated statements of comprehensive income on a straight-line basis over the periods of the leases or when there is impairment, the impairment is expensed in the consolidated statements of comprehensive income.

2.7 Intangible assets

(a) Patent right

Patent right is shown at historical cost. Patent right has a finite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of patent right over their estimated useful lives of 10 years.

(b) Technical know-how

Acquired technical know-how of manufacturing processes is shown at historical cost. Acquired technical know-how is capitalized on the basis of the costs incurred to acquire and is amortized over their estimated useful lives of 10 years.

2.8 Research and development

Research expenditures is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when the following criteria are fulfilled:

- (i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (ii) management intends to complete the intangible asset and use or sell it;
- (iii) there is an ability to use or sell the intangible asset;
- (iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;
- (v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- (vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized on a straight-line basis over its useful life.

2.9 Impairment of non-financial assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its

recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise: 'trade and bills receivables', 'other receivables', 'restricted cash', and 'cash and cash equivalents' in the balance sheet (Notes 2.14 and 2.15).

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Impairment of financial assets

Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss

event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statements of comprehensive income.

2.13 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Goods in transit refer to finished goods in transit and held at customers' place.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.18 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has a contractual or an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the consolidated statements of comprehensive income in the period in which they are incurred.

2.20 Series A convertible redeemable preferred shares

Series A convertible redeemable preferred shares issued by the Company are redeemable upon occurrence of certain future events at the option of the holders. The preferred shares can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon an initial public offering of the Company.

The Group designated the series A convertible redeemable preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the statements of comprehensive income.

Subsequent to initial recognition, the series A convertible redeemable preferred shares are carried at fair value with changes in fair value recognized in statements of comprehensive income.

The series A convertible redeemable preferred shares are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting period.

Preferred shares, if mandatorily redeemable at a specific date or redeemable at the option of the holder, are classified as liabilities. The dividends on these preferred shares, if declared, are recognized in the statements of comprehensive income as finance costs.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statements of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the

temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Only when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profit is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employee payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year.

2.23 Share-based payments

Equity-settled share-based payments transactions

The Group received service from employees as consideration for its equity instruments. The fair value of the employee services received in exchange for the grant of the restricted share units is

recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the restricted share units granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

In terms of restricted share units awarded to counterparties other than employees, the total amount to be expensed is determined by reference to the fair value of the service unless such fair value could not be estimated reliably. In such case, the expense will be measured indirectly by reference to the fair value of the equity instruments granted at the date when such counterparties render services.

Service conditions are included in assumptions about the number of restricted share units that are expected to vest. The total expense is recognized over the vesting period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of restricted share units that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the restricted share units are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2.24 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of value added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

The Group manufactures and sells plate-type DeNOx catalysts to coal-fired power plants (the "Power Plants"), certain engineering, procurement and construction (the "EPCs") service providers and boiler manufacturers in the PRC. The Group is responsible for the delivery of the goods to customers' specified destinations after the sales contracts are signed. The customers are responsible for the test run of the function of the Group's products after installation, and will issue a preliminary acceptance certificate when they are qualified.

Sales of goods are recognized when significant risks and rewards of ownership of the goods are transferred to the customers, generally coincides with the time of receipt of the preliminary acceptance certificate.

(b) Provision of services

The Group provides technical support for certain environmental protection projects and derives revenue through consultancy agreements with designing institutes and environment engineering companies, in which the Group agrees to provide either experts or expertise over the project period.

Revenue is recognized when the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of actual services provided as a proportion of the total service to be provided.

2.26 Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

2.27 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated comprehensive income statements over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in liabilities as deferred income and are credited to the consolidated comprehensive income statements on a straight-line basis over the expected useful lives of the related assets.

2.28 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated comprehensive income statements on a straight-line basis over the period of the lease.

2.29 Dividend distribution

Dividend distribution to the shareholders of the Listing Businesses is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group currently does not use any derivative financial instruments to hedge certain risk exposures during the Relevant Periods.

(a) Market risk

(i) Foreign exchange risk

Most of the Company's subsidiaries' functional currency is RMB as majority of the revenues of these companies are derived from operations in the PRC. The Group is exposed to foreign exchange risk arising from various currency exposures. Except for the series A convertible redeemable preferred shares issued in February 2015, all of the transactions of the Company and its overseas subsidiaries are dominated and settled in their functional currency, which is HK\$. Therefore, foreign exchange risk primarily arises from recognized assets and liabilities in the Group's subsidiaries incorporated in the PRC (the "PRC Subsidiaries") and the recognized series A convertible redeemable preferred shares of the Company when receiving or to receive foreign currencies from counterparties. The Group does not hedge against any fluctuation in foreign currency. As of December 31, 2012, 2013 and 2014 and April 30, 2015, the Group did not have any significant exchange risk from operation.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets (other than restricted cash and cash and cash equivalents, details of which have been disclosed in Note 13), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk primarily arises from bank and other borrowings. The Group's borrowings were issued at fixed rates and expose the Group to fair value interest rate risk. During the Relevant Periods, the interest rate risk was not material to the Group.

(iii) Price risk

The Group is exposed to price risk in respect of series A convertible redeemable preferred shares carried at fair value with changes in fair value recognized in the profit or loss. Fair value of series A convertible redeemable preferred shares is affected by changes in the Group's equity value.

For the four months ended April 30, 2015, if the equity value of the Company had increased/decreased by 100 base points with all other variables held constant, loss before income tax for the period would have been RMB1,235,000 higher, and RMB12,000 lower, respectively.

(b) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, restricted cash, trade and bills receivables and other receivables.

As of December 31, 2012, 2013 and 2014, and April 30, 2015 most of the Group's restricted cash and cash and cash equivalents were deposited in the major financial institutions in the PRC with good credit rating. The Group categorizes its major counterparties into the following groups:

- Group 1 – Top 4 banks in the PRC (China Construction Bank, Bank of China, Agricultural Bank of China, and Industrial and Commercial Bank of China) and Hongkong and Shanghai Banking Corporation Limited in Hong Kong;
- Group 2 – Other major listed banks and regional banks in the PRC; and
- Group 3 – Other banks and financial institutions.

Category	As of December 31,			As of April 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Group 1	7,779	22,461	21,824	121,951
Group 2	-	2,572	27,419	9,551
Group 3	-	-	-	-
	<u>7,779</u>	<u>25,033</u>	<u>49,243</u>	<u>131,502</u>

The Group's customer base is highly concentrated. The top five customers accounted for 100%, 99%, 77% and 86% of the Group's total revenue for the years ended December 31, 2012, 2013 and 2014, and four months ended April 30, 2015, respectively. The trade receivables which are past due are analyzed in Note 11.

The Company typically requests down payment upon the sales contract being signed. In respect of trade receivables, individual credit evaluations are performed on all customers. These evaluations focus on the customers' financial position, past history of making payments and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed credit facilities to meet its working capital requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining year at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group

	Less than 6 months	Between 6 months and 1 year	More than 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2012				
Trade payables	2,732	-	-	2,732
Amount due to related parties	14,479	-	-	14,479
Accruals and other payables (excluding payroll payable and tax payable)	8,994	-	-	8,994
	<u>26,205</u>	<u>-</u>	<u>-</u>	<u>26,205</u>
As of December 31, 2013				
Trade payables	9,716	-	-	9,716
Amount due to related parties	429	-	-	429
Accruals and other payables (excluding payroll payable and tax payable)	9,068	-	-	9,068
	<u>19,213</u>	<u>-</u>	<u>-</u>	<u>19,213</u>
As of December 31, 2014				
Trade payables	9,018	-	-	9,018
Amount due to related parties	52,947	-	-	52,947
Accruals and other payables (excluding payroll payable and tax payable)	18,904	-	-	18,904
	<u>80,869</u>	<u>-</u>	<u>-</u>	<u>80,869</u>
As of April 30, 2015				
Trade payables	10,676	-	-	10,676
Accruals and other payables (excluding payroll payable and tax payable)	16,446	-	-	16,446
Series A convertible redeemable preferred shares	-	-	153,411	153,411
	<u>27,122</u>	<u>-</u>	<u>153,411</u>	<u>180,533</u>

The Company

	Less than 6 months	Between 6 months and 1 year	More than 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2014				
Accruals and other payables (excluding payroll payable and tax payable)	1,388	-	-	1,388
Amount due to subsidiaries	607	-	-	607
	<u>1,995</u>	<u>-</u>	<u>-</u>	<u>1,995</u>

	Less than 6 months	Between 6 months and 1 year	More than 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As of April 30, 2015				
Accruals and other payables (excluding payroll payable and tax payable)	8,106	-	-	8,106
Amount due to subsidiaries	3,687	-	-	3,687
Series A convertible redeemable preferred shares	-	-	153,411	153,411
	<u>11,793</u>	<u>-</u>	<u>153,411</u>	<u>165,204</u>

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group’s liabilities that are measured at fair value at April 30, 2015.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RMB’000	RMB’000	RMB’000	RMB’000
Liabilities:				
- Series A convertible redeemable preferred shares	-	-	153,411	153,411

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily DAX, FTSE 100 and Dow Jones equity investments classified as trading securities or available-for-sale.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(c) Financial instruments in level 3

The changes in level 3 instruments represented changes in series A convertible redeemable preferred shares for the four months ended April 30, 2015, and are presented in Note 18.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The Group determines the estimated useful lives for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charges where useful lives are different from previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of property, plant and equipment, land use rights and intangible assets

Impairment losses for property, plant and equipment, land use right and intangible assets are recognized for the amount by which the carrying amount exceeds its recoverable amount in accordance with the accounting policy stated in Note 2.9. The recoverable amounts, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business, are determined with reference to the best information available at each of the balance sheet date. Changing the assumptions selected by the Group's management in assessing impairment, including the discount rates or the operating and growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

(c) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(d) Impairment of trade receivables

The Group's management estimates the provision of impairment of trade receivables by assessing the recoverability of individual balances on a periodic basis. Provisions on individual balances are applied to trade receivables where events or changes in circumstances indicate that such balances may not be collectible. Where an estimate is different from the previous estimate, such a difference will impact both

the carrying value of trade receivables and the impairment charge in the period in which such estimate has been changed.

(e) Fair value of series A convertible redeemable preferred shares

The series A convertible redeemable preferred shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The directors have used the discounted cash flow method to determine the underlying equity value of the Company and adopted equity allocation method to determine the fair value of the series A convertible redeemable preferred shares. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in Note 18.

The estimated carrying amount of series A convertible redeemable preferred shares as of April 30, 2015 would have been RMB1,131,000 lower, or RMB1,162,000 higher, if the discount rate used in discount cash flow analysis were higher/lower by 100 base points from management's estimates.

(f) Income taxes and deferred income tax

The Group is subject to income taxes in different locations in the PRC. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are certain transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(g) Warranty Provision

The Group usually provides a warranty period of one year from the issuance of the preliminary acceptance certificate. Management estimates the related provision for future warranty claims based on the past experiences as well as the best information available at each of the balance sheet date. If the actual claims costs differ from the estimated provision being provided for, this will have an impact on selling expenses in future periods.

5. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Vehicles	Office equipment and others	Leasehold improve- ments	Construction -in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2012							
Cost	13,789	8,152	147	262	-	3,510	25,860
Accumulated depreciation ...	(258)	(251)	(21)	(17)	-	-	(547)
Net book value	<u>13,531</u>	<u>7,901</u>	<u>126</u>	<u>245</u>	<u>-</u>	<u>3,510</u>	<u>25,313</u>
Year ended December 31, 2012							
Opening net book value	13,531	7,901	126	245	-	3,510	25,313
Additions	-	14,703	88	38	-	2,178	17,007
Transfer	98	478	-	10	-	(586)	-
Depreciation and impairment charge	(670)	(1,786)	(47)	(79)	-	-	(2,582)
Closing net book value	<u>12,959</u>	<u>21,296</u>	<u>167</u>	<u>214</u>	<u>-</u>	<u>5,102</u>	<u>39,738</u>
As of December 31, 2012							
Cost	13,887	23,333	235	310	-	5,102	42,867
Accumulated depreciation ...	(928)	(1,079)	(68)	(96)	-	-	(2,171)
Impairment	-	(958)	-	-	-	-	(958)
Net book value	<u>12,959</u>	<u>21,296</u>	<u>167</u>	<u>214</u>	<u>-</u>	<u>5,102</u>	<u>39,738</u>
Year ended December 31, 2013							
Opening net book value	12,959	21,296	167	214	-	5,102	39,738
Additions	-	3,042	191	389	423	8,290	12,335
Transfer	482	2,443	-	-	-	(2,925)	-
Depreciation and impairment charge	(671)	(2,335)	(74)	(128)	(21)	-	(3,229)
Closing net book value	<u>12,770</u>	<u>24,446</u>	<u>284</u>	<u>475</u>	<u>402</u>	<u>10,467</u>	<u>48,844</u>
As of December 31, 2013							
Cost	14,369	28,818	426	699	423	10,467	55,202
Accumulated depreciation ...	(1,599)	(3,414)	(142)	(224)	(21)	-	(5,400)
Impairment	-	(958)	-	-	-	-	(958)
Net book value	<u>12,770</u>	<u>24,446</u>	<u>284</u>	<u>475</u>	<u>402</u>	<u>10,467</u>	<u>48,844</u>
Year ended December 31, 2014							
Opening net book value	12,770	24,446	284	475	402	10,467	48,844
Additions	-	600	733	253	-	3,881	5,467
Transfer	10,787	3,561	-	-	-	(14,348)	-
Depreciation and impairment charge	(1,016)	(4,299)	(172)	(193)	(85)	-	(5,765)
Disposals(Note 27(b))	-	(292)	-	-	-	-	(292)
Closing net book value	<u>22,541</u>	<u>24,016</u>	<u>845</u>	<u>535</u>	<u>317</u>	<u>-</u>	<u>48,254</u>

	<u>Buildings</u>	<u>Machinery</u>	<u>Vehicles</u>	<u>Office equipment and others</u>	<u>Leasehold improve- ments</u>	<u>Construction -in-progress</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
As of December 31, 2014							
Cost	25,156	31,560	1,159	952	423	-	59,250
Accumulated depreciation ..	(2,615)	(6,245)	(314)	(417)	(106)	-	(9,697)
Impairment	-	(1,299)	-	-	-	-	(1,299)
Net book value	<u>22,541</u>	<u>24,016</u>	<u>845</u>	<u>535</u>	<u>317</u>	<u>-</u>	<u>48,254</u>
Four months ended							
April 30, 2015							
Opening net book value	22,541	24,016	845	535	317	-	48,254
Additions	-	102	-	50	-	102	254
Transfer	102	-	-	-	-	(102)	-
Depreciation and impairment charge	(404)	(1,039)	(85)	(71)	(28)	-	(1,627)
Closing net book value	<u>22,239</u>	<u>23,079</u>	<u>760</u>	<u>514</u>	<u>289</u>	<u>-</u>	<u>46,881</u>
As of April 30, 2015							
Cost	25,258	31,662	1,159	1,002	423	-	59,504
Accumulated depreciation ..	(3,019)	(7,284)	(399)	(488)	(134)	-	(11,324)
Impairment	-	(1,299)	-	-	-	-	(1,299)
Net book value	<u>22,239</u>	<u>23,079</u>	<u>760</u>	<u>514</u>	<u>289</u>	<u>-</u>	<u>46,881</u>

Depreciation and impairment expenses have been charged to the consolidated statements of comprehensive income as follows:

	<u>Year ended December 31,</u>			<u>Four months ended April 30,</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Cost of sales	1,380	2,849	3,697	1,260
Administrative expenses	1,202	380	2,068	367
	<u>2,582</u>	<u>3,229</u>	<u>5,765</u>	<u>1,627</u>

As of December 31, 2012, 2013 and 2014, and April 30, 2015, the Group is in the process of applying for registration of the ownership certificates for certain of its buildings with an aggregate net book value of approximately RMB12,959,000, RMB12,770,000, RMB22,541,000 and RMB5,419,000, respectively.

6. LAND USE RIGHT

	Year ended December 31,			Four months ended April 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Opening net book value	8,407	8,235	8,063	7,891
Additions	-	-	-	490
Amortization charge	(172)	(172)	(172)	(57)
Closing net book value	<u>8,235</u>	<u>8,063</u>	<u>7,891</u>	<u>8,324</u>

The Group's land use right is located in Gu'an, the PRC, and with an original lease period of 50 years.

Amortization of land use right has been charged to the consolidated statements of comprehensive income as follows:

	Year ended December 31,			Four months ended April 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of sales	164	164	164	54
Administrative expenses	8	8	8	3
	<u>172</u>	<u>172</u>	<u>172</u>	<u>57</u>

7. INTANGIBLE ASSETS

	Patent rights	Technical know-how	Total
	RMB'000	RMB'000	RMB'000
As of January 1, 2012			
Cost	8,122	-	8,122
Accumulated amortization	(552)	-	(552)
Net book amount	<u>7,570</u>	<u>-</u>	<u>7,570</u>
Year ended December 31, 2012			
Opening net book value	7,570	-	7,570
Additions	-	3,567	3,567
Amortization charges	(946)	(208)	(1,154)
Closing net book value	<u>6,624</u>	<u>3,359</u>	<u>9,983</u>
As of December 31, 2012			
Cost	8,122	3,567	11,689
Accumulated amortization	(1,498)	(208)	(1,706)
Net book value	<u>6,624</u>	<u>3,359</u>	<u>9,983</u>
Year ended December 31, 2013			
Opening net book value	6,624	3,359	9,983
Amortization charges	(946)	(357)	(1,303)
Closing net book value	<u>5,678</u>	<u>3,002</u>	<u>8,680</u>

	<u>Patent rights</u>	<u>Technical know-how</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000
As of December 31, 2013			
Cost	8,122	3,567	11,689
Accumulated amortization	<u>(2,444)</u>	<u>(565)</u>	<u>(3,009)</u>
Net book value	<u>5,678</u>	<u>3,002</u>	<u>8,680</u>
Year ended December 31, 2014			
Opening net book value	5,678	3,002	8,680
Amortization charges	<u>(946)</u>	<u>(357)</u>	<u>(1,303)</u>
Closing net book value	<u>4,732</u>	<u>2,645</u>	<u>7,377</u>
As of December 31, 2014			
Cost	8,122	3,567	11,689
Accumulated amortization	<u>(3,390)</u>	<u>(922)</u>	<u>(4,312)</u>
Net book value	<u>4,732</u>	<u>2,645</u>	<u>7,377</u>
Four months ended April 30, 2015			
Opening net book value	4,732	2,645	7,377
Amortization charge	<u>(316)</u>	<u>(118)</u>	<u>(434)</u>
Closing net book value	<u>4,416</u>	<u>2,527</u>	<u>6,943</u>
As of April 30, 2015			
Cost	8,122	3,567	11,689
Accumulated amortization	<u>(3,706)</u>	<u>(1,040)</u>	<u>(4,746)</u>
Net book value	<u>4,416</u>	<u>2,527</u>	<u>6,943</u>

Amortization of intangible assets has been charged to the consolidated statements of comprehensive income as follows:

	<u>Year ended December 31,</u>			<u>Four months ended</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>April 30,</u>
	RMB'000	RMB'000	RMB'000	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of sales	<u>1,154</u>	<u>1,303</u>	<u>1,303</u>	<u>434</u>

8. INTERESTS IN SUBSIDIARIES — THE COMPANY

	<u>As of</u>	<u>As of</u>
	<u>December 31,</u>	<u>April 30,</u>
	<u>2014</u>	<u>2015</u>
	RMB'000	RMB'000
Investments in subsidiaries		
— Investment in a subsidiary (a)	-	550,121
— Deemed investments arising from share-based compensation (b)	-	10,214
Amount due from a subsidiary (c)	-	63,081
	<u>-</u>	<u>623,416</u>

- (a) The Company's investment in its subsidiary, an unlisted company, is approximately RMB550,121,000, which is recorded at its fair value. Please refer to Note 1(b) of Section II for the list of the principal subsidiaries.
- (b) This represented share-based compensation expenses attributable to Ms. Zhao Shu and Mr. Li Xingwu, which were recorded as investment in subsidiaries (Note 15).
- (c) The amount due from a subsidiary is unsecured and interest free with no fixed repayment term. The Company has no intention to collect such amount within 12 months as of April 30, 2015.

9. DEFERRED INCOME TAX

The analysis of deferred tax assets is as follows:

	As of December 31,			As of
	2012	2013	2014	April 30,
	RMB'000	RMB'000	RMB'000	2015
Deferred tax assets				RMB'000
— Deferred income tax assets to be recovered after more than 12 months	233	748	748	734
— Deferred income tax assets to be recovered within 12 months	1,392	994	1,203	1,721
	<u>1,625</u>	<u>1,742</u>	<u>1,951</u>	<u>2,455</u>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities related to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The gross movement of the deferred income tax account is as follows:

	Year ended December 31,			Four months
	2012	2013	2014	ended April 30,
	RMB'000	RMB'000	RMB'000	2015
Beginning of the year/period	1,230	1,625	1,742	1,951
Credited the consolidated statements of comprehensive income (Note 24)	395	117	209	504
End of the year/period	<u>1,625</u>	<u>1,742</u>	<u>1,951</u>	<u>2,455</u>

The analysis of deferred income tax assets is as follows:

	Provision of inventories	Impairment provision of receivables	Warranty provisions	Unrealized profit	Impairment provision of property, plant and equipment	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2012	-	-	-	-	-	1,230	1,230
Recognized in the consolidated statements of comprehensive income	-	-	16	92	233	54	395
As of December 31, 2012	-	-	16	92	233	1,284	1,625
Recognized in the consolidated statements of comprehensive income	-	748	78	600	(25)	(1,284)	117
As of December 31, 2013	-	748	94	692	208	-	1,742
Recognized in the consolidated statements of comprehensive income	-	-	68	32	109	-	209
As of December 31, 2014	-	748	162	724	317	-	1,951
Recognized in the consolidated statements of comprehensive income	625	(34)	17	(89)	(15)	-	504
As of April 30, 2015	<u>625</u>	<u>714</u>	<u>179</u>	<u>635</u>	<u>302</u>	<u>-</u>	<u>2,455</u>

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of related tax benefits through future taxable profits is probable.

The directors have resolved that all profits earned by the Group's subsidiaries in the PRC will be retained in the PRC for future expansion. Accordingly, no provision for withholding tax was made for the unremitted earnings of approximately nil, RMB22,756,000, RMB73,865,000, and RMB84,817,000 as of December 31, 2012, 2013 and 2014, and April 30, 2015, respectively.

10. INVENTORIES

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	3,740	19,504	17,995	15,361
Work-in-progress	3,560	1,682	2,130	5,109
Finished goods	16,515	29,536	10,200	20,100
Goods in transit	850	52,448	64,730	30,159
Less: provision	-	-	-	(4,169)
	<u>24,665</u>	<u>103,170</u>	<u>95,055</u>	<u>66,560</u>

For the years ended December 31, 2012, 2013, 2014, and the four months ended April 30, 2015, the cost of inventories recognized as "cost of sales" amounted to approximately RMB12,529,000, RMB64,790,000, RMB108,576,000 and RMB48,211,000, respectively.

Movements of provision for inventory are analyzed as follows:

	Four months ended April 30,
	2015
	RMB'000
Beginning of the period	-
Addition	(4,169)
End of the period	<u>(4,169)</u>

11. TRADE AND BILLS RECEIVABLES

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivable	600	-	16,901	5,300
Trade receivables	1,150	8,839	14,122	43,023
	<u>1,750</u>	<u>8,839</u>	<u>31,023</u>	<u>48,323</u>
Less: provision for impairment	-	(4,987)	(4,987)	(4,759)
	<u>1,750</u>	<u>3,852</u>	<u>26,036</u>	<u>43,564</u>

(a) Ageing analysis of gross trade receivables at the respective balance sheet dates is as follows:

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 3 months	1,150	-	2,717	23,874
3 months to 6 months	-	-	-	8,238
6 months to 1 year	-	8,839	6,418	5,785
1 to 2 years	-	-	4,987	5,126
	<u>1,150</u>	<u>8,839</u>	<u>14,122</u>	<u>43,023</u>

Ageing analysis of past due but not impaired trade receivables as of December 31, 2012, 2013 and 2014, and April 30, 2015 was as follows:

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 6 months	-	-	2,717	13,962
6 months to 1 year	-	-	2,302	2,536
	-	-	5,019	16,498

Past due trade receivables are defined as trade receivables outstanding after 30 days, the official credit term, from the date on which the Group establishes the right of collection. Based on the past experiences and review of the operating situation of the customers, the directors are of the view that past due trade receivables, amounting to approximately zero, zero, RMB5,019,000 and RMB16,498,000, were not impaired as of December 31, 2012, 2013 and 2014, and April 30, 2015, respectively, as there are no significant changes in the credit quality of individual customers.

