THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Water Industry Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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中國水業集團有限公司*
CHINA WATER INDUSTRY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1129)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 20% EQUITY INTERESTS IN YINGTAN WATER SUPPLY GROUP CO., LTD AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Capitalised terms used on this cover page shall have the same meanings as defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 9 to 26 of this circular. A notice convening the EGM to be held at Room 13, 7/F., Nexxus Building, 77 Des Voeux Road Central, Central, Hong Kong on Wednesday, 10 February 2021 at 9:30 a.m. or any adjournment thereof is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are advised to read the notice and complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Due to the on-going COVID-19 pandemic, to safeguard the health and safety of the Shareholders, the Company will implement the following precautionary measures at the EGM:

- compulsory body temperature checks
- compulsory wearing of a surgical face mask for each attendee
- submission of personal information form, which may be used for contact tracing, if required
- no distribution of corporate gift nor provision of refreshment

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. All attendees are required to wear surgical face masks at all times at the EGM venue. The Company reminds the Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the meeting in person.

25 January 2021

* *For identification purpose only*

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In this circular, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"2019 Announcement"	has the meaning ascribed thereto in the paragraph headed "Basis of the Consideration" under the section headed "The Equity Transfer Agreement" in this circular
"Announcement"	the announcement of the Company dated 15 December 2020 in relation to, among other things, the Disposal
"Articles"	the articles of the Target Company as amended from time to time
"Board"	the board of Directors
"Business Day"	a day other than a Saturday, Sunday or statutory holidays stipulated by the government of the PRC
"Call Option"	has the meaning ascribed thereto in the paragraph headed "Call Option" under the section headed "The Equity Transfer Agreement" in this circular
"Call Option Capital"	has the meaning ascribed thereto in the paragraph headed "Call Option" under the section headed "The Equity Transfer Agreement" in this circular
"Call Option Capital Acquisition"	has the meaning ascribed thereto in the paragraph headed "Call Option" under the section headed "The Equity Transfer Agreement" in this circular
"Call Option Exercise Price"	has the meaning ascribed thereto in the paragraph headed "Call Option" under the section headed "The Equity Transfer Agreement" in this circular
"Call Option Notice"	has the meaning ascribed thereto in the paragraph headed "Call Option" under the section headed "The Equity Transfer Agreement" in this circular
"Call Option Triggering Event"	has the meaning ascribed thereto in the paragraph headed "Call Option" under the section headed "The Equity Transfer Agreement" in this circular

"Company"	China Water Industry Group Limited, a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (stock code: 1129)
"Completion"	completion of the Disposal
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	a sum of RMB120,000,000, being the consideration for the Sale Capital
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"Cost of Construction"	has the meaning ascribed thereto in the paragraph headed "Basis of the Consideration" under the section headed "The Equity Transfer Agreement" in this circular
"Deposit"	has the meaning ascribed thereto in the paragraph headed "Consideration" under the section headed "The Equity Transfer Agreement" in this circular
"Development Bureau"	has the meaning ascribed thereto in the paragraph headed "Basis of the Consideration" under the section headed "The Equity Transfer Agreement" in this circular
"Director(s)"	the director(s) of the Company
"Disposal"	the proposed disposal of the Sale Capital by the Vendor to the Purchaser pursuant to the terms and conditions of the Equity Transfer Agreement
"EGM"	the extraordinary general meeting of the Company to be convened and held at Room 13, 7/F., Nexxus Building, 77 Des Voeux Road Central, Central, Hong Kong on Wednesday, 10 February 2021 at 9:30 a.m. for the purpose of considering and, if thought fit, approving the Equity Transfer Agreement and the transactions contemplated thereunder
"Equity Transfer Agreement"	the conditional equity transfer agreement dated 15 December 2020 and entered into amongst the Vendor, the Purchaser and the Target Company in respect of the Disposal

"Financial Adviser" or "INCU"	INCU Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Jiangxi Deyin Industrial"	江西德銀實業有限公司 (for transliteration purpose only, Jiangxi Deyin Industrial Co., Ltd*), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Target Company
"Jiangxi Hanhe Enterprise"	江西漢和企業發展有限公司 (for transliteration purpose only, Jiangxi Hanhe Enterprise Development Co., Ltd*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company
"Jiangxi Sanchuan Investment"	江西三川投資有限公司 (for transliteration purpose only, Jiangxi Sanchuan Investment Company Limited*), a company established in the PRC with limited liability
"Jiangxi Shunda Construction"	江西省順大建築安裝工程有限公司 (for transliteration purpose only, Jiangxi Shunda Construction Engineering Limited*), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Target Company
"Jiangxi Yuehe Property"	江西越和置業有限公司 (for transliteration purpose only, Jiangxi Yuehe Property Co., Limited*), a company established in the PRC with limited liability which is owned as to 40% by Yingtan Hongzhu Trading, 49% by Jiangxi Xiangyi Property Development Limited*(江西翔翼房地產開發有限公司) and 11% by Yingtan City Yu Jiang Jiangchuan Water Supply Company Limited*(鷹潭市余江區江川水務有限公司), respectively, as at the Latest Practicable Date
"Latest Practicable Date"	20 January 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	has the meaning ascribed thereto in the paragraph headed "Completion" under the section headed "The Equity Transfer Agreement" in this circular
"Pingxiang Jintai Fireworks"	萍鄉市金泰花炮製造有限公司 (for transliteration purpose only, Pingxiang Jintai Fireworks Manufacturing Company Limited*), a company established in the PRC with limited liability
"PRC"	the People's Republic of China which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Projection"	has the meaning ascribed thereto in the paragraph headed "Basis of the Consideration" under the section headed "The Equity Transfer Agreement" in this circular
"Purchaser"	江西三川集團有限公司 (for transliteration purpose only, Jiangxi Sanchuan Group Company Limited*), a company established in the PRC with limited liability
"Put Option"	the option granted by the Purchaser to the Vendor and exercisable at the Vendor's discretion to request the Purchaser to purchase all the Put Option Capital at the Put Option Exercise Price during the Put Option Period
"Put Option Capital"	has the meaning ascribed thereto in the paragraph headed "Put Option" under the section headed "The Equity Transfer Agreement" in this circular
"Put Option Capital Disposal"	has the meaning ascribed thereto in the paragraph headed "Put Option" under the section headed "The Equity Transfer Agreement" in this circular
"Put Option Exercise Price"	has the meaning ascribed thereto in the paragraph headed "Put Option" under the section headed "The Equity Transfer Agreement" in this circular
"Put Option Notice"	has the meaning ascribed thereto in the paragraph headed "Put Option" under the section headed "The Equity Transfer Agreement" in this circular

"Put Option Period"	a period commencing from four (4) months after the date of completion of the Registration of Equity Transfer and ending on seven (7) months after the date of completion of the Registration of Equity Transfer
"Registration of Equity Transfer"	has the meaning ascribed thereto in the paragraph headed "Registration of Equity Transfer" under the section headed "The Equity Transfer Agreement" in this circular
"Reporting Accountant"	Crowe (HK) CPA Limited, a professional firm of Certified Public Accountants
"Sale Capital"	20% registered capital of the Target Company, which is beneficially owned by the Vendor as at the Latest Practicable Date
"Sanchuan Intelligence Technology"	三川智慧科技股份有限公司 (for transliteration purpose only, Sanchuan Intelligence Technology Holding Company Limited*), a company established in the PRC with limited liability and listed on the Shenzhen Stock Exchange (stock code: 300066)
"Sanchuan Water Supply"	江西三川水務有限公司 (for transliteration purpose only, Jiangxi Sanchuan Water Supply Company Limited*), a company established in the PRC with limited liability, which is interested in 46% equity interests in the Target Company as at the Latest Practicable Date
"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Share(s)"	ordinary share(s) of the Company of HK$0.50 each
"Shareholder(s)"	holder(s) of issued Share(s) from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules
"Target Company"	鷹潭市供水集團有限公司 (for transliteration purpose only, Yingtan Water Supply Group Co., Ltd), a company established in the PRC with limited liability, which is owned as to 51% by the Vendor, 46% by Sanchuan Water Supply and 3% by Yingtan Water Supply, respectively, as at the Latest Practicable Date

"Target Group"	Target Company and its subsidiaries and associate companies
"Valuation"	an independent valuation of the fair value of the entire equity interest of the Target Company performed by the Valuer
"Valuation Report"	the business valuation report issued by the Valuer in respect of the Valuation as set out in Appendix II to this circular
"Valuer"	AVISTA Valuation Advisory Limited, an independent professional valuer
"Vendor"	China Water Industry (HK) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Water Intake Facilities"	has the meaning ascribed thereto in the paragraph headed "Basis of the Consideration" under the section headed "The Equity Transfer Agreement" in this circular
"Yingtan Baihong Construction"	鷹潭市百宏建設工程有限公司 (for transliteration purpose only, Yingtan Baihong Construction Engineering Company Limited*), a company established in the PRC with limited liability
"Yingtan City Construction"	鷹潭市城市建設投資發展有限公司 (for transliteration purpose only, Yingtan City Construction Investment Development Company Limited*), a company established in the PRC with limited liability
"Yingtan Haoze Trading"	鷹潭市浩澤商貿有限公司 (for transliteration purpose only, Yingtan Haoze Trading Company Limited*), a company established in the PRC with limited liability
"Yingtan Hongji Construction"	鷹潭市宏基建材科技有限公司 (for transliteration purpose only, Yingtan Hongji Construction Materials Technology Limited*), a company established in the PRC with limited liability and owned as to 37% by Zhongkuang Construction, 33% by Yingtan Baihong Construction and 30% by Yingtan City Construction as at the Latest Practicable Date

"Yingtan Hongzhu Trading"	鷹潭市宏築貿易有限公司 (for transliteration purpose only, Yingtan City Hongzhu Trading Co Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company
"Yingtan Pharmaceutical"	鷹潭醫藥有限責任公司 (for transliteration purpose only, Yingtan Pharmaceutical Company Limited*), a company established in the PRC with limited liability
"Yingtan Plumbing"	鷹潭市供水給排水勘察設計有限責任公司 (for transliteration purpose only, Yingtan City Plumbing and Drainage Investigation and Design Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company
"Yingtan Shixian Hotel"	鷹潭市時鮮大酒店有限公司 (for transliteration purpose only, Yingtan Shixian Hotel Company Limited*), a company established in the PRC with limited liability
"Yingtan Xinhui Automobile"	鷹潭市鑫輝汽車貿易有限公司 (for transliteration purpose only, Yingtan Xinhui Automobile Trading Company Limited*), a company established in the PRC with limited liability
"Yingtan Xinjiang Water Treatment"	鷹潭市信江水務工程有限公司 (for transliteration purpose only, Yingtan Xinjiang Water Treatment Engineering Limited*), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Target Company
"Yingtan Xiang Rui Property"	鷹潭祥瑞置業有限公司 (for transliteration purpose only, Yingtan Xiang Rui Property Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company
"Yingtan Water Supply"	鷹潭市供水公司 (for transliteration purpose only, Yingtan City Water Supply Company Limited*), a company established in the PRC with limited liability, which is interested in 3% equity interests in the Target Company as at the Latest Practicable Date

"Yingtan Yingfu Trading"	鷹潭盈福貿易有限公司 (for transliteration purpose only, Yingtan Yingfu Trading Company Limited*), a company established in the PRC with limited liability
"Yugan San Hai Property"	余干三海置業有限公司 (for transliteration purpose only, Yugan San Hai Property Limited*), a company established in the PRC with limited liability and owned as to 40% by Jiangxi Sanchuan Investment, 30% by Yingtan Xiang Rui Property, approximately 24.69% by Yingtan Yingfu Trading and approximately 5.31% by Yingtan Haoze Trading as at the Latest Practicable Date
"Yu Jiang Hui Min"	余江惠民小額貸款股份有限公司 (for transliteration purpose only, Yu Jiang Hui Min Small-Sum Loan Company Limited*), a company established in the PRC with limited liability and owned as to approximately 33.75% by the Purchaser, 10% by Mr. Yang Xinjian, 10% by Mr. Ai Hui, 10% by Yingtan Shixian Hotel, 10% by Yingtan Xinhui Automobile, 10% by Yingtan Pharmaceutical, 10% by the Target Company and approximately 6.25% by Pingxiang Jintai Fireworks as at the Latest Practicable Date
"Zhongkuang Construction"	中曠建設集團有限公司 (for transliteration purpose only, Zhongkuang Construction Group Co., Ltd.), a company established in the PRC with limited liability and a direct whollyowned subsidiary of the Target Company
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

* *the English translation of Chinese names or words in this circular, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words*

For the purpose of this circular, unless otherwise indicated, conversion of Renminbi into Hong Kong dollars is calculated at the approximate exchange rate of RMB1.00 to HK$1.1868. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.

中國水業集團有限公司*
CHINA WATER INDUSTRY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1129)

Executive Directors:
Mr. Lin Yue Hui
(Chairman and Chief Executive Officer)
Mr. Zhong Wei Guang
(Chief Operating Officer)
Mr. Liu Feng
Ms. Chu Yin Yin, Georgiana
Ms. Deng Xiao Ting
Mr. Zhu Yongjun

Non-executive Director:
Mr. Ho Chi Ho

Independent non-executive Directors:
Mr. Wong Siu Keung, Joe
Mr. Guo Chao Tian
Ms. Qiu Na
Mr. Lam Cheung Shing, Richard

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 1207, 12th Floor
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan, Hong Kong

25 January 2021

To the Shareholders

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 20% EQUITY INTERESTS IN YINGTAN WATER SUPPLY GROUP CO., LTD AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to, among other matters, the Disposal.

* *For identification purpose only*

On 15 December 2020, the Vendor, being an indirect wholly-owned subsidiary of the Company, the Purchaser and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Capital, representing 20% equity interests in the Target Company for a total consideration of RMB120,000,000 (equivalent to approximately HK$142,416,000).

The purpose of this circular is to provide you with, among other things, (i) further information on the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) the business valuation report of the Target Group; (iii) the letter from the Reporting Accountant on the discounted cash flows in relation to the valuation of the Target Group and the letter from the Financial Adviser in relation to the valuation of the Target Group; (iv) the property valuation report of the Target Group; (v) other information as required under the Listing Rules; and (vi) a notice of the EGM.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out as follows:

Date: 15 December 2020

Parties:
(i) the Vendor;
(ii) the Purchaser; and
(iii) the Target Company

The Purchaser is a company established in the PRC with limited liability and is principally engaged in machinery manufacturing and trading of building materials and chemicals.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Purchaser is the controlling shareholder of Sanchuan Intelligence Technology, which in turn is the holding company of Sanchuan Water Supply as at the Latest Practicable Date. As Sanchuan Water Supply is a substantial shareholder of the Target Company as at the Latest Practicable Date, the Purchaser is thus a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules.

Assets to be disposed of

Pursuant to the terms and conditions of the Equity Transfer Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Capital, representing 20% equity interests in the Target Company.

As at the Latest Practicable Date, the Target Company is owned as to 51% by the Vendor, 46% by Sanchuan Water Supply and 3% by Yingtan Water Supply, respectively.

Consideration

The Consideration payable for the Sale Capital is RMB120,000,000 (equivalent to approximately HK$142,416,000), which has been/shall be satisfied by the Purchaser by way of cash or bank transfer in the following manner:

(i) as to RMB24,000,000 (equivalent to approximately HK$28,483,000) has been paid by the Purchaser to the Vendor as deposit (the "**Deposit**") within two Business Days after signing of the Equity Transfer Agreement (excluding bank review period (if any)), which shall form part of the Consideration upon completion of the Registration of Equity Transfer;

(ii) as to RMB50,000,000 (equivalent to approximately HK$59,340,000) shall be paid by the Purchaser to the Vendor within five Business Days (excluding bank review period (if any)) from the day of receipt of written notice, which shall be served by the Vendor to the Purchaser within three Business Days after the fulfillment of conditions (i) and (ii) as set out in the paragraph headed "Conditions Precedent" in this circular; and

(iii) the remaining balance as to RMB46,000,000 (equivalent to approximately HK$54,593,000) shall be paid by the Purchaser to the Vendor within five Business Days (excluding bank review period (if any)) after all the conditions precedent under the Equity Transfer Agreement being fulfilled and the Registration of Equity Transfer being completed.

In the event that the Purchaser fails to pay the Consideration to the Vendor when due in the manner above, the Purchaser shall pay a default interest of 0.05% on the relevant installment(s) of the Consideration for each day of delay. In the event of any delay in payment of any installment(s) of the Consideration for more than 30 days, or failure or inability for the Purchaser to perform its obligations under the Equity Transfer Agreement, the Vendor shall have the right to unilaterally terminate the Equity Transfer Agreement, upon which the Vendor shall have the right to forfeit the Deposit and shall refund the remaining Consideration already paid by the Purchaser.

Basis of the Consideration

Reference is made to the announcement of the Company dated 28 February 2019 (the "**2019 Announcement**") in relation to the construction of certain water supply pipelines and its ancillary facilities ("**Water Intake Facilities**") by Yingtan Municipal Housing and Urban-Rural Development Bureau* (鷹潭市住房和城鄉建設局)(the "**Development Bureau**") and the subsequent acquisition by the Target Company. As disclosed in the said announcement, the cost of construction in respect of Water Intake Facilities (the "**Cost of Construction**"), which is capped at RMB420,000,000 (equivalent to approximately HK$498,456,000), shall be initially paid by the Development Bureau, and Yingtan Water Supply shall acquire such Water Intake Facilities by installment payments over eight years' time, commencing from the subsequent month after water connection. As at the Latest Practicable Date, the construction of the water supply pipelines was completed in August 2019 and the remaining Water Intake Facilities are under construction, and the water connection is expected to take place in February 2022. As such, the Cost of Construction has not yet been determined as at the Latest Practicable Date.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms, after taking into account, among others, (i) 20% of the net asset value of the Target Group of approximately RMB101,722,000 (equivalent to approximately HK$120,724,000) as at 30 June 2020; (ii) the amount of consideration to be payable by the Target Company to the Development Bureau in respect of the acquisition of the Water Intake Facilities, details of which are set out in the 2019 Announcement; and (iii) other factors as set out in the section headed "Reasons for and benefits of the Disposal" in this circular.

In order to assess the fairness and reasonableness of the Consideration, the Company engaged AVISTA Valuation Advisory Limited, an independent valuer, to conduct the valuation on the fair value of the entire equity interest of the Target Company.

As provided in the Valuation Report issued by the Valuer in relation to the Valuation as set out in Appendix II to this circular, the fair value of the entire equity interest of the Target Company as at 30 September 2020 was RMB592,434,000 (equivalent to approximately HK$703,101,000). It is stated in the Valuation Report that the Valuation was assessed using asset-based approach and discounted cash flow method under the income-based approach.

For the purpose of the Valuation, the Valuer has concluded the Valuation based on the future cash flow of the Target Company by relying on the available information and presently prevailing operating conditions of the business and taking into consideration, among others, the following factors:-

(a) the Target Company will be operated with the corporate structure and operation model as projected by the management of the Company;

(b) the financial and operating results of the Target Company;

(c) the economic outlook in general and the specific economic and competitive elements affecting the Target Company's businesses, their industry and their market;

(d) the nature and prospects of the industry of the Target Company is operating;

(e) the market-derived investment returns of entities engaged in a similar line of business and returns from other similar types of business;

(f) the stage of development of the Target Company's operation; and

(g) the business risks of the Target Company.

After reviewing the Valuation Report and the underlying valuation methodology and assumptions, the Board considered that the Consideration, representing a premium of approximately 1.26% to the fair value of 20% equity interests of the Target Company, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As the Valuation has adopted income-based approach and discounted cash flow method, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. The principal assumptions, including commercial assumptions, upon which the Valuation was based, are as follows:

(a) there will be no material changes in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Company;

(b) there will be no major changes in the current taxation law in the country that the Target Company is operating, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

(c) exchange rates and interest rates will not differ materially from those presently prevailing;

(d) the financial projections of the Target Company as of 30 September 2020 (the "**Projection**") has been prepared on a reasonable basis, reflecting estimates (i.e. assumptions and parameters adopted in the Projection) which have been arrived at after due and careful consideration by the management of the Company;

(e) the availability of finance will not be a constraint on the forecast growth of the Target Company's operation in accordance with the Projection;

(f) the Target Company will retain and have competent management, key personnel, and technical staff to support their ongoing operation; and

(g) industry trends and market conditions for related industries will not deviate significantly from economic forecasts including but not limited to market relative factors adopted in the discount rate.

In accordance with Rule 14.62 of the Listing Rules, the Reporting Accountant has examined the arithmetical accuracy of the calculations of the discounted future cash flows of the Target Group in which the Valuation was based. The Board has reviewed the above principal assumptions and confirmed that the forecast has been made after due and careful enquiry. On the basis of the above, the Financial Adviser is of the view that the forecast has been made after due and careful enquiry of the Directors. A letter from the Reporting Accountant and a letter from the Financial Adviser are included in Appendix III and Appendix IV to this circular, respectively.

As advised by the Valuer, the summary below shows the reconciliation of the value of the properties of the Target Company as at 30 September 2020 in Appendix II to this circular with their valuation as at 31 October 2020 as set forth in Appendix V to this circular:

	RMB'000
(1) Investment property [Note 1]	
Value as of 30 September 2020	70,990
Value as of 31 October 2020	71,180
Valuation change	190
(2) The Property Development Segment	
Jiangxi Hanhe Enterprise – Sanshui Guobinfu Project [Note 2]	
Value as of 30 September 2020	607,000
Value as of 31 October 2020	612,000
Valuation change	5,000
Jiangxi Yuehe Property – Sanshui California Sunshine Real Estate Project [Note 2]	
Value as of 30 September 2020	248,700
Value as of 31 October 2020	251,300
Valuation change	2,600
Yugan San Hai Property – Sanshui Jinlin House Project [Note 2]	
Value as of 30 September 2020	345,400
Value as of 31 October 2020	353,800
Valuation change	8,400
Yingtan Xiang Rui Property – Yu Jing No. 1 [Note 3]	
Value as of 30 September 2020	91,300
Value as of 31 October 2020	90,400
Valuation change	(900)

Note 1: The slight increase in value of the investment property from approximately RMB70.99 million as of 30 September 2020 to approximately RMB71.18 million as of 31 October 2020 is mainly due to the increase in assumed rents after the current lease term. In the valuation, income approach has been adopted by considering the rental income of the properties derived from the existing leases as the term value and the current market rent for the reversionary income potential of the leases as the reversion value. Since the contracted rents of the existing leases are lower than the corresponding current market rents, a later valuation date would lead to an increase in the value of the properties, since the increase in the reversion value would be higher than the decrease in the term value.

Note 2: For the property under development owned by Jiangxi Hanhe Enterprise, Jiangxi Yuehe Property and Yugan San Hai Property, the increases in valuation are mainly due to the incurrence of additional construction cost during the period.

Note 3: The value on the property development segment for Yu Jing No. 1 decreased from approximately RMB91.3 million as of 30 September 2020 to approximately RMB90.4 million as of 31 October 2020 as a commercial unit with a gross floor area of approximately 63.02 square metres was sold during the period.

Conditions precedent

Completion is subject to the following conditions having been fulfilled:

(i) the passing of the necessary resolution(s) by the Shareholders at the EGM approving the Equity Transfer Agreement and the transactions contemplated thereunder in compliance with the Listing Rules;

(ii) all necessary consents and approvals required to be obtained on the part of the Vendor and the Target Company in respect of the Equity Transfer Agreement (being the approval of the board of directors of each of the Vendor, the Target Company and the Company) having been obtained;

(iii) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Equity Transfer Agreement (being the approval of the board of directors of the Purchaser) having been obtained;

(iv) written undertaking having been obtained from Sanchuan Water Supply or relevant shareholders' resolutions having been passed to waive its preemptive right to acquire the Sale Capital; and

(v) written undertaking having been obtained from Yingtan Water Supply or relevant shareholders' resolutions having been passed to waive its preemptive right to acquire the Sale Capital.

All conditions precedent set out above are incapable of being waived by the parties to the Equity Transfer Agreement. If any of the above conditions have not been fulfilled on or before the Long Stop Date, the Equity Transfer Agreement shall terminate. As at the Latest Practicable Date, save for condition (i), all the conditions above have been fulfilled.

In the event that the Equity Transfer Agreement is terminated as a result of the non-fulfilment of conditions (i) and/or (ii) above, the Vendor shall refund the Deposit and compensate the Purchaser with a sum equivalent to the amount of the Deposit. In the event that the Equity Transfer Agreement is terminated as a result of the non-fulfilment of conditions (iii) and/or (iv) above, the Vendor has the right to forfeit the Deposit. In the event that the Equity Transfer Agreement is terminated as a result of the non-fulfilment of condition (v) above or reasons other than the Vendor and the Purchaser, the Vendor shall refund the Deposit to the Purchaser.

Put Option

Pursuant to the terms and conditions of the Equity Transfer Agreement, the Purchaser unconditionally and irrevocably granted to the Vendor the Put Option exercisable at any time at the Vendor's discretion during the Put Option Period by notice in writing (the "**Put Option Notice**") to the Purchaser to require the Purchaser to purchase the remaining 31% equity interests in the Target Company held by the Vendor (the "**Put Option Capital**") at the exercise price of RMB186,000,000 (equivalent to approximately HK$220,745,000) (the "**Put Option Exercise Price**").

No premium is payable for the grant of the Put Option. The Put Option Exercise Price was determined after arm's length negotiation between the Vendor and the Purchaser based on the amount of the Consideration.

The completion of the disposal of the Put Option Capital by the Vendor to the Purchaser (the "**Put Option Capital Disposal**") is conditional upon satisfaction of any regulatory authorisations, consents or approvals being obtained (including all regulatory authorisations under the Listing Rules in relation to the Put Option Capital Disposal and the passing of all the necessary resolution(s) by the Shareholders pursuant to the Listing Rules at an extraordinary general meeting of the Company to approve the Put Option Capital Disposal and the transactions contemplated thereunder).

Completion of the Put Option Capital Disposal shall take place within 150 days (or such later date as the Vendor and the Purchaser may agree in writing) from the date of the Put Option Notice.

In the event that the Vendor, as per the decision of the Board, decides to exercise the Put Option, the exercise of the Put Option may constitute a notifiable transaction on the part of the Company under the Listing Rules. The Company shall make further announcement(s) in relation to the exercise of the Put Option in compliance with the Listing Rules as and when appropriate.

Call Option

The Vendor has the right (the "**Call Option**") to buy back 20% equity interests in the Target Company held by the Purchaser (the "**Call Option Capital**") at the exercise price of RMB120,000,000 (equivalent to approximately HK$142,416,000) (the "**Call Option Exercise Price**"), which is equivalent to the amount of the Consideration, by notice in writing (the "**Call Option Notice**") to the Purchaser, in the event that the Purchaser fails to fulfill its obligations to purchase the Put Option Capital after the exercise of the Put Option by the Vendor subject to the terms and conditions of the Equity Transfer Agreement (the "**Call Option Triggering Event**").

No premium is payable for the grant of the Call Option. The Call Option Exercise Price was determined after arm's length negotiation between the Vendor and the Purchaser based on the amount of the Consideration.

The completion of the acquisition of the Call Option Capital by the Vendor from the Purchaser (the "**Call Option Capital Acquisition**") is conditional upon satisfaction of any regulatory authorisations, consents or approvals being obtained (including all regulatory authorisations under the Listing Rules in relation to the Call Option Capital Acquisition and the passing of all the necessary resolution(s) by the Shareholders pursuant to the Listing Rules at an extraordinary general meeting of the Company to approve the Call Option Capital Acquisition and the transactions contemplated thereunder).

If the Vendor exercises the Call Option, the Purchaser shall, upon receipt of the Call Option Exercise Price, unconditionally cooperate with the Vendor to complete the registration of the transfer of the Call Option Capital within one month of the later of (i) the receipt of the Call Option Notice by the Purchaser; or (ii) any regulatory authorisations, consents or approvals being obtained.

In the event that the Vendor, as per the decision of the Board, decides to exercise the Call Option, the exercise of the Call Option may constitute a notifiable transaction on the part of the Company under the Listing Rules. The Company shall make further announcement(s) in relation to the exercise of the Call Option in compliance with the Listing Rules as and when appropriate.

Purchaser and Target Company's undertakings

The Purchaser and the Target Company undertake not to do any act, whether by itself or with other shareholders of the Target Company, in any way to dilute the Vendor's equity interest in the Target Company upon Completion, provided that the Vendor remains as a shareholder of the Target Company.

The Vendor and the Purchaser agree that the Target Company shall not distribute any dividends to any of its shareholders before the expiry of the Put Option Period or the date on which the Put Option is waived by the Vendor (whichever is earlier).

The Purchaser undertakes, upon Completion and after the expiry of the Put Option Period or the date on which the Put Option is waived by the Vendor (whichever is earlier), the Purchaser agrees the amount of dividend to be declared by the Target Company each financial year shall be no less than 30% of the audited consolidated net profit of the Target Company, and to do such acts to the give effect of the same, subject to the applicable laws and regulations and the Articles, provided that the Vendor remains as a shareholder of the Target Company.

Registration of the Equity Transfer

The Vendor shall procure to complete, and the Purchaser and the Target Company shall use their best endeavours to assist, the registration of the transfer of the Sale Capital to the Purchaser (the "**Registration of Equity Transfer**") within 10 days from the date of fulfillment of all the conditions precedent under the Equity Transfer Agreement.

In the event that there is any delay in the Registration of Equity Transfer (except for reasons other than the Vendor), the Vendor shall pay compensation for a sum equivalent to 0.05% of the Consideration paid by the Purchaser for each day of delay. In the event of any delay in the Registration of Equity Transfer for more than 30 days, or failure or inability for the Vendor to perform its obligations under the Equity Transfer Agreement, the Purchaser has the right to unilaterally terminate the Equity Transfer Agreement, upon which the Purchaser has the right to require the Vendor to refund the Deposit and the Consideration paid by the Purchaser (if any) and compensate the Purchaser with a sum equivalent to the amount of the Deposit.

Amendments to the Articles

The Vendor shall procure, and the Purchaser and the Target Company shall use their best endeavours to assist, to amend the Articles after the fulfilment of all the conditions precedent under the Equity Transfer Agreement to the following effect:

(i) the board of directors of the Target Company shall consist of seven directors, of which two shall be nominated by the Vendor, two shall be nominated by the Purchaser and three shall be nominated by Sanchuan Water Supply, respectively;

(ii) the chairman of the board of directors of the Target Company shall be nominated by the Purchaser;

(iii) the vice-chairman of the board of directors of the Target Company shall be nominated by the Vendor; and

(iv) the financial controller of the Target Company shall be nominated by the Purchaser.

The Vendor shall cooperate to comply with paragraphs (i) and (iv) above within three Business Days from the date of completion of the above amendments to the Articles. In order to maintain stability of the management of the Target Company, the Purchaser agrees not to change the current chairman and the Vendor agrees not to appoint a vice-chairman until there is a change of the chairman of the board of directors of the Target Company.

If there is any delay in the fulfilment of the Vendor's obligations in respect of the amendments to the Articles above, the Vendor shall pay the Purchaser RMB50,000 (equivalent to approximately HK$59,300) for each day of delay.

Completion

Completion shall take place within 10 days after the fulfilment of all conditions precedent under the Equity Transfer Agreement and not later than 28 February 2021 (or such later date as the Vendor and the Purchaser may agree in writing) (the "**Long Stop Date**").

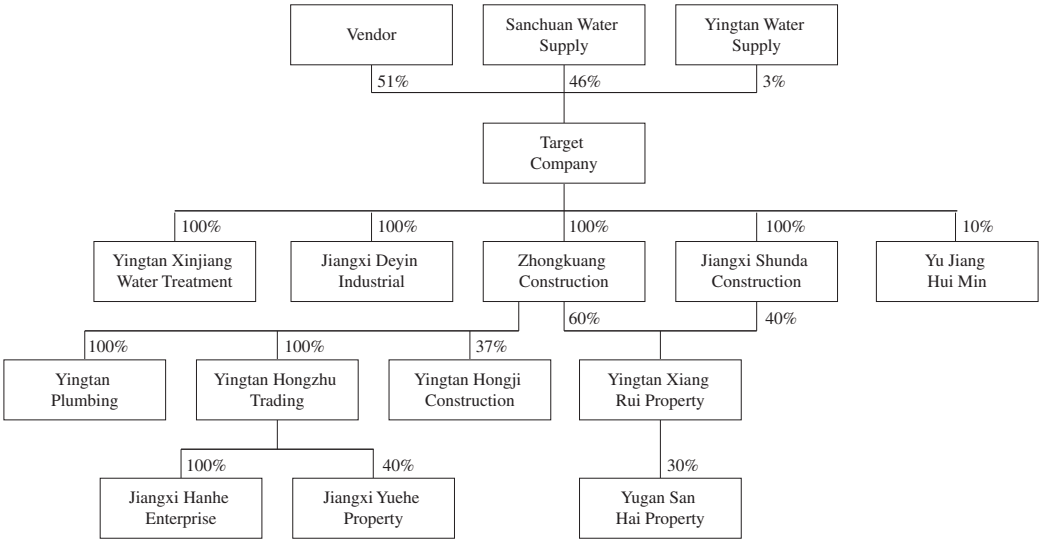
Upon Completion, the Target Company will be owned as to 46% by Sanchuan Water Supply, 31% by the Vendor, 20% by the Purchaser and 3% by Yingtan Water Supply, respectively. As such, upon Completion, the Target Company will cease to be a subsidiary of the Company and will be accounted for as the embedded financial instruments of the Company instead, and the financial information of the Target Group will cease to be consolidated into the consolidated financial statements of the Group.

As confirmed by the Directors, the Group has no immediate intention to dispose of the remaining 31% equity interests in the Target Company. Nevertheless, the Directors will continue to review the financial performance of the Target Group, the Group's existing business portfolio and operations, and the overall business development plan of the Group from time to time, with a view to increasing the value of the Group and striving to maximise returns to the Shareholders. If such disposal is to be made having considered the aforementioned factors, the Company will make further announcement(s) in this regard in accordance with the Listing Rules as and when appropriate.

INFORMATION ON THE TARGET GROUP

The Target Company is a company established in the PRC with limited liability. As at the Latest Practicable Date, the Target Company is owned as to 51% by the Vendor, 46% by Sanchuan Water Supply and 3% by Yingtan Water Supply, respectively. It is principally engaged in the provision of water supply and is the holding company of a number of subsidiaries and associate companies established in the PRC with limited liability.

The following diagram illustrates the simplified shareholding structure of the Target Company and its subsidiaries and associate companies as at the Latest Practicable Date.



(i) Construction services for water supply

Each of Yingtan Xinjiang Water Treatment and Jiangxi Shunda Construction is principally engaged in the installation of water supply facilities; whereas Yingtan Plumbing is principally engaged in the design of water pipeline network.

(ii) Property development

Each of Jiangxi Deyin Industrial, Jiangxi Yuehe Property, Yingtan Xiang Rui Property, Yugan San Hai Property and Jiangxi Hanhe Enterprise is principally engaged in property development.

Jiangxi Deyin Industrial owns two pieces of land in the east of Jinqi Road and Dongsan Road, Zhongtong Town, Yujiang District, Jiangxi Province, the PRC, respectively, with a total site area of approximately 88,648 square metres, which are yet to be developed as at the Latest Practicable Date.

Jiangxi Yuehe Property owns one piece of land in the east of Gai Zao Yu Ting Avenue, south of Siya Road B18-03, Shanty Town, Yugan County, Shangrao City, Jiangxi Province, the PRC, with a total site area of approximately 10,076 square metres, which is under construction as at the Latest Practicable Date, for the development and construction of residential and commercial properties under the Sanshui California Sunshine Real Estate Project. As at the Latest Practicable Date, the Group has launched the Sanshui California Sunshine Real Estate Project for pre-sale and the construction of the main buildings for the Sanshui California Sunshine Real Estate Project has been completed.

Yingtan Xiang Rui Property constructed the properties namely Yu Jing No. 1 located at No. 8 Xinjiang North Road, Xinjiang New District, Yingtan City, Jiangxi Province, the PRC, which are entirely owned by the Target Company, and were completed in July 2017 with a total saleable area of 35,370 square metres. The pre-sales of the project commenced in October 2014.

Yugan San Hai Property owns two pieces of land in the western part of Yugan County, south of Century Avenue, east of Xiwu Road, and west of production and living land of Yanxi Village, Yugan County, Shangrao City, Jiangxi Province, the PRC, with a total site area of approximately 68,449 square metres, which is yet to be developed as at the Latest Practicable Date, for the development and construction of residential and commercial properties under the Sanshui Jinlin House Project. As at the Latest Practicable Date, the Group has launched the Sanshui Jinlin House Project for pre-sale and phase 1 of pile foundation work for Sanshui Jinlin House has been completed.

Jiangxi Hanhe Enterprise owns one piece of land in the east of Gai Zao Yu Ting Avenue, north of Century Avenue B18-02, Shanty Town, Yugan County, Shangrao City, Jiangxi Province, the PRC, with a total site area of approximately 30,742 square metres, which is under construction as at the Latest Practicable Date, for the development and construction of residential and commercial properties under the Sanshui Guobinfu Project. As at the Latest Practicable Date, the Group has launched the Sanshui Guobinfu Project for pre-sale and the construction of the main buildings for Sanshui Guobinfu Project has been completed.

(iii) Other businesses

Zhongkuang Construction is principally engaged in construction works. Yingtan Hongzhu Trading is principally engaged in the trading of construction materials, office supplies, mechanical equipment and electronic equipment. Yingtan Hongji Construction is principally engaged in the sale of construction materials.

Yu Jiang Hui Min is principally engaged in money lending business.

Financial information of the Target Group

Set out below is the financial information of the Target Group based on the audited consolidated financial statements of the Target Group for the two years ended 31 December 2018 and 2019 and the unaudited consolidated financial statements of the Target Group for the six months ended 30 June 2020:

	For the year ended 31 December 2018	**For the year ended 31 December 2019**	**For the six months ended 30 June 2020**
	RMB'000 (audited)	*RMB'000* (audited)	*RMB'000* (unaudited)
Revenue	137,951	200,659	89,450
Profit before taxation	67,739	86,201	43,636
Profit after taxation	47,535	55,561	30,676

The total assets, total liabilities and net assets of the Target Group as at 30 June 2020 according to its unaudited consolidated financial statements were approximately RMB1,651,462,000 (equivalent to approximately HK$1,959,955,100), approximately RMB1,142,853,000 (equivalent to approximately HK$1,356,337,900) and approximately RMB508,609,000 (equivalent to approximately HK$603,617,200), respectively.

INFORMATION ON THE PURCHASER

The Purchaser is a company established in the PRC with limited liability and is principally engaged in machinery manufacturing and trading of building materials and chemicals. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is owned as to approximately 40.86% by Mr. Li Jianlin, approximately 20.60% by Mr. Tong Baohua, approximately 16.87% by Mr. Li Qiangju, approximately 6.72% by Mr. Yan Guoyong and below 5% for each of the other 18 individuals as at the Latest Practicable Date.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, the Target Company will cease to be a subsidiary of the Company, and the financial information of the Target Group will cease to be consolidated into the consolidated financial statements of the Group. The Group is expected to record an unaudited gain on the Disposal of approximately RMB4,290,000 (equivalent to approximately HK$5,092,000). Such unaudited gain is estimated based on the gross proceeds from the Disposal of RMB120,000,000 (equivalent to approximately HK$142,416,000) less 20% of the net asset value of the Target Group of approximately RMB101,722,000 (equivalent to approximately HK$120,724,000) as at 30 June 2020, and after deducting (i) translation reserves of approximately RMB1,308,000 (equivalent to approximately HK$1,552,000) and (ii) the expenses directly attributable to the Disposal in aggregate of approximately RMB12,680,000 (equivalent to approximately HK$15,048,000).

The remaining 31% equity interest of the Target Company will be reclassified as embedded financial instruments and stated at fair value of approximately RMB193.28 million (equivalent to approximately HK$229.38 million). The valuation of Put Option embedded with the financial instruments was based on the average-strike Put Option model and considered the Company's expected volatility. The fair value gain from the above-mentioned embedded derivative is approximately RMB9.62 million (equivalent to approximately HK$11.42 million).

It is expected that the unaudited consolidated total assets and total liabilities of the Group would be decreased by approximately HK$1,590 million and HK$1,334 million respectively upon Completion. The remaining 31% of equity interest of the Target Company was recorded as a portion of the unaudited net asset value as at 30 June 2020, assuming that the Disposal completed on 30 June 2020. Any adjustment related to the valuation of financial instruments and fair value change on the Put Option were not included.

The actual financial effect to be recorded by the Group as at the date of Completion may be different from the amount as mentioned above, and will be subject to review and final audit by the auditors of the Company.

The net proceeds from the Disposal, after deducting the expenses directly attributable thereto, will amount to approximately RMB107,320,000 (equivalent to approximately HK$127,368,000). It is intended that the net proceeds will be used for the repayment of the bonds issued by the Company and the interests accrued thereon.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in (i) provision of water supply, sewage treatment and construction services; (ii) exploitation and sale of renewable energy in the PRC; and (iii) property investment and development. The Vendor is an indirect wholly-owned subsidiary of the Group, and is principally engaged in investment holding.

The Board believes that the Disposal would allow the Group to realise the investment in the Target Group and to better allocate its resources for the development of its existing business and/or investments in other business opportunities. Further, the net proceeds from the Disposal will make a positive contribution to the cashflow of the Group and it is intended that the net proceeds will be used for the repayment of bonds issued by the Company and the interests accrued thereon. Thus, the Board considers that the Disposal shall enable the Company to lower its financing costs and improve the liquidity and overall financial position of the Group.

With regard to the aforementioned, the Directors (including the independent non-executive Directors) believe that the terms of the Disposal (including the Consideration) are on normal commercial terms, fair and reasonable, and the Disposal is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Purchaser is the controlling shareholder of Sanchuan Intelligence Technology, which in turn is the holding company of Sanchuan Water Supply as at the Latest Practicable Date. As Sanchuan Water Supply is a substantial shareholder of the Target Company as at the Latest Practicable Date, the Purchaser is thus a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. In light of the fact that the Disposal has been approved by the Board and the independent non-executive Directors have confirmed that the terms of the Equity Transfer Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the entering into of the Equity Transfer Agreement constitutes a connected transaction which is subject to reporting and announcement requirements but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Disposal is more than 25% but all percentage ratios are less than 75%, the entering into of the Equity Transfer Agreement constitutes a major transaction on the part of the Company under the Listing Rules, and are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

None of the Directors has material interest in the Disposal and hence no Director is required to abstain from voting on the relevant resolution(s) of the Board approving the Equity Transfer Agreement and the transactions contemplated thereunder.

EGM

The EGM will be convened and held at Room 13, 7/F., Nexxus Building, 77 Des Voeux Road Central, Central, Hong Kong on Wednesday, 10 February 2021 at 9:30 a.m. for the Shareholders to consider and, if thought fit, to approve the Equity Transfer Agreement and the transactions contemplated thereunder. A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular.

The voting in respect of the Disposal at the EGM will be conducted by way of poll. To the best of the information, knowledge and belief of the Directors having made all such reasonable enquiries, no Shareholder or any of their associates has any material interest in the Equity Transfer Agreement and the transactions contemplated thereunder, and thus no Shareholder is required to abstain from voting on the relevant resolution(s) to approve the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the EGM or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting thereof (as the case may be) should you so desire.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon its ultimate beneficial owners and their respective associates; and (ii) no obligation or entitlement of its ultimate beneficial owners and their respective associates as at the Latest Practicable Date, whereby it or he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its or his Shares to a third party, either generally or on a case-by-case basis.

RECOMMENDATION

The Board considers that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Completion is subject to the fulfillment of the conditions precedent set out in the Equity Transfer Agreement and therefore the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

Yours faithfully,
For and on behalf of the Board
China Water Industry Group Limited
Mr. Lin Yue Hui
Chairman and Chief Executive Officer

I. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 are disclosed in the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019 and the interim report of the Company for the six months ended 30 June 2020, respectively, and there was no qualified audit opinion expressed on the consolidated financial statements of the Group for the three years ended 31 December 2017, 2018 and 2019.

The said annual reports and interim report of the Group are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chinawaterind.com):

- annual report of the Company for the year ended 31 December 2017 published on 27 April 2018 (pages 112 to 248) (hyperlinks: https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn201804271390.pdf);

- annual report of the Company for the year ended 31 December 2018 published on 29 April 2019 (pages 123 to 280) (hyperlinks: https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904291056.pdf);

- annual report of the Company for the year ended 31 December 2019 published on 12 May 2020 (pages 133 to 280) (hyperlinks: https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0512/2020051200906.pdf); and

- interim report of the Company for the six months ended 30 June 2020 published on 24 September 2020 (pages 4 to 28) (hyperlinks: https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0924/2020092401174.pdf).

II. INDEBTEDNESS STATEMENT

At the close of business on 30 November 2020, being the latest practicable date for the purpose of ascertaining this indebtedness statement prior to the date of this circular, the Group had total borrowings of approximately HK$1,224.8 million, which comprised the following:

(i) interest-bearing, unsecured other loan of approximately HK$749.3 million;

(ii) Interest bearing, secured other loan of approximately HK$5.9 million;

(iii) interest-free, unsecured other loan of approximately HK$22.8 million;

(iv) interest-bearing, guaranteed, secured bank borrowings of approximately HK$129.5 million *(note 1)*;

(v) interest-bearing, guaranteed, unsecured bank borrowings of approximately HK$16.3 million;

(vi) interest-bearing, unguaranteed, unsecured bank borrowings of approximately HK$5.9 million;

(vii) guaranteed, secured lease liabilities of approximately HK$251.8 million *(note 2)*;

(viii) secured lease liabilities of approximately HK$12.0 million *(note 3)*;

(ix) guaranteed, unsecured lease liabilities of approximately HK$23.2 million; and

(x) lease labilities of approximately HK$8.1 million related to the leases which were previously classified as operating leases under HKAS 17.

Notes:

1. The secured bank borrowings were secured by (i) property plant and equipment of approximately HK$145.2 million; (ii) a contractual right to receive the revenue generated by certain subsidiaries of the Company; (iii) right-of-use-assets of approximately HK$70.9 million; and (iv) a 100% of equity interest of certain subsidiaries of the Company.

2. The lease liabilities were secured by (i) right-of-use assets of approximately HK$96.5 million; (ii) a contractual right to receive the revenue generated by certain subsidiaries of the Company; and (iii) a 100% of equity interest of certain subsidiaries of the Company.

3. The lease liabilities were secured by (i) right-of-use assets of approximately HK$11.4 million; and (ii) a 100% of equity interest of certain subsidiaries of the Company.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as of 30 November 2020, being the latest practicable date for determining indebtedness, the Group did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments or guarantees or other material contingent liabilities, nor any authorised or otherwise created but unissued debt securities.

III. WORKING CAPITAL

The Directors confirm that, after due and careful enquiry and taking into consideration the financial resources available to the Group, including banking facilities and other internal resources, the Group has sufficient working capital for at least the next 12 months commencing from the date of this circular.

IV. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

V. FINANCIAL AND TRADING PROSPECTS

After experiencing the "First Policy Year" in 2015, the sky-rocketing industrial development in 2016, the critical point of the "13th Five-year Plan" in 2017 and the immense change of the environmental protection development from 2018 to 2019, the "Decision" of the Fourth Plenary Session of the 19th National People's Congress of the Communist Party expressly specified the "implementation of the philosophy of lucid waters and lush mountains being invaluable assets, and persistence in the basic national policy of resources conservation and environmental protection". 2019 was a critical year for "determination to fight the battle of pollution prevention and treatment" and also the year of formulating the "framework of modern environmental treatment system". Along with the transition from "point" to "surface" of environmental treatment and the progression from single project treatment to large scale project treatment, the mass monitoring layout of water, land, solid waste and exhaust was formed. In the new layout, the environmental protection industry entered an era of comprehensive and in-depth cultivation of policy from the era of policy seeding. At the National Financial Work Conference in 2019, it was explicitly mentioned to enhance the investment in environmental protection and put further focus on three environmental protection battles, namely blue sky, clear water and clean land. In the future, the investment in environmental protection will keep growing. Currently, the investment in the solid waste treatment industry accounts for less than 15% of the overall investment in the environmental industry in the PRC. Consolidating the development prospect of the solid waste industry, the industry and market prospects are still promising whether it is for demands for storage or demands for volume increase. Under the general strategy of national environmental treatment, the period where traditional water businesses are driven by capital scale is over. The construction of "smart water business" that aims to manage the maximum utilization of water and the effective usage of water is the most important goal for the current water management work. The return of water service era and the arrival of smart water business have a significant meaning for the actualization of sustainable urban development and enhancement of comprehensive urban competitiveness.

Business Review

The Group has the following major business activities during the year ended 31 December 2019:

I. Results of Water Sector Exceeding the Expected Growth while Business Development Entered a New Stage

Each company of the water sector maintained safe production throughout the year. As the Group unremittingly fulfil the responsibility of ensuring safe water for the use by residents, the Group conscientiously provides services at the front-line of urban water supply and sewage treatment. In 2019, all companies not only overachieved the performance target for the beginning of the year, but also continued to improve the service philosophy on the existing basis and enhanced the use of intelligent water services while implementing business diversification, thereby enabling the overall business of the water sector to enter a new stage. Yingtan Water Supply Group Co., Ltd. ("Yingtan Water Supply") successfully took over Yingtan Railway Water Plant (鷹潭鐵路水廠) and adopted a new safe water supply system, "Three Plants Linkage"(三廠聯動). With the total water supply volume increased from 7,000 tons/day to 15,000 tons/day and the expansion items of water quality inspection stations being 69, the water quality inspection capability was enhanced effectively. The Group widely promoted NB-IOT smart water meters, while cooperating with Hangzhou Guode Company* (杭州國德公司) to develop the "one picture (一張圖)" dispatching and controlling system. The upgrade of 6,000 smart water meters was completed, which basically actualized a full coverage of intellectualization of water meters below DN20. The upgrade of large diameter smart water meters with DN40 and above was initiated. It received a supporting fund of RMB1.04 million from the province 03 special projects. Yichun Water Industry Co., Ltd. ("Yichun Water")(宜春水務集團有限公司) has successfully explored new areas of water supply business with substantial breakthroughs in the management of secondary water supply facilities, 11 small communities signing trust agreements and charging water fees from individual users for drinkable water. In September 2019, a water affairs group named "Yichun Water Industry Group Co., Ltd."(宜春水務集團) was established, with Yichun Water Industry Co., Ltd as the parent company. At the same time, in the "Report on the Evaluation of the Business Environment of Yichun City and the Work Evaluation of 'Assessment of Authorities and Positions' by Enterprises and the Public in 2019"(《關於2019年宜春市營商環境評價暨企業、群眾「評機關、評崗位」工作評議情況的通報》) issued by the Office of the People's Government of Yichun City, it acquired the first place of the responsible units (service sector) for optimizing the business environment of the whole city. Yichun Fangke Sewage Treatment Company Limited* ("Yichun Fangke")(宜春市方科污水處理有限公司) successfully signed a BOT concession right supplementary contract with the local government. The construction for upgrading, reconstruction and capacity expansion projects of the sewage treatment plants in the town center for domestic sewage was completed smoothly, and was inspected and put into operation with sewage treatment volume of 140,000 tons/day and the effluent quality reaching the National Class IA Standard. Moreover, we applied

for the national special environmental protection funds of RMB16 million and local special loans of RMB20 million in 2019 to alleviate the financial pressure on the construction of upgrading and capacity expansion projects and ensure the financial stability of the Company. The construction of engineering projects of Linyi Fenghuang Water Industry Co. Ltd. developed rapidly, attaining new highs in operating income. The major engineering and facility installment of Jinxiang sewage treatment projects of Jining City Haisheng Water Treatment Company Limited* ("Jining Haisheng")(濟寧市海晟水務有限公司) had all been commissioned and were waiting for inspection. Jining City Haiyuan Water Treatment Company Ltd.* ("Jining Haiyuan")(濟寧市海源水務有限公司) and Foshan City Gaoming Huaxin Sewage Treatment Company Ltd.* ("Foshan Gaoming")(佛山市高明區華信污水處理有限公司) optimized the treatment techniques which could complete the sewage treatment with the same quality and quantity and lowered costs, and ensure the effluent can meet the quality standards 100%.

II. The results of new eco-energy segment reaching new highs and strong combination of strategic cooperation and internal driving force

The new eco-energy segment achieved transcendental development. The on-grid power generation of New China Water (Nanjing) Renewable Resources Investment Company Limited* ("New China Water (Nanjing)")(新中水(南京)再生資源投資有限公司) and its subsidiaries (collectively, "New China Water Group") was 708 million kWh, representing a year-on-year growth of 24.32%, and the results reached a historical high. In the first half of 2019, the development of 3 projects, namely, Lingao Hainan, Gaizhou Liaoning and Lianyuan Hunan, was completed, and 6 projects, namely Hainan Sanya, Hubei Anlu, Shandong Laizhou, Liaoning Haicheng, Dongyang Project and Guangzhou Huadu, commenced operation with newly added power generation totaling 18MW. As of the end of December 2019, New China Water Group had a total of 37 domestic waste landfill gas resource utilization projects with a total designed power generation installed capacity of 147.8MW, maintaining its industrial leading position.

In 2019, New China Water Group explored potentials internally and externally while reducing costs and enhancing efficiency. Financial leases such as Qianhai Xingbang(前海興邦), Ping An Leasing(平安租賃), Agricultural Bank of China, Jiangsu Financial Leasing(江蘇金融租賃), Hitachi (China)(日立中國), etc. were introduced and a strategic cooperation with BOC & UTRUST(中銀粵財) was reached, which provided positive capital cycle for the project development. In respect of internal management, point-to-point revitalization of idle equipment and promotion of unified procurement of frequently-used machine parts and fuel for the project were carried out, and they established their own drilling teams and a pre-processing equipment system, which substantially reduced the expenditure for equipment of new construction projects, procurement unit cost and construction costs.

III. City-industry integration segment leaping in terms of breakthrough and growth speed

As a cluster area for the space big data industry, Nanjing Space Big Data Industry Base（南京空間大數據產業基地）project pioneered the introduction of park management service platform and actualized efficient and scientific management of the intellectual park through the informatized management on the platform. The subject constructions of projects in December 2019 all reached the cap with marketing and sales target achievement rate reaching 112% and return target achievement rate reaching 81.5%.

In addition, the businesses of Zhongkuang Construction Group Co. Ltd ("Zhongkuang Group"), Yingtan City Hongzhu Trading Co. Limited ("Hongzhu Trading"), and Yingtan Xiang Rui Property Limited* ("Xiang Rui Property")（鷹潭祥瑞置業有限公司）under Yingtan Water Supply Group made steady progress with stable growth of business results throughout the year. In which, Zhongkuang Group changed from the original joint venture development model to self-operation model and acquired remarkable results. Xiang Rui Property successfully upgraded from Class 4 to Class 3 of Qualifications of Property Developers, laying a solid foundation for the real estate business of the company. In April 2019, Yingtan Water Supply Group invested in the development and construction of 2 real estate projects in Yugan County, namely Sanshui Guobinfu Project and Sanshui California Sunshine Project. In merely 8 months, the real estate business team in Yingtan demonstrated their efficiency and professionalism from land bidding and construction to sales and return. Sanshui Guobinfu Project and Sanshui California Sunshine Real Estate Project in Yugan County achieved the stage operation targets with satisfying sales results. As of the end of December 2019, sell-through rate and return ratio both exceeded 70%.

Outlook and future plans

During Spring Festival in 2020, novel coronavirus pneumonia ("COVID-19") epidemic spread rapidly across the Greater China area. The central government and the local government waged an epidemic prevention battle racing against time. The Ministry of Ecology and Environment successively published relevant policy documents in respond to this epidemic. The epidemic imposed a greater challenge on the international situation which was rather unpromising to begin with, and caused impact on the PRC. Enterprises in the environmental protection industry also encountered new challenges. To proactively respond to the requirements of national and local government policies, the Group thoroughly implemented the epidemic prevention mechanism and adhered to the principle of ensuring the safety and health of all employees to the maximum extent by adjusting the timeline of work resumption, making early preparation work for production resumption, reasonably arranging employees to take leaves or work from home, and endeavoring to safeguard the stable development of three major business segments, namely water service, new eco-energy and city-industry integration, in order to minimize the impact of the epidemic on the Group's business and thereby ensure normal operation. We believe that opportunities lie within the crisis. As long as we persist in our fundamental conception with unwavering determination, we can eventually triumph in this battle. To continue the Group's development, the following future plans will continue to be implemented:

1. Expanding along the upstream and downstream of industrial chain and moving towards the new era of the water supply industry

The water supply segment, as a public utility, is a policy-oriented industry. Currently, the development of water supply industry tends to be saturated, and the management system of water resources is strict. The industry has entered into a stage of stable development. Driven by the acceleration of urbanization, the total volume of sewage discharge has been increasing every year, and the sewage treatment industry has entered into a stage of rapid growth. In the face of challenges, the traditional operation model of water supply proactively expands along the upstream and downstream of industrial chain. The realization of strategic corporate transformation is the only way to move towards the new era of the water supply industry.

(a) To strongly support the companies in the water supply segment to develop industries other than their principal activities, and to strengthen the construction of the reconstruction works of water supply pipeline network and related ancillary works for water supply and water connection projects;

(b) To continue the implementation of smart water service, to apply a series of smart water supply facilities such as smart water meter, smart manhole cover, smart fire hydrant, smart pump room, etc., and to realize district metering of water supply and implementation of online business. In reliance on the "One Picture (一張圖)" dispatching system which was launched online, to actualize the establishment of the education base for smart water supply service jointly by Yingtan Water Supply and Sanchuan Wisdom (三川智慧);

(c) In recent years, under the State's "One belt, One road" initiative and the establishment of various cooperation mechanisms on the national level, we also identify the immense market potentials in the water supply industry. While keeping its foothold of existing smart water service technologies and maintaining international perspective, the Group will deeply explore the market demand for water treatment in the various countries along the route and keep making innovations. To strive for its slice of "cake" in the trend of international production capacity cooperation, the Group utilized its extensive experience in management and implementation of overseas projects in order to develop in a win-win situation.

2. Consolidating existing business resources and steadily promoting overseas environmental protection business

In recent years, the overall direction of the relevant policies launched in the solid waste industry revolves around the "three actions" principle, namely, reduction of volume, recycling of resources and harmless treatment, which specify the direction of the acceleration of marketization. Currently, the volume of solid waste generation remains high, and there is still a relatively large gap for the treatment of general industrial solid wastes, hazardous wastes and municipal household wastes, and thus the future of the solid waste industry will remain prosperous.

(a) Consolidating and developing the existing domestic business resources and steadily promoting overseas environmental protection business;

(b) Keeping its foothold in environmental protection and exploring other businesses in the environmental protection industry in order to expand its scope of business;

(c) Broadening the financing channels while introducing new strategic investments.

3. Sustaining city-industry integration development and exploring the value of urban spaces

In the present, the city-industry integration model, which takes the city as the carrier and industry as the safeguarding basis, has gained growing concern. City-industry integration does not only drive the value enhancement of urban spaces but also provides new ideas for coordination development of industry, city and residents.

(a) To speed up subsequent business promotion and sales works of the Nanjing Space Big Data Industry Base project;

(b) By gathering its institutional advantages, Zhongkuang Group devotes great effort to develop markets in Guangdong-Hong Kong-Macau Greater Bay Area. It plans to undertake at least 2 influential engineering projects in Nanchang and Northeast Jiangxi area in order to achieve breakthrough progress; build a team of outstanding contractors, project managers and quality suppliers and formulate preferential policies for joining the team in order to attract more construction talents to join the Company; continue to strengthen the development of self-employed model to carry out the project co-investment model for the core management personnel of the Company in order to renew and expand the ways of self-employment and achieve flexibility and diversity;

(c) To complete the construction of Yugan Sanshui Guobinfu Project and Sanshui California Sunshine Project, to actualize the refund delivery of all properties and shops; to facilitate the smooth progress of the construction of Sanshui Jinlin House（三水金麟府）Project. Based on the successful examples of real estate projects in Yugan, to foster the development and investments of real estate projects in surrounding counties and towns in order to stimulate the vitality of urban industries, enhance city function and improve living environment.

Looking at 2020, the nationwide suspension of work and production due to the COVID-19 outbreak has inevitably caused delays to some extent in the Group's launch of new properties and its commencement and completion plans. In view of tremendous risks inside and outside China, increased external uncertainties and destabilising factors, there was a downward pressure on the property market. However, with the support of reasonable monetary easing and proactive fiscal policies by the Chinese government, it is believed that the great resilience in China's economy will enable China to step out of the trough caused by the COVID-19. Pursuant to the government policy, the Group has adjusted its project launch strategy, shifting away from centralized sales launch model. At the same time, the Group has made proactive preparations for adversity in light of the current conditions by organizing multiple forms of online marketing, including live streaming, proprietary sales platform, WeChat mini program, mobile app, and major third-party platforms to facilitate its consumers' housing transaction. When the impact of the COVID-19 is gradually eliminated according to the current good trend, it is expected that the property market should stabilize in 2020.

4. Actively explore more financing channels for further expansion Group's core businesses

To ensure the sustainable development of the Group and fulfil the capital demands during the development, the Group took the initiative to expand its financing channels and enhanced its funding capability including but not limited to issue of new bonds, issue of new shares, loans financing with various domestic and international commercial banks so as to make well preparation for the future development of our projects. The Group managed to maintain a healthy financial condition with a reasonable gearing ratio.

The Group will always be committed to achieving its business philosophy of "gaining government's confidence, citizens' satisfaction, shareholders' recognition and staffs' contentment". 2020 was no doubt a challenging year but with the Group's solid financial position and diversified income streams, the Group is full of confidence to overcome difficulties and steadily develop its three major businesses in water supply, new eco-energy and city-industry integration. Meanwhile, it will proactively develop other businesses in the upstream and downstream of water supply and environmental protection industries as well as overseas businesses in order to optimize its strength and expand its scale and to break new ground for the Group. The Board will continue to adopt a prudent approach in implementing the Group's stated strategies for the benefit of the Group and its Shareholders.

The following is the text of a report received from AVISTA Valuation Advisory Limited an independent valuer, in connection with the valuation as at 30 September 2020 of the fair value of the entire equity interest of the Target Company, for inclusion in this circular.

AVISTA Valuation Advisory
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25 January 2021

The Board of Directors
China Water Industry Group Limited
Room 1207, 12/F., West Tower, Shun Tak Centre,
168-200 Connaught Road Centra, Sheung Wan, Hong Kong

Dear Sirs/Madams,

Re: Valuation of 100% Equity Interests in Yingtan Water Supply Group Company Limited

In accordance with your instructions, AVISTA Valuation Advisory Limited ("**AVISTA**" or "**we**") has conducted a valuation of the 100% equity interests in Yingtan Water Supply Group Co., Ltd ("**Yingtan Water Supply**" or the "**Target Company**") as of 30 September 2020 (the "**Valuation Date**"). We understand that China Water Industry Group Limited (the "**Company**", "**China Water**" or "**you**", together with its subsidiaries, the "**Group**") intends to enter into an equity transfer agreement with Jiangxi Sanchuan Group Company Limited (the "**Purchaser**") to sell 20% equity interest of the Target Company to the Purchaser (the "**Proposed Disposal**").

It is our understanding that this appraisal is strictly addressed to the directors of the Company (the "**Directors**") and used for the Proposed Disposal solely for your internal reference purpose. This report (the "**Report**") does not constitute an opinion on the commercial merits and structure of the Proposed Disposal. We are not responsible for unauthorized use of the Report.

We accept no responsibility for the realisation and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this Report. We assumed that financial and other information provided to us are accurate and complete.

This Report presents the summary of the business appraised, describes the basis of analysis and assumptions and explains the analysis methodology adopted in this appraisal process to calculate the value.

BASIS OF ANALYSIS

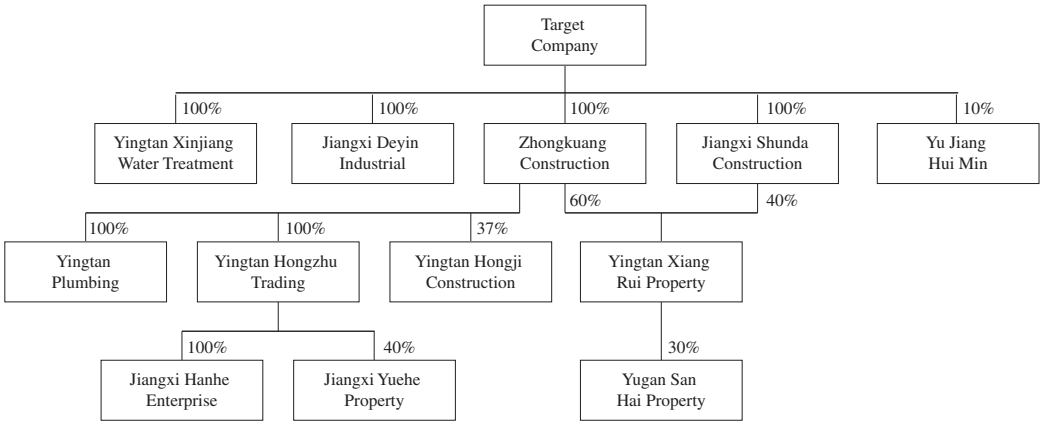
We have appraised the fair value of the 100% equity interests of the Target Company.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

TRANSACTION BACKGROUND

The Group is principally engaged in (i) provision of water supply, sewage treatment and construction services; (ii) exploitation and sale of renewable energy; and (iii) property investment and development in the People's Republic of China (the "**PRC**").

Yingtan Water Supply is a company established in the PRC with limited liability. In 2008, China Water entered into a joint venture agreement with a state-owned enterprise to set up Yingtan Water Supply and provide water supply and related installation and construction services to local citizens for 30 years. The following diagram illustrates the simplified shareholding structure of the Target Company and its subsidiaries and associate companies as of the Valuation Date.



(i) Water Supply and Construction Segment

The water supply and construction segment (the "**Water Supply and Construction Segment**") engages in provision of water supply and construction of water supply infrastructure in the PRC.

This segment consists of six entities, (i) Yingtan Water Supply mainly engages in the provision of water supply, (ii) Yingtan Xinjiang Water Treatment Engineering Limited ("**Yingtan Xinjiang Water Treatment**") and (iii) Jiangxi Shunda Construction Engineering Limited ("**Jiangxi Shunda Construction**") mainly engage in the installation of water supply facilities, (iv) Yingtan City Plumbing and Drainage Investigation and Design Company Limited ("**Yingtan Plumbing**") mainly engages in the design of water pipeline network, (v) Zhongkuang Construction Group Co., Ltd. ("**Zhongkuang Construction**") and (vi) Yingtan City Hongzhu Trading Co., Limited* ("**Yingtan Hongzhu Trading**") mainly engage in construction services and trading of construction materials.

(ii) Property Development Segment

The property development segment (the "**Property Development Segment**") mainly engages in property development business in the PRC. This segment consists of five entities, namely (i) Jiangxi Deyin Industrial Co., Ltd ("**Jiangxi Deyin Industrial**"), (ii) Yingtan Xiang Rui Property Limited ("**Yingtan Xiang Rui Property**"), (iii) Jiangxi Yuehe Property Company Limited ("**Jiangxi Yuehe Property**"), (vi) Yugan San Hai Property Limited ("**Yugan San Hai Property**") and (v) Jiangxi Hanhe Enterprise Development Co., Ltd ("**Jiangxi Hanhe Enterprise**").

(iii) Other Business Segment

The other business segment (the "**Other Business Segment**") consists of two entities, (i) Yingtan Hongji Construction Materials Technology Limited ("**Yingtan Hongji Construction**") mainly engages in the sale of construction materials and (ii) Yu Jiang Hui Min Small-Sum Loan Company Limited ("**Yu Jiang Hui Min**") mainly engages in money lending business.

We understand that the Company intends to enter into an equity transfer agreement with the Purchaser, in which 20% equity interest of the Target Company will be sold to the Purchaser.

The Proposed Disposal constitutes a connected transaction for the Company and is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A.101 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

As such, the Company engaged us as an independent valuer to assess the fair value of the 100% equity interest of the Target Company as of the Valuation Date.

SCOPE OF WORK

In conducting this valuation exercise, we have

- Co-ordinated with the Company's representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Target Company, including the legal documents, financial statements, etc. made available to us;
- Discussed with the Company and the Target Company to understand the history, business model, operations, business development plan, etc. of the Target Company for valuation purpose;
- Carried out researches in the sectors concerned and collected relevant market data from reliable sources for analysis;
- Studied the information of the Target Company made available to us and considered the bases and assumptions of our conclusion of value;
- Selected an appropriate valuation method to analyze the market data and derived the estimated fair value of the Target Company; and
- Compiled this Report on the valuation, which outlines our findings, valuation methodologies and assumptions and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should have been provided to us. We relied on such data, records and documents in arriving at our opinion of values and had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Target Company and their authorized representatives.

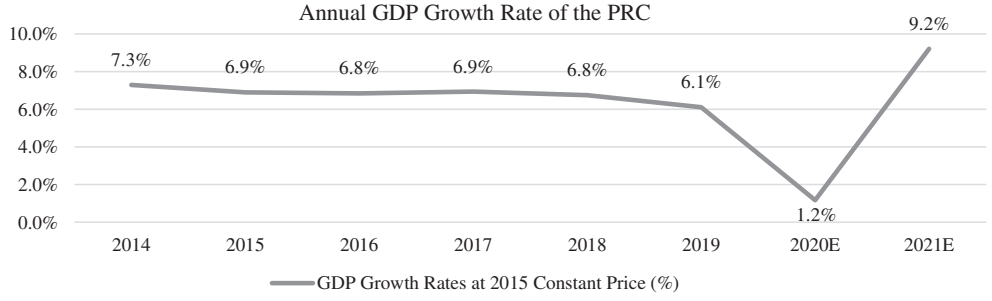
ECONOMIC OVERVIEW

Overview of the PRC economy

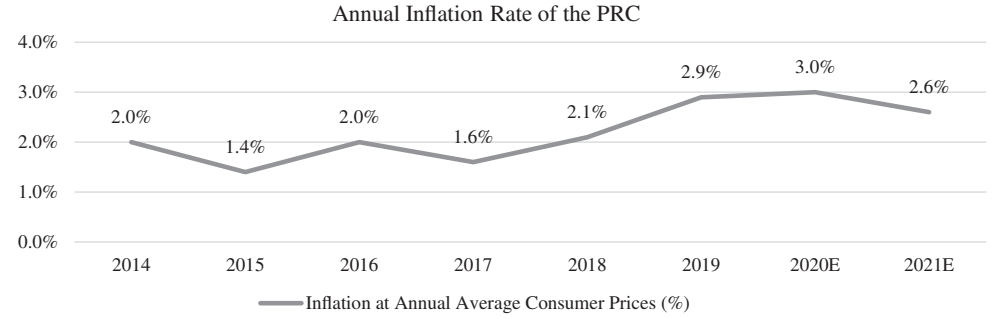
The PRC is the second-largest economy in the world in 2019, with an annual gross domestic product ("**GDP**") of USD 14,343 billion, according to the World Bank. Despite the increase in GDP, the GDP growth rate of 6.1% in 2019 marked the slowest pace since 1990, due to weak domestic demand and deteriorating external environment. Domestically, industrial output and retail sales are slowing and high levels of debt have begun to weigh on economic performance, according to Economist Intelligence Unit ("**EIU**"). Externally, the Sino-US trade war, global economic slowdown and geopolitical tensions post an uncertain outlook for the PRC.

The PRC's GDP recorded a 6.8% contraction in the first quarter of 2020, primarily due to a severe blow to economic activity in connection with the Coronavirus Disease 2019 (the "**COVID-19**"). As reported by the National Bureau of Statistics of China ("**NBS**") in August 2020, fixed asset investment was down 1.6% year-on-year in July while private sector investment dropped 5.7%; retail sales were down 1.1% year-on-year. Nonetheless, monetary easing such as cutting interest rates and the nominal reserve ratio and fiscal resources through the issuance of bonds to fund public investment have been mobilized. EIU expects the annual GDP to expand by around 1.2 to 2.0%, signalling optimism on a faster-than-expected recovery and policy support. A rebound is expected to follow in 2021, with a GDP growth rate of 9.2%, as forecasted by International Monetary Fund ("**IMF**").

Moving forward, the external conditions are gloomy, notwithstanding that the current account is expected to remain in surplus at an average of 0.8% of GDP in 2020-22. The Sino-US trade war will intensify in the areas of technology, finance, security and investment. In response, trade policy will continue to centre on diversification. Meanwhile, EIU expects services imports to contract by 32.9% in 2020 owing to global travel restrictions and health concerns dragging demand for outbound tourism. The value of goods exports will contract by 14% as a result of disruption to global supply chains and demand.



(Source: World Economic Outlook, IMF, April 2020)



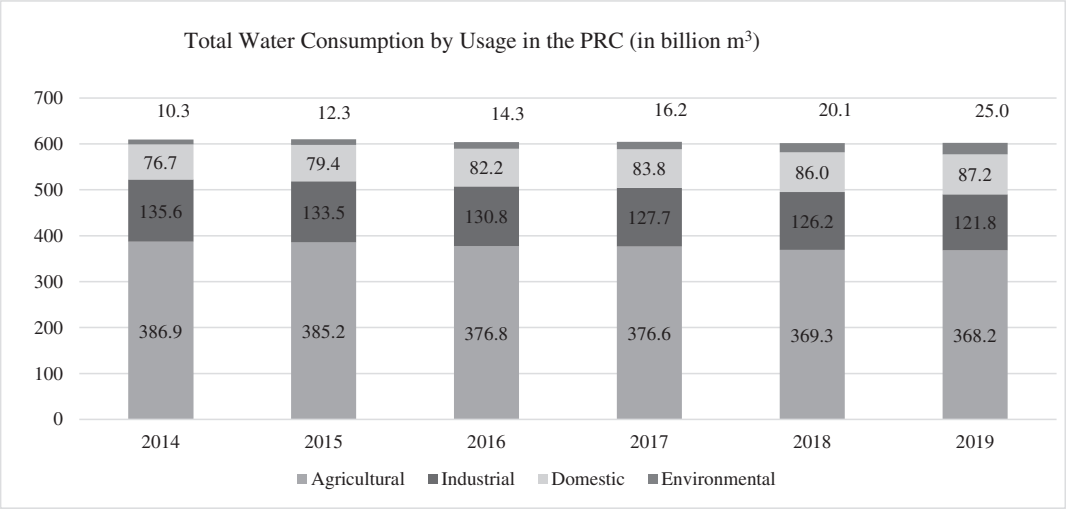
(Source: World Economic Outlook, IMF, April 2020)

Overview of the Water Supply and Construction Industry in the PRC

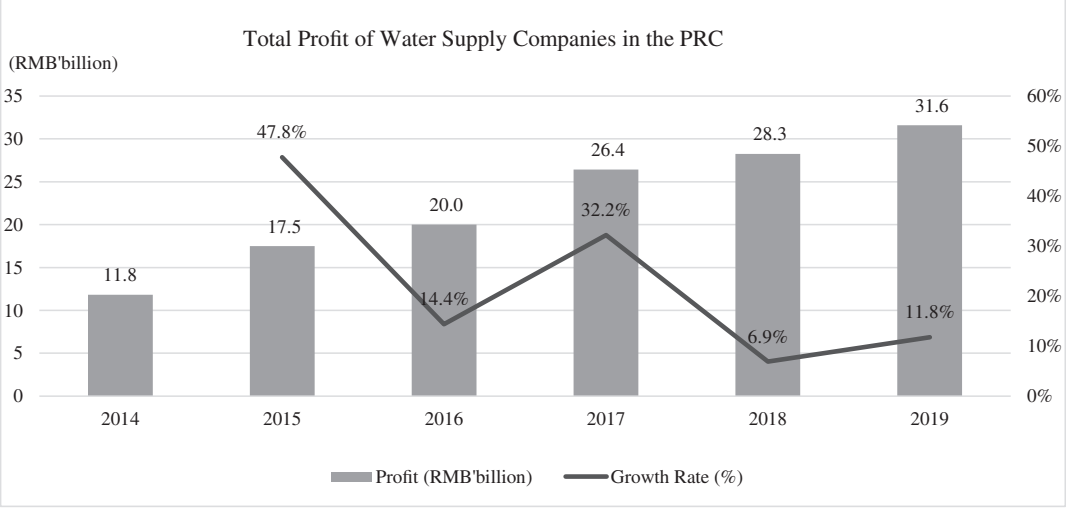
As a result of the execution of substantial water conservancy and construction projects by the PRC government, the PRC has been maintaining a stable water supply in recent years. The agriculture sector, industrial uses, energy production and human consumption are the main areas of water consumption in the PRC. According to the National Bureau of Statistics of China, the total water consumption remained at a range of 601.6 to 610.3 billion cubic meters over the period from 2014 to 2019, in which more than 80% was contributed by the agricultural and industrial sectors in the PRC. Among the water consumption of 602.1 billion cubic meters in 2019, water consumptions in agricultural and industrial activities represent 61.2% and 20.2% of the total water consumption respectively.

With the population growth, economic development and the improvement of the standard of living in the PRC, the government is keen to maintain the stable development of the industry through investment in water conservancy and construction projects. According to the Ministry of Water Resources of the PRC, as of September 2020, the government had confirmed RMB 266.3 billion investment in 13,250 water conservancy and construction projects in 2020. The PRC government plans to invest RMB 1,290 billion in 150 large-scale water conservancy and construction projects over 2020 to 2022, according to the State Council of the PRC. The annual water supply is expected to increase by 42 billion cubic meters after the completion of the projects.

Due to the commercialization and project investment of the water supply industry promoted by the PRC government, many enterprises are now able to operate more independently with private and foreign capital. The water supply industry has witnessed substantial growth in revenue and profit in recent years. According to the National Bureau of Statistics of China, the annual total profit of water supply companies surged from RMB 11.8 billion in 2014 to RMB 31.6 billion in 2019, representing a compound annual growth rate ("**CAGR**") of 21.7% over the period from 2014 to 2019. As of September 2020, the year-to-date total profit of water supply companies has reached RMB 27.3 billion, indicating a 14.1% growth compared to RMB 23.9 billion over the same period in 2019.



(Source: National Bureau of Statistics of China)

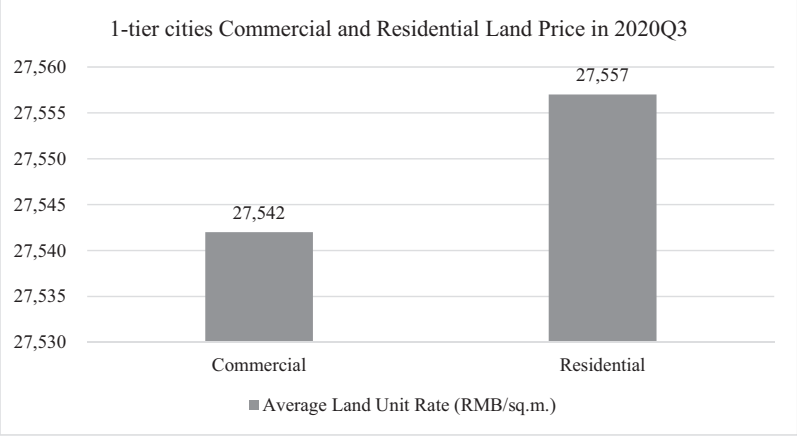


(Source: National Bureau of Statistics of China)

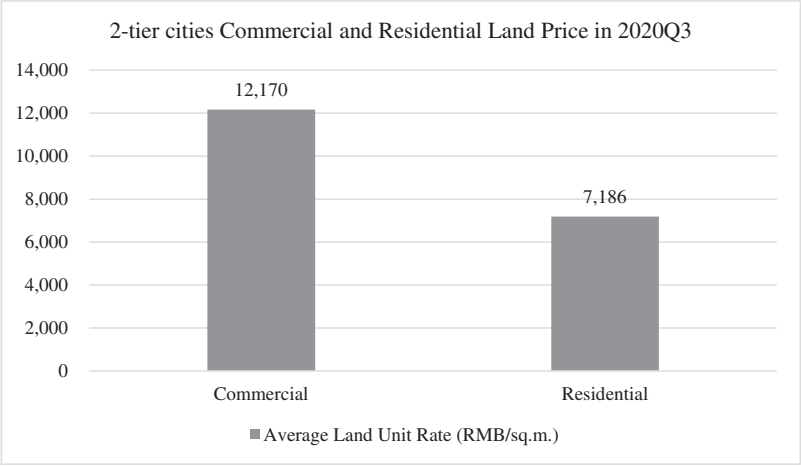
Overview of Property Market in the PRC

According to the monthly data published by the National Bureau of Statistics, the nationwide investment amount in real estate sector was RMB12.95 trillion as of November for the year 2020, a growth of 6.76% y-o-y compared to RMB12.12 trillion as of November 2019. By November 2020, the floor area under construction was 9.02 billion square metres in 2020, an increase of 3.09% y-o-y from 8.75 billion square metres by November 2019. However, the floor area completed declined from 638.46 million square metres as of November 2019 to 591.72 million square metres, which the y-o-y decrease was 7.32%.

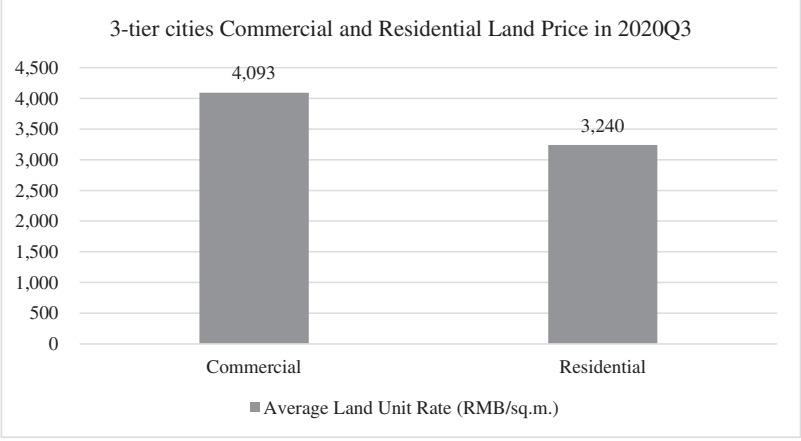
Due to the different development status and extent among various tier cities, the growing trend of their commercial and residential land price are different. According to the property statistics published by the Ministry of Natural Resources of the People's Republic of China, 1-tier cities' residential land price was RMB 27,557 per square metres in 2020Q3, with a growth of 1.02% from previous year; commercial land price was RMB 27,542 per square metres in 2020Q3, with a decline of 1.46% from previous year. 2-tier cities' residential land price was RMB 7,186 per square metres in 2020Q3, with a growth of 3.09% from previous year; commercial land price was RMB 12,170 per square metres in 2020Q3, with a growth of 1.08% from previous year. 3-tier cities' residential land price was RMB 3,240 per square metres in 2020Q3, with a growth of 2.98% from previous year; commercial land price was RMB 4,093 per square metres in 2020Q3, with a decline of 0.27% from previous year.



(Source: Ministry of Natural Resources of the People's Republic of China)



(Source: Ministry of Natural Resources of the People's Republic of China)



(Source: Ministry of Natural Resources of the People's Republic of China)

LIMITATIONS OF THE REPORT

The Report is addressed strictly to the Directors for their internal reference only. Accordingly, the Report may not be used nor relied upon in any other connection by, and are not intended to confer any benefit on, any person (including without limitation to the respective shareholders of the Company and the Target Company).

The Report does not constitute an opinion on the commercial merits and structure of the Proposed Disposal. The Report does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Disposal. We are not required to and have not conducted a comprehensive review of the business, technical, operational, strategic or other commercial risks and merits of the Proposed Disposal and such remain the sole responsibility of the Directors and the management of the Company.

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us in the Report, especially for the financial information of the Target Company and the financial projections of the Water Supply and Construction Segment (the "**Projection**") as of 30 September 2020 provided by the management of the Company (the "**Management**"), whether written or verbal, and no representation or warrant, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

Moreover, our valuation has also relied upon other information obtained from public sources which we believe to be reliable. We accept no responsibility for accuracy and reliability of any information obtained from public sources.

The outbreak of COVID-19, as declared by the World Health Organization as a global pandemic on 11 March 2020, has been adversely affecting the global economy as well as the financial markets. As such, the subsequent impact due to COVID-19 has imposed an unprecedented set of circumstances on which to base a valuation judgement as of the Valuation Date. In particular, the increased volatilities in political, legal, fiscal, economic conditions and/or other market situations as a result of COVID-19 would bring higher uncertainties to the underlying assumptions. Consequently, higher degree of caution should be attached to our valuation than would normally be the case.

VALUATION ASSUMPTIONS OF EQUITY VALUE ANALYSIS

In arriving at our opinion of value, we have considered the following principal factors:

- The Target Company will be operated with the corporate structure and operation model as projected by the Management;
- The financial and operating results of the Target Company;
- The economic outlook in general and the specific economic and competitive elements affecting the Target Company's businesses, their industry and their market;
- The nature and prospects of the industry of the Target Company is operating;
- The market-derived investment returns of entities engaged in a similar line of business and returns from other similar types of business;
- The stage of development of the Target Company's operation; and
- The business risks of the Target Company.

A number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Company;
- There will be no major changes in the current taxation law in the country that the Target Company is operating, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- Exchange rates and interest rates will not differ materially from those presently prevailing;
- The Projection has been prepared on a reasonable basis, reflecting estimates (i.e. assumptions and parameters adopted in the Projection) which have been arrived at after due and careful consideration by the Management;
- The availability of finance will not be a constraint on the forecast growth of the Target Company's operation in accordance with the Projection;

- The Target Company will retain and have competent management, key personnel, and technical staff to support its ongoing operation; and

- Industry trends and market conditions for related industries will not deviate significantly from economic forecasts including but not limit to market relative factors adopted in the discount rate.

GENERAL VALUATION APPROACH

There are three generally accepted approaches to appraise the fair value of the equity interest of the Target Company, namely Income Approach, Asset Based Approach and Market Approach. All three of them have been considered regarding the valuation of the Target Company:

Income Approach	The Income Approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset. The fundamental method for Income Approach is the discounted cash flow ("**DCF**") method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.
Asset Based Approach	The Asset Based Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.
Market Approach	The Market Approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the Market Approach, the comparable company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Selected Valuation Approach

Each of the abovementioned approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

Given that the Target Company has various business segments, the equity value of the Target Company will be arrived at the sum of equity values of different business segments estimated with applicable valuation approach.

VALUATION OF THE WATER SUPPLY AND CONSTRUCTION SEGMENT

In the appraisal of the equity value of the Water Supply and Construction Segment, we applied Income Approach due to the following reasons:

- Asset Based Approach is not appropriate in appraisal as it assumed the assets and liabilities of the segment are separable and can be sold separately. This methodology is more appropriate for the industry that their assets are highly liquid, like property development and financial institution. Thus, Asset Based Approach is not adopted in the valuation of the Water Supply and Construction Segment.

- Fair value arrived from Market Approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Due to the uniqueness of location, and the limited economic lives of the Water Supply and Construction Segment, we have not identified sufficient market transactions or public listed companies directly comparable to this segment.

- Under Income Approach, the value is dependent on the present value of future economic benefits such as cost savings, periodic income, or sale proceeds. This method factors in the specific considerations surrounding the Proposed Disposal, such as the limited economic life and the future substantial cost of construction of water intake facilities, and produces more relevant valuation results. Given Market Approach and Asset Based Approach are not appropriate for valuation of the Water Supply and Construction Segment, and the Management has provided us the Projection, the value derived from Income Approach is considered appropriate for the valuation of this segment.

DCF method of Income Approach was adopted to appraise the fair value of equity value of the Water Supply and Construction Segment. The equity value depends on the present value of future economic benefits to be derived from ownership of the enterprise. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.

Major Assumptions of Equity Value Analysis

To determine the future cash flow derived from the Water Supply and Construction Segment, we relied on the Projection provided by the Management. We have performed high-level analysis and review on the Projection and discussed with the Management about the reasonableness of the Projection. Brief descriptions on major assumptions of the Projection have been shown below:

(1) Projection Period

Projection period was determined based on the contract period of the joint venture agreement, which is 30 years since the setup of Yingtan Water Supply. The projection period covers the entire operation period from the Valuation Date to the end of the agreement term, which is 31 December 2038.

(2) Revenue

Revenue of the Water Supply and Construction Segment mainly comprises of (i) water supply services and (ii) water supply related installation and construction services.

Revenue from water supply services is derived by multiplying the volume of water supply with the water price.

(a) Volume of Water Supply

The volume of water supply is mainly attributed by the demand of local users in Yingtan City. The current daily volume of water supply is around 77,400 tons as of the Valuation Date. The Management expected a 2% annual growth in volume due to the growth in demand. In addition, the designed capacity of the water supply facilities is approximately 150,000 tons per day.

(b) Water Price

As agreed with the provincial government and stated in the water price adjustment agreement as of 26 May 2016, the water price for residential water supply ranges from RMB1.4 to RMB4.2 per ton based on a progressive schedule. For non-residential water supply, the water price is RMB2.1 per ton.

As of the Valuation Date, the average price per ton of water is around RMB1.75. The Management expected a mild growth rate of 2% for the water price in projection period to reflect future potential adjustment in water price.

(3) Revenue from Water Supply related Installation and Construction Services

In exchange for the water supply related installation and construction services performed, including but not limited to water diversion channels, water meters, water distribution networks, the Target Company receives service fees from contract parties. Management estimates the revenue in FY2021 based on the historical level of revenue, and a 2% long-term inflation growth since FY2022.

(4) Cost of Sales

As advised by the Management, the cost of sales of water supply services mainly comprise electricity expense, depreciation and amortization expense, salary expense and repair and maintenance expense. The Management projected estimates a 2% inflation growth in the electricity and salary expenses, while depreciation and amortization were determined based on the projected capital expenditure and the remaining useful life of the related assets. In addition, the repair and maintenance expense is estimated based on the percentage of water supply revenue with reference to the historical level.

The cost of water supply related installation and construction is expected to be 50.3% of related revenue with reference to the historical cost.

(5) Other Income

As advised by the Management, the other income mainly comprise handling fee from government, installation design fee, project management income and income from trading of steel.

(6) Operating Expenses

Operating expenses of the Water Supply and Construction Segment mainly consists of salary expense, depreciation and amortization expense and repairment expense. Depreciation and amortization were determined based on the projected capital expenditure and the remaining useful life of the related assets. Salary expense, repairment and other expenses are based on historical operating expenses with gradual growth due to inflation.

(7) Tax expenses

The Target Company is subject to the PRC corporate income tax rate of 25% per annum.

(8) Capital Expenditure

In February 2019, the Yingtan Municipal Housing and Urban-Rural Development Bureau (the "**Development Bureau**") and the Target Company entered into the agreement pursuant to which the Development Bureau will procure the construction of the water intake facilities and the Target Company shall acquire from the Development Bureau the water intake facilities by installment payments in cash over eight years' time, commencing from the subsequent month after water connection. The consideration shall be the lower of cost of construction or RMB420.0 million. As advised by the Management, the first installment payment will be paid in FY2023 and the remaining installment payments are expected to be paid annually till FY2030.

For the existing fixed assets, the Management considered certain maintenance expenditure and some minor technical upgrade cost to be incurred throughout the projection period.

(9) Working Capital

Working capital of the Water Supply and Construction Segment mainly includes account receivable and contract asset, prepayment, inventory, account payable, receipt in advance, contract liability, income tax payable and salary payable.

Discount Rate

In instances where we have applied the Income Approach to value the equity interests, it is necessary to determine an appropriate discount rate at which to discount the future expected cash flows relating to the business enterprises. The starting point for establishing an appropriate discount rate for the business enterprise value is the cost of capital for the entire business. The Weighted Average Cost of Capital ("**WACC**") represents the weighted average return attributable to all of the capital of the business.

WACC is computed with the below formula:

WACC = Ke * (Eq/IC) + Kd * (D/IC)

Where:

Ke = *Cost of equity*
Eq = *Equity*
IC = *Invested capital (equity plus all interest-bearing debt)*
Kd = *Tax adjusted cost of debt*
D = *Debt*

Cost of Equity

The cost of equity was determined using the Capital Asset Pricing Model ("**CAPM**"). The CAPM considers only systematic risk of a company which is captured by beta. The modified CAPM further incorporates nonsystