You should consider carefully all of the information set out in this prospectus including the risks and uncertainties described below before making an investment in our Offer Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Offer Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment. You should pay particular attention to the fact that we mainly conduct our operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. For more information concerning the PRC and certain related matters discussed below, please see the section headed "Regulatory Overview" in this prospectus.

RISKS RELATING TO OUR BUSINESSES AND INDUSTRY

The development of the environmental protection industry where we operate is highly dependent on the PRC Government's pollution control policies.

We provide substantially all our environmental protection services to customers in the PRC. To enhance its efforts in pollution control, the PRC Government has promulgated a series of laws and regulations regulating pollution issues of certain industries, including the coal-fired power industry. These rules cover issues such as general policy support for the development of the environmental protection industry, mandatory requirements for the installation of certain environmental protection equipment such as desulfurization, denitrification and dust removal equipment, emissions standards which are increasingly rigorous, and pilot plans for new business models in the environmental protection industry which aim to increase the effectiveness and enforcement of mandatory emission and "ultra-low emission" standards. Accordingly, demand for our environmental protection services and our revenue generated from this business segment, are directly linked with the environmental protection requirements imposed on our current and potential customers. For example, the SO_2 emissions reduction service industry in China experienced a surge in 2008 after the PRC Government imposed compulsory requirements on the installation of desulfurization equipment and tightened emissions controls. Similarly, as a result of the PRC Government's policy imposing more stringent requirements on NOx emissions in 2011, demand for SCR services significantly increased due to its effectiveness in removing NOx pollutants and hence in meeting the new requirements. However, as power plants have commenced their efforts in meeting the Government's policies and have been in substantial compliance with some of the requirements which were introduced, we cannot assure you that such a market or business for pollution control and the demand for specific services will continue to grow.

The 13th Five-Year Plan of the PRC Government provides that the government will implement the most stringent environmental protection policy and will continue to promote the desulfurization, denitrification and dust removal upgrade for coal-fired boilers, especially in the petrochemical, non-ferrous metal smelting, iron and steel, and cement industry. However, there can be no assurance that the specific favorable policies which are currently available will continue to exist. In addition, these policies and incentives may attract additional new market entrants and may encourage other products or services which may achieve greater pollution control effects than our products and services. There can therefore be no assurance that we will directly benefit from the changed industry policies.

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

Demand for a number of our environmental protection solutions depends significantly on the growth rate of the coal-fired power installed capacity in the PRC. For example, a significant portion of our desulfurization EPC business serves new coal-fired power plants, as most existing coal-fired power plants have already installed desulfurization equipment. Growth in installed capacity of coal-fired power plants in the PRC 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. According to the data published by the CEC, the accumulated installed power capacity of coal-fired power plants in China increased from 714 GW in 2011 to 936 GW in 2016 at a CAGR of 5.6%. 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. On July 26, 2017, PRC government authorities issued the Opinion on the Promotion of Supply Side Reform and the Prevention of Overcapacity in Coal-fired Power Plants (《關於推進供給側結構性改革防範化解煤電產能過剩風險的意見》), which required an acceleration in the "ultra-low emission" upgrades for existing coal-fired power plants, as well as the suspension or postpone of the construction of coal-fired power plants with an aggregate capacity of 150 million kW and the elimination of obsolete power plants with an aggregate capacity of 20 million kW. In addition, according to Frost & Sullivan, the penetration rate for flue gas desulfurization facilities for coal-fired power plants in China is expected to reach 100% in 2020. 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, adversely affecting our results of operations and financial condition.

We may experience delays in the settlement of accounts receivables and progress payments or releases of performance guarantee or retention funds by our customers.

We are mainly engaged in the provision of desulfurization, denitrification and dust removal services for coal-fired power plants through the business model of environmental protection facility engineering, operation and maintenance and concession operation. Our EPC contracts typically provide for progress payments received from customers with reference to the value of work completed at specific milestone dates. Our customers generally pay us an advance equal to 10% of the total contract value, and once the project reaches a certain stage as specified in the relevant contract, we will receive payments for the remaining portion of the contract value based on the progress of work completed. As a result, we may need to commit cash and other resources to projects prior to receiving payments from customers to cover certain project expenditures as they are incurred. In addition, upon the completion of a project, an amount equal to 10% of the contract price is usually retained by our customers and will generally be released after the guaranteed performance period. We generally obtain our EPC contracts through bidding, and in general, after winning a bid, we are usually required by the project owner to provide a performance guarantee in an amount equal to 10% of total contract value. Such performance guarantee will be returned to us typically after one year operation of the relevant project. Due to the foregoing and other factors, we may have a large amount of receivables at any given date. As of December 31, 2014, 2015 and 2016 and September 30, 2017, we had total trade and notes receivables of approximately RMB609 million, RMB637 million, RMB733 million and RMB643 million, representing 35.1%, 37.8%, 44.8% and 42.2% of our current assets at the same date, respectively.

Delays in the settlement of accounts receivables and progress payments or release of such performance guarantee or retention funds from our customers may increase our working capital needs or cash flow pressure. If a customer defaults in making its payments on a project to which we have devoted significant resources, it could also affect our liquidity and decrease the capital resources that are otherwise available for other uses. We may file a claim for compensation of the loss that we incurred pursuant to our contracts but settlement of disputes generally takes significant time and financial and other resources, and the outcome is often uncertain. In general, we make provisions for accounts receivable, progress payments or releases of performance guarantee and retention funds, based primarily on special circumstances relating to specific projects. There can be no assurance that the accounts receivable, progress payments, performance guarantee and retention funds will be remitted by our customers to us on a timely basis or at all or that we will be able to efficiently manage bad debts.

The slowdown of the PRC economy may have a material and adverse effect on our results of operations and financial condition.

Most of our revenue is derived from our services provided to coal-fired power plants in the PRC. The increase in domestic demand for electric power significantly contributes to the sustainable growth of our revenue. Domestic demand for electric power is materially affected by industrial development, growth of private consumption and overall economic growth in China. Unfavorable or uncertain financial or economic conditions, such as those caused by turmoil in the global financial markets, the European sovereign debt crisis and the Brexit, have or may have imposed significant challenges to the stable development of the PRC economy. China's economy has entered into "New Normal" stage and has recorded GDP growth of 6.7% in 2016. Any slowdown in the growth of, or the occurrence of a recession in, the Chinese economy may decrease domestic demand and consumption of electric power, which may in turn have a material and adverse effect on our growth, prospects, results of operations and financial condition.

We are exposed to risks relating to our concession operation business.

Under the BOT and other concession models, we are exposed to the risk of failure to accurately forecast, at the bidding stage, the turnover to be derived from operations of the constructed facility and the risk of extended exposure to the fluctuation of economic conditions. Reduced profitability or losses from concession projects that do not perform as expected may have a material and adverse effect on our results of operations. Undertaking BOT and other similar projects also requires significant capital outlays over extended periods which would adversely impact our cash flow. We have recovered all our investments for our Jiangxi Jinggangshan BOT Project. The following table sets forth a sensitivity analysis on the impact of changes in electricity generating hours on our expected investment payback period for the rest of our existing BOT projects, assuming all other factors remain constant.

	Change in electricity generating hours	
	+ 5%	**- 5%**
	(in months)	
Increase/(decrease) in the expected investment payback period for:		
Shanxi Hejin BOT Project	(4)	4
Shanxi Puzhou Phase I BOT Project	(4)	4
Shanxi Puzhou Phase II BOT Project	(3)	4
Shanxi Yuguang BOT Project	(5)	6
Xinjiang Shenhuo BOT Project[(1)]	(5)	5

Note:

(1) Pursuant to the concession agreement for this project, our unit price charged for the flue gas treatment services we provide would decrease if the electricity generating hours increase, or vice versa.

We have price adjustment provisions in our agreements with customers for all of our existing BOT projects (except for our Jiangxi Jinggangshan projects, for which we have recovered all our initial investments) with reference to a benchmark electricity generating hours. The following table sets forth the level of decrease in the actual electricity generating hours of the respective power plant that would cause impairment in our intangible assets for that project, as compared to the benchmark electricity generating hours provided in the concession agreement.

	Decrease in the actual electricity generating hours by
Shanxi Hejin BOT Project	52.3%
Shanxi Puzhou Phase I BOT Project	49.1%
Shanxi Puzhou Phase II BOT Project	30.4%
Shanxi Yuguang BOT Project	18.8%
Xinjiang Shenhuo BOT Project	23.3%

In addition, our flue gas treatment facilities are built to treat flue gas that falls within certain gas quality specifications. If the level of flue gas pollution is higher than the specifications of our treatment facilities, it may not be possible for the flue gas to be treated, or to be treated to attain the emission standards provided under our agreements with our customers, within the cost structure contemplated by such agreements, or to meet governmental requirements. We also rely substantially on our clients for the development and operation of our BOT projects and if we breach the terms of such agreements or fail to implement projects which fully satisfy relevant requirements, may cause unexpected investment or operating losses.

Furthermore, our financial performance may fluctuate due to different accounting treatments applied at different stages of concession operation projects. Revenue is recognized during both construction and operation phases of our concession projects. See "Financial Information—Critical Accounting Policies, Judgments and Estimates—Revenue Recognition". In general, gross profit margins during the construction phase of concession projects are substantially lower than gross profit margins during the operation phase. Therefore, the profitability of our concession operation business fluctuated during the Track Record Period, and may fluctuate in the future, primarily as a result of completion of construction of existing concession projects and the commencement of construction of new concession projects. Moreover, although revenue is recognized during the construction phase of concession projects, we normally do not receive any cash payment for the construction activities. Therefore, there is a mismatch between our revenue recognized and underlying cash flows generated from the construction of concession projects.

Changes in the relevant accounting standards on the service concession arrangements and changes in our judgments and assumptions in applying these accounting standards may have material impacts on our financial position and results of operation.

We apply IFRIC 12 and other relevant accounting standards on our service concession arrangements. These standards may be changed or amended in the future from time to time. Any changes in these accounting standards may result in changes in recognition, measurement and/or classification of our revenue, expenses, assets and liabilities that could have material impact on our financial position and results of operation. Besides, in the application of these accounting standards, we are required to apply our judgment and make estimates and assumptions for our revenue, expenses, assets, liabilities, as well as our cash flow projections of our concession operation projects. These estimates and assumptions are not readily apparent from other sources and are based on historical experience and other factors that are considered to be relevant. Should actual results be different from these estimates and assumptions, we may change these estimates and assumptions that would materially affect our financial position and results of operation.

We have experienced loss-making EPC projects in the past, and may undertake loss-making EPC projects in the future.

The profitability of our EPC projects also depends on the accurate estimation of our cost for the design and construction of the facilities and procurement of certain equipment. The amount of total costs we incur on a project is influenced by a variety of factors, including variations in labor and equipment productivity and costs, changes in project scope or conditions, as well as fluctuations in the price of raw materials and components, many of which are beyond our control. We may even suffer loss for inaccurate cost estimation or budgetary control. As a result, exposure to unexpected risks in execution of our EPC, BOT and other similar projects could materially and adversely affect our business, financial condition and results of operations.

During the Track Record Period, we undertook 16 loss-making EPC projects with a total contract value of RMB976 million. The total losses incurred on these projects during the Track Record Period amounted to RMB48 million. The following table sets forth, as of the dates indicated, information on our EPC projects that were on-going as of that date or were completed during the year or period ending that date, which incurred losses, or were expected to incur losses, upon their final completion.

	As of and for the year ended December 31,			As of and for the nine months ended September 30,
	2014	2015	2016	2017
Number of loss-making EPC projects[(1)]	2	3	12	11
Total contract value of the loss-making EPC projects (RMB millions)	201.5	245.0	563.8	608.2

Note:

(1) Represents the number of projects under construction or completed during the period indicated for which we expect to incur losses upon the final completion of that project. One loss-making project may appear in more than one period, as the construction of our EPC projects may last more than one period. Therefore, the total number of loss-making projects during the Track Record Period is smaller than the sum of the number of loss-making projects listed for each period above.

We incurred the above loss-making EPC projects primarily due to (i) our efforts to expand into new markets and to maintain customer relations, (ii) additional work or changes of construction plan as required by customers, or (iii) delays in the construction progress or changes of construction subcontractors due to reasons arising from customers. As of the Latest Practicable Date, six of our on-going EPC projects had incurred, or was expected to incur losses, primarily due to our efforts to expand our business presence and market share when undertaking certain loss-making projects, or the occurrence of unforeseeable increase in our costs during the construction of the projects.

We may be unable to continue to renew our O&M projects upon expiration of our service contracts.

The service contracts for our O&M contracts are generally for a fixed period of time, and may be renewed upon expiration. In 2014, 2015 and 2016 and the first nine months of 2017, we successfully renewed 100%, 57%, 83% and 88% of our O&M projects that expired in the respective periods. We may not be able to continue to renew our O&M contracts when they become due. This could be a result of increased competition from our competitors, or our customers' decision to take the operation and maintenance of the flue gas treatment facilities in-house. If we are not able to successfully renew a substantial portion of our existing O&M contracts or acquire new O&M projects, revenue from our operation and maintenance business may be adversely affected.

Acquisition of new businesses or assets involves risks.

We may expand our business through acquisition of relevant businesses or assets. Acquisition of new businesses or assets involves risks. For example, the acquisition targets may not be as profitable as anticipated. We may also incur unanticipated costs and expenses or be exposed to unanticipated liabilities in connection with the acquisitions. The integration of acquired businesses or assets into our existing business may require substantial resources and management attention, and may ultimately be unsuccessful. In addition, if the acquired businesses or assets are in emerging markets, we may be exposed to numerous risks associated with entering emerging markets where we have limited experience. Meanwhile, we may also require additional funding for the acquisitions, and our inability to borrow additional amounts or refinance the existing debts associated with the targets may adversely affect the results of operation and financial position of the entire Group.

We cannot assure you that we will be able to achieve the financial returns as we expect at the time such acquisitions are made. Any failure in the potential acquisitions may have a material and adverse effect on our business, financial position and results of operation.

We might lose part or all of our investment in the Upgrade Units under the Yangxi Agreements.

We entered into the Yangxi Management Service Agreement with Guangdong Huaxia Electric and Yangxi Electric in December 2016, pursuant to which we will provide certain operation, daily maintenance and repair services in respect of the Yangxi Facilities. Under the Yangxi Management Service Agreement, Beijing Boqi agreed to bear the costs of constructing the Upgrade Units. For details, please see "Connected Transactions – Non-exempt Continuing Connected Transactions – Yangxi Project". In the event that there is a policy change in connection with the PRC regulations on the "ultra-low emission" subsidy or in the event that Yangxi Electric refuses to abide by the Yangxi Management Services Agreement, we may not be able to recover our costs of construction of the Upgrade Units. In such case, we may suffer a loss of investment up to approximately RMB36 million, which represents 23.7% of our net profit for the year ended December 31, 2016.

A significant portion of our revenue is derived from our major customers and changes in their business or requirements may have a material and adverse effect on our business.

As most of our customers are primarily large national or local power plants or large industrial group enterprises with their own coal-fired power plants, our customer base is relatively concentrated. For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017, sales to our five largest customers in aggregate accounted for 52.3%, 50.0%, 46.0% and 54.3% 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 our customers, including our five largest customers, experience negative changes in their business, adjust their investment strategies or slow down the growth rate of their investment in power plants, they may cease or reduce the purchase of services from us. Moreover, any material adverse change to our major customers' financial conditions may result in their delayed payment for our services or even default in certain of our contracts. If we fail to obtain a comparable level of purchase orders from new customers or secure payment from our existing customers, our business, results of operations and financial condition may be adversely affected.

Certain of our projects have experienced suspensions or delays during the construction period.

During the Track Record Period, two of our EPC projects experienced delays in their construction progress due to reasons arising from our customers such as, among others, the re-planning of construction. We incurred an aggregated loss of RMB9.4 million in 2016 as a result of such delays, which represented approximately 3.7% of our gross profit in 2016. In addition, the construction of five of our EPC projects was suspended due to the national policy on the restriction on the expansion of coal-fired power plants. We did not suffer losses due to these suspensions, because our revenue recognized and payments received from these projects prior to the suspensions were sufficient to cover the costs we incurred. There can be no assurance that our projects being executed or any new projects we secure would not experience similar delays or suspensions. Such delays or suspensions may affect the future cash flow expectations or estimated rate of return on the projects. If we are unable to re-negotiate the contracting or concession agreements, where necessary, to demand additional payment from our clients to ensure positive returns, such suspensions or delays would have a material adverse effect on our business, financial condition and results of operations.

We may not be able to continue our growth and implement our business expansion plans successfully.

We have experienced continuous growth in terms of cumulative installed capacity and profits during the Track Record Period. We plan to secure further growth by maintaining our leading market position in the PRC market, especially for our flue gas desulfurization and denitrification market, expanding the geographical coverage of our business, developing and introducing additional advanced technologies, exploring new business opportunities and further expanding our international business. As part of our growth strategy, we intend to expand our business into the treatment of other types of gas, water, soil and solid waste. The success of our growth plans depends on certain factors, including, but not limited to, our ability to implement and manage our business expansion plans; secure financing necessary for business expansion; maintain and expand our existing customer base; manage relationships with suppliers; ensure timely and sufficient supply of raw materials, parts and equipment; hire, train and retain qualified personnel and deal with challenges that may arise in new and existing markets and business areas. Some of the above factors are partially beyond our control. Diversifying into other types of waste treatment may place significant demands on our management and resources and we may not have sufficient experience or expertise to expand successfully into such businesses. If we fail to successfully implement our business expansion plans, maintain and further enhance our domestic and international market share, increase sales, and develop businesses with strategic significance, or, if we encounter difficulties in any of the foregoing, our profitability, growth, prospects, results of operations and financial condition may be materially and adversely affected.

We face intense competition in the flue gas treatment industry in which we operate.

We face increasingly intense competition in the flue gas treatment industry in China. The level of market concentration has increased in recent years as large competitors have increased their aggregate market share, while competition on the flue gas treatment market remains intense.

Some of our competitors may have greater financial, sales and marketing, R&D, personnel, or other resources than us. Some new market entrants may acquire market share by leveraging existing business relationships and acquiring new technologies from third parties. Our competitors may also respond more quickly to changes in technology or customer requirements, or offer similar services at prices lower than ours. All of the foregoing factors have intensified market competition, and we may face pressure in bidding process, pricing strategy and bargaining position in the industries we operate. Any adverse or unforeseen change in our competitive environment may have a material and adverse effect on our business, prospects, results of operations and financial condition.

Failure to obtain sufficient raw materials and equipment, or to do so on commercially acceptable terms could adversely affect our results of operation and financial condition.

Our business operation requires timely procurement of sufficient raw materials and equipment at commercially acceptable prices. We cannot assure you that we will be able to obtain sufficient raw materials and equipment from our existing suppliers or from alternative sources at commercially acceptable prices and in a timely manner, or at all. We cannot assure you that shortages of raw materials and equipment will not occur or that we will be able to pass on cost increases to our customers in the future. Any failure to obtain adequate raw materials and equipment, or to do so on commercially acceptable terms and in a timely manner, could interrupt and hence adversely affect our business operations.

Fluctuation in the purchase prices of raw materials and equipment is a key factor affecting our costs. The prices and availability of raw materials and equipment may be affected by factors beyond our control, including demand and supply, inflation and economic cycles, price control measures imposed by the government or private companies, international geopolitical issues and instability of governments in the exporting countries. Because it is difficult to predict the trends of prices for raw materials and equipment, and cost fluctuations may occur during the term of contract, our profitability, financial condition and results of operations may be materially and adversely affected.

We do not hedge our exposure to price fluctuations of raw materials and equipment, thus we are exposed to the risk of increases in the prices of these raw materials and equipment, and, to the extent we cannot pass on the price increases in these raw materials and equipment to our customers or suppliers or subcontractors fully or partially, our business and financial condition could be affected. We cannot assure you that we will achieve the expected profits from our fixed-price contracts and our results of operations and financial condition may be materially and adversely affected.

Our customers may make claims against us and/or terminate our services in whole or in part prematurely should we fail to implement projects on time or fully satisfy their agreement provisions or requirements.

As of September 30, 2017, we had 27 EPC projects yet to be completed, 14 O&M projects in operation, four BOT projects in operation and two BOT projects under construction. We cannot assure you that the development of our projects will not be delayed or that these projects will meet all the requirements under relevant agreements. Failure to implement or complete projects to the satisfaction of our customers or failure to comply with relevant governmental policies and standards, or defective systems may lead to claims against us and/or termination of our services in whole or in part prematurely. This may arise from unsatisfactory design or workmanship, staff turnover, human errors, untimely delivery of services, default by our subcontractors, misinterpretation of and failure to comply with regulations and procedures. Any claim brought by our customers against us or termination of our services may adversely affect our reputation and business operation, which may in turn affect our financial condition and profitability.

We may not be able to protect our patents and other intellectual property rights, which could have a material and adverse impact on our business.

As of the Latest Practicable Date, we owned 33 registered trademarks, 49 patents and six computer software copyrights in the PRC, and two patents outside of the PRC. We continue to apply for new patent rights in the PRC for the products and technologies we develop, and are currently applying for six patent. Further, we own other intellectual property such as non-registered trade secrets, know-how and proprietary technologies, procedures and processes. We believe our patents and other intellectual property rights are important to our success. Existing laws in China offer limited protection for our intellectual property rights. We rely upon a combination of patents, copyrights and trademarks, trade secrets, know-how, confidentiality policies, non-disclosure and other contractual arrangements to protect our intellectual property rights. We cannot assure you that we will be able to detect any unauthorized use of, or take appropriate, adequate and timely actions to enforce, our intellectual property rights. Consequently, we may not be able to effectively prevent unauthorized use of our trademarks or patents in other countries where such trademarks and patents are not registered. The measures we take to protect our intellectual property rights may not be adequate and monitoring and preventing unauthorized use is difficult. The protection of our intellectual properties may be compromised as a result of (i) expiration of the protection period of our registered intellectual property rights, (ii) infringement by others of our intellectual property rights, or (iii) refusal by relevant regulatory authorities to approve our pending patent applications. Furthermore, the application of laws governing intellectual property rights in China and abroad is uncertain and evolving, and could involve substantial risks to us. If we are unable to adequately protect our trademarks and other intellectual property rights, this may have a negative impact on our reputation and our business may be materially and adversely affected.

We may not be able to guarantee continually securing new projects or succeeding in our future tendering process.

Our business is project-based. We normally maintain operation under our concession business over a concession period of 15 to 20 years for our typical BOT projects. Upon the expiration of such concession period, our BOT projects will be transferred to our customers under the respective concession agreements. The term of service contracts of our O&M projects generally ranges from one to eight years. We provide O&M services for the desulfurization and denitrification facilities to coal-fired power plants during the contract period. In addition, under the EPC model, the contract term normally lasts for three to 18 months. As a result, we must continually and consistently secure new projects to ensure our financial performance and scale of operation. Further, we face increasingly intensive competition in the project tendering process and our customers normally will take various factors into consideration when evaluating the strengths of each bidder. In the event that we are unable to secure new projects on a continual basis or we lose our competitive advantages in our future projects tendering process, our business, financial condition and results of operations may be materially and adversely affected.

Our historical growth rate during the Track Record Period may not be indicative of our growth rate in the future.

During the Track Record Period, our business had maintained a relatively stable overall growth. Our revenue grew from RMB1,239 million in 2014 to RMB1,351 million in 2015 and further increase to RMB1,353 million in 2016. However, as our business development and financial performance depend on our own results of operations and are subject to various factors beyond our control, our historical business growth may not be indicative of our future performance. We cannot assure you that we will continue to grow at the same rate as we did during the Track Record Period.

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

The performance, quality and safety of our projects are critical to our customers, our reputation and, ultimately, our success. Accordingly, we have established and maintained stringent quality control procedures, including inspection and testing of products purchased from our suppliers such as equipment, parts and components. The effectiveness of our quality control system is determined by various factors, including, implementation of quality standards, effectiveness of training programs, our employees' compliance with our quality control policies and guidelines, and is especially dependent upon our ability to supervise and manage the project construction and operation. Failure to maintain an effective quality control system may result in defective projects that will expose us to the risk and liability of the projects and undermine our reputation and relationships with existing customers, thereby materially and adversely affecting our business.

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

When we set prices for our services, we have to consider how competitors have set prices for the same or similar projects. When our competitors cut prices or offer additional benefits to compete with us, we may have to lower our own prices accordingly or offer matching benefits, otherwise we may risk losing our market share. In certain circumstances, we may offer our service at a price that is not profitable in order to attract new customers or sell additional services to customers, in the hope of building a customer base and securing future businesses. We have proactively implemented a number of measures to prevent or minimize losses, as well as spent great efforts in cost control and market developments. However, we cannot assure you that we are able to accurately estimate the overall risks, revenues or costs of our projects. In addition, we have implemented differentiated pricing strategies for different types of projects. However, there is no assurance that these pricing strategies will be successful. Furthermore, there is no assurance that our profit from other projects can fully offset these losses or potential losses arising from these projects. If we are unable to execute our strategies effectively, our business and prospects may be adversely affected.

Moreover, most of our contracts in the flue gas treatment business are either fixed-price or fixed unit price in nature. Terms of these contracts require us to complete a project at a fixed price or a fixed unit price and therefore expose us to cost overruns. Cost overruns, whether due to inefficiency, inaccurate estimates or other factors, may result in a lower profit or a loss on a project. As a result, we will only achieve profits on these contracts if we could accurately estimate our project costs and avoid cost overruns. Unforeseen factors, such as changes in construction conditions, variations in labors and equipment productivity over the term of a contract and unexpected increases in costs of materials may cause the revenue, cost and gross profit realized or incurred from a fixed-price or fixed unit 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 materials costs.

If we fail to effectively control costs, our results of operations and financial condition may be materially and adversely affected.

In order to maintain our competitiveness and achieve profitability, we must effectively control our operating costs. A significant portion of our business with our customers is conducted on fixed price contracts, which are awarded by public tender. The profit margins realized on such fixed-price contracts may vary from original estimates as a result of changes in costs over their term due to factors such as changes in the subcontract costs, costs of equipment or manpower, difficulties in obtaining adequate financing, unanticipated technical problems with equipment and raw materials supplied, project or schedule modifications, delays caused by local weather conditions and suppliers' failure to fulfill their obligations. We cannot assure you that we will always achieve expected profits from our fixed-price contracts.

We are subject to risks associated with changes in government grants and preferential tax treatment.

We have received various types of government grants in the past. In 2014, 2015 and 2016 and the nine months ended September 30, 2017, we recognized government grants of RMB3 million, RMB2 million, RMB10 million and RMB4 million, respectively.

We are subject to various PRC taxes, including the current statutory PRC enterprise income tax of 25% as determined in accordance with the relevant PRC tax rules and regulations. For details, please see "Regulatory Overview—Laws and regulations regarding tax". In addition, the PRC national and local tax laws provide certain preferential tax treatment applicable to different enterprises, industries and locations. A number of our subsidiaries are currently taxed at preferential enterprise income tax rates of 15% due to the nature of their respective business activities and the location of their projects. Our tax benefits as a result of the preferential tax treatment amounted to RMB6 million, RMB10 million, RMB21 million and RMB17 million, respectively, in 2014, 2015 and 2016 and the nine months ended September 30, 2017. For details, please see "Financial Information—Results of Operations—Income Tax".

If we are no longer eligible to receive any government grants, or our preferential tax treatments are terminated or revised, our profitability, results of operations and financial condition may be materially and adversely affected.

We have incurred fair value losses on the Class B Shares and Class C Shares, and may incur additional losses upon the conversion of Class B Shares and Class C Shares into Class A Shares.

In January 2017, we issued in aggregate 194,376,362 Class C Shares to New Asia, Sinopec and Full Synergy. In January 2017, we redesignated 125,000,000 Class A Shares held by New Asia into Class B Shares. Pursuant to their terms, each of the Class B Shares and Class C Shares will be converted into a Class A Share upon the completion of the Global Offering and the Listing without any additional amount paid to us. For details on the terms of our Class B Shares and Class C Shares, please see "History, Reorganization and Group Structure—Pre-IPO Investments" and Note 30 to our historical financial information in the Accountants' Report set forth in Appendix I to this prospectus.

Our Class B Shares and Class C Shares are booked as liabilities and are carried at fair value, the change of which is recognized in our consolidated statement of profit and loss. For the nine months ended September 30, 2017, we incurred a loss of RMB128 million due to an increase in the fair value of our Class B Shares and Class C Shares. We may incur additional losses in the future if the fair value of Class B Shares and Class C Shares continues to increase.

Upon the completion of the Global Offering and the Listing, each of the Class B Shares and Class C Shares will be converted into a Class A Share, without any additional amount paid to us. Upon the conversion of our Class B Shares and Class C Shares, we will record a decrease in our liabilities and an increase in our total equity. The difference between the fair value of our Class B Shares and Class C Shares and the Offer Price will be recognized in our consolidated statement of profit and loss at the time of conversion. The actual amount of the fair value loss upon such conversion will depend on the fair value of our Class B Shares and Class C Shares immediately prior to the Listing Date and the Offer Price of our Shares. We will not incur any further fair value losses after the conversion of our Class B Shares and Class C Shares upon our Listing, as the Class B Shares and Class C Shares will no longer exist after our Listing. Assuming the Global Offering will be completed according to the proposed timetable and the indicative Offer Price range, we expect to incur substantial losses for the year ending December 31, 2017 in relation to the Class B Shares and Class C Shares according to their then valuation, which may materially and adversely affected our results of operations, financial condition and prospects.

If we incur substantial losses due to changes in the fair value of our Class B Shares and Class C Shares, or in relation to the conversion of our Class B Shares and Class C Shares into Class A Shares, our financial conditions and results of operations may be materially and adversely affected.

If we fail to obtain or maintain the approvals, permits, licenses and certificates required for our operations, our business, financial condition and results of operations may be materially and adversely affected.

We are required to obtain certain approvals, permits, licenses and certificates from various governmental authorities and to comply with the relevant PRC laws and regulations in order to design and operate the flue gas treatment facilities for our projects and conduct our operation and maintenance businesses. Some of these approvals, permits, licenses and certificates required for projects and properties for our project companies include but not limit to the Construction Land Use Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit, Qualification Certificate of Construction Enterprise, Work Safety License, Engineering Design License and Engineering Consulting License. We cannot assure you that all these required approvals, licenses, permits and certificates can be obtained in a timely manner or at all. If we operate our facilities and projects without the required approvals, permits, licenses and certificates, or without in compliance with the relevant PRC laws and regulations, we may be subject to fines and penalties imposed by the relevant governmental authorities and may be required to suspend the use of such facilities or vacate the premises. In addition, some of these approvals, licenses, permits and certificates are subject to periodic review and renewal by the governmental authorities and the standards of compliance required in relation thereto may from time to time be subject to changes without substantial prior notice. Any change in the existing policies by the governmental authorities in relation to the industries to which we provide our services may result in our failure to obtain or maintain such approvals, permits, licenses and certificates. Any such failure could subject us to fines and other penalties, which would have a material adverse effect on our business and results of operations.

We recorded net cash outflows from operating activities during the Track Record Period, and we cannot assure you that this will not occur in the future.

We fund our business operations and growth primarily using cash generated from our operating activities. Our net cash generated from operating activities was RMB251 million, RMB171 million, RMB110 million and RMB72 million in 2014, 2015 and 2016 and the nine months ended September 30, 2017, respectively. Our net cash used in operating activities was RMB13 million for the nine months ended September 30, 2016. There is no assurance that we will be able to generate sufficient cash flow from our operations to fund our business operations and growth in the future, or that we will be able to secure sufficient funding (through borrowings or offering equity securities) at commercially acceptable terms, or at all. If we cannot generate sufficient cash flow from our operations or raise sufficient funding, our liquidity, business, financial conditions and results of operations may be materially and adversely affected.

Availability of financing on reasonably commercial terms may affect our business expansion or financial performance.

Substantial capital is necessary for the construction, maintenance and operation of new facilities, equipment purchases and R&D of new products and technologies. If we fail to obtain adequate financing on acceptable terms, we may not be able to sufficiently fund our operations or implement our expansion strategy. As a result, we may be forced to adopt alternative strategies that may include delaying capital expenditures, refinancing our indebtedness or seeking equity capital. These may subject us to loss of market competitiveness and future revenues, and thus materially and adversely affect our results of operations and financial condition.

We have obtained bank loans to support our business expansion. Our interest expenditures may increase significantly in the future, which may have a material and adverse effect on our profitability, financial performance and results of operations. In addition, the PRC Government has recently adopted a number of measures in monetary policy, including increasing the reserve ratio of commercial banks, which may have the effect of restricting money supply and the availability of credit. If these measures result in PRC banks tightening their credit extension policy, our access to financing to fund our business expansion may be adversely affected.

We will continue to be controlled by our Controlling Shareholders, whose interests may differ from yours or those of our other shareholders.

Upon completion of the Global Offering, our Ultimate Controlling Shareholders, as a result of the acting-in-concert arrangement, own an aggregate of approximately 39.86% of our Shares assuming no exercise of the Over-allotment Option and taking into account the Sale Shares to be sold by the Selling Shareholders. Subject to the Articles of Association and applicable laws and regulations, as our Controlling Shareholder, through its representatives on our Board, be able to influence our major decisions, including our management, business strategies and policies, the timing and amount of dividend distributions, any plans relating to material property transactions, major overseas investments, mergers and acquisitions, issuances of securities and adjustments to our capital structure, amendment of our articles of incorporation and other actions that require the approval of our directors and shareholders. Accordingly, subject to applicable laws and regulations, our Controlling Shareholders are in a position to direct us to take actions which may not be in the best interest of our minority shareholders. It is possible that differences in opinion may arise between our Controlling Shareholders and any of the minority shareholders from time to time. We cannot guarantee that our Controlling

Shareholders will influence the Company to pursue actions that are in the best interests of the minority shareholders.

We are dependent on our key management team and technical specialists. Failure to retain or hire qualified personnel at reasonable costs could materially and adversely affect our results of operations.

The success of our business depends on our ability to retain our key management (including our executive directors and our senior managements) and personnel in the R&D, production, quality control, after-sales service and operations functions. These departments require the continued service of our skilled personnel and our ability to recruit additional skilled personnel in the future. Due to the rapidly growing demand for qualified personnel in China, competition for such personnel is intense. If we fail to retain or hire qualified personnel, we may experience difficulties in developing or applying new technologies, expanding our capacities, maintaining service quality, providing our customers with quality after-sales services or managing our operations and continuous expansion, which may in turn have a material and adverse effect on our business and reputation.

In addition, due to the nature and complexity of our business, certain skilled workers are not easily or quickly replaced. Hence, if a certain portion of our technically skilled workers terminate their employment relationships with us in a short period of time, we may encounter interruption of our services, which may substantially impact our operations.

Our international marketing and sales plans and strategies may not yield the desired results.

While most of our sales revenue is generated from the PRC, we are actively developing our overseas businesses. This involves setting up overseas sales department, marketing activities or provision of services to overseas customers and other activities. We have been expanding our services to Europe, South Asia, Latin America, Africa and Southeast Asia markets since 2007 and we also plan to further enhance our overseas presence and market share. There is no assurance that our overseas growth strategies will be implemented successfully. Our global business expansion may be hindered by risks such as: low demand for our services, lack of a track record in these markets, lack of availability of overseas financing on suitable terms to fund our international expansion, possible difficulties in the management of overseas personnel and business operations including a potential increase in labor costs due to our overseas expansion, lack of understanding of the local business environment, financial and management system or legal system, volatility in currency exchange rates, potentially more stringent product liability requirements, the risk that foreign countries may impose withholding taxes (or otherwise tax our foreign income or place restrictions on repatriation of profit); cultural differences, changes in political, regulatory or economic environments in the foreign countries or regions, inherent difficulties and delays in contract enforcement and collection of receivables through the use of foreign legal systems; as well as the risk of barriers, such as anti-dumping and other tariffs or other restrictions being imposed on foreign trade. If we fail to manage the above risks effectively, our global expansion may be hindered, which may in turn result in a material and adverse effect on our business prospects, results of operations and financial condition.

Our business operations are subject to various environmental, health and safety and labor protection laws and regulations.

Our business operations are subject to various environmental, health and safety and labor protection laws and regulations. These laws and regulations require us to undergo environmental impact assessments processes and implement environmental, health and safety procedures to control risks associated with the design, construction and operation of environmental protection equipment. For example, we or our customers are required to prepare and submit an environmental impact assessment report to the relevant environmental protection authorities for review and approval before we can start the construction of flue gas treatment facilities. When the construction is completed, these facilities also need to pass certain inspection processes to ensure the satisfaction of environmental protection requirements prior to commercial operation. We are also subject to the regulation of, among others, the Labor Contract Law and Social Insurance Law of the PRC, same as other enterprises operating in the PRC.

If we do not comply with applicable laws and regulations, we may be subject to penalties or fines or may even be required to cease the affected project operations. In addition, the existing Environmental Protection Law and related regulations require us to establish an environmental protection and management system, which includes adopting 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 such change could result in a substantial increase in the costs of compliance, which in turn could materially and adversely affect our business, prospects, profitability, financial condition and results of operations.

We are subject to the risk of product liability claims and in some cases may not have sufficient insurance coverage.

Although we have purchased insurance coverage, due to the complex technical specifications of our projects, we may be subject to substantial liability claims due to quality defects or shutdown resulting from malfunctions of our projects, including our environmental protection equipment or devices. Moreover, we provide customers with contractual warranties for the operating performance of our EPC projects. During the Track Record Period, we had not experienced material incident for our EPC projects during the warranty period we provided to our customers. Our current performance warranty period for our EPC projects is usually one year. We believe our warranty period is in line with industry practice. Due to the long warranty period, we may bear significant warranty claims after we have delivered the projects and recognized revenue. As a result, we may be subject to unexpected warranty claims, which in turn would harm our financial results.

Although we have purchased product/performance insurance coverage during the relevant warranty periods, there may be difficulty in receiving compensation from the insurance companies, or claims may be subject to lengthy processing time, or we may not receive sufficient compensation to cover our liabilities or damages in full. If we fail to receive compensation (in full or at all) from the insurance companies for our losses, our business, profitability, results of operations and financial condition may be materially and adversely affected.

Our operations are subject to inherent operational risks and occupational hazards and substantial damage to persons or loss of property may occur in the course of our construction and operation work.

Due to the nature of our business, we engage or may engage in certain inherently hazardous activities, including operations at height, use of heavy machinery and working with flammable materials. Further, our projects construction and operation businesses involve various risks and hazards, including the breakdown, failure or substandard performance of equipment, the improper installation or operation of equipment, natural disasters, environmental hazards and industrial accidents. Despite our compliance with applicable safety requirements and standards under PRC law, we are still subject to the aforementioned risks surrounding our construction and operation activities. Such risks and hazards may result in personal injuries or fatalities and damage to property and equipment. Certain accidents relating to our work may also result in subcontractor claims, cessation of business, or other civil and criminal penalties. If we incur substantial losses or liabilities due to the above reasons and our insurance coverage is inadequate to cover such losses or liabilities, our results of operations and financial condition may be materially and adversely affected.

As we do not wholly own some of our subsidiaries, we may not have the ability to cause them to take actions that we believe would be most beneficial to us.

We have, and expect to have in the future, ownership interests and management participation in non-wholly-owned subsidiaries, in connection with our business operations. Some of these subsidiaries may account for a significant portion of our turnover and profits. Our ownership interests in these subsidiaries do not always provide us with the ability to control all their actions, especially when we only have a minority interest. As a result, our ability to control the decisions of these non-wholly-owned subsidiaries depends on a number of factors, including reaching agreement with our partners, our rights under the relevant shareholder agreements and the decision making process applicable to those subsidiaries and joint ventures. We may not always have the ability to cause them to take actions that we believe would be most beneficial to us.

Our financial performance is exposed to risks relating to our investment in our associate.

As of the Latest Practicable Date, we held 30% equity of Han Chuan Long Yuan BoQi Environmental Technology Co., Ltd. ("**Han Chuan Long Yuan**"), which is an associate of us. In 2014, 2015 and 2016 and for the nine months ended September 30, 2017, our share of profit from this associate was RMB11 million, RMB16 million, RMB15 million and RMB25 million, respectively, representing 8.5%, 9.1%, 7.8%, and 69.4% of our profit before tax for the respective period. As we are a minority shareholder in Han Chuan Long Yuan, we are unable to fully control its business operations and, therefore, its results of operations. We cannot assure that the financial conditions and business operations of Han Chuan Long Yuan will not deteriorate in the future. An adverse change in the financial conditions and results of operations of Han Chuan Long Yuan may also adversely affect our results of operations.

In addition, Han Chuan Long Yuan is not a publicly listed company, which means that our equity interest in Han Chuan Long Yuan may not be liquid. We may not be able to easily dispose of our equity interest and withdraw our investment in Han Chuan Long Yuan, or at all. If we are unable to withdraw our investment in Han Chuan Long Yuan in the event of a material adverse change in its financial conditions and business operations, or Han Chuan Long Yuan does not declare and pay sufficient dividends, our financial conditions and results of operations may be adversely affected.

Our business operations may be interrupted by force majeure and other factors beyond our control.

Our business operations may be interrupted for reasons beyond our control, for example, by force majeure, which may include such natural disasters as bad weather conditions, flooding, cyclones, typhoons, blizzards, snowstorms, landslides, earthquakes, and fire, as well as power shortage, labor strikes, union strikes or social turmoil. Any major interruption of our business may have a material and adverse effect on our ability to provide services. The construction, operation and maintenance of flue gas treatment facilities may be affected by bad weather conditions; in particular, in remote areas of China, the construction and operation of our projects may be affected by poor infrastructure. If any of such events takes place, there may be a material and adverse effect on our business, results of operations and financial condition.

RISKS RELATING TO THE PRC

The majority of our assets and projects are located in the PRC and most of our revenue is derived from the PRC. Hence, our business operations and prospects are to a large extent affected by the economic, political and legal developments in the PRC.

Changes in the economic, political and social conditions in the PRC may have a material and adverse effect on our results of operations and financial condition.

The Chinese economy differs from that of most developed countries in many respects, including in the degree of government involvement and control of capital investment. The PRC Government is committed to the continued reform of the PRC economic system as well as the structure of the government. The PRC Government's reform policies have emphasized the independence of enterprises and the use of market mechanisms. Since the introduction of these reforms, significant progress has been achieved in economic development, and enterprises have enjoyed an improved environment for their development. Although the government has implemented economic reform measures to introduce market forces and establish sound corporate governance in business enterprises, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. Any changes in the PRC's political, economic and social conditions may have a material and adverse effect on our present and future business operations, results of operations and financial condition.

Since the PRC's legal system is still evolving, there exist uncertainties as to the interpretation and enforcement of PRC laws.

Since most of our activities are conducted in the PRC, our business operations are regulated primarily by PRC laws and regulations. PRC legal system is based on written statutes, and past court judgments may be cited only for reference. Since 1979, the PRC Government has been committed to developing and refining its legal system and has achieved significant progress in the development of its laws and regulations governing economic matters, such as in foreign investment, company organization and management, business, tax and trade. However, as these laws and regulations are still evolving, and because of the limited number and non-binding nature of published cases, there exist uncertainties about their interpretation and enforcement.

Government control over foreign currency exchange and requirements for governmental approval may affect our results of operations and financial condition.

The Renminbi is not currently a freely convertible currency. As our operations are primarily conducted in the PRC and substantially all of our revenue is denominated in RMB, fluctuations in the RMB exchange rate against other currencies did not have a material impact on our results of operations during the Track Record Period. However, as we expand our business into international markets, our overseas income and expenditures may increase, and exposure to fluctuations in foreign exchange may also increase.

Pursuant to existing foreign exchange regulations in the PRC, we are allowed to carry out current account foreign exchange transactions (including dividend payouts) without submitting the certifying documents of such transactions to SAFE for approval in advance as long as they are processed by banks designated for foreign exchange trading. However, foreign exchange transactions for capital account purposes, including direct overseas investment and various international loans, may require the prior approval or registration with SAFE. If we fail to obtain SAFE's approval to convert RMB into foreign currencies for such purposes, our capital expenditure plans, business operations and subsequently our results of operations and financial condition could be materially and adversely affected.

We face foreign exchange and currency conversion risks, and fluctuation in the value of the RMB may have a material and adverse effect on our business.

The exchange rate between the RMB and the U.S. dollar and other currencies may fluctuate from time to time and be affected by, among other things, changes in China's political and economic environment. Presently, the RMB is no longer only pegged to the U.S. dollar, but is subject to a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. We cannot predict how the RMB will fluctuate in the future. We face foreign exchange and conversion risks primarily through sales and procurement that are denominated in currencies other than the RMB. If the exchange rate of the RMB against other related foreign currencies were to appreciate, our export prices would increase, and the competitiveness of our services in comparison with services provided in other countries would decrease. On the other hand, if the exchange rate of the RMB against other related currencies were to depreciate, the price of our imported equipments and parts when converted into RMB would increase, which may have a material and adverse effect on us. Moreover, we will need to convert part of the proceeds denominated in foreign currencies from the Global Offering into RMB. The fluctuation in the exchange rate between the RMB and Hong Kong dollar and other currencies may have a material and adverse effect on our business, results of operations and financial condition.

We may be deemed to be a PRC resident enterprise under the EIT Law and be subject to PRC tax on our worldwide income, which may significantly increase our income tax expenses and materially decrease our profitability or otherwise adversely affect the value of your investment.

Under the EIT Law, which was last amended on February 24, 2017, enterprises established outside of China whose "de facto management bodies" are located in China are considered to be "resident enterprises" and will generally be subject to the uniform 25% corporate income tax rate as to their aggregate income (excluding dividends received from "resident enterprises"). The Regulation on the Implementation of the Enterprise Income Tax Law further defines "de facto management bodies" as bodies that have substantial or overall management or control over operations, personnel, finances, property, and other aspects of the enterprise. As substantially all of our management functions with respect to daily operations, financial decisions and personnel decisions are located in China, we may be deemed as a "tax resident enterprise" under the EIT Law. If we or any of our subsidiaries registered outside the PRC is treated as a "tax resident enterprise" under the EIT Law, our income tax expenses may increase significantly, and our profitability could decrease materially.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company and rely principally on dividends paid by our subsidiaries for cash requirements, including the funds necessary to service any debt we may incur. If any of our subsidiaries incurs debt in its own name in the future, the instruments governing the debt may restrict dividends or other distributions to us.

Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC subsidiaries only out of their distributable profits, if any, determined in accordance with PRC accounting standards. Our PRC subsidiaries are required to set aside a certain percentage of their after tax profits based on PRC accounting standards each year to their reserve fund in accordance with the requirements of relevant laws and provisions in their respective articles of association. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net income to us whether in the form of dividends, loans or advances. Any limitation on the ability of our subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business. Under the EIT Law and implementation rules issued by the State Council, for any distributable profit generated after 2008, PRC income tax at the rate of 10% is applicable to dividends paid by Chinese enterprises to "non-resident enterprises" (enterprises that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) subject to the application of any relevant income tax treaty that the PRC has entered into, which provides for a lower withholding tax rate. If our Company or our non-PRC subsidiaries are considered to be a "non-resident enterprise", any dividend that our Company or any such subsidiary receives from our PRC subsidiaries may be subject to PRC tax at the rate of 10% (or lower treaty rate).

Dividends payable by us to our foreign investors and gain on the sale of our Shares by our foreign investors may become subject to withholding income tax under PRC tax laws.

Under the EIT Law and the implementation rules issued by the State Council, PRC withholding income tax at the rate of 10% is applicable to dividends payable by a PRC tax resident enterprise to investors (excluding individual natural persons) that are "non-resident enterprises" (and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) to the extent that such dividends have their sources within the PRC, unless it is entitled to a reduction of such withholding tax under applicable tax treaties. Similarly, any gain realized on the transfer of shares of a PRC tax resident enterprise by such investors is also subject to 10% (or a lower treaty rate) PRC income tax if such gain is regarded as income derived from sources within the PRC. Investors who are established in Hong Kong and are considered non-resident enterprises by the PRC tax authority are subject to a PRC withholding tax at a rate of 5%. Ambiguities exist with respect to the interpretation of the provisions of the EIT Law and its implementation rules relating to identification of PRC-sourced income. If we were considered to be a PRC "resident enterprise" under the EIT Law, it is unclear whether the dividends we pay with respect to our Shares, or the gain our foreign shareholders (excluding individual natural persons) may realize from the sale of the Shares, may be treated as income derived from sources within the PRC and be subject to PRC income tax. If we are required under the EIT Law to withhold PRC income tax on our dividends payable to our foreign shareholders, or if they are required to pay PRC income tax on the transfer of the Shares, the value of their investment in our Shares may be materially and adversely affected.

On February 3, 2015, the State Administration of Taxation ("SAT") issued the Circular on Corporate Income Tax on Gains from Indirect Transfer of Assets by Non-resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》, "Circular 7"), which became effective on February 3, 2017. Pursuant to Circular 7, where a non-resident enterprise indirectly transfers its equity interest in a PRC resident enterprise, the party who is obliged to pay the transferor pursuant to relevant laws or contracts is responsible for the deduction of income tax. Circular 7 also provides that where a non-resident enterprise indirectly transfers its assets, such as equity interests in a PRC resident enterprise, through arrangements without bona fide commercial consideration in order to evade its enterprise income tax obligations, such indirect transfer should be reclassified as a direct transfer pursuant to the Enterprise Income Tax Law.

SAT issued the Circular on the Source of Deduction of Income Tax for Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》, "Circular 37") on October 17, 2017, which became effective on December 1, 2017. Pursuant to Circular 37, where the party responsible to deduct such income tax did not or was unable to make such deduction, the non-resident enterprise receiving such income should declare and pay the taxes that should have been deducted to the relevant tax authority. The taxable gain is calculated as the income from such transfer net of the net book value of such equity interest.

Whether the Circular 7 and the Circular 37 would apply to the indirect transfer of equity interests in PRC resident enterprises that may be undertaken by our Group depends on the ultimate determination of the PRC tax authority. However, it is currently unclear how the relevant PRC tax authorities will implement or enforce the Circular 7 and the Circular 37 and whether such EIT on equity transfer income will be subject to any further change resulting in any materially adverse impact on our Group.

It may be difficult to effect service of process on our Directors or senior management who reside in mainland China or to enforce against us or them in mainland China any judgments obtained from non-PRC courts.

A majority of our senior management members reside in mainland China, and substantially all of our assets, and substantially all of the assets of those persons are located in mainland China. Therefore, it may be difficult for you to effect service of process upon those persons inside mainland China or to enforce against us or them in mainland China any judgments obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands, the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market in our Shares may not develop, which could have a material and adverse effect on our Share price and on your ability to sell your Shares.

Prior to the Global Offering, no public market existed for our Shares. The Offer Price for our Offer Shares will be determined by us and the Joint Global Coordinators (on behalf of the

Underwriters) and may differ significantly from the market price for our Shares following the completion of the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, our Shares. However, there is no assurance that the Global Offering will result in the development of an active and liquid public trading market for our Shares. If an active public market for our Shares does not develop, the Shares could trade at a price lower than their initial offering price and you may not be able to resell your Shares for an extended period of time, if at all.

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

The price and trading volume of our Shares may be highly volatile. Factors, some of which are beyond our control, such as variations in our revenue, profits and cash flow, changes in our pricing policy as a result of the presence of competitors, announcements of new technologies, strategic alliances or acquisitions, industrial or environmental accidents we may suffer, addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation, or fluctuations in the market prices for our services or raw materials could cause large and sudden changes in the volume and price at which our Shares will trade. In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

Investors will experience dilution in pro forma adjusted net tangible assets based on pro forma adjusted financial information because the Offer Price is higher than our net tangible assets per Share.

Because the Offer Price of our Shares is higher than the net tangible assets per share immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma adjusted net tangible assets of HK$0.94 or HK$1.75 per Share, assuming an Offer Price of HK$2.40 or HK$3.60 per Share, respectively, being the low end and high end of the stated Offer Price range, and assuming that the Over-allotment Option is not exercised. If we issue additional Shares in the future, purchasers of our Shares may experience further dilution in their ownership percentage.

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

We are a holding company established in the Cayman Islands and operates its business through its operating subsidiaries in China. Therefore, the availability of funds to us to pay dividends to our Shareholders and to service our indebtedness will depend in large part upon dividends received from our operating subsidiaries. If these subsidiaries incur debt or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends and to service our indebtedness will be restricted.

Our ability to declare 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 strategies and expansion plans and on financial, competitive, regulatory, and other factors, general economic conditions, demand for and prices of our services, costs of supplies and other factors specific to our industry, many of which are beyond our control. The receipt of dividends from our operating subsidiaries may also be affected by the passage of new laws, adoption of new regulations or changes to, or in the interpretation or implementation of existing laws and regulations and other events out of our control. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions. In addition, restrictive covenants in our credit facilities or other agreements that we may enter into in the future may also restrict the ability of our operating subsidiaries to make distributions to us. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

Certain industry statistics contained in this prospectus are derived from various publicly available official sources and may not be reliable.

Certain statistical data and other information relating to the PRC and the industries in which we operate contained in, for instance, the section headed "Industry Overview" in this prospectus, has been derived from various publicly available official publications. 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 Sole Sponsor, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. We make no representation as to the accuracy of the information contained in such sources, which may not be consistent with other information compiled within or outside the PRC. Accordingly, the industry information and statistics contained herein may not be accurate and should not be unduly relied upon for your investment in us.

Forward-looking information in this prospectus may prove inaccurate.

This prospectus contains certain forward-looking statements and information relating to us that are based on our management's belief and assumptions. The words "anticipate," "believe," "expect," "going forward" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect our management's current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described herein. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed or expected.

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

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering. Prior to the date of this prospectus, there has been press and media coverage regarding us and the Global Offering, which included certain financial information, financial projections, valuations, capital expenditure and other information about us that do not appear in this prospectus. We have not authorized the disclosure of any such information in the press or media. We do not accept any responsibility for any such information and such information was not sourced from or authorized by our directors or our management. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information included in or referred to by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding us or the Global Offering. You should not rely on any such information, particularly to the extent that any such information is inconsistent or conflicts with the information contained in this prospectus. Accordingly, you are cautioned that, in making your decision about whether to purchase our Offer Shares, you should rely only on the financial, operational and other information included in this prospectus and the Application Forms. By applying to purchase our Offer Shares in this Global Offering, you will be deemed to have agreed that you have not relied on any information other than the information contained in this prospectus and the Application Forms.