Ageing analysis of impaired trade receivables as of December 31, 2012, 2013 and 2014, and April 30, 2015 was as follows:

	As of December 31,			As of April 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 6 months	-	-	-	-
6 months to 1 year	-	4,987	-	-
1 to 2 years	-	-	4,987	4,759
	-	4,987	4,987	4,759

(b) Movements on the Group's allowance for impairment of trade receivables are as follows:

	Year ended December 31,			Four months ended April 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of the year/period	-	-	4,987	4,987
Provision for receivables impairment (Note 20)	-	4,987	-	(228)
End of the year/period	-	4,987	4,987	4,759

As of December 31, 2012, 2013 and 2014, and April 30, 2015, trade receivables of zero, RMB4,987,000, RMB4,987,000, and RMB4,759,000, respectively, of the Group are impaired and fully provided for. The individually impaired receivables mainly relate to certain customers who are in unexpectedly difficult economic situation.

(c) As of December 31, 2012, 2013, 2014 and April 30, 2015, the carrying amounts of the Group's trade and bills receivables are all denominated in RMB and approximate their fair value.

- (d) The maximum exposure to credit risk at each of the reporting date is the carrying value of the net receivable balances.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(a) Group

	As of December 31,			As of
	2012	2013	2014	April 30,
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Current assets				
Value-added tax recoverable	5,110	-	518	56
Prepayments to suppliers	788	14,832	412	7,657
Staff advance	339	313	80	324
Deposits as guarantee for bidding	255	370	3,550	1,680
Prepaid employees' housing subsidy	-	420	410	410
Deferred listing expenses	-	-	293	3,513
Amount due from related parties	-	-	306	340
Amount due from a third party agent	-	-	-	927
Receivables of withholding individual income tax due to the deemed distribution in the Reorganization	-	-	-	2,598
Others	108	249	256	592
	<u>6,600</u>	<u>16,184</u>	<u>5,825</u>	<u>18,097</u>
Long-term Prepayments				
Long-term prepaid expenses	-	2,375	1,858	1,719
Prepayments for acquisition of property, plant and equipment ...	311	517	72	112
	<u>311</u>	<u>2,892</u>	<u>1,930</u>	<u>1,831</u>
Total	<u>6,911</u>	<u>19,076</u>	<u>7,755</u>	<u>19,928</u>

As of December 31, 2012, 2013 and 2014, and April 30, 2015, the carrying amounts of prepayments, deposits and other receivables approximated their fair values. As of December 31, 2012, 2013 and 2014, and April 30, 2015, there were no significant balances that were past due.

The maximum exposure to credit risk at each of the reporting date is the carrying value of each class of prepayment, deposits and other receivables mentioned above.

(b) Company

	As of	As of
	December 31,	April 30,
	2014	2015
	RMB'000	RMB'000
Deferred listing expenses	293	3,513
Amount due from related parties	306	340
	<u>599</u>	<u>3,853</u>

Prepayments, deposits and other receivables are denominated in the following currencies:

(a) Group

	As of December 31,			As of
	2012	2013	2014	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	6,911	19,076	7,755	16,936
HK\$	-	-	-	2,992
	<u>6,911</u>	<u>19,076</u>	<u>7,755</u>	<u>19,928</u>

(b) Company

	As of	As of
	December 31,	April 30,
	2014	2015
	RMB'000	RMB'000
RMB	599	861
HK\$	-	2,992
	<u>599</u>	<u>3,853</u>

13. CASH AND BANK BALANCES

(a) Group

	As of December 31,			As of
	2012	2013	2014	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Cash and cash equivalents	2,312	18,158	45,333	130,243
Restricted cash	1,105	5,484	3,628	996
	<u>3,417</u>	<u>23,642</u>	<u>48,961</u>	<u>131,239</u>
Non-current				
Restricted cash	<u>4,364</u>	<u>1,395</u>	<u>287</u>	<u>270</u>
Total cash and cash equivalents and restricted cash	<u>7,781</u>	<u>25,037</u>	<u>49,248</u>	<u>131,509</u>

Restricted bank deposits were held as guarantee for bidding, product quality and performance of the Group's sales contracts (Note 29).

(b) Company

	<u>As of December 31,</u> 2014 RMB'000	<u>As of April 30,</u> 2015 RMB'000
Current		
Cash and cash equivalents	-	99,231

Cash and cash equivalents are denominated in the following currencies:

(a) Group

	<u>As of December 31,</u>			<u>As of April 30,</u>
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	7,781	25,037	49,248	31,785
US\$	-	-	-	99,724
	<u>7,781</u>	<u>25,037</u>	<u>49,248</u>	<u>131,509</u>

(b) Company

	<u>As of December 31,</u> 2014 RMB'000	<u>As of April 30,</u> 2015 RMB'000
US\$	-	99,231

14. SHARE CAPITAL

	<u>Number of authorized shares</u>
Authorized shares:	
As of November 7, 2014 (date of incorporation) and as of December 31, 2014	5,000,000
As of April 30, 2015	<u>5,000,000,000</u>

The Company was incorporated on November 7, 2014 with an initial authorized capital of US\$50,000 divided into 5,000,000 shares with a par value of US\$0.01 each.

According to the special resolution by the shareholders passed on January 23, 2015, the authorized share capital increase to US\$50,000,000 divided into 5,000,000,000 shares at a par value of US\$0.01 each.

(a) Group

Issued shares:

	<u>Number of shares issued</u>	<u>Share capital</u> RMB'000
As of December 31, 2014	-	-
Completion of Reorganization	5,555,555	342
Repurchase of ordinary shares ^{(Note (e))}	(277,778)	(17)
Issuance of shares to shareholders ^{(Note (f))}	504,890	31
As of April 30, 2015	<u>5,782,667</u>	<u>356</u>

(b) Company

Issued shares:

	<u>Number of shares issued</u>	<u>Share capital</u> RMB'000
Issuance of shares upon incorporation ^{(Note (a))}	1	-
Issuance of shares to Ms. Zhao Shu ^{(Note (b))}	249,999	15
Issuance of shares to Advant Performance Limited ^{(Note (b))}	2,666,666	165
Issuance of shares to other BVI companies ^{(Note (c))}	2,083,334	128
As of December 31, 2014	<u>5,000,000</u>	<u>308</u>
Issuance of shares to Zymmetry Investments Ltd. ^{(Note (d))}	555,555	34
Repurchase of ordinary shares ^{(Note (e))}	(277,778)	(17)
Issuance of shares to shareholders ^{(Note (f))}	504,890	31
As of April 30, 2015	<u>5,782,667</u>	<u>356</u>

- (a) Upon the incorporation of the Company, one share was allotted and issued at par to N.D. Nominees Ltd. on November 7, 2014, the subscriber of the Company, who subsequently transferred this share to Ms. Zhao Shu, the controlling shareholder of the Group, at consideration of US\$0.01.
- (b) On November 7, 2014, 249,999 shares at par value of US\$0.01 each were allotted and issued to Ms. Zhao Shu, the controlling shareholder, at consideration of US\$2,500 (approximately equivalent to RMB15,000). On the same date, 2,666,666 shares at par value of US\$0.01 each were allotted and issued to Advant Performance Limited, a company incorporated in the BVI and owned and controlled by Ms. Zhao Shu, at consideration of US\$26,667 (approximately equivalent to RMB165,000).
- (c) On November 7, 2014, an aggregate of 2,083,334 shares at par value of US\$0.01 each were allotted and issued to Fine Treasure Asia Holdings Limited, Elite Venture Enterprises Limited, Global Reward Holdings Limited, EEC Technology Limited, Reach Dynamic Holding Limited, Win Brilliant Holding Limited and Gold Rise Asia Limited, all being companies incorporated in the BVI, which are owned and controlled by Mr. Li Ke, Mr. Liu Lianchao, Mr. Kong Hongjun, Mr. Li Xingwu, Ms. Xu Han, Ms. Mou Peiyao and Mr. Lin Mingwang, respectively, at aggregate consideration of US\$20,833 (approximately equivalent to RMB128,000).
- (d) On January 23, 2015, Zymmetry Investments Ltd., a company incorporated in the BVI and controlled and owned by Mr. Toe Tee Heng, subscribed for 555,555 ordinary shares of the Company at cash consideration of US\$5,555 (approximately equivalent to RMB34,000).
- (e) On February 9, 2015, the Company repurchased 138,889 ordinary share and 138,889 ordinary share from Advant Performance Limited and EEC Technology Limited at a consideration of US\$3,075,000 and US\$3,075,000 (approximately equivalent to RMB18,943,000 and RMB18,943,000), respectively.

(f) On February 27, 2015, the then shareholders of the Company collectively subscribed for 504,890 ordinary shares of the Company at aggregate cash consideration of US\$10,211,475 (approximately equivalent to RMB62,723,000), which was credited to share capital and share premium.

15. SHARE PREMIUM AND CAPITAL AND OTHER RESERVES

(a) Group

	Note	Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Total RMB'000
Balance at January 1, 2012	(i)	-	30,623	-	-	-	30,623
Capital injection by equity holders	(i)	-	12,500	-	-	-	12,500
Balance at December 31, 2012		<u>-</u>	<u>43,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,123</u>
Appropriation to statutory reserves	(ii)	-	-	3,095	-	-	3,095
Balance at December 31, 2013		<u>-</u>	<u>43,123</u>	<u>3,095</u>	<u>-</u>	<u>-</u>	<u>46,218</u>
Capital injection by equity holders	(i)	-	16,878	-	-	-	16,878
Appropriation to statutory reserves	(ii)	-	-	7,481	-	-	7,481
Deemed distribution to equity holders	(iii)	-	(62,290)	-	-	-	(62,290)
Issuance of new shares by the Company (Note 14) . . .		-	308	-	-	-	308
Currency translation differences		-	-	-	-	207	207
Balance at December 31, 2014		<u>-</u>	<u>(1,981)</u>	<u>10,576</u>	<u>-</u>	<u>207</u>	<u>8,802</u>
Issuance of shares to Zymmetry Investments Ltd.		-	34	-	-	-	34
Completion of Reorganization		550,121	(550,463)	-	-	-	(342)
Repurchase of ordinary shares (Note 14(e))		(37,868)	-	-	-	-	(37,868)
Share-based compensation (Note 22)	(iv)	-	-	-	10,214	-	10,214
Issuance of shares to shareholders (Note 14(f))		62,692	-	-	-	-	62,692
Appropriation to statutory reserves	(ii)	-	-	1,131	-	-	1,131
Currency translation differences		-	-	-	-	17	17
Balance at April 30, 2015 ..		<u>574,945</u>	<u>(552,410)</u>	<u>11,707</u>	<u>10,214</u>	<u>224</u>	<u>44,680</u>

	Note	Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Total RMB'000
(Unaudited)							
Balance at							
January 1, 2014		-	43,123	3,095	-	-	46,218
Appropriation to statutory reserves		-	-	2,108	-	-	2,108
Balance at April 30, 2014		-	<u>43,123</u>	<u>5,203</u>	-	-	<u>48,326</u>

(b) Company

	Note	Share premium RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Total RMB'000
As of January 1, 2014					
Currency translation differences		-	-	2	2
Balance at December 31, 2014		-	-	2	2
Completion of Reorganization (Note 8)		550,121	-	-	550,121
Repurchase of ordinary share (Note 14(e))		(37,868)	-	-	(37,868)
Share-based compensation (Note 22)	(iv)	-	10,214	-	10,214
Issuance of shares to shareholders (Note 14(f))		62,692	-	-	62,692
Currency translation differences		-	-	13	13
Balance at April 30, 2015		<u>574,945</u>	<u>10,214</u>	<u>15</u>	<u>585,174</u>

(i) Capital reserves as of January 1, 2012 represents the paid-in capital and capital reserve of Beijing Denox, the principal operating entity of the Group before the Reorganization.

Pursuant to a shareholders' resolution dated February 14, 2012, an individual shareholder made capital injection of RMB12,500,000 to Beijing Denox.

Pursuant to two shareholders' resolutions dated June 13, 2014 and November 26, 2014, the then shareholders transferred retained earnings of RMB16,877,500 to the paid in capital of Beijing Denox.

(ii) In accordance with the respective articles of association and board resolutions, the PRC Subsidiaries appropriate certain percentage of the annual statutory net profits, after offsetting any prior year losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any dividends. The statutory surplus reserve fund can be used to offset prior year losses, if any, and may be converted into paid-in capital.

For the years ended December 31, 2013 and 2014 and four months ended April 30, 2015, RMB3,095,000, RMB7,481,000 and RMB1,131,000 were appropriated from retained earnings to the statutory surplus reserve fund.

(iii) This represented cash paid to the then shareholders of Beijing Denox for acquisition of the equity interests by HK Denox in December 2014 pursuant to the Reorganization.

(iv) On February 9, 2015, the Company repurchased 138,889 ordinary shares and 138,889 ordinary shares from Advant Performance Limited and EEC Technology Limited, companies owned by Ms. Zhao Shu and Mr. Li Xingwu, respectively to recognize their contributions provided to the Group during the past years. The excess of the cash consideration paid by the Company against the fair value of 277,778 ordinary shares as of February 9, 2015 amounting to RMB10,214,000 was accounted for as a share-based payment to Ms. Zhao Shu and Mr. Li Xingwu, and was fully recorded as employee expenses in the consolidated statements of comprehensive income for the four months ended April 30, 2015. The fair value of the ordinary shares was determined by using discounted cash flow model. The significant inputs into the model includes the discount rate of 19.1% and the projections of future performance.

16. TRADE PAYABLES

	As of December 31,			As of
	2012	2013	2014	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000
Third party	<u>2,732</u>	<u>9,716</u>	<u>9,018</u>	<u>10,676</u>

Ageing analysis of trade payables as of December 31, 2012, 2013, 2014 and April 30, 2015 was as follows:

	As of December 31,			As of
	2012	2013	2014	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	2,707	9,388	7,888	9,716
6 months to 1 year	25	328	1,028	564
1 to 2 years	-	-	102	396
	<u>2,732</u>	<u>9,716</u>	<u>9,018</u>	<u>10,676</u>

As of December 31, 2012, 2013, 2014 and April 30, 2015, trade payables were denominated in RMB and the fair value of trade payables approximate their carrying amount at each balance sheet date.

17. ACCRUALS AND OTHER PAYABLES

(a) Group

	Note	As of December 31,			As of
		2012	2013	2014	April 30,
		RMB'000	RMB'000	RMB'000	2015
					RMB'000
Current liabilities					
Payables for purchases of property, plant and equipment		2,808	2,660	1,440	1,212
Borrowing from a third party	(i)	2,709	364	-	-
Payables for purchases of land use right		2,573	2,573	2,573	2,573
Payroll and welfare payables		735	1,800	2,084	1,966
Accruals and payables for utilities and transportation fee		266	937	1,569	765
Warranty provision		108	627	1,080	1,195
Value-added and other taxes payables		1	1,660	435	1,571
Payables in relation to the acquisition of Beijing Denox	(ii)	-	-	9,343	-
Accruals and payables for listing expenses		-	-	1,356	9,268
Payables for consulting service fee		-	-	808	808
Payables for the transaction costs in relation to issuance of series A convertible redeemable preferred shares		-	-	-	2,318
Others		529	247	300	249
		<u>9,729</u>	<u>10,868</u>	<u>20,988</u>	<u>21,925</u>
Non-current liabilities					
Deferred income	(iii)	-	-	1,900	1,900
		<u>9,729</u>	<u>10,868</u>	<u>22,888</u>	<u>23,825</u>

(b) Company

	As of	As of
	December 31,	April 30,
	2014	2015
	RMB'000	RMB'000
Accruals and payables for listing expenses	1,356	9,268
Payroll and welfare payables	-	52
Payables for the transaction costs in relation to issuance of series A convertible redeemable preferred shares	-	2,318
Others	32	33
	<u>1,388</u>	<u>11,671</u>

(i) This represented short term loan of RMB2,400,000 from an ex-shareholder of Beijing Denox as well as the related interests payable. Such loan was unsecured, bore interest at 5.4% per annum and fully repaid on June 5, 2013.

(ii) This represented payables to Mr. Lin Mingwang, Ms. Xu Han and Ms. Mou Peiyao, in relation to the acquisition of Beijing Denox by HK Denox (Note 1(b)(4)).

(iii) This represented government grant received by the Group with respect to a construction project to be completed in 2015.

18. SERIES A CONVERTIBLE REDEEMABLE PREFERRED SHARES

On February 9, 2015, the Company issued 742,550 shares and 403,452 shares of series A convertible redeemable preferred shares to Kickstart Holdings Limited and Sea of Wealth International Company, both being companies incorporated in the BVI, at cash consideration of US\$15,000,000 (approximately equivalent to RMB91,995,000) and US\$8,150,000 (approximately equivalent to RMB49,984,000), respectively. Such consideration was determined after arm's length negotiations between the shareholders of the Company, the original shareholders of Beijing Denox and the series A investors as well as taking into consideration the financial information of the Group, the timing of the subscription and the illiquidity of the Company's shares as a private company when the series A convertible redeemable preferred share purchase agreement was entered into.

The rights, preference and privileges of the series A convertible redeemable preferred shares are as follow:

(i) Liquidation

In the event of any liquidation, dissolution or winding up of the Company, each holder of series A convertible redeemable preferred shares shall be entitled to receive an amount per share equal to 100% of the issue price of the series A convertible redeemable preferred shares, plus all interests of 15% and all accrued but unpaid dividends.

(ii) Redemption

Upon the occurrence of certain triggering events, such as the inability to successfully launch an initial public offering within a specified timeframe, holders of series A convertible redeemable preferred shares have the right to require any group companies or the Controlling Shareholder to redeem all or any part of the series A convertible redeemable preferred shares held thereby at a redemption price per share of the original issue price plus agreed interest rate ranging from 10% to 15% together with all declared but unpaid dividends.

(iii) Conversion

Each series A convertible redeemable preferred share is convertible, at the option of the holders, at any time after the date of issuance of such preferred share into one fully paid ordinary share of the Company, subject to adjustments for certain events, including but not limited to additional shares issuance, share dividends, subdivisions, combinations or consolidations of ordinary shares, other distributions, reclassification, exchange and substitution. Each series A convertible redeemable preferred share is automatically converted into an ordinary share of the Company at the then effective conversion price immediately prior to the closing of an underwritten initial public offering of the ordinary shares of the Company on any of the securities exchanges as approved by the holders of the series A convertible redeemable preferred shares.

(iv) Dividend

The holders of series A convertible redeemable preferred shares are entitled to participate in non-accumulative dividends, when and if declared by the board of directors of the Company at its entire discretion, in proportion to the number of ordinary shares which would be held by

each such holder as if all series A convertible redeemable preferred shares were converted into ordinary shares at the then effective conversion price for the preferred shares. Upon any declaration of dividends by the board of directors of the Company, amount available for distribution should not be less than 35% of the consolidated profit for the year in which such dividends are declared.

(v) Voting

Each series A convertible redeemable preferred shares conveys voting rights equal to such number of ordinary shares into which its series A convertible redeemable preferred shares are convertible.

The movement of the series A convertible redeemable preferred shares is set out as below:

	Series A convertible redeemable preferred shares
	RMB'000
As of January 1, 2015	-
Issuance of preferred shares	141,979
Changes in fair value	11,879
Exchange differences	(447)
As of April 30, 2015	<u>153,411</u>
Change in unrealized losses for the period included in profit or loss for liabilities held at the period end	<u>11,879</u>

Transaction costs of RMB3,708,000 directly attributable to the issuance of series A convertible redeemable preferred shares were recognized as finance costs in the consolidated statements of comprehensive income (Note 23).

The directors have used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation method to determine the fair value of the series A convertible redeemable preferred shares as of the date of issuance and at each of the reporting dates. Key assumptions are set as below:

	February 9, 2015	April 30, 2015
Discount rate	19.1%	18.6%
Risk-free interest rate	0.76%	0.53%
Volatility	42.90%	44.91%

Discount rate was estimated by weighted average cost of capital as of each appraisal date. The directors estimated the risk-free interest rate based on the yield of Hong Kong generic curve with a maturity life equal to period from the respective appraisal dates to expected liquidation date. Volatility was estimated at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry for a period from the respective appraisal dates to expected liquidation date. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of series A convertible redeemable preferred shares on each appraisal date.

Changes in fair value of series A convertible redeemable preferred shares were recorded in "fair value loss of convertible redeemable shares". Management considered that fair value change in the series A convertible redeemable preferred shares that are attributable to changes of credit risk of this liability as not being significant.

19. REVENUE

	Year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sales of goods	21,519	126,872	216,010	55,942	78,961
Provision of services	956	-	1,132	1,132	-
	<u>22,475</u>	<u>126,872</u>	<u>217,142</u>	<u>57,074</u>	<u>78,961</u>

The main products of the Group are plate-type DeNOx catalysts, which accounted for 95.7%, 100%, 99.5% and 100% of the Group's turnover for the years ended December 31, 2012, 2013, and 2014, and the four months ended April 30, 2015, respectively.

For the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2014 and 2015, revenue from certain individual customer amounted to ten percent or more of the Group's total revenue for the respective year and period. The revenue of these customers during the Relevant Periods are summarized below:

	Year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
				(Unaudited)	
Customer A	95.7%	14.9%	n.a.	n.a.	n.a.
Customer B	n.a.	28.4%	n.a.	n.a.	n.a.
Customer C	n.a.	23.6%	n.a.	34.4%	24.3%
Customer D	n.a.	22.7%	n.a.	n.a.	n.a.
Customer E	n.a.	n.a.	25.7%	n.a.	16.3%
Customer F	n.a.	n.a.	16.8%	37.8%	n.a.
Customer G	n.a.	n.a.	16.5%	n.a.	n.a.
Customer H	n.a.	n.a.	n.a.	25.8%	n.a.
Customer I	n.a.	n.a.	n.a.	n.a.	18.0%
Customer J	n.a.	n.a.	n.a.	n.a.	14.1%
Customer K	n.a.	n.a.	n.a.	n.a.	13.3%

20. EXPENSES BY NATURE

	Year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Changes in inventories of finished goods and work in progress	(20,925)	(62,741)	6,606	(5,462)	21,692
Raw materials consumed and consumable used	27,777	114,135	87,592	27,227	18,722
Employee benefit expenses (including share-based compensation expenses) (Note 22)	5,227	8,764	9,074	3,104	12,995
Depreciation, amortization and impairment charges (Notes 5,6,7)	3,908	4,704	7,240	1,742	2,118
Utilities charges and office expenses	1,755	3,693	3,326	969	732
Research and development expenses	1,156	2,278	1,429	1,065	293
Travelling, communication and entertainment expenses	893	1,279	1,342	404	645
Transportation and warehouse expense	647	3,433	4,250	928	371
Bidding service expenses	616	601	360	-	59
Consulting service fees	514	2,480	2,102	602	157
Professional fees	396	104	346	40	91
Conference fee	290	885	1,363	298	48
Operating lease rentals	249	716	569	182	182
Stamp duty, property tax and other surcharges	226	1,087	2,657	1,087	763
Warranty provision	108	519	453	(67)	115
Auditors' remuneration	24	29	76	-	12
Provision for/(reversal of) impairment of receivables (Note 11)	-	4,987	-	-	(228)
Listing expenses	-	-	1,649	-	10,305
Provision for write-down of inventories (Note 10)	-	-	-	-	4,169
Others	494	743	1,014	414	283
	<u>23,355</u>	<u>87,696</u>	<u>131,448</u>	<u>32,533</u>	<u>73,524</u>

21. OTHER GAINS/(LOSSES) — NET

	Year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Government subsidies	-	-	650	400	-
Foreign exchange losses	-	-	(205)	-	(318)
Loss on disposal of property, plant and equipment (Note 27(b))	-	-	(256)	-	-
Others	-	-	-	-	2
	<u>-</u>	<u>-</u>	<u>189</u>	<u>400</u>	<u>(316)</u>

22. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Note	Year ended December 31,			Four months ended April 30,	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses		4,216	6,954	7,320	2,506	2,206
Defined contribution plans	(a)	378	665	684	238	231
Other social insurance and housing funds		314	521	595	214	194
Other welfare and allowance		319	624	475	146	150
Share-based compensation expenses (Note 15)		-	-	-	-	10,214
		<u>5,227</u>	<u>8,764</u>	<u>9,074</u>	<u>3,104</u>	<u>12,995</u>

(a) Defined contribution plans

Employees of the PRC Subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal government to each scheme locally to fund the retirement benefits of the employees.

(b) Directors' emoluments

	Salaries and allowances	Discretionary bonuses	Social security insurance	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2012					
Executive Directors					
Ms. Zhao Shu ⁽ⁱ⁾	120	-	30	-	150
Mr. Kong Hongjun ⁽ⁱ⁾	96	-	23	-	119
Mr. Li Ke ⁽ⁱ⁾	96	-	17	-	113
Non-executive Directors					
Mr. Li Xingwu ⁽ⁱⁱ⁾	-	-	-	-	-
Mr. Jia Wenzhong ⁽ⁱⁱ⁾	-	-	-	-	-
Mr. Teo Yi-Da ⁽ⁱⁱ⁾	-	-	-	-	-
Independent Non-executive Directors					
Mr. Li Junhua ⁽ⁱⁱⁱ⁾	-	-	-	-	-
Mr. Lam Yiu Por ⁽ⁱⁱⁱ⁾	-	-	-	-	-
Mr. Ong Chor Wei ⁽ⁱⁱⁱ⁾	-	-	-	-	-
For the year ended December 31, 2013					
Executive Directors					
Ms. Zhao Shu ⁽ⁱ⁾	137	65	32	-	234
Mr. Kong Hongjun ⁽ⁱ⁾	110	54	28	-	192
Mr. Li Ke ⁽ⁱ⁾	111	54	29	-	194
Non-executive Directors					
Mr. Li Xingwu ⁽ⁱⁱ⁾	-	-	-	-	-
Mr. Jia Wenzhong ⁽ⁱⁱ⁾	-	-	-	-	-
Mr. Teo Yi-Da ⁽ⁱⁱ⁾	-	-	-	-	-

	Salaries and allowances	Discretionary bonuses	Social security insurance	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Independent Non-executive Directors					
Mr. Li Junhua ⁽ⁱⁱⁱ⁾	-	-	-	-	-
Mr. Lam Yiu Por ⁽ⁱⁱⁱ⁾	-	-	-	-	-
Mr. Ong Chor Wei ⁽ⁱⁱⁱ⁾	-	-	-	-	-
For the year ended December 31, 2014					
Executive Directors					
Ms. Zhao Shu ⁽ⁱ⁾	181	54	36	-	271
Mr. Kong Hongjun ⁽ⁱ⁾	150	50	36	-	236
Mr. Li Ke ⁽ⁱ⁾	150	50	36	-	236
Non-executive Directors					
Mr. Li Xingwu ⁽ⁱⁱ⁾	-	-	-	-	-
Mr. Jia Wenzhong ⁽ⁱⁱ⁾	-	-	-	-	-
Mr. Teo Yi-Da ⁽ⁱⁱ⁾	-	-	-	-	-
Independent Non-executive Directors					
Mr. Li Junhua ⁽ⁱⁱⁱ⁾	-	-	-	-	-
Mr. Lam Yiu Por ⁽ⁱⁱⁱ⁾	-	-	-	-	-
Mr. Ong Chor Wei ⁽ⁱⁱⁱ⁾	-	-	-	-	-
For the four months ended April 30, 2015					
Executive Directors					
Ms. Zhao Shu ⁽ⁱ⁾	62	18	12	5,107	5,199
Mr. Kong Hongjun ⁽ⁱ⁾	52	17	12	-	81
Mr. Li Ke ⁽ⁱ⁾	52	17	12	-	81
Non-executive Directors					
Mr. Li Xingwu ⁽ⁱⁱ⁾	-	-	-	5,107	5,107
Mr. Jia Wenzhong ⁽ⁱⁱ⁾	-	-	-	-	-
Mr. Teo Yi-Da ⁽ⁱⁱ⁾	-	-	-	-	-
Independent Non-executive Directors					
Mr. Li Junhua ⁽ⁱⁱⁱ⁾	-	-	-	-	-
Mr. Lam Yiu Por ⁽ⁱⁱⁱ⁾	-	-	-	-	-
Mr. Ong Chor Wei ⁽ⁱⁱⁱ⁾	-	-	-	-	-
Unaudited:					
For the four months ended April 30, 2014					
Executive Directors					
Ms. Zhao Shu ⁽ⁱ⁾	61	18	11	-	90
Mr. Kong Hongjun ⁽ⁱ⁾	51	17	11	-	79
Mr. Li Ke ⁽ⁱ⁾	51	17	11	-	79
Non-executive Directors					
Mr. Li Xingwu ⁽ⁱⁱ⁾	-	-	-	-	-
Mr. Jia Wenzhong ⁽ⁱⁱ⁾	-	-	-	-	-
Mr. Teo Yi-Da ⁽ⁱⁱ⁾	-	-	-	-	-
Independent Non-executive Directors					
Mr. Li Junhua ⁽ⁱⁱⁱ⁾	-	-	-	-	-
Mr. Lam Yiu Por ⁽ⁱⁱⁱ⁾	-	-	-	-	-
Mr. Ong Chor Wei ⁽ⁱⁱⁱ⁾	-	-	-	-	-

- (i) On November 7, 2014, February 9, 2015 and February 9, 2015, Ms. Zhao Shu, Mr. Kong Hongjun and Mr. Li Ke were appointed as the executive directors of the Company, respectively. No director has waived or agreed to waive any emoluments during the Relevant Periods.
- (ii) On November 7, 2014, February 9, 2015 and February 9, 2015, Mr. Li Xingwu, Mr. Jia Wenzhong and Mr. Teo Yi-Da were appointed as the non-executive directors of the Company, respectively. They had not received any emoluments during the Relevant Periods.
- (iii) On October 18, 2015, Mr. Li Junhua, Mr. Lam Yiu Por, and Mr. Ong Chor Wei were appointed as the independent non-executive directors of the Company, respectively. They had not received any emoluments during the Relevant Periods.

(c) Five highest paid individuals

For the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2015, the five individuals whose emoluments were the highest in the Group include 3, 3, 3 and 4 directors, respectively, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2, 2, 2 and 1 individual respectively were as follows:

	Year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Basic salaries and allowances	216	217	300	101	52
Discretionary bonuses	-	108	100	33	17
Social security insurance	38	57	71	22	12
	<u>254</u>	<u>382</u>	<u>471</u>	<u>156</u>	<u>81</u>

The emoluments of the five highest paid individuals fell within the following bands:

	Year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
Emolument band:					
Nil to HK\$1,000,000	5	5	5	5	3
HK\$5,000,000 to HK\$10,000,000	-	-	-	-	2
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Relevant Periods, none of the directors, senior management, and the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

23. FINANCE (COSTS)/INCOME — NET

	Note	Year ended December 31,			Four months ended April 30,	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(Unaudited)</i>						
Finance income						
Interest income on cash and cash equivalents and restricted cash deposits		71	156	277	153	28
Exchange gains		-	-	-	-	154
		<u>71</u>	<u>156</u>	<u>277</u>	<u>153</u>	<u>182</u>
Finance costs						
Interest expense on bank borrowings	(a)	-	(31)	(8)	-	-
Interest expense on borrowings from related parties (Note 30(b))		(834)	(354)	-	-	-
Interest expense on borrowings from a third party (Note 17(a))		(130)	(56)	-	-	-
Issuance costs for series A convertible redeemable preferred shares (Note 18)		-	-	-	-	(3,708)
Others	(b)	-	(170)	-	-	-
		<u>(964)</u>	<u>(611)</u>	<u>(8)</u>	<u>-</u>	<u>(3,708)</u>
Finance (costs)/income — net		<u><u>(893)</u></u>	<u><u>(455)</u></u>	<u><u>269</u></u>	<u><u>153</u></u>	<u><u>(3,526)</u></u>

(a) During the years ended December 31, 2013 and 2014, the Group incurred short term bank borrowings with weighted average interest rate of 6.44% and 7.20% per annum, respectively.

(b) Other finance costs mainly represent expenses charged by certain third parties for granting the guarantees for the Group's bank borrowings and other facilities.

24. INCOME TAX EXPENSES

	Year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(Unaudited)</i>					
Current income tax expenses	-	6,130	12,826	3,527	4,537
Deferred income tax expenses /(credit)(Note 9)	(395)	(117)	(209)	62	(504)
	<u>(395)</u>	<u>6,013</u>	<u>12,617</u>	<u>3,589</u>	<u>4,033</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the effective tax rate applicable to profits of the companies comprising the Group as follows:

	Year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(Loss) before income tax	<u>(1,773)</u>	<u>38,721</u>	<u>86,152</u>	<u>25,094</u>	<u>(10,284)</u>
Tax calculated at domestic tax rate applicable to profits in the PRC (25%)	(443)	9,680	21,538	6,273	(2,571)
Effect of preferential corporate income tax rate in the PRC	(103)	(3,448)	(8,694)	(2,571)	(1,571)
Super deduction for research and development expenses	-	(490)	(618)	(163)	-
Tax losses for which no deferred income tax asset was recognized	-	-	-	-	51
Different tax jurisdiction	-	-	-	-	1,003
Expenses not deductible for tax purpose					
— Share based compensation	-	-	-	-	1,532
— Fair value loss of series A convertible redeemable preferred shares	-	-	-	-	2,970
— Listing expense	-	-	-	-	2,576
— Other permanent difference	151	271	391	50	43
Income tax expenses	<u>(395)</u>	<u>6,013</u>	<u>12,617</u>	<u>3,589</u>	<u>4,033</u>
Effective tax rate	<u>22.28%</u>	<u>15.53%</u>	<u>14.65%</u>	<u>14.30%</u>	<u>(39.22%)</u>

(a) Cayman Islands income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

(b) Hong Kong profits tax

Enterprises incorporated in Hong Kong are subject to profits tax rates of 16.5% for the Relevant Periods. No Hong Kong tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the Relevant Periods.

(c) PRC corporate income tax

Enterprises incorporated in the PRC are generally subject to income tax rates of 25% throughout the Relevant Periods except for enterprises with approval for preferential rate.

Being a high and new technology enterprise certified by local science and technology department and local finance and taxation administration, Beijing Denox has been granted a preferential rate of 15% for the years ended December 31, 2012, 2013 and 2014. As of April 30, 2015, Beijing Denox was in the

process of renewing such entitlement by applying to the relevant government authorities. The Group expected Beijing Denox will continue to be qualified as high and new technology enterprise and enjoy the preferential tax rate.

(d) PRC withholding income tax

Pursuant to the PRC applicable tax regulations, a 10% withholding tax is levied on the dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group has not provided for these withholding income taxes on the profit generated from the PRC Subsidiaries during the Relevant Periods as the directors have confirmed that the Group does not expect the PRC Subsidiaries to distribute the retained earnings in the foreseeable future.

25. EARNINGS PER SHARE

(a) Basic

Basic earnings/(loss) per share for the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2014 are calculated by dividing the profit/(loss) attributable to equity holders of the Company by the deemed weighted average number of ordinary shares in issue during each respective year.

In determining the deemed weighted average number of ordinary shares in issue for the years ended December 31, 2012, 2013 and 2014 and four months ended April 30, 2014, 5,555,555 shares, including 5,000,000 issued shares as of December 31, 2014 and 555,555 shares subsequently issued as set out in Note 1(b) in connection with the Reorganization, have been treated as if 5,555,555 shares were in issue since January 1, 2012. It has not taken into account the proposed capitalization issue as described in Note 31 because the proposed capitalization issue has not become effective as at the date of this report.

Basic loss per share for the four months ended April 30, 2015 is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the four months ended April 30, 2015.

	Year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(loss) attributable to owners of the Company	(1,378)	32,708	73,535	21,505	(14,317)
Weighted average number of ordinary shares in issue (thousand shares)	5,556	5,556	5,556	5,556	5,531
Basic earnings/(loss) per share (express in RMB per share)	<u>(0.25)</u>	<u>5.89</u>	<u>13.24</u>	<u>3.87</u>	<u>(2.59)</u>

(b) Diluted

Diluted earnings/(loss) per share is calculated by dividing the weighted average number of ordinary shares outstanding to assume conversion of all diluted potential ordinary shares.

The Company has only one category of dilutive potential ordinary shares, which is series A convertible redeemable preferred shares mentioned in Note 18. As the Group incurred loss for the four months ended April 30, 2015, the series A convertible redeemable preferred shares are anti-diluted and, consequently, not included in the computation of diluted earnings/(loss) per share.

Diluted earnings/(loss) per share during the Relevant Periods are the same as basic earnings/(loss) per share in each respective year/period.

26. DIVIDENDS

No dividend has been declared or paid by the companies now comprising the Group during each of the years ended December 31, 2012, 2013, 2014, and the four months ended April 30, 2015.

27. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit/(loss) before income tax to net cash generated from operations

	Year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(Loss) before income tax	(1,773)	38,721	86,152	25,094	(10,284)
Adjustments for:				(Unaudited)	
— Depreciation and impairment of property, plant and equipment (Note 5)	2,582	3,229	5,765	1,250	1,627
— Amortization of land use right (Note 6)	172	172	172	57	57
— Amortization of intangible assets (Note 7)	1,154	1,303	1,303	434	434
— Loss on disposal of property, plant and equipment	-	-	256	-	-
— Share-based compensation (Note 15)	-	-	-	-	10,214
— Fair value loss of series A convertible redeemable preferred share (Note 18)	-	-	-	-	11,879
— Provision for / (Reversal of) impairment of receivables (Note 11)	-	4,987	-	-	(228)
— Write-down of inventories to their net realizable value (Note 10)	-	-	-	-	4,169
— Net foreign exchange losses from operating activities	-	-	-	-	318
— Finance income (Note 23)	(71)	(156)	(277)	(153)	(182)
— Finance costs (Note 23)	964	611	8	-	3,708
Operating profits before working capital changes	3,028	48,867	93,379	26,682	21,712
Changes in working capital:					
— Inventories	(24,665)	(78,505)	8,115	(4,529)	24,326
— Trade and bills receivables	(1,750)	(7,089)	(22,184)	1,099	(17,300)
— Prepayments, deposits and other receivables	(5,191)	(11,959)	11,184	200	(12,133)
— Trade payables	2,732	6,984	(698)	5,407	1,658
— Advances from customers	37,482	84,892	(57,858)	(27,562)	(41,686)
— Accruals and other payables	1,189	3,631	2,567	1,558	8,190
Cash flow generated from operations	<u>12,825</u>	<u>46,821</u>	<u>34,505</u>	<u>2,855</u>	<u>(15,233)</u>

- (b) In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	Year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount disposed (Note 5)	-	-	292	-	-
Loss on disposal of property, plant and equipment (Note 21)	-	-	(256)	-	-
Proceeds from disposal of property, plant and equipment	-	-	36	-	-

28. COMMITMENTS

(a) Capital commitments

As of December 31, 2012, 2013 and 2014, and April 30, 2015, the capital expenditure contracted but not provided for amounted to zero, RMB1,950,000, zero, and RMB2,742,000, respectively.

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases for the Group's rented premises are as follows:

	As of December 31,			As of
	2012	2013	2014	April 30,
	RMB'000	RMB'000	RMB'000	RMB'000
No later than 1 year	728	546	546	363

29. BANK FACILITIES AND GUARANTEE

As of December 31, 2012, 2013 and 2014, and April 30, 2015, the Group had bank guarantees of RMB5,469,000, RMB12,750,000, RMB13,862,000 and RMB5,441,000, respectively, in favor of the Group's customers with respect to the contract penalties or obligations in connection with the Group's performance, product quality and tender. Unutilized bank facilities amounted to nil, RMB 16,614,000, RMB11,138,000, and RMB19,559,000 as of December 31, 2012, 2013 and 2014 and April 30, 2015, respectively. These bank facilities were secured by (i) guarantee given by an independent third party; (ii) pledge of machinery with net book value of nil, nil, RMB10,213,000 and RMB9,813,000 as of December 31, 2012, 2013, 2014 and April 30, 2015; (iii) personal guarantee by three shareholders of the Company; and (iv) pledged bank deposits (Note 13).

30. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

- (a) The following companies and persons are related parties of the Group during the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2014 and 2015:

<u>Names of the related parties</u>	<u>Nature of relationship</u>
Ms. Zhao Shu	Controlling Shareholder
Mr. Li Xingwu	Major shareholder of the Company
Mr. Kong Hongjun	Executive director of the Company
Mr. Li Ke	Executive director of the Company
Mr. Liu Lianchao	Senior Management of the Company
Mr. Chen Qizhao	Close family member of the Controlling Shareholder
Mr. Liu Shangying	Close family member of the senior management
Yu The Great Environmental Engineering (Beijing) Co., Ltd. (中禹環境工程(北京)有限公司)	Controlled by a director
Denox Hong Kong	Shareholder with significant influence to the Group

(b) Significant transactions with related parties

Save as disclosed in Note 12 in the financial statements for the years ended December 31, 2012, 2013 and 2014, and the four months ended April 30, 2015, the Group has the following significant transactions with related parties, which are all discontinued transactions except for operating lease expenses as disclosed in Note 30(b)(iii) below:

(i) Provision of services

	Year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Yu The Great Environmental Engineering (Beijing) Co., Ltd.	956	-	-	-	-

(ii) Interest expense charged by related parties

	Note	Year ended December 31,			Four months ended April 30,	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Li Xingwu	(a)	834	352	-	-	-
Ms. Zhao Shu	(b)	-	1	-	-	-
Mr. Kong Hongjun	(b)	-	1	-	-	-
		<u>834</u>	<u>354</u>	<u>-</u>	<u>-</u>	<u>-</u>

- (a) Since 2011, Mr. Li Xingwu provided shareholder loans with a total amount of RMB13,600,000 to Beijing Denox. These shareholder loans were unsecured, bore interest rate ranging from 5.40% to 6.65% per annum and had been fully repaid in 2013. For the years ended December 31, 2012 and 2013, the effective interest rates of these shareholder loans were 6.13% and 6.22%, respectively.
- (b) In 2013, Ms. Zhao Shu and Mr. Kong Hongjun provided loans to Gu'an Denox of RMB400,000 and RMB200,000, respectively. Such loans were unsecured, bore interest rate at 5.60% per annum and had been fully repaid in 2013.

(iii) Operating lease expenses charged by related parties

	Year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Chen Qizhao	-	290	290	97	97
Mr. Liu Shangying	-	256	256	85	85
	-	546	546	182	182

(c) Balances with related parties

Payables to related parties

	Note	As of December 31,			As of April 30,
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Shareholder loans(Note 30(b)(ii))					
— Mr. Li Xingwu		13,600	-	-	-
Interests payable(Note 30(b)(ii))					
— Mr. Li Xingwu		879	429	-	-
Payables in relation to the acquisition of Beijing Denox	(i)				
— Ms. Zhao Shu		-	-	32,702	-
— Mr. Li Xingwu		-	-	11,212	-
— Denox Hong Kong		-	-	6,229	-
— Mr. Kong Hongjun		-	-	1,682	-
— Mr. Liu Lianchao		-	-	561	-
— Mr. Li Ke		-	-	561	-
		-	-	52,947	-
		14,479	429	52,947	-

- (i) This represented the consideration payable by the Group for acquisition of Beijing Denox as mentioned in Note 1(b)(4), which was settled in April 2015.

(d) Key management compensation

	Year ended December 31,			Four months ended April 30,	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Basic salaries and allowances	473	575	781	265	332
Discretionary bonuses	-	281	254	85	85
Other benefits including pension	105	146	179	54	52
Share-based compensation	-	-	-	-	10,214
	<u>578</u>	<u>1,002</u>	<u>1,214</u>	<u>404</u>	<u>10,683</u>

31. SUBSEQUENT EVENTS

Pursuant to the written resolution passed by the Company's board of directors and shareholders on October 19, 2015, conditional on the share premium account of the Company being credited as a result of the public offering of shares of the Company, the directors of the Company were authorized to capitalize an amount of US\$3,680,713.31 and to appropriate such amount as capital to pay up in full at par 368,071,331 shares for allotment and issue to the persons whose names appear on the register of members of the Company on the date immediately prior to the date of the Listing in proportion to their respective shareholdings.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to April 30, 2015 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to April 30, 2015.

Yours faithfully,

PricewaterhouseCoopers
 Certified Public Accountants
 Hong Kong

The information set forth in this appendix does not form part of the accountant's report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included in this appendix for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the accountant's report set forth in Appendix I to this appendix.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and on the basis set out below is for illustrative purpose only, and is set out herein to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to owners of the Company as of April 30, 2015 as if the Global Offering had taken place on April 30, 2015 assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as of April 30, 2015 or at any future dates following the Global Offering. It is prepared based on the consolidated net assets of the Group as of April 30, 2015 as set out in the accountant's report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the accountant's report.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of April 30, 2015	Estimated net proceeds from the Global Offering	Estimated impact to the net tangible assets upon conversion of Series A Preferred Shares	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets per ordinary share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 3)	RMB'000	RMB	HK\$ (Note 4)
Based on an Offer Price of HK\$2.10 per share	<u>94,577</u>	<u>187,834</u>	<u>153,411</u>	<u>435,822</u>	<u>0.87</u>	<u>1.06</u>
Based on an Offer Price of HK\$2.90 per share	<u>94,577</u>	<u>267,479</u>	<u>153,411</u>	<u>515,467</u>	<u>1.03</u>	<u>1.25</u>

Notes:

- (1) The audited consolidated net tangible assets contributable to the owners of the Company as of April 30, 2015 is extracted from the accountant's report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as of April 30, 2015 of RMB101,502,000 with an adjustment for the intangible assets as of April 30, 2015 of RMB6,943,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$2.10 (equivalent to RMB1.73) and HK\$2.90 (equivalent to RMB2.38) per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB11,954,000 which have been accounted for prior to April 30, 2015) payable by the Company.
- (3) On February 9, 2015, Kickstart Holdings Limited and Sea of Wealth International Investment Company Limited subscribed 1,146,002 Series A Preferred Shares of the Company for an aggregate consideration of US\$23,150,000 (equivalent to RMB141,655,000). Upon completion of the Global Offering, the entire Series A Preferred Shares will be converted to Ordinary Shares of the Company at the then effective conversion price. Accordingly, the net tangible assets of the Company will increase by US\$25,093,000 (equivalent to RMB153,411,000), being the carrying amounts of the Series A Preferred Shares as of April 30, 2015.

- (4) *The unaudited pro forma net tangible assets per ordinary share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis 500,000,000 ordinary shares were in issue assuming that the Global Offering has been completed on April 30, 2015 but takes no account of any Share which may be allotted and issued or repurchased by the Company pursuant to the General Mandate to Allot and Issue New Shares or the General Mandate to Repurchase Shares as described in the section headed "Share Capital", and any Shares to be issued upon the exercise of the Share Option Scheme and Over-allotment Option.*
- (5) *Save as disclosed in Note (3) above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to April 30, 2015.*
- (6) *For the purpose of this unaudited pro forma adjusted net tangible assets statement, the balances stated in Renminbi ("RMB") are converted into Hong Kong dollars (HK\$) at the rate of HK\$1.00 to RMB0.822.*

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS**TO THE DIRECTORS OF DENOX ENVIRONMENTAL & TECHNOLOGY HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Denox Environmental & Technology Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as of April 30, 2015, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated October 30, 2015, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in notes as set out on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as of April 30, 2015 as if the proposed initial public offering had taken place at April 30, 2015. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the year ended April 30, 2015, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at April 30, 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, October 30, 2015

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 7, 2014 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have full power to carry out any object and be capable of from time to time exercising any and all the powers at any time or from time to time exercisable by a natural person or body corporate in any part of the world whether as principal, agent, contractor or otherwise. As the Company is an exempted company, it will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on October 14, 2015 to take effect upon Listing. The following is a summary of certain provisions of the Articles:

(a) Directors

- (i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or

any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

- (ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

- (iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

- (iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

- (v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any

resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) the giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of any employees' share scheme, share incentive, or share option scheme under which the Director or his close associate(s) may benefit, or the adoption, modification or operation of a pension fund or retirement, death, or disability benefits scheme which relates both to Directors, his close associates and

employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and shall then be eligible for re-election and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding

of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve

in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared, the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in

respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles, the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly

authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarized in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question

(being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to

the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been

authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from July 14, 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However,

an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on November 7, 2014 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 19, 2015. We have established a place of business in Hong Kong at Flat 2, 19/F, Henan Building, 90-92 Jaffe Road, Wanchai, Hong Kong. Mr. Chan Chung Kik, Lewis who resides at Room 2907, Kam Wai House, Kam Fung Court, Ma On Shan, New Territories, Hong Kong has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Law and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Cayman Company Law is set out in Appendix III to this prospectus.

2. Change in share capital

Our authorized share capital as of the date of our incorporation was US\$50,000 divided into 5,000,000 shares of US\$0.01 each. On November 7, 2014, one fully paid Ordinary Share was allotted and issued to N.D. Nominees Ltd. and such Share was subsequently transferred to Ms. Zhao Shu on the same day. On November 7, 2014, each of Ms. Zhao Shu, Advant Performance, EEC Technology, Global Reward, Gold Rise Asia, Reach Dynamic, Win Brilliant, Fine Treasure and Elite Venture subscribed for 249,999 Ordinary Shares, 2,666,666 Ordinary Shares, 1,000,000 Ordinary Shares, 150,000 Ordinary Shares, 500,000 Ordinary Shares, 250,000 Ordinary Shares, 83,334 Ordinary Shares, 50,000 Ordinary Shares and 50,000 Ordinary Shares. On January 23, 2015, our Company increased its authorized share capital from US\$50,000 to US\$50,000,000 divided into 5,000,000,000 Shares with a par value of US\$0.01 each, comprising (a) 4,998,000,000 Ordinary Shares; and (b) 2,000,000 Series A Preferred Shares. On January 23, 2015, Zymmetry subscribed for 555,555 Ordinary Shares.

On February 9, 2015, our Company repurchased 138,889 Ordinary Shares and 138,889 Ordinary Shares from Advant Performance and EEC Technology at a consideration of US\$3.075 million and US\$3.075 million, respectively. On the same date, Kickstart and Sea of Wealth subscribed for 742,550 Series A Preferred Shares and 403,452 Series A Preferred Shares.

On February 27, 2015, each of Ms. Zhao Shu, Advant Performance, EEC Technology, Global Reward, Gold Rise Asia, Reach Dynamic, Win Brilliant, Fine Treasure, Elite Venture and Zymmetry subscribed for 23,682 Ordinary Shares, 241,614 Ordinary Shares, 82,574 Ordinary Shares, 14,209 Ordinary Shares, 48,058 Ordinary Shares, 23,682 Ordinary Shares, 8,124 Ordinary Shares, 4,736 Ordinary Shares, 4,736 Ordinary Shares and 53,475 Ordinary Shares. On March 9, 2015, Gold Rise Asia transferred 274,029 Ordinary Shares and 134,000 Ordinary Shares to Mr. Dai Fan and Agile Partners. On the same day, Zymmetry transferred 140,029 Ordinary Shares to Mr. Chan Siuming.

Immediately following completion of the Global Offering and the Capitalization Issue and taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be US\$5,000,000 divided into 500,000,000 Shares, all fully paid or credited as fully paid and 4,500,000,000 Shares will remain unissued.

Save for the aforesaid and as mentioned in the paragraph headed “A. Further information about our Group — 3. Resolutions in writing of our Shareholders passed on October 14, 2015” below in this Appendix, there has been no changes in the share capital of our Company since its incorporation.

3. Resolutions in writing of our Shareholders passed on October 14, 2015

Pursuant to the written resolutions passed by our Shareholders on October 14, 2015:

- (a) we approved and adopted the Memorandum with immediate effect;
- (b) we approved and conditionally adopted the Articles which will become effective upon the Listing Date;
- (c) we approved the re-designation and re-classification of all the Series A Preferred Shares into Ordinary Shares upon full conversion of all outstanding Series A Preferred Shares which is expected to take place upon Listing;
- (d) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue, Shares to be issued pursuant to the Capitalization Issue and our Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the Offer Price among our Company and the Joint Global Coordinators (for and on behalf of the Underwriters) on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Global Offering was approved and our Directors were authorized to allot and issue the new Shares pursuant to the Global Offering;
 - (ii) the Over-allotment Option was approved;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Other information — 1. Share Option Scheme” below in this Appendix, were approved and adopted and our Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and
 - (iv) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorized to capitalize an amount of US\$3,680,713.31 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 368,071,331 Shares, such Shares to be allotted and issued to the persons whose names appear on the register of members of our Company immediately prior to the Listing Date on a pro rata basis.

- (e) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by our Shareholders in general meeting, unissued Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and Capitalization Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;
- (f) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase, on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first; and
- (g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above.

4. Corporate reorganization

The companies comprising our Group underwent the Reorganization in preparation for the listing of our Shares on the Stock Exchange. For information relating to the Reorganization, please refer to the section headed “History, Reorganization and Corporate Structure” in this prospectus.

5. Changes in share capital of subsidiaries

Our subsidiaries are referred to in the Accountant’s Report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountant’s Report and in the section headed “History, Reorganization and Corporate Structure”, our Company has no other subsidiaries.

On June 13, 2014, the registered capital of Beijing Denox was increased from RMB33,333,300 to RMB40,000,000. On November 26, 2014, the registered capital of Beijing Denox was further increased from RMB40,000,000 to RMB60,000,000. On January 28, 2015, the registered capital of Beijing Denox was further increased from RMB60,000,000 to approximately RMB150,000,000.

Save as disclosed above, there were no changes to the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

6. Repurchases of our Shares

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board of Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to resolution passed by our Shareholders on October 14, 2015, a general unconditional mandate (the "**Buy-back Mandate**") was granted to our Directors authorizing the repurchase of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have general authority from its Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market

conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of either or both of the profits of our Company or the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

Our Directors do not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) Share capital

Exercise in full of the Buy-back Mandate, on the basis of 500,000,000 Shares in issue immediately after the listing of our Shares (but not taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), could accordingly result in up to 50,000,000 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buy-back Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person (as defined in the Listing Rules) of our Company has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buy-back Mandate is exercised.

If as a result of a securities repurchase pursuant to the Buy-back Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Code if the Buy-back Mandate is exercised.

If the Buy-back Mandate is fully exercised immediately following completion of the Global Offering and the Capitalization Issue (but not taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Buy-back Mandate shall be 50,000,000 Shares, being 10% of the issued share capital of our Company based on the aforesaid assumptions. The percentage shareholding of our Controlling Shareholders will be increased to approximately 36.6% of the issued share capital of our Company immediately following the full exercise of the Buy-back Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buy-back Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) an equity transfer agreement dated November 28, 2014 entered into between HK Zymmetry as transferor and HK Denox as transferee regarding the transfer of 10% equity interest in Beijing Denox at a consideration of RMB6,229,000;
- (b) an equity transfer agreement dated November 28, 2014 entered into between Ms. Zhao Shu as transferor and HK Denox as transferee regarding the transfer of 52.5% equity interest in Beijing Denox at a consideration of RMB32,702,250;
- (c) an equity transfer agreement dated November 28, 2014 entered into between Mr. Kong Hongjun as transferor and HK Denox as transferee regarding the transfer of 2.7% equity interest in Beijing Denox at a consideration of RMB1,681,830;
- (d) an equity transfer agreement dated November 28, 2014 entered into between Mr. Li Ke as transferor and HK Denox as transferee regarding the transfer of 0.9% equity interest in Beijing Denox at a consideration of RMB560,610;

- (e) an equity transfer agreement dated November 28, 2014 entered into between Mr. Liu Lianchao as transferor and HK Denox as transferee regarding the transfer of 0.9% equity interest in Beijing Denox at a consideration of RMB560,610;
- (f) an equity transfer agreement dated November 28, 2014 entered into between Mr. Li Xingwu as transferor and HK Denox as transferee regarding the transfer of 18% equity interest in Beijing Denox at a consideration of RMB11,212,200;
- (g) an equity transfer agreement dated November 28, 2014 entered into between Mr. Lin Mingwang (林明旺) as transferor and HK Denox as transferee regarding the transfer of 9% equity interest in Beijing Denox at a consideration of RMB5,606,100;
- (h) an equity transfer agreement dated November 28, 2014 entered into between Ms. Mou Peiyao (牟佩瑶) as transferor and HK Denox as transferee regarding the transfer of 1.5% equity interest in Beijing Denox at a consideration of RMB934,350;
- (i) an equity transfer agreement dated November 28, 2014 entered into between Ms. Xu Han (徐寒) as transferor and HK Denox as transferee regarding the transfer of 4.5% equity interest in Beijing Denox at a consideration of RMB2,803,050;
- (j) the series A preferred share purchase agreement dated January 29, 2015 entered into among our Company, BVI Denox, HK Denox, Beijing Denox, Gu'an Denox, Kickstart, Sea of Wealth, Advant Performance, Fine Treasure, Elite Venture, Global Reward, EEC Technology, Reach Dynamic, Win Brilliant, Gold Rise Asia, Zymmetry, Ms. Zhao Shu, Mr. Li Xingwu, Mr. Kong Hongjun, Mr. Lin Mingwang, Ms. Xu Han, Ms. Mou Peiyao, Mr. Li Ke, Mr. Liu Lianchao and Mr. Toe, pursuant to which our Company agreed to issue a total of 1,146,002 Series A Preferred Shares to the Series A Investors;
- (k) the shareholders' agreement dated January 29, 2015 entered into among our Company, BVI Denox, HK Denox, Beijing Denox, Gu'an Denox, Kickstart, Sea of Wealth, Advant Performance, Fine Treasure, Elite Venture, Global Reward, EEC Technology, Reach Dynamic, Win Brilliant, Gold Rise Asia, Zymmetry, Ms. Zhao Shu, Mr. Li Xingwu, Mr. Kong Hongjun, Mr. Lin Mingwang, Ms. Xu Han, Ms. Mou Peiyao, Mr. Li Ke, Mr. Liu Lianchao and Mr. Toe;
- (l) the deed of indemnity dated October 25, 2015 entered into by our Controlling Shareholders in favor of our Company (for itself and as trustee for each of its present subsidiaries) in respect of, amongst others, taxation and property matters referred to in the paragraph headed "D. Other information — Tax and other indemnities" in this Appendix;
- (m) the Deed of Non-competition; and
- (n) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

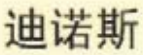
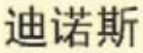
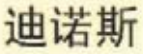
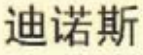
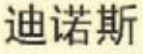
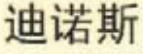
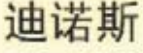


(a) Patents

As of the Latest Practicable Date, our Group was the registered proprietor of the following patents, which, in opinion of our Directors, are material to our business:


Title	Patent No.	Type	Place of registration	Expiry Date
Unit lifting hook of plate-type catalyst (板式催化劑單元塊吊鉤)	ZL201210016210.0	Invention	PRC	January 18, 2032
Plate-type catalyst unit production facility (板式催化劑單元生產設備)	ZL201020042668.X	Utility	PRC	January 19, 2020
Rake-type feeder for plate-type catalyst production line (板式催化劑生產綫耙釘式勻料器)	ZL201220017236.2	Utility	PRC	January 15, 2022
Five-wave symmetrical arrangement of unit board for unit block of plate-type catalyst (板式催化劑單元塊的單元板五波對稱排列)	ZL201220029018.0	Utility	PRC	January 29, 2022
Edge cutter of steel plate coating material for plate-type catalyst production line (板式催化劑生產綫鋼板覆料清邊器)	ZL201220018756.5	Utility	PRC	January 16, 2022
Elevating overturn apparatus for catalyst for diesel-powered vehicles (柴油車催化劑的提升傾翻裝置)	ZL201520280309.0	Utility	PRC	May 3, 2025
Flip delivery device of unit of SCR plate-type DeNOx catalyst (SCR板式脫硝催化劑單元的翻轉輸送裝置)	ZL201520291710.4	Utility	PRC	May 6, 2025
Drying device for catalyst of diesel automobiles (柴油車催化劑的烘乾裝置)	ZL201520305364.0	Utility	PRC	May 12, 2025
Conveying device for catalyst of diesel automobiles (柴油車催化劑的搬運裝置)	ZL201520308621.6	Utility	PRC	May 12, 2025
Rotor of catalyst mixer of diesel automobiles (柴油車催化劑混煉機的轉子)	ZL201520321653.X	Utility	PRC	May 17, 2025

(b) Trademarks

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in opinion of our Directors, are material to our business:

Trademark	Registration No.	Class	Name of Registered Proprietor	Place of Registration	Expiry Date
	9050809	11	Beijing Denox	PRC	January 21, 2022
	9050997	19	Beijing Denox	PRC	July 7, 2022
	9050786	1	Beijing Denox	PRC	January 21, 2022
	9051023	37	Beijing Denox	PRC	January 28, 2022
	9051098	40	Beijing Denox	PRC	January 21, 2022
	9051120	42	Beijing Denox	PRC	January 28, 2022
	9050814	7	Beijing Denox	PRC	April 14, 2022
^(A) 	303276946	1	the Company	Hong Kong	January 21, 2025
^(B) 					

As of the Latest Practicable Date, our Group had applied for the registration of the following trademark which, in opinion of our Directors, is material to our business:

Trademark	Application No.	Class	Name of Applicant	Place of Registration	Application Date
	16476037	1	Beijing Denox	PRC	March 12, 2015

(c) Copyright

As of the Latest Practicable Date, our Group was the registered proprietor of the following copyright which, in the opinion of our Directors, is material to our business:

Title	Registration Certificate Number	Place of registration	Registration Date
SCR flue gas DeNOx system design software V1.0 (SCR 煙氣脫硝系統設計軟件V1.0)	2011SR052431	PRC	July 27, 2011

(d) Domain names

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain name which, in opinion of our Directors, is material to our business:

<u>Domain name</u>	<u>Name of Registered Proprietor</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
china-denox.com	Beijing Denox	November 8, 2010	November 8, 2017

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**1. Directors****(a) Disclosure of Interests — interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations**

Immediately following completion of the Global Offering and the Capitalization Issue and assuming that the Over-allotment Option is not exercised and without taking into account Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests or short positions of our Directors or chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:

(i) Interests in our Company

<u>Name</u>	<u>Nature of interest</u>	<u>Interests in Shares^(Note 1)</u>	<u>Approximate percentage shareholding</u>
Ms. Zhao Shu	Interest of a controlled corporation ^(Note 2)	149,887,609(L)	30.0%
Mr. Li Xingwu	Beneficial owner	14,812,477(L)	2.9%
	Interest of a controlled corporation ^(Note 3)	51,075,015(L)	10.2%
Mr. Kong Hongjun	Interest of a controlled corporation ^(Note 4)	8,887,475(L)	1.8%
Mr. Li Ke	Interest of a controlled corporation ^(Note 5)	2,962,474(L)	0.6%

Notes:

- (1) The letter "L" denotes the person's long position in our Shares.
- (2) Advant Performance is beneficially and wholly owned by Ms. Zhao Shu. By virtue of the SFO, Ms. Zhao Shu is deemed to be interested in our Shares held by Advant Performance.
- (3) EEC Technology is beneficially and wholly owned by Mr. Li Xingwu. By virtue of the SFO, Mr. Li Xingwu is deemed to be interested in our Shares held by EEC Technology.
- (4) Global Reward is beneficially and wholly owned by Mr. Kong Hongjun. By virtue of the SFO, Mr. Kong Hongjun is deemed to be interested in our Shares held by Global Reward.
- (5) Fine Treasure is beneficially and wholly owned by Mr. Li Ke. By virtue of the SFO, Mr. Li Ke is deemed to be interested in our Shares held by Fine Treasure.

(b) Particulars of service contracts

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with our Company for a term of three years with effect from the Listing Date.

(c) Directors' remuneration

Each of our executive Directors is entitled to a director's fee and shall be paid a remuneration on the basis of a twelve-month year. The aggregate amount of remuneration of our Directors including fees, salaries, discretionary bonuses, contributions to pension schemes, housing allowances and other allowances and benefits in kind incurred by the Group (excluding the share-based compensation) for the three years ended December 31, 2012, 2013 and 2014 and four months ended April 30, 2015 was approximately RMB382,000, RMB620,000, RMB743,000 and RMB254,000, respectively. Further, approximately RMB10.2 million, representing an excess of the Repurchase Consideration against the fair value of the Repurchased Shares as of February 9, 2015, was accounted for as a share-based payment to Ms. Zhao Shu and Mr. Li Xingwu under the relevant accounting treatment. Further details of the Repurchase are set out in the section headed "History, Reorganization and Corporate Structure — Subscription of Shares by the BVI Original Shareholders".

Our non-executive Directors have been appointed for a term of three years. None of the non-executive Directors is entitled to any director's fee.

Our independent non-executive Directors have been appointed for a term of three years. We intend to pay a director's fee of RMB100,000 per annum to each of Mr. Li Junhua, Mr. Lam Yiu Por and Mr. Ong Chor Wei, our independent non-executive Directors, respectively.

Under the arrangement currently in force, the aggregate remuneration (including salaries, contributions to pension scheme, housing allowances and other allowances and benefit in kind) of our Directors for the year ending December 31, 2015 is estimated to be no more than RMB1.3 million.

Further details of the terms of the abovementioned service contracts are set out in the paragraph headed "C. Further information about Directors and substantial Shareholders — 1. Directors — (b) Particulars of service contracts" above in this Appendix.

2. Substantial Shareholders

So far as is known to our Directors as of the Latest Practicable Date, immediately following the completion of the Global Offering and the Capitalization Issue assuming that the Over-allotment Option is not exercised and taking no account of any Shares that may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme, the following persons (other than our Directors and chief executive of our Company) would have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares ^(Note 1)	Approximate percentage of interest in our Company immediately following the completion of the Global Offering and the Capitalization Issue
Advant Performance	Beneficial owner	149,887,609(L)	30.0%
EEC Technology	Beneficial owner	51,075,015(L)	10.2%
Mr. Toe	Interest of a controlled corporation	25,383,717(L)	5.1%
Zymmetry ^(Note 2)	Beneficial owner	25,383,717(L)	5.1%
Spring Capital Asia Fund L.P. ^(Note 3)	Interest in a controlled corporation	40,188,996(L)	8.0%
Kickstart ^(Note 3)	Beneficial owner	40,188,996(L)	8.0%

Notes:

- (1) The letter "L" denotes the person's long position in our Shares.
- (2) Zymmetry is beneficially and wholly owned by Mr. Toe. By virtue of the SFO, Mr. Toe is deemed to be interested in our Shares held by Zymmetry.
- (3) Assuming the Series A Preferred Shares are converted into Ordinary Shares on a one-for-one basis, Kickstart shall hold 40,188,996 Ordinary Shares, following the Global Offering and the Capitalization Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme). Kickstart is beneficially and wholly owned by Spring Capital Asia Fund L.P.. By virtue of the SFO, Spring Capital Asia Fund L.P. is deemed to be interested in our Shares held by Kickstart.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

4. Disclaimers

Save as disclosed herein:

- (a) none of our Directors or chief executives of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be

required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are listed;

- (b) none of our Directors or experts referred to under the paragraph headed “D. Other information — 8. Qualification of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of issued voting shares of any member of our Group;
- (f) none of the experts referred to under the paragraph headed “D. Other information — 8. Qualification of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the number of issued Shares has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on October 14, 2015.

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognize and acknowledge the contributions

that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisors, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral

multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Exercise Price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial advisor as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the Grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company.

(d) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering, being 50,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) increase this limit at any time to 10% of our Shares in issue as of the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalization issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our

Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the Listing Rules) (or his associates if such Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:
 - (aa) the Eligible Participant's name, address and occupation;
 - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
 - (cc) the date upon which an offer for an option must be accepted;
 - (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
 - (ee) the number of Shares in respect of which the option is offered;
 - (ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;
 - (gg) the date of the notice given by the grantee in respect of the exercise of the option; and
 - (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) *Granting options to connected persons*

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of our Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting by way of a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favor, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) *Restrictions on the times of grant of Options*

A grant of options may not be made after a price sensitive event has occurred or after inside information has come to the knowledge of our Company until it has been published pursuant to the

requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:

- (iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) *Rights are personal to grantee*

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) *Time of exercise of option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(k) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as of the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offense involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial advisor shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on September 5, 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approval independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to

subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his or her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (u) below.

(t) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) Cancellation of Options

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph (m).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Condition of the Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;

- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) *Present status of the Share Option Scheme*

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 50,000,000 Shares in total.

2. Tax and other indemnities

Our Controlling Shareholders entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in the paragraph headed “B. Information about the business — 1. Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which any member of our Group may be subject and payable on or before the date when the Global Offering becomes unconditional.

3. Litigation

As of the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

4. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme).

The Joint Sponsors satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors' fees are HK\$10.9 million and are payable by our Company.

5. Preliminary expenses

The estimated preliminary expenses incurred and paid by our Company were approximately RMB24,000.

6. Promoter

Our Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) Consultation with professional advisors

Intending holders of our Shares are recommended to consult their professional advisors if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualification of experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this prospectus:

<u>Name</u>	<u>Qualifications</u>
China Merchants Securities (HK) Co., Limited	a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management)
CCB International Capital Limited	a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance)
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
PricewaterhouseCoopers	Certified Public Accountants
Tian Yuan Law Firm	PRC legal advisor
Frost & Sullivan	Industry consultant

9. Consents of experts

Each of the experts named in paragraph 8 of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

10. Interests of experts in our Company

None of the persons named in paragraph 8 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

- (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
 - (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since April 30, 2015 (being the date to which the latest audited combined financial statements of our Group were made up);
 - (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
 - (e) the principal register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted to CCASS;
 - (f) no company within our Group is presently listed on any stock exchange or traded on any trading system;
 - (g) our Directors have been advised that the use of a Chinese name by our Company does not contravene the Cayman Companies Law; and
 - (h) save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW and GREEN** Application Forms;
- (b) the written consents referred to in the section headed “Statutory and General Information — D. Other information — 9. Consents of experts” in Appendix IV of this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — B. Information about the business — 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Sidley Austin at 39/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited combined financial statements of our Group for the two years ended December 31, 2013 and 2014 and the four months ended April 30, 2015;
- (e) the legal opinions issued by Tian Yuan Law Firm, our PRC legal advisors in respect of our Group’s business operations and property interests in the PRC;
- (f) the letter of advice from Conyers Dill & Pearman, our Cayman Islands legal advisors, summarizing certain aspects of Cayman Islands company law referred to in the section headed “Summary of the Constitution of the Company and Cayman Company Law” in Appendix III to this prospectus;
- (g) the Cayman Companies Law;
- (h) material contracts referred to in the section headed “Statutory and General Information — B. Information about the business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (i) the Frost & Sullivan Report;

- (j) service contracts (including letters of appointment) with each of our Directors referred to in the section headed “Statutory and General Information — C. Further information about Directors and substantial Shareholders — 1. Directors — (b) Particulars of service contracts” in Appendix IV to this prospectus;
- (k) the written consents referred to in the section headed “Statutory and General Information — D. Other information — 9. Consents of experts” in Appendix IV to this prospectus; and
- (l) the rules of the Share Option Scheme.

