
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

ULTIMATE CONTROLLING SHAREHOLDERS ACTING-IN-CONCERT

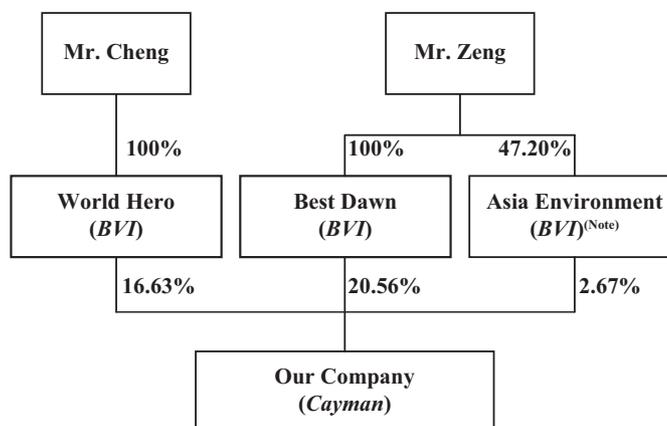
Mr. Cheng and Mr. Zeng have been acquainted with each other since 2002 through various business dealings and in 2003 they incorporated Eastasia Power together. As disclosed in the section headed “History, Reorganization and Group Structure”, since the acquisition of Beijing Boqi, our major operating subsidiary in 2005, Mr. Cheng and Mr. Zeng have been our Ultimate Controlling Shareholders. Mr. Cheng and Mr. Zeng, immediately prior to the Reorganization 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. Mr. Cheng and Mr. Zeng have made decisions jointly and consistently and have always voted unanimously at all board of directors’ meetings and shareholders’ meetings but their relationship dynamics were never formalized or documented (by way of a shareholders’ agreement or otherwise). As such, Mr. Cheng and Mr. Zeng entered into a letter of confirmation and undertaking for acting-in-concert (the “**Letter of Confirmation and Undertaking for Acting-in-Concert**”) on December 8, 2016.

Under the Letter of Confirmation and Undertaking for Acting-in-Concert, Mr. Cheng and Mr. Zeng confirmed, among other things, that since the acquisition of Beijing Boqi through a corporation controlled by them, each of them has been acting in concert with each other at board of directors’ 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 Shareholders of our 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 which, among other things, include the operation, business, strategy and any material matters relating to the Group.

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 our Ultimate Controlling Shareholders, will be collectively interested in, through various intermediaries, an aggregate of 39.86% of our enlarged issued share capital. Accordingly, Mr. Cheng, Mr. Zeng, World Hero and Best Dawn together are our Controlling Shareholders, as a group of shareholders entitled to exercise more than 30% of the voting rights at general meeting of our Company, as defined under the Listing Rules.

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The following diagram illustrates the ultimate beneficial interest of our Ultimate Controlling Shareholders' shareholdings 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):



Note: Asia Environment is owned as to 47.2% and 52.8% by Mr. Zeng and Mr. Wang, respectively. Mr. Wang is entitled to exercise the majority of the voting rights in Asia Environment. Therefore, Asia Environment will not be a controlling shareholder of our Company.

EXCLUDED BUSINESS OF OUR ULTIMATE CONTROLLING SHAREHOLDERS AND DIRECTORS

Excluded Business

During the Track Record Period and up to the Latest Practicable Date, Mr. Cheng and Mr. Zeng, our Ultimate Controlling Shareholders and executive Directors, and their associates are interested in certain companies, which were part of our Group prior to the Reorganization, but have not been included in our Group after the Reorganization (“**Excluded Companies**”), and are engaged in the businesses as set out below (“**Excluded Business**”).

<u>Company Name</u>	<u>Place of incorporation</u>	<u>Date of incorporation</u>	<u>Nature of Business</u>	<u>Ownership</u>
Beijing Boqi Environmental	Beijing, the PRC	April 28, 2004	Investment holding	100% held by Best Environmental Solutions Technology Co., Ltd ⁽¹⁾
Shouyang Power	Shanxi, the PRC	September 3, 2006	Set-up and operation of two 350MW coal power plants with low calorific value, power generation, heating provision, utilization and sales of fly ash and gypsum	40% owned by Beijing Boqi Environmental

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Company Name	Place of incorporation	Date of incorporation	Nature of Business	Ownership
Jiangsu Relian Energy Co., Ltd* (江蘇熱聯能源有限公司)	Suzhou, the PRC	March 20, 2013	Wholesale of products, including coal, steel materials and products, mineral products, non-ferrous metals, chemicals, cement, fuel, oil, building materials and plastic materials	40% owned by Beijing Boqi Environmental
Qujin Yunneng Touxing Energy Electric Co., Ltd* (曲靖雲能投新能源發電有限公司)	Yunnan, the PRC	September 9, 2008	Electricity generation by way of city-waste incineration	10% owned by Beijing Boqi Environmental

Note:

- (1) Best Environmental Solutions Technology Co., Ltd is wholly-owned by Boqi Environmental Engineering. As at the Latest Practicable Date, Boqi Environmental Engineering is owned by Eastasia Power, BES Investment, Best Dawn and Mr. Cheng as to 75.19%, 14.29%, 5.26% and 5.26%, respectively. Eastasia Power is owned by Mr. Cheng and Mr. Zeng in equal shares.

