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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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### OVERVIEW

The history of Beijing Boqi, our major operating subsidiary in the PRC, dates back to 2002, when it was established. Mr. Cheng and Mr. Zeng, our Ultimate Controlling Shareholders, became the controlling shareholders of Beijing Boqi through their shareholding in Boqi Environmental Solutions, by which Boqi Environmental Solutions acquired Beijing Boqi from its then shareholders in 2005. Boqi Environmental Solutions ceased to exist as a result of merging into Boqi Environmental Engineering on November 15, 2012. The shareholding structure of Boqi Environmental Engineering was the same as that of Boqi Environmental Solutions, and Mr. Cheng and Mr. Zeng remained as the controlling shareholders of Beijing Boqi. Beijing Boqi has developed into a comprehensive flue gas treatment integrated service provider mainly engaging in the construction and operation of desulfurization, denitrification and dust removal facilities for coal-fired power plants in the PRC and overseas. As a result of the Reorganization, Beijing Boqi, together with its PRC subsidiaries, become the subsidiaries of our Company.

With our continued development over the years, we have become a market leader in the flue gas treatment industry and is gradually expanding into other environmental protection and energy saving areas.

Set forth below are the key milestones in our history.

- 2002** • Established Beijing Boqi, our major operating subsidiary in the PRC
- 2003** • Beijing Boqi received its first 600MW coal-fired power plant desulfurization project
  - Incorporated Boqi Environmental Solutions, the predecessor of the initial sole shareholder of our Company
- 2006** • Beijing Boqi received its first 600MW coal-fired power plant denitrification project
  - Beijing Boqi received its first 1000MW coal-fired power plant desulfurization project
- 2007** • Beijing Boqi received its first overseas desulfurization project
  - Beijing Boqi was awarded the China Electric Power Quality Engineering Award (中國電力優質工程獎) for the year of 2007 for its construction of the Daihai Power Plant in Inner Mongolia
- 2008** • Beijing Boqi established the Beijing Enterprise Technology Center
  - Beijing Boqi received its first project as the main contractor for the O&M services of desulfurization facilities
  - Beijing Boqi received its first desulfurization concession operation project
- 2009** • “Zero-Energy desulfurization System” introduced by Shanghai Waigaoqiao Coal-fired Power Plant which was undertaken by Beijing Boqi was awarded “China Electric Power Quality Engineering Award” and “2009 National Quality Engineering Golden Award”
  - Beijing Boqi was awarded the certificate of Beijing Independent Innovation Product for spray tower wet flue gas desulfurization devices that fit for China’s national conditions by the Beijing Municipal Development and Reform Commission
- 2010** • Beijing Boqi was awarded the National Electric Power Quality Engineering Award (中國電力優質工程獎) in 2010 for its construction of desulfurization facilities in Beilun and Kaifeng
  - Beijing Boqi received its first overseas denitrification project
- 2011** • Beijing Boqi won the Lu Ban Award (魯班獎) for its construction of the Datang Xinyang desulfurization facilities
  - Beijing Boqi obtained its first overseas urea hydrolysis project

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- 2012** • Hebei Hengshui denitrification project undertaken by Beijing Boqi, which achieved a denitrification rate of 94%
- 2013** • Chongqing Qineng desulfurization project (2\*330MW) undertaken by Beijing Boqi went through 168 trial operation, with a desulfurization rate of 99.75%, a project achieving high efficiency desulfurization and meeting the minimal emission standard of SO<sub>2</sub> using high sulfur coal
  - Beijing Boqi obtained its first overseas project of washing flue gas by using seawater to remove sulfur dioxides in the flue gas
  - Beijing Boqi obtained its first low—low temperature dust removal project
- 2014** • Beijing Boqi contracted its first flue gas treatment green island project
  - Beijing Boqi obtained the certification of “Key Hi-Tech Enterprises of China” and was accredited as the key hi-tech enterprises of the National Torch Plan for the first time
- 2015** • Incorporated our Company
  - Beijing Boqi undertook its first Green Island ultra-low emission concession operation project
- 2016** • Beijing Boqi signed a framework agreement concerning joint expansion of coal pollution emission control market in India with an Indian MBPL company
  - Pingwei Phase III Desulfurization Project undertaken by Beijing Boqi was awarded the “China Power Quality Engineering Award 2016”
  - Sinopec invested in the Company as a pre-IPO investor
- 2017** • Established Boqi Environmental Remediation, a joint venture leveraging our core strengths in project execution and networking to conduct environmental service business such as soil remediation and solid waste treatment.

### HISTORY AND DEVELOPMENT

Our Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on January 30, 2015, and became the offshore holding company of our Group as a result of the Reorganization. For details, please see the section headed “—Reorganization” in this prospectus.

#### Establishment of Beijing Boqi

Beijing Boqi, our major operating subsidiary in the PRC, was established on June 24, 2002.

Beijing Boqi Technology Development Co.\* (北京博奇科技開發公司) and Beijing Sihui Property Management Center\* (北京四惠物業管理中心) were the initial shareholders of Beijing Boqi, contributed RMB450,000 and RMB50,000 to the initial registered capital of Beijing Boqi in cash, representing 90% and 10% of the equity interest in Beijing Boqi, respectively.

Upon undergoing a series of changes in its registered capital and shareholding structure since its establishment, Beijing Boqi had a paid-up registered capital of RMB400,000,000 and was held by Beijing Shengyi and Beijing Boqi Environmental in the percentages of 99.375% and 0.625%, respectively immediately before its acquisition by Boqi Environmental Solutions.

#### Acquisitions and Investments by Boqi Environmental Solutions

Boqi Environmental Solutions, the predecessor of the initial sole shareholder of our Company, was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on December 12, 2003, and was subsequently directly and indirectly owned by Mr. Cheng and

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Mr. Zeng, Mr. Cheng and Mr. Zeng are our Ultimate Controlling Shareholders as a result of the acting-in-concert arrangement set out in the paragraph below headed “Acting-in-Concert Arrangement”.

### *Acquisition of Beijing Shengyi*

On February 28, 2005, the then shareholders of Beijing Shengyi entered into investment contribution transfer agreements with Boqi Environmental Solutions, in relation to the acquisitions of the entire equity interest in Beijing Shengyi by Boqi Environmental Solutions for an aggregate cash consideration of RMB1,960,000. Such consideration was based on arm’s length negotiations among the parties with reference to the net asset value of Beijing Shengyi at that time. On the same day, Boqi Environmental Solutions agreed to contribute an additional amount of US dollars equivalent to RMB2,160,000 to the registered capital of Beijing Shengyi. On March 18, 2005, Beijing Chaoyang Bureau of Commerce (北京市朝陽區商務局) issued an approval (Chao Shang Fu Zi [2005] 2100), pursuant to which Beijing Chaoyang Bureau of Commerce principally agreed to the said acquisition of the entire equity interest in Beijing Shengyi by Boqi Environmental Solutions including the business nature, total consideration, registered capital, scope of business, and other such matters. On March 23, 2005, The People’s Government of Beijing Municipality (北京市人民政府) issued an approval (Shang Wai Zi Jing Zi Zi [2005] 05137) pursuant to which it approved the conversion of Beijing Shengyi to a wholly-owned foreign enterprise. Upon completion of such transfers and capital increase on April 11, 2005 and September 15, 2005, respectively the registered capital of Beijing Shengyi was increased from RMB100,000 to RMB2,260,000, and Boqi Environmental Solutions held the entire equity interest in Beijing Shengyi. On September 15, 2005, Beijing Shengyi obtained its new business license.

### *Acquisition of Beijing Boqi Environmental*

On September 10, 2005, Best Environmental Solutions Technology Co., Ltd, or Best Environmental (previously known as China Boqi Environmental Solutions Technology (B.V.I) Co. Ltd.), a limited liability company incorporated in the BVI which was wholly owned by Boqi Environmental Solutions, entered into two capital contribution transfer agreements with the then shareholders of Beijing Boqi Environmental whereby Best Environmental acquired the entire equity interest in Beijing Boqi Environmental from the then shareholders of Beijing Boqi Environmental for a total consideration of RMB1,029,000. The consideration was irrevocably settled in April 25, 2006. On September 29, 2005, Beijing Haiding Bureau of Commerce (北京市海澱區商務局) issued an approval (Hai Shang Zi [2005]352) pursuant to which it principally agreed to the said acquisition and the conversion of Beijing Boqi Environmental to a wholly-owned foreign enterprise. On October 25, 2005, Beijing Boqi Environmental obtained its new business license.

Upon completion of such acquisitions, Boqi Environmental Solutions held the entire equity interest in Beijing Boqi through Beijing Shengyi, Best Environmental and Beijing Boqi Environmental.

### *Our Ultimate Controlling Shareholders became the controlling shareholders of Boqi Environmental Solutions*

As at July 5, 2006, our Ultimate Controlling Shareholders, through their holding of the entire equity interest in Eastasia Power, held approximately 54.6% of the equity interest in Boqi Environmental Solutions and was the controlling shareholders of Boqi Environmental Solutions.

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### PREVIOUS LISTING OF BOQI ENVIRONMENTAL SOLUTIONS

In 2007, Boqi Environmental Solutions sought an initial public offering on Section 1 of the Main Board of Tokyo Stock Exchange, and was successfully listed on August 8, 2007.

On March 29, 2012, New China Boqi Limited was incorporated under the laws of Cayman Islands as an exempted company with limited liability with the share capital of US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each. New China Boqi Limited changed its business name to CBES Holdings Ltd. (“**CBES Holdings**”) on April 13, 2012. On July 27, 2012, CBES Holdings and Boqi Environmental Solutions entered into a merger agreement, pursuant to which Boqi Environmental Solutions was merged into CBES Holdings on November 15, 2012. As a result, Boqi Environmental Solutions ceased to exist. Following the merger, Boqi Environmental Engineering adopted the same shareholding structure of Boqi Environmental Solutions of which Mr. Cheng and Mr. Zeng, through Eastasia Power, remained as the controlling shareholders of Boqi Environmental Engineering. Accordingly, Mr. Cheng and Mr. Zeng remained as the controlling shareholders of Beijing Boqi. On December 10, 2012, CBES Holdings changed its business name to Boqi Environmental Engineering.

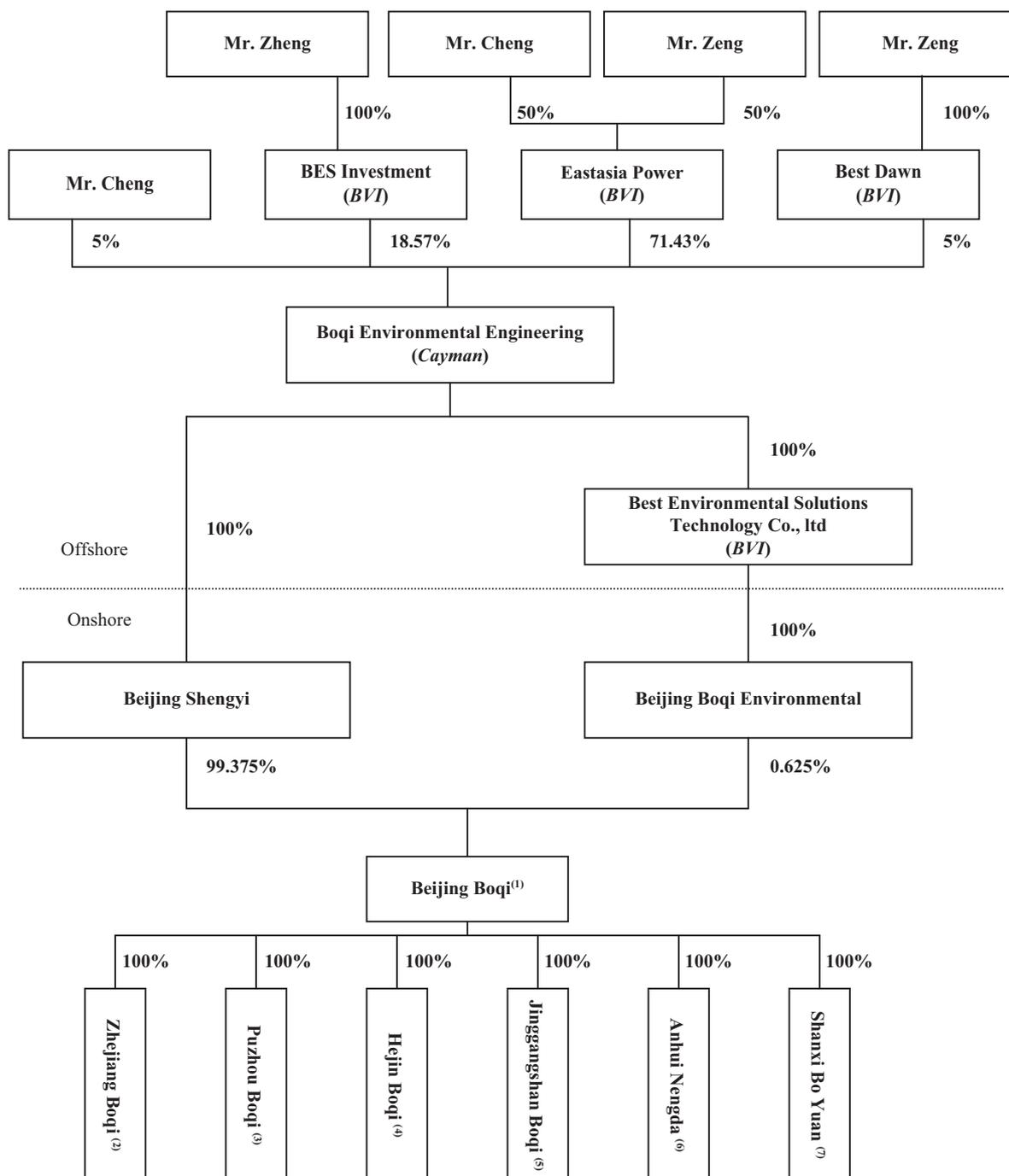
Having listed on the Tokyo Stock Exchange, the shareholders of Boqi Environmental Solutions nonetheless found that the downturn in the Japanese stock market failed to reflect the true value of the company in price and the company found it difficult to raise equity capital to meet the requirement of its business development and the listing maintenance cost is expensive. The delisting, on the other hand, would offer the flexibility in representing the true value of the company in line with its business development. Having considered its price performance on the Tokyo Stock Exchange and its business development plan, the then board of directors of Boqi Environmental Solutions considered that it would not be cost effective and efficient to deploy resources to maintain a listing on the Tokyo Stock Exchange. On the contrary, the delisting would give the company more flexibility to optimize the use of its capital and management resources so that it could devote more resources on its business development to achieve greater efficiency and competitiveness. Boqi Environmental Solutions was delisted from the Tokyo Stock Exchange in November 2012. Prior to our delisting, our revenue and net profit amounted to RMB1,199 million and RMB41 million, respectively, for the year ended December 31, 2011, and our total assets amounted to RMB2,746 million at December 31, 2011. Based on the price of our shares immediately prior to our delisting and the number of our shares then outstanding, immediately prior to our delisting, our market capitalization amounted to JPY4,332 million.

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### PRE-REORGANIZATION STRUCTURE

Our Ultimate Controlling Shareholders were interested in, an aggregate of 81.43% equity interests of Boqi Environmental Engineering prior to the Reorganization.

The chart below sets forth the shareholding structure of our Group immediately prior to the Reorganization in 2015.



Note:

(1) Beijing Boqi was established on June 24, 2002 in Beijing, the PRC. Beijing Boqi is principally engaged in the engineering, operation and maintenance of environmental protection facilities for coal-fired power plants in the PRC and overseas.

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- (2) Zhejiang Boqi Electric Power SCI-TECH Co., Ltd.\* (浙江博奇電力科技有限公司) (“**Zhejiang Boqi**”), was established on July 12, 2006 in Zhejiang Province, the PRC, as a wholly-owned subsidiary of Beijing Boqi. It is principally engaged in the design of EPC projects and carrying out dry sulfurization projects.  
However, in recent years, the dry sulfurization segment is a relatively small segment in the fuel gas desulfurization market in the PRC, and less business opportunities have been obtained by Beijing Boqi in dry desulfurization, there is no need for Beijing Boqi to have a subsidiary to carry out such businesses. As at the Latest Practicable Date, Zhejiang Boqi was in the process of deregistration.
- (3) Shanxi Puzhou Boqi Environmental Technology Co., Ltd.\* (山西蒲洲博奇環保科技有限公司) (“**Puzhou Boqi**”), was established on September 26, 2012 in Shanxi Province, the PRC, as a wholly-owned subsidiary of Beijing Boqi. It is principally engaged in the development, operation, maintenance and management of environmental engineering projects of denitrification and desulfurization and the sales of by-products (gypsum).
- (4) Shanxi Hejin Boqi Environmental Technology Co., Ltd.\* (山西河津博奇環保科技有限公司) (“**Hejin Boqi**”), was established on October 19, 2012 in Shanxi Province, the PRC, as a wholly-owned subsidiary of Beijing Boqi. It is principally engaged in the investment, operation, maintenance and management of environmental engineering projects of desulfurization and denitrification for thermal power plant and distribution of desulfurization gypsum.
- (5) Jiangxi Jinggangshan Boqi Environmental Technology Co., Ltd.\* (江西井岡山博奇環保科技有限公司) (“**Jinggangshan Boqi**”), was established on June 11, 2009, in Jiangxi Province, the PRC. Beijing Boqi and Beijing Boqi Environmental, being the initial shareholders, held 80% and 20% of the equity interest in Jinggangshan Boqi, respectively. On November 26, 2013, Beijing Boqi and Beijing Boqi Environmental entered into an equity interest transfer agreement in relation to the transfer of its RMB16,200,000 capital contribution in Jinggangshan Boqi, representing 20% equity interest in Jinggangshan Boqi, from Beijing Boqi Environmental to Beijing Boqi for a cash consideration of RMB16,200,000. Upon completion of such transfer on December 12, 2013, Jinggangshan Boqi became a wholly-owned subsidiary of Beijing Boqi. Jinggangshan Boqi is principally engaged in the development, operation, maintenance and management of environmental engineering projects and processing and sale of by-products.
- (6) Anhui Nengda Fuel Co., Ltd.\* (安徽能達燃料有限公司) (“**Anhui Nengda**”), was established on October 12, 2005, in Anhui Province, the PRC. On February 28, 2014, Beijing Boqi Environmental, the then shareholder of Anhui Nengda, entered into an equity interest transfer agreement with Beijing Boqi, pursuant to which Beijing Boqi Environmental transferred its RMB 20,000,000 capital contribution in Anhui Nengda, representing 100% equity interest in Anhui Nengda, to Beijing Boqi for a consideration of RMB20,000,000. Upon completion of such transfer on May 26, 2014, Anhui Nengda became a wholly-owned subsidiary of Beijing Boqi. Anhui Nengda is primarily engaged in the sales of coal, building materials, metals, chemicals, ammonia, limestone, gypsum, electrical appliances, computers and supplies, plastic boxes and plastic additives.
- (7) Shanxi Bo Yuan Qi Cheng Environmental Equipment Service Co., Ltd.\* (山西博源奇晟環保設備服務有限公司) (“**Shanxi Bo Yuan**”), was established on December 18, 2014, in Shanxi Province, the PRC, as a wholly-owned subsidiary of Beijing Boqi. It is principally engaged in operation, maintenance and management of environmental facilities and provision of desulfurization and denitrification services.

### REORGANIZATION

Beginning in 2015, we undertook the Reorganization in anticipation of the Global Offering. The Reorganization consisted of the following principal steps which were primarily designed to establish the offshore listing structure, introduce additional pre-IPO investors and establish an offshore and onshore shareholding structure through which our Company would indirectly hold the entire equity interest in Beijing Boqi and its subsidiaries in the PRC.

#### Incorporation of our Company

On January 30, 2015, our Company was incorporated as an exempted company with limited liability under the laws of Cayman Islands with an authorized share capital of US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each. On the date of incorporation, the initial subscriber, Mapcal Limited, subscribed to one share and such share was transferred to Boqi Environmental Engineering on the same day. The one share represented the then entire issued share capital of our Company.

As a result of the acting-in-concert arrangement set out in the paragraph below headed “Acting-in-Concert Arrangement”, Mr. Cheng and Mr. Zeng became the Ultimate Controlling Shareholders of our Company through various companies holding equity interests in our Company.

On March 17, 2015, CBEE Holdings Co., Ltd. (“**CBEE Holdings**”) was incorporated as a BVI Business Company under the laws of the BVI which is authorized to issue a maximum of 50,000 shares of one class of no par value. On April 7, 2015, one share of no par value in CBEE Holdings was

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issued and allotted to our Company, representing all the issued shares of CBEE Holdings. CBEE Holdings is an investment holding company and has no business or employees since its incorporation.

### **Establishment of Beijing Bosheng**

On May 7, 2015, Beijing Bosheng Environmental SCI-TECH Co., Ltd.\* (北京博聖環保科技有限公司) (“**Beijing Bosheng**”), was established in Beijing, the PRC as a wholly-owned subsidiary of Beijing Shengyi with a registered capital of RMB10,000,000. Beijing Bosheng is primarily engaged in, amongst others, provision of technology promotion services and economic and trade consulting.

### **Acquisition of Beijing Boqi by Beijing Bosheng**

On June 20, 2015, Beijing Bosheng and Beijing Boqi Environmental entered into an equity interest transfer agreement in relation to the transfer of 0.625% equity interests in Beijing Boqi by Beijing Boqi Environmental to Beijing Bosheng for a consideration of RMB5,746,985.69. Upon completion of such transfer on July 1, 2015, Beijing Shengyi and Beijing Bosheng held 99.375% and 0.625% equity interests in Beijing Boqi, respectively.

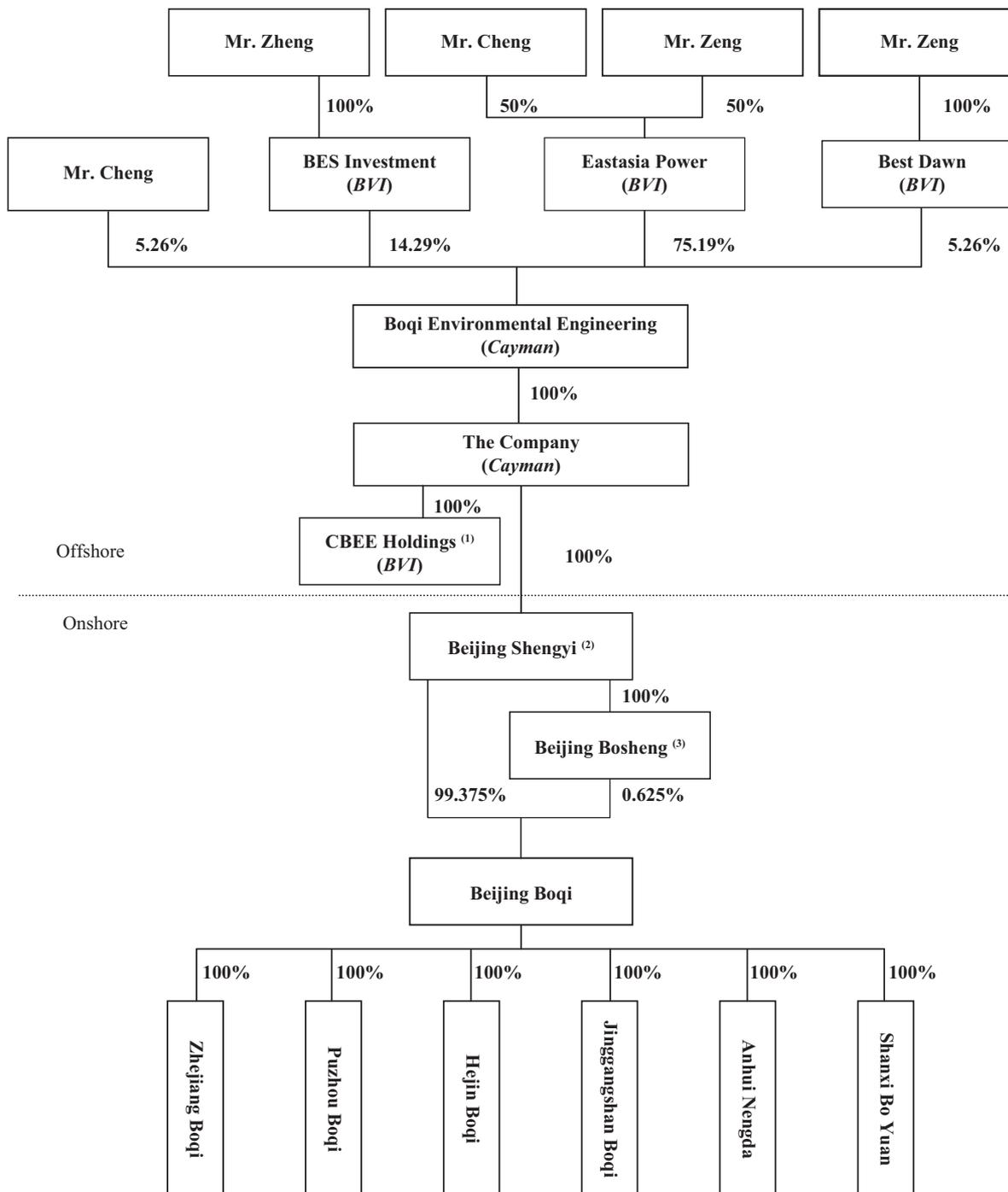
### **Acquisition of Beijing Shengyi by our Company**

On October 20, 2015, our Company, Boqi Environmental Engineering and Beijing Shengyi entered into a share transfer agreement in relation to the acquisition of the entire equity interest in Beijing Shengyi by our Company from Boqi Environmental Engineering for a consideration which was satisfied by the allotment and issue of 18 Shares of our Company to Boqi Environmental Engineering. On January 4, 2016, the Committee of Beijing Chaoyang Bureau of Commerce\* (北京市朝陽區商務委員會) issued an approval (Chao Shang Fu Zi [2016] 2010), pursuant to which the Committee of Beijing Chaoyang Bureau of Commerce agreed Boqi Environmental Engineering to transfer the entire equity interest of Beijing Shengyi to our Company. On January 20, 2016, the People’s Government of Beijing Municipality issued a certificate of approval (Shang Wai Zi Jing Zi Zi [2005] 20193), whereupon our Company formally became the sole shareholder of Beijing Shengyi. Upon completion of such transaction on January 22, 2016, Beijing Shengyi became the onshore wholly-owned subsidiary of our Company.

As part of the Reorganization, Boqi Environmental Engineering assigned its debt in the amount of JPY2,265,082,328 to our Company and such assignment was completed on April 8, 2016.

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Upon the completion of these restructuring steps, Beijing Boqi, together with its PRC subsidiaries became part of our Group. Set forth below is the shareholding structure of our Group upon completion of the acquisition of Beijing Boqi by our Company.



*Notes:*

- (1) CBEE Holdings Co., Ltd. was incorporated on March 17, 2015 under the laws of the BVI as a wholly-owned subsidiary of the Company. It is an investment holding company and has no business operations.
- (2) Beijing Shengyi was established on October 17, 2003 in Beijing, the PRC and is now a wholly-owned subsidiary of the Company. Beijing Shengyi is an investment holding company and has no business operations.
- (3) Beijing Bosheng was established on May 7, 2015 in Beijing, the PRC as a wholly-owned subsidiary of Beijing Shengyi. Beijing Bosheng is an investment holding company and has no business operations.

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### **The sub-division of share capital of our Company**

On April 20, 2016, the share capital of our Company was sub-divided into 5,000,000,000 shares of a par value of US\$0.00001 each by sub-dividing every share of a par value of US\$1.00 each into 100,000 shares of a par value of US\$0.00001 each. Upon completion of such sub-division, Boqi Environmental Engineering held 1,900,000 shares of our Company at a par value of US\$0.00001 each, representing the then entire issued share capital of our Company.

### **The allotment and issue of Awarded Shares, the establishment of Pre-IPO Share Award Scheme and trust arrangement**

In recognition of the contributions of certain employees of our Group and to incentivize them for their future contribution to the continual operation and development of our Company, our Company adopted a pre-IPO share award scheme (the “**Pre-IPO Share Award Scheme**”) on April 15, 2016. In connection with the Pre-IPO Share Award Scheme, a total of 25,000,000 ordinary shares with a par value of US\$0.00001 each in our Company, being the Awarded Shares, will be issued to Acheson. Pursuant to a trust deed (the “**Trust Deed**”) signed by our Company, as the settlor, with Acheson as the trustee, being effective from May 10, 2016, Acheson will hold the Awarded Shares for the benefit of the selected employees (as defined under the Pre-IPO Share Award Scheme) pursuant to the rules of the Pre-IPO Share Award Scheme. The Awarded Shares were allotted and issued to the Trustee on May 11, 2016. Pursuant to the Pre-IPO Share Award Scheme, the selected employees will be entitled to subscribe for the Awarded Shares at the price of RMB0.85 per Awarded Share. As at the Latest Practicable Date, a total of 112 selected employees, including members of our senior management, have subscribed to a total of 22,245,000 of Awarded Shares, payment of which was settled by a loan from the Company to the selected employees and will not be counted as part of the public float under Rule 8.08 of the Listing Rules, being shares financed by the Company until such shares are sold as part of the Sale Shares. To the best of the knowledge of our Directors, none of the selected employees is a Director or connected person of our Company. For detailed information regarding the Pre-IPO Share Award Scheme, please see Appendix V “—Statutory and General Information—D. Pre-IPO Share Award Scheme” to this prospectus.

Pursuant to the Trust Deed, our Company established a trust (the “**Trust**”) with Acheson, for the purposes of facilitating the purchase, holding and/or vesting of the Awarded Shares by the Trustee for the benefit of the selected employees in accordance with the rules of the Pre-IPO Share Award Scheme and the Trust Deed. No further Shares will be transferred and no new Shares will be issued by our Company for the purpose of the Pre-IPO Share Award Scheme thereafter. The Trust is governed by the laws of Hong Kong.

### **The allotment and issue of Investor Shares**

On April 26, 2016, our Company allotted and issued at par for an aggregate of 598,100,000 ordinary shares (the “**Investor Shares**”) with a par value of US\$0.00001 each in our Company to Boqi Environmental Engineering, World Hero, Best Dawn, BES Investment and New Asia, respectively.

The consideration of the allotment and issue of the Investor Shares totaled US\$5,981 and was irrevocably settled on October 19, 2016, November 3, 2016, November 9, 2016, December 5, 2016 and December 31, 2016 by Boqi Environmental Engineering, New Asia, BES Investment, Best Dawn and World Hero, respectively. As a result, Boqi Environmental Engineering, New Asia, BES Investment,

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Best Dawn and World Hero owned 4%, 20%, 7.88%, 33.26% and 30.86% equity interests in our Company, respectively.

Upon the allotment and issue of the Investor Shares by our Company and in accordance with the acting-in-concert arrangements, Mr. Cheng and Mr. Zeng continue to be our Ultimate Controlling Shareholders, through the companies directly or indirectly holding equity interests in our Company, namely, World Hero, Best Dawn and Boqi Environmental Engineering.

### **Acting-in-Concert Arrangement**

As shown in the shareholding structure of our Group immediately prior to the Reorganization, Mr. Cheng and Mr. Zeng were interested in, and entitled to exercise the voting rights attaching to, an aggregate of 81.43% of the equity interest of Boqi Environmental Engineering, the initial shareholder of the Company.

Pursuant to a confirmation and undertaking signed by Mr. Cheng and Mr. Zeng on December 8, 2016, Mr. Cheng and Mr. Zeng agreed and confirmed, among other things, that since the acquisition of the operating subsidiaries of our Group by Boqi Environmental Engineering, each of them has been acting in concert (for the purpose of the Takeovers Code) with each other at all board meetings and shareholders' meetings with an aim of achieving consensus and taking concerted action on the major affairs relating to the Group. Mr. Cheng and Mr. Zeng further agreed and undertook, among other things, that as long as each of them remains the Controlling Shareholder of the Company, each of them would act in concert (for the purpose of the Takeovers Code), with an aim to achieving consensus and taking concerted action at board of directors meetings and shareholders' meetings on the major affairs relating to the Group. These major affairs include, among other things, the operation, business, strategy and any material matters relating to the Group.

### **Establishment of Joint Venture**

On July 17, 2017, Boqi Environmental Remediation was established in the PRC with a registered capital of RMB10 million as a joint venture of Beijing Boqi and Yingdewei Environmental Technology (Beijing) Co. Ltd\* (英德維環境科技(北京)有限公司). At the establishment of Beijing Environmental Remediation, Beijing Boqi subscribed for 60% of its registered capital for a consideration of RMB6,000,000 by cash. Yingdewei Environmental Technology (Beijing) Co. Ltd\* (英德維環境科技(北京)有限公司) subscribed for 40% registered capital of Boqi Environmental Remediation by cash of RMB4,000,000. Boqi Remediation was established to leverage our core strengths in project execution and networking to conduct environmental service business such as soil remediation and solid waste treatment.

## **PRE-IPO INVESTMENTS**

### **Investment by Great Origin**

On May 20, 2016, Boqi Environmental Engineering, Mr. Cheng and Great Origin entered into a share transfer agreement, pursuant to which Great Origin agreed to acquire the entire equity interest in New Asia from Mr. Cheng for a cash consideration of the US dollars or HK dollars equivalent to RMB221,853,600. The consideration was settled on June 17, 2016.

Upon Listing, Mr. Zhu, through Great Origin and New Asia, will hold 15.10% of the issued share capital of our Company. As our non-executive Director and substantial Shareholder, Mr. Zhu is a

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connected person under the Listing Rules. As such, the relevant Shares held by Mr. Zhu through Great Origin and New Asia will not be counted as part of the public float under Rule 8.08 of the Listing Rules.

For further details of the Investment by Great Origin, please see the table below under “—Details of the Pre-IPO Investments”.

### **Investment by Asia Environment**

On December 13, 2016, BES Investment, Asia Environment and Best Dawn entered into a share transfer agreement, pursuant to which Asia Environment agreed to acquire 4.31% equity interest in our Company from BES Investment for a cash consideration of the US dollars or HK dollars equivalent to RMB51,729,000. Under the share transfer agreement, Best Dawn agreed to provide a guarantee in respect of the completion of the share transfer. On December 28, 2016, BES Investment, Asia Environment, Best Dawn, Mr. Zeng and Mr. Wang<sup>(1)</sup> entered into a supplemental agreement, pursuant to which Mr. Zeng and Mr. Wang, as shareholders together holding 100% equity interest in Asia Environment, agreed to jointly settle the consideration of the share transfer on behalf of Asia Environment in accordance with the share transfer agreement. Furthermore, it has been agreed that the guarantee provided by Best Dawn under the share transfer agreement will be terminated immediately after the completion of the share transfer. The share transfer was completed on January 3, 2017.

Upon Listing, the shareholding of Asia Environment in our Company will be less than 10%. Asia Environment, being an associate of Mr. Zeng, is a connected person under the Listing Rules, as such, the relevant Shares held by Asia Environment will not be counted as part of the public float under Rule 8.08 of the Listing Rules.

For further details of the Investment by Asia Environment, please see the table below under “—Details of the Pre-IPO Investments”.

### **Investment by Smart Triumph**

On December 14, 2016, BES Investment, Smart Triumph and Best Dawn entered into a share transfer agreement, pursuant to which Smart Triumph agreed to acquire 3.57% equity interest in our Company from BES Investment for a cash consideration of RMB42,831,000 or its US dollars or HK dollars equivalent. Under the share transfer agreement, Best Dawn agreed to provide a guarantee in respect of the completion of the share transfer. On December 28, 2016, BES Investment, Smart Triumph and Best Dawn entered into a supplemental agreement, pursuant to which the parties have agreed that the guarantee provided by Best Dawn under the share transfer agreement will be terminated immediately after the completion of the share transfer. The share transfer was completed on December 21, 2016.

Upon Listing, the shareholding of Smart Triumph in our Company will be less than 10%, in such case the Shares held by Smart Triumph would be counted as part of the public float under Rule 8.08 of the Listing Rules.

<sup>(1)</sup> Mr. Wang and Mr. Zeng have acquainted with each other for more than 10 years by introduction from a mutual friend during a social gathering. They subsequently cooperated to establish Long Tree Asset Limited on October 28, 2009, which is a BVI investment holding company, and Asia Environment on October 11, 2016, for the purpose of entering into various business dealings and investments together.

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For further details of the Investment by Smart Triumph, please see the table below under “—Details of the Pre-IPO Investments”.

### **Investment by Sinopec and Subscription by New Asia**

On December 30, 2016, our Company, CBEE Holdings, Beijing Shengyi, Beijing Bosheng, Beijing Boqi, World Hero, Boqi Environmental Engineering, Best Dawn, Mr. Cheng, Mr. Zeng, Sinopec and New Asia entered into a share subscription agreement, pursuant to which our Company agreed to allot and Sinopec and New Asia agreed to subscribe for 110,294,118 C Shares and 27,573,529 C Shares, respectively, at a price of approximately RMB1.62 per share for total consideration of RMB179,000,000 and RMB44,750,000, respectively. The shares were allotted on January 9, 2017 and payment was settled on January 10, 2017 and January 11, 2017 by New Asia and Sinopec, respectively. The C Shares were allotted and issued to New Asia pursuant to New Asia’s anti-dilution rights under the share transfer agreement between Boqi Environmental Engineering, Mr. Cheng and Great Origin. For further details of the investment by Sinopec and subscription by and New Asia, see the table below under “Details of the Pre-IPO Investments”.

Upon Listing, Sinopec will hold 10.91% of the issued share capital of our Company. As such, Sinopec is a substantial shareholder and therefore a connected person of our Company under the Listing Rules. As such, the Shares held by Sinopec will not be counted as part of the public float under Rule 8.08 of the Listing Rules.

### **The allotment and issue of C Shares to Full Synergy**

Subsequent to the investment by Sinopec and New Asia, on January 11, 2017, our Company, Mr. Cheng, World Hero and Full Synergy, our financial investor, entered into a share transfer agreement whereby World Hero transferred 24,722,563 Shares in the Company to Full Synergy at the price of approximately RMB1.77 per share for a total consideration of the US dollars equivalent to RMB43,750,000. According to the said share transfer agreement, immediately after the transfer, the Company agreed to repurchase the 24,722,563 Shares held by Full Synergy in consideration for the allotment and issue of 24,722,563 C Shares to Full Synergy. On the same day, the Company, CBEE Holdings, Beijing Shengyi, Beijing Bosheng, Beijing Boqi, World Hero, Best Dawn, Boqi Environmental Engineering, Mr. Cheng, Mr. Zeng, Sinopec, New Asia and Full Synergy entered into a subscription agreement whereby the Company agreed to the allotment and issue of 31,786,152 C Shares to Full Synergy at the price of approximately RMB1.77 per share for a total consideration of the US dollars equivalent to RMB56,250,000. All of the C Shares were allotted on January 18, 2017 and payment was settled on January 20, 2017.

Upon Listing, the shareholding of Full Synergy in our Company will be less than 10%, in such case the Shares held by Full Synergy would be counted as part of the public float under Rule 8.08 of the Listing Rules.

## HISTORY, REORGANIZATION AND GROUP STRUCTURE

### Details of the Pre-IPO Investments

|  | <u>Investment by<br/>Great Origin as<br/>Class B Investor</u>   | <u>Investment by Asia<br/>Environment</u>   | <u>Investment by Smart<br/>Triumph</u>  | <u>Investment by<br/>Sinopec and<br/>subscription by<br/>New Asia as<br/>Class C Investor</u>  | <u>Investment by<br/>Full Synergy as<br/>Class C Investor</u>  |
|--|---|---|---|--|--|
| Cost per Share paid<br>(approximately<br>RMB)  | 1.77  | 1.92  | 1.92  | 1.62   | 1.77   |
| Date of the agreement  | May 20, 2016  | December 13,<br>2016  | December 14,<br>2016  | December 30,<br>2016   | January 11,<br>2017  |
| Date of settlement   | June 17, 2016   | January 3, 2017   | December 21,<br>2016  | Sinopec:<br><br>January 11,<br>2017<br><br>New Asia:<br>January 10,<br>2017  | January 20,<br>2017  |
| Number of shares and<br>shareholding<br>percentage in our<br>Company on the<br>respective<br>completion date | (indirectly<br>through New<br>Asia)<br><br>125,000,000<br>Class A<br>Shares, 20%<br><br>(such Shares<br>were re-<br>designated to<br>Class B<br>Shares on<br>January 9,<br>2017)        | 26,942,187.5<br>Class A Shares,<br>4.31%  | 22,343,526.5<br>Class A Shares,<br>3.57%  | Sinopec:<br><br>110,294,118<br>Class C<br>Shares,<br>14.46%<br><br>New Asia:<br>125,000,000<br>Class B<br>Shares and<br>27,573,529<br>Class C<br>Shares, in<br>aggregate<br>20%                  | 56,508,715<br>Class C<br>Shares, 7.11%   |
| Discount to the Offer<br>Price<br>(approximately)  | 27% to the<br>mid-point of<br>the Offer<br>Price of<br>HK\$3.00 per<br>Offer Share  | 21% to the mid-<br>point of the<br>Offer Price of<br>HK\$3.00 per<br>Offer Share  | 21% to the mid-<br>point of the Offer<br>Price of<br>HK\$3.00 per<br>Offer Share  | 33% to the<br>mid-point of<br>the Offer<br>Price of<br>HK\$3.00 per<br>Offer Share   | 27% to the<br>mid-point of<br>the Offer<br>Price of<br>HK\$3.00 per<br>Offer Share                             |
| Basis for the<br>determination of the<br>consideration   | The<br>consideration<br>was<br>determined<br>based on<br>arm's length<br>negotiations<br>among the<br>parties with<br>reference to<br>the net asset<br>value of our<br>Company as<br>at | The<br>consideration<br>was determined<br>based on arm's<br>length<br>negotiations<br>among the<br>original<br>shareholders<br>and new<br>investors with<br>reference to the<br>net asset value<br>of our Company | The<br>consideration<br>was determined<br>based on arm's<br>length<br>negotiations<br>among the<br>original<br>shareholders and<br>new investors<br>with reference to<br>the net asset<br>value of our<br>Company as at | The<br>consideration<br>was<br>determined<br>based on<br>arm's length<br>negotiations<br>with reference<br>to the benefit<br>of the<br>investment by<br>Sinopec<br>(whose parent<br>company is a | The<br>consideration<br>was<br>determined<br>based on<br>arm's length<br>negotiations<br>among the<br>parties. |

## HISTORY, REORGANIZATION AND GROUP STRUCTURE

|  | <u>Investment by<br/>Great Origin as<br/>Class B Investor</u>  | <u>Investment by Asia<br/>Environment</u>   | <u>Investment by Smart<br/>Triumph</u>  | <u>Investment by<br/>Sinopec and<br/>subscription by<br/>New Asia as<br/>Class C Investor</u>  | <u>Investment by<br/>Full Synergy as<br/>Class C Investor</u>       |
|--|--|---|---|--|---|
|  | December 31,<br>2015.  | as at<br>December 31,<br>2015.  | December 31,<br>2015.   | leading oil<br>refining,<br>petrochemical<br>and new coal<br>chemical<br>engineering<br>company)<br>may bring to<br>our business<br>and<br>development<br>strategies.    |   |
| Lock-up Period                               | Equity securities of the Company held by each of the Pre-IPO Investors will be subject to a lock-up for a period of six months from the date of the Listing.   |   |   |  |   |
| Use of Proceeds from the Pre-IPO Investments | The net proceeds received by the Company from the Pre-IPO Investments were utilized for the financing of the business operations of the Group including the repayment of debt. As at the Latest Practicable Date, approximately 84% of the net proceeds were utilized. |   |   |  |   |
| Strategic benefits of the Pre-IPO            | Through the new investor's reputation and business network in the PRC, our Group believes the investor will bring in new projects and cooperation opportunities.   | Restructuring of our Group through the transfer of shares by our existing shareholders. | Restructuring of our Group through the transfer of shares by our existing shareholders. | Through cooperating with key players of new industries, our Group can expand our business beyond an environmental protection solution service provider for power plants. | To increase the working capital for the development of our Company. |

### Key terms of Shareholders' agreement and the Articles

In addition to the terms described above, Class B Investor and Class C Investors have been granted the following special rights, each of which, unless otherwise disclosed, shall automatically terminate upon the exercise of conversion rights by Class B Investor and/or Class C Investors or immediately upon Listing<sup>(1)</sup>:

Performance target guarantee

Mr. Cheng, Mr. Zeng, World Hero, Best Dawn and our Group have jointly and severally agreed to commit our Group to achieve certain performance targets, failure of which Sinopec will have rights to obtain additional Shares by (i) issuance of new securities by our Company or (ii) transfer of Shares held by

<sup>(1)</sup> On January 20, 2017, the Shareholders passed a special resolution adopting an amended and restated memorandum and articles of association of the Company with redemption rights and certain dividends rights of the Pre-IPO Investors removed.

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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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|                                    |   |
|------------------------------------|---|
|                                    | <p>Mr. Cheng, Mr. Zeng, World Hero and/or Best Dawn; or (iii) payment made by Mr. Cheng, Mr. Zeng, World Hero and/or Best Dawn or in the form of a special dividend declared and paid by the Company. The obligations of our Ultimate Controlling Shareholders and their holding entities, namely World Hero and Best Dawn, under this guarantee shall continue upon Listing. However, the obligations by our Group under this guarantee shall automatically terminate immediately upon Listing.</p>  |
| Information and inspection rights  | <p>The Pre-IPO Investors have the right to receive certain financial statements and other information about our Company.</p> <p>Class B Investor and Class C Investors have the right to inspect our Group's facilities, properties, records and books and discuss each member of our Group's affairs with its directors, officers, employees, accounts legal counsels and investment bankers.</p>  |
| Pre-emptive right                  | <p>Class B Investor and Class C Investors shall have the pre-emptive right to purchase up to a pro rata share of any new securities which our Company may propose to issue.</p>   |
| Right of first refusal and co-sale | <p>Subject to the consent of Class C Investors, if any of Mr. Cheng, Mr. Zeng, World Hero, Best Dawn, Asia Environment, Smart Triumph, Boqi Environmental Engineering, Acheson and the employee who holds the Awarded Shares (each, a "<b>Transferor</b>") proposes to transfer any securities of our Company (the "<b>Offered Shares</b>") held by it to any third party prospective buyer, Class B Investor and Class C Investors have a right of first refusal to purchase all the Offered Shares on a pro rata basis on the terms and conditions stated in the transfer notice given by a Transferor. In the event that Class B Investor and Class C Investors do not exercise their right of first refusal with respect to all of the Offered Shares, Class B Investor and Class C Investors who does not exercise their rights of first refusal have the right to participate in the sale of the remaining Offered Shares on the same terms and conditions as set forth in the transfer notice given by the Transferor.</p> |
| Right to elect director and quorum | <p>Class B Investor and Sinopec are each entitled to appoint one director to the Board. The quorum for a meeting of the Board shall require at least a simple majority of all Directors provided that such majority must include the director appointed by Sinopec and the director appointed by the Class B Investor.</p>  |
| Drag-along rights                  | <p>If holders of more than 50% of Class A Shares, the Class B Investor, and Sinopec (the "<b>Drag Holders</b>") propose a Drag-along Sale (as defined below) in which the implied market</p>  |

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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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capitalization of the Company immediately prior to such transaction is not less than RMB1,650,000,000, then upon written notice from the Drag Holders requesting them to do so, each of the shareholders other than the Drag Holders shall (i) sell all the securities of the Company held by it or the same percentage of the securities of our Company held by it as the Drag Holders sell on the same terms and conditions as agreed to by the Drag Holders; (ii) vote, or give its written consent with respect to, all the securities of our Company held by it in favor of such proposed Drag-along Sale and in opposition of any proposal that could be expected to delay, restrict or impair the consummation of any such proposed Drag-along Sale; (iii) refrain from exercising any dissenters' rights or rights of appraisal under applicable law with respect to the proposed Drag-along Sale; (iv) take all necessary actions reasonably necessary to consummate the proposed Drag-along Sale; and (v) restructure the proposed Drag-along Sale, as and if reasonably requested by the Drag Holders.

**“Drag-along Sale”** means a sale of the Company, whether to sell all or substantially all of the securities or assets of the Company or undertaking of the Company to any bona fide person.

Veto rights of the directors  
nominated by Class B Investor  
and Sinopec

Certain corporate actions require the approval of the directors nominated by Class B Investor and Sinopec. These corporate actions include, among others, (i) the sale, transfer or grant of an exclusive license, or disposal of intellectual property of the Group; (ii) investment in, establishment of, or divestiture or sale or pledge or mortgage by any member of our Group of an interest in a member or an affiliate of the Group; (iii) the appointment or change of our auditor; (iv) any material change of business presently conducted by us; and (v) the sale or other disposition of all or substantially all of our assets.

Veto rights of Class C Investors

Certain corporate actions require the approval of at least a majority of Class C Investors. These corporate actions include, among others, (i) any acts that will have any detrimental effect on the rights, preferences, privileges, powers or benefits of Class C Investors; (ii) any change of composition and size of the Board or the board of directors of Beijing Boqi; (iii) any issuance of any securities or increase or reduction of capital by our Company or Beijing Boqi; and (iv) any commencement of or consent to any proceeding in respect of bankruptcy, insolvency, liquidation or reorganization of our Group.

Anti-dilution

Under the share transfer agreement dated May 20, 2016 between Mr. Cheng, Great Origin and Boqi Environmental

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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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Engineering, Mr. Cheng and Boqi Environmental Engineering undertook to maintain the Class B Investors' shareholding in the Company at not less than 20%.

### Dividends Rights

If a dividend or other distribution is declared, paid or set aside, such dividend/distribution shall be distributed ratably among all shareholders based on the number of shares held on an as-converted basis ("Pro Rata Dividend").

No dividend/distribution declared, paid or set aside shall be paid to anyone unless and until all dividends for Class C Shares at a simple rate of 6% of the Class C Share issue price per annum have been paid in full.

The sequence of dividends right of all series of convertible ordinary shares is as follows:

Class C Shares—6% of issue price

Class B Shares—Pro Rata Dividend

### Conversion rights

Class C Investors and Class B Investor may choose to convert Class C Shares and Class B Shares at any time after the date of issuance, without any additional consideration, into Class A. Each Class C Shares and Class B Shares shall automatically be converted, based on the then-effective conversion price, without the payment of any additional consideration, into fully-paid and non-assessable Class A Shares upon the earlier of the IPO or the agreed-upon date specified by more than 3/4 of the Class B Shares and/or the Class B Shares. All rights to Class C Investors and Class B Investor will terminate upon such conversion. Initial conversion ratio for Class C Shares and/or Class B Shares to Class A Shares is 1:1, and shall be subject to adjustment based on adjustments of the conversion price.

### Liquidation Preferences

In the event of any liquidation, dissolution or winding up of the Company, all assets and funds of the Company legally available for distribution to shareholders shall be distributed to Class C Investors first on parity with the amount equal to the Class C Share issue price with a simple rate of 10% per annum return and all declared but unpaid dividends on such Class C Shares.

For any remaining assets or funds after the Class C Investors distribution, they shall be distributed ratably among all shareholders (including Class C Investors) based on the relative number of shares held on as-converted basis.

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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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The sequence of liquidation right of all series of convertible ordinary shares is as follows:

Class C Shares—10% of issue price per annum plus unpaid dividends

Class B Shares—Pro Rata Dividend

### Information about the Pre-IPO Investors

Great Origin, holder of Class B Shares and Class C Shares, a company incorporated in the BVI on January 4, 2016, which wholly owned by Mr. Zhu who is a substantial shareholder of our Company. Great Origin is mainly engaged in investments with investment as its main business. As at the Latest Practicable Date, Great Origin is a special purpose vehicle incorporated by Mr. Zhu for the purpose of investing in our Company.

Asia Environment, holder of Class A Shares, a company incorporated in the BVI on October 11, 2016 and is owned as to 47.2% by Mr. Zeng and 52.8% by Mr. Wang, with investment as its main business.

Smart Triumph, holder of Class A Shares, a company incorporated in the BVI on April 16, 2003, is an investment holding company and a wholly-owned subsidiary of Winease Investments Limited which is wholly owned by Ms. Chen Ningning, an independent third party investor. Ms. Chen Ningning is a business woman who has knowledge and experiences on investment in both private and public companies. Ms. Chen graduated from New York Institute of Technology with a master's degree in business administration in May 1994.

Sinopec, one of our Class C Investors, a company incorporated in Hong Kong October 27, 2014, is an investment holding company and a wholly-owned subsidiary of China Petroleum & Chemical Corporation, a PRC state-owned company whose H shares are listed on the Main Board (stock code: 386).

Full Synergy, one of our Class C Investors, a company incorporated in the BVI on April 2, 2015, is an investment holding company and a wholly-owned subsidiary of Partners Investment Management Limited. Partners Investment Management Limited is wholly owned by Bullion Riches Limited (“**Bullion Riches**”) which in turn is wholly owned by Partners Financial Holdings Limited. Partners Financial Holdings Limited is a financial holding company, of which its subsidiaries are licensed corporations holding type 1, type 4, type 6 and type 9 licenses in Hong Kong. Full Synergy is the issuer of structured notes, of which one of the subscribers is a fund established in the PRC. Mr. Cheng, one of our Ultimate Controlling Shareholders, through World Hero subscribed approximately 2.96% of the limited partner interest in such fund. Mr. Cheng does not hold any interest in the general partner of the fund, and is not involved in the decision making process of the fund.

Save as disclosed above and to the best knowledge, information and belief of our Directors, other than their respective investments in our Company, each of the Pre-IPO Investors and its respective ultimate beneficial owner are independent of and not connected with our Directors, chief executive or substantial shareholders or any of our subsidiaries or their respective associates.

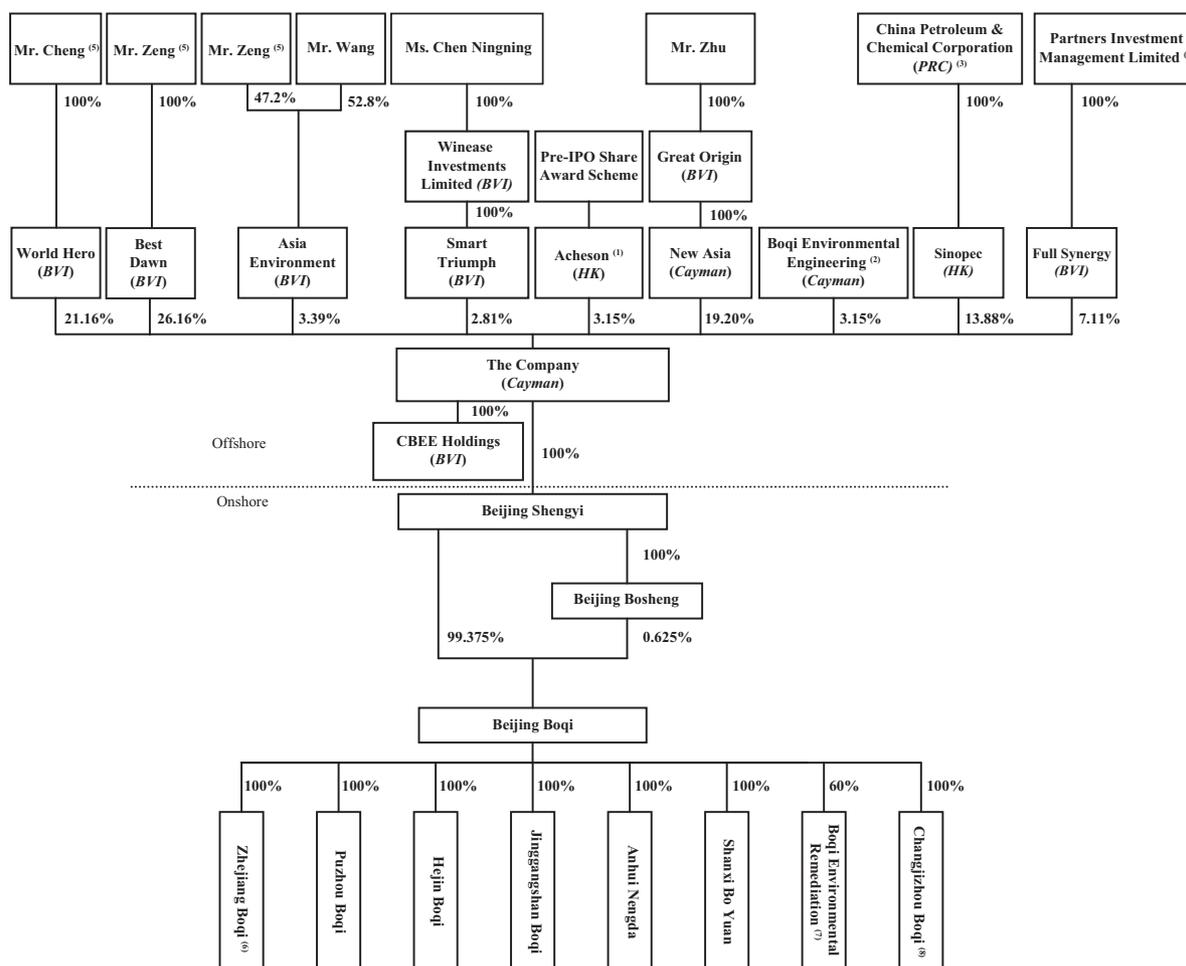
## HISTORY, REORGANIZATION AND GROUP STRUCTURE

### Sole Sponsor's Confirmation

The Sole Sponsor has confirmed that the investment by the Pre-IPO Investors is in compliance with the Interim Guidance on Pre-IPO Investments issued on January 2012 and updated in March 2017, the Guidance Letter HKEX-GL43-12 issued in October 2012 and updated in July 2013 and March 2017 and the Guidance Letter HKEX-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

### OUR CORPORATE STRUCTURE

The following diagram illustrates our corporate shareholding structure immediately prior to the Global Offering.



**Notes:**

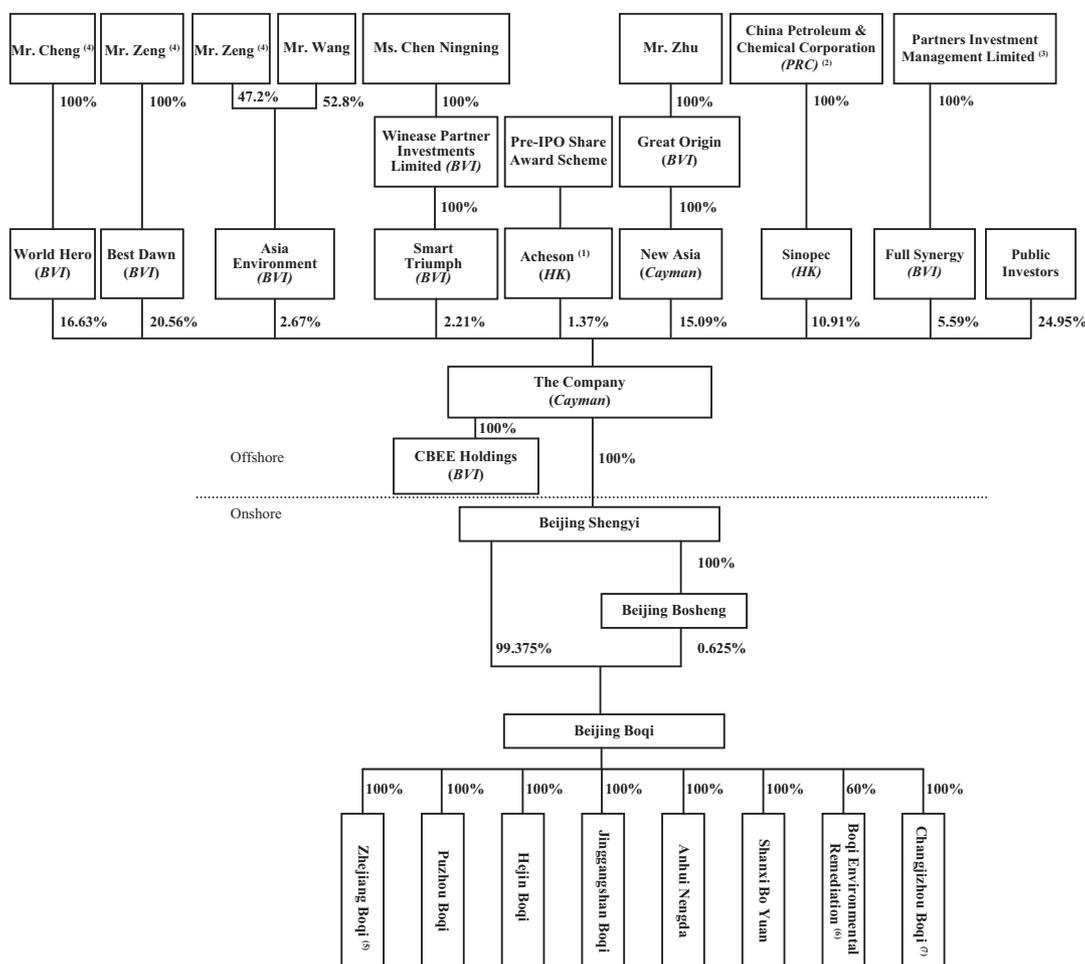
- (1) Acheson acts as the Trustee of the employee trust and the Trustee will hold the scheme shares for the benefit of the selected employees pursuant to the rules of the Pre-IPO Share Award Scheme.
- (2) Eastasia Power, BES Investment, Best Dawn and Mr. Cheng owned 75.19%, 14.29%, 5.26% and 5.26% equity interests in Boqi Environmental Engineering, respectively. Mr. Cheng and Mr. Zeng owned 50% and 50% equity interests in Eastasia Power, respectively.
- (3) A PRC state-owned company whose H shares are listed on the Main Board under stock code 386.
- (4) Full Synergy, a company incorporated in the BVI on April 2, 2015, is an investment holding company and a wholly-owned subsidiary of Partners Investment Management Limited. Partners Investment Management Limited is wholly owned by Bullion Riches, which in turn is wholly owned by Partners Financial Holdings Limited. Partners Financial Holdings Limited is a financial holding company, of which its subsidiaries are licensed corporations holding type 1, type 4, type 6 and type 9 licenses in Hong Kong. Full Synergy is the issuer of structured notes, of which one of the subscribers is a fund established in the PRC. Mr. Cheng, one of our Ultimate Controlling

## HISTORY, REORGANIZATION AND GROUP STRUCTURE

Shareholders, through World Hero subscribed approximately 2.96% of the limited partner interest in such fund. Mr. Cheng does not hold any interest in the general partner of the fund, and is not involved in the decision making process of the fund.

- (5) Immediately following the completion of the Global Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and taking into account the Sale Shares to be sold by the Selling Shareholders), Mr. Cheng and Mr. Zeng, being the company's Ultimate Controlling Shareholders, will be collectively interested in through various intermediaries, an aggregate of 39.86% of our enlarged issued share capital. Mr. Cheng and Mr. Zeng, together with their respective controlled corporations, namely World Hero and Best Dawn, constitute a group of Controlling Shareholders of our Company as a result of the acting-in-concert arrangement. Notwithstanding that Mr. Zeng, one of our Ultimate Controlling Shareholders, holds 47.2% of the issued shares in Asia Environment, he does not control the majority of the voting rights of Asia Environment nor control the composition of a majority of the board of directors of Asia Environment. On the other hand, Mr. Wang holds 52.8% of the issued shares in Asia Environment and entitled to exercise the majority of the voting rights in Asia Environment, controls the majority of the board of directors of Asia Environment. Therefore, Asia Environment will not be a controlling shareholder of the Company.
- (6) As at the Latest Practicable Date, Zhejiang Boqi is in the process of deregistration.
- (7) Boqi Environmental Remediation was established in the PRC on July 17, 2017 as a joint venture of which Beijing Boqi subscribed for 60% of its registered capital.
- (8) Changjizhou Boqi Environmental Technology Co., Ltd.\* (昌吉州博奇环保科技有限公司) ("Changjizhou Boqi"), was established on September 25, 2017 in Xinjiang Province, the PRC, as a wholly-owned subsidiary of Beijing Boqi. It is principally engaged in air pollution control, solid waste management, sales of gypsum and the investment, construction, operation, maintenance and management of desulfurization, denitrification and dust removal projects.

The following diagram illustrates our corporate shareholding structure immediately following the completion of Global Offering, assuming that none of the Over-allotment Option has been exercised and taking into account the Sale Shares to be sold by the Selling Shareholders.



Notes:

- (1) Acheson acts as the Trustee of the employee trust and the Trustee will hold the scheme shares for the benefit of the selected employees pursuant to the rules of the Pre-IPO Share Award Scheme. Acheson, as one of our Selling Shareholders, will sell its Sale Shares as part of the Global Offering.

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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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- (2) A PRC state-owned company whose H shares are listed on the Main Board under stock code 386.
- (3) Full Synergy, a company incorporated in the BVI on April 2, 2015, is an investment holding company and a wholly-owned subsidiary of Partners Investment Management Limited. Partners Investment Management Limited is wholly owned by Bullion Riches, which in turn is wholly owned by Partners Financial Holdings Limited. Partners Financial Holdings Limited is a financial holding company, of which its subsidiaries are licensed corporations holding type 1, type 4, type 6 and type 9 licenses in Hong Kong. Full Synergy is the issuer of structured notes, of which one of the subscribers is a fund established in the PRC. Mr. Cheng, one of our Ultimate Controlling Shareholders, through World Hero subscribed approximately 2.96% of the limited partner interest in such fund. Mr. Cheng does not hold any interest in the general partner of the fund, and is not involved in the decision making process of the fund.
- (4) Immediately following the completion of the Global Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and taking into account the Sale Shares to be sold by the Selling Shareholders), Mr. Cheng and Mr. Zeng, being the company's Ultimate Controlling Shareholders, will be collectively interested in through various intermediaries, an aggregate of 39.86% of our enlarged issued share capital. Mr. Cheng and Mr. Zeng, together with their respective controlled corporations, namely World Hero and Best Dawn, constitute a group of Controlling Shareholders of our Company as a result of the acting-in-concert arrangement. Notwithstanding that Mr. Zeng, one of our Ultimate Controlling Shareholders, holds 47.2% of the issued shares in Asia Environment, he does not control the majority of the voting rights of Asia Environment nor control the composition of a majority of the board of directors of Asia Environment. On the other hand, Mr. Wang holds 52.8% of the issued shares in Asia Environment and entitled to exercise the majority of the voting rights in Asia Environment and controls the majority of the board of directors of Asia Environment. Therefore, Asia Environment will not be a controlling shareholder of the Company.
- (5) As at the Latest Practicable Date, Zhejiang Boqi is in the process of the deregistration.
- (6) Boqi Environmental Remediation was established in the PRC on July 17, 2017 as a joint venture of which Beijing Boqi subscribed for 60% of its registered capital.
- (7) Changjizhou Boqi was established on September 25, 2017 in Xinjiang Province, the PRC, as a wholly-owned subsidiary of Beijing Boqi. It is principally engaged in air pollution control, solid waste management, sales of gypsum and the investment, construction, operation, maintenance and management of desulfurization, denitrification and dust removal projects.

## COMPLIANCE WITH LAWS

### M&A Rules

On August 8, 2006, MOFCOM, the State Asset Supervision and Administration Commission, the CSRC, the State Administration of Taxation, the State Administration for Industry and Commerce and the SAFE promulgated the Provisions on the 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 Provisions**”), a 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 Provisions, among other things, provides that a foreign investor seeking acquisition of the equity interest in a non-foreign-invested PRC enterprise, making contribution to the registered capital of a non-foreign-invested PRC enterprise or purchasing and operating the assets of a non-foreign-invested PRC enterprise shall obtain the approval of the MOFCOM or its counterparts at provincial level.

As advised by our PRC Legal Advisor, Commerce & Finance Law Offices, given that Beijing Shengyi become a foreign investment enterprises (外商投資企業) on April 11, 2005, the reorganization requirements under Article 11 of the M&A Provisions are not applicable to the Reorganization, and the Reorganization is not subject to the approval of the MOFCOM.

Pursuant to the SAFE Circular No. 75, the SAFE Circular No. 37 and the SAFE Circular No. 13, where domestic individual residents conduct investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with relevant banks or local SAFE branches with respect to their investments. For details, please see the section headed “Regulatory Overview—Laws and regulations regarding foreign exchange”.

As of the Latest Practicable Date, Mr. Zeng, being a domestic individual resident as defined under the SAFE Circular No. 37, has completed the foreign exchange registration according to the SAFE Circular No. 75, the SAFE Circular No. 37 and the SAFE Circular No. 13.

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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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As of the Latest Practicable Date, Mr. Zhu, being a domestic individual resident as defined under the SAFE Circular No. 37, has completed the foreign exchange registration according to the SAFE Circular No. 37 and the SAFE Circular No. 13.

In addition, our PRC Legal Advisor, Commerce & Finance Law Offices, is of the view that there is no need to obtain consents or approvals from the CSRC for the Listing. Except for the approvals that have already been obtained, there is no need to obtain other consents or approvals from other PRC government authorities to implement our Reorganization in the PRC, and our Reorganization in the PRC complies with all applicable PRC laws and regulations.