Reason for the Exclusion of the Excluded Business

Our core business is the construction and operation of desulfurization, denitrification and dust removal facilities for power plants in the PRC. As disclosed above, the Excluded Companies carry out businesses including investments, construction and operation of coal power plant, electricity generation and provision of wholesale services. As such, the core business of our Group are different from those conducted by the Excluded Companies. Our target customers are mainly power plants in the PRC whereas target customers of the Excluded Companies are power grid companies. The target customers of our Group and the Excluded Companies are therefore different.

The Excluded Business was excluded from our Group as a part of the Reorganization because (a) our Directors consider that the Excluded Business and the our core business are different lines of business and there is clear delineation between the two in terms of business scope, target customers, suppliers and operational license and capacity; and (b) the Excluded Companies, substantially, have their operational management staff independent of our Group for their operations; and (c) the Excluded Business does not compete directly or indirectly with the existing core business of our Group.

Mr. Cheng and Mr. Zeng, our Ultimate Controlling Shareholders and executive Directors, confirm that save as disclosed herein, they are not interested in any other business that competes or is likely to compete, directly or indirectly, with the Group's core business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their associates after the Global Offering.

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Operational Independence

All our operating subsidiaries hold all relevant licenses that are material in relation to our business operations in their own names. We have sufficient operational capacity in terms of capital, plants and machinery equipment, facilities, premises and employees to operate our business independently. We also have independent access to customers and suppliers. Our day-to-day operations are handled by an independent management team.

Accordingly, our Directors are satisfied that we have been operating independently from our Controlling Shareholders and any of their respective associates during the Track Record Period and will continue to operate independently.

Management Independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises two executive Directors, three non-executive Directors and three independent non-executive Directors.

Saved for Mr. Cheng who is a director of Jiangsu Relian Energy Co., Ltd* (江蘇熱聯能源有限公司), or Jiangsu Relian, none of our Directors holds any directorship or any management position in the companies outside our Group that are controlled by our Controlling Shareholders and their respective associates which competes or is likely to compete, either directly or indirectly, with our business. Notwithstanding his directorship in Jiangsu Relian, Mr. Cheng has not been involved in the operation and day-to-day management of this company.

Our Board meets regularly to consider major matters affecting our operations. Each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of and in the best interest of our Company and not allow any conflict between his/her duties as a director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and any of our Directors, including Mr. Cheng and Mr. Zeng, and their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum for the relevant Board meeting. The interested Director(s) shall not attend any independent board committee meetings comprising our independent non-executive Directors only.

Save for Ms. Cao Xiaoping (曹曉萍), the vice president and chief financial officer of our Company, who holds directorship in Shouyang Power which is indirectly controlled by our Ultimate Controlling Shareholders, none of our senior management members holds any directorship or management position in the companies outside our Group that are controlled by our Controlling Shareholders. Notwithstanding her directorship in Shouyang Power, Ms. Cao Xiaoping (曹曉萍) has not been involved in the operation and day-to-day management of this company. Our senior management have substantial experience in the industry we are engaged in and the majority of them have served our Group for a substantial length of time during which period they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

Our Controlling Shareholders and our Directors confirm that, save as disclosed above, none of them and their respective close associates held any interest in or conducts any business which competes or is likely to compete, either directly or indirectly, with our business and would require disclosure under the Listing Rules.

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Financial Independence

As of the Latest Practicable Date, there was no outstanding loan granted by our Controlling Shareholders or any of their respective associates to us and there is no guarantee provided for our benefit by our Controlling Shareholders or any of their respective associates. We have sufficient capital to operate our business independently.

We have an independent financial system and make financial decisions according to our own business needs. We are able to obtain bank facilities independently without guarantees provided by our Controlling Shareholders. Our Directors also confirm that we will not rely on our Controlling Shareholders for financing after the Listing as we expect that our working capital will be funded by our operating income and bank borrowings.

Accordingly, we have our own financial management system and ability to operate independently of our Controlling Shareholders from a financial perspective.

NON-COMPETITION DEED

Our Controlling Shareholders (the “**Covenantors**”) have entered into the Non-competition Deed in favor of our Company (for itself and on behalf of the members of the Group), pursuant to which each of the Covenantors has irrevocably, jointly and severally undertaken to our Company that he or it would not, and that his or its associates (except any member of our Group) would not, during the restricted period set out below, directly or indirectly, either by body corporate, partnership, joint venture on his or its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business which is or is likely to be in competition with our existing core business or the businesses carried on by our Group from time to time, including but not limited, to the construction and operation of desulfurization and denitrification facilities of power plants in the PRC (the “**Restricted Business**”).

Such non-competition undertaking does not apply in relation to:

- (a) any opportunity to invest, participate, be engaged in and/or operate any Restricted Business which has first been offered or made available to the Company, and the Company, after review and approval by the Directors or Shareholders as required under the relevant laws and regulations, has declined such opportunity to invest, participate, be engaged in or operate the Restricted Business, provided that the principal terms by which any Covenantor (or his/its relevant associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favorable than those made available to the Company; or
- (b) any interests in the shares or equity interest of any member of the Group; or
- (c) interests in the shares of a company whose shares are listed on the Stock Exchange or other recognized stock exchanges, provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or
 - (ii) the total number of the shares held by any of the Covenantors and/or their respective associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Covenantors and/or their respective associates are not entitled to appoint a majority of the directors of that company.

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The “restricted period” stated in the Non-competition Deed refers to the period during which (i) our Shares remain listed on the Stock Exchange; and (ii) the relevant Covenants and/or their respective associates, individually or jointly, are entitled to exercise or control the exercise of not less than 30% of the voting power at general meetings of our Company; and (iii) any Covenantor remains as a director of any member of the Group.

The Covenants have further undertaken to procure that, during the restricted period, any business investment or other commercial opportunity in the PRC relating to the Restricted Business (the “**New Opportunity**”) identified by or offered to any of them or any of their associates, is first referred to the members of the Group in the following manner:

- (a) the Covenants are required to refer, or to procure the referral of, the New Opportunity to the Group, and shall promptly and in any event no later than 15 Business Days give written notice to the Group of any New Opportunity containing all information reasonably necessary for the Group to consider whether (i) such New Opportunity would constitute competition with the core business of the Company and/or the Group, and (ii) it is in the interest of the Company and Shareholders as a whole to pursue such New Opportunity and the details of the investment or acquisition costs (the “**Offer Notice**”); and
- (b) the Covenants will be entitled to pursue the New Opportunity only if (i) they have received a notice from the Company and/or the members of the Group declining the New Opportunity and confirming that such New Opportunity would not constitute competition with the core business of the Group within 15 Business Days (which may be extended for a reasonable period of time as and if requested by the Board committee comprising only independent non-executive Directors, the “**Independent Board Committee**”) from the receipt of the Offer Notice by the Company and/or the members of the Group. If there is a material change in the terms and conditions of the New Opportunity pursued by the Covenants, the Covenants shall refer the New Opportunity as so revised to the Group in the manner as set out above.

Upon receipt of the Offer Notice, we will seek opinions and decisions from our Independent Board Committee as to whether (i) such New Opportunity would constitute competition with our core business, (ii) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunity, and (iii) to pursue or decline the New Opportunity. Such opinions and decisions (together with their bases) from our Independent Board Committee will be disclosed in our annual reports.

Our Directors consider that our independent non-executive Directors have sufficient experience in assessing whether or not to take up any New Opportunity. Our Independent Board Committee will also review, on the annual basis, the compliance with the Non-competition Deed by the Covenants, the results of which will be disclosed in our annual reports. In any event, our Independent Board Committee may appoint financial advisors or professional experts to provide advice, at the cost of our Company, in connection with whether to take up any New Opportunity.

The Covenants have further undertaken to:

- (a) procure that all relevant information relating to the implementation of the Non-competition Deed in their possession and/or the possession of any of their respective associates be provided to us;
- (b) allow, subject to confidentiality restrictions imposed by any third party, our representatives and those of our advisors to have access to such of their respective

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financial and corporate records as may be necessary for us to determine whether the non-competition undertakings in the Non-competition Deed have been complied with by the Covenantors and their respective associates;

- (c) provide us, within 20 Business Days from the receipt of our written request, with a written confirmation in respect of their compliance and that of their respective associates with the non-competition undertakings in the Non-competition Deed and consent to the inclusion of such confirmation in our annual reports; and
- (d) provide all information necessary for the annual review by our Independent Board Committee and the enforcement of the Non-competition Deed.

The Covenantors (for themselves and on behalf of their respective associates (except for any member of the Group)) have also acknowledged that we may be required by applicable laws, regulations, rules of stock exchange(s) on which we may be listed and relevant regulatory bodies, to disclose, from time to time, information on any New Opportunity, including but not limited to disclosure in public announcements or our annual reports of decisions made by us to pursue or decline such New Opportunity and have agreed to such disclosure to the extent necessary to comply with any such requirement.

CORPORATE GOVERNANCE MEASURES

We believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Global Offering, we have amended the Articles to comply with the Listing Rules. In particular, the Articles provide that, unless otherwise provide, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests is required to make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (c) we are committed that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe the independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of the public Shareholders. Details of the independent non-executive Directors are set out in the section headed “Directors and Senior Management—Directors—Independent Non-executive Directors” in this prospectus;
- (d) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and the

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Controlling Shareholders and/or the Directors on the other, the Controlling Shareholders and/or the Directors shall provide the independent non-executive Directors with all necessary information and the Company shall disclose the decisions of the independent non-executive Directors either through its annual report or by way of announcements; and

- (e) we have appointed CMB International Capital Limited as our compliance advisor which will provide advice and guidance to us in respect of compliance with applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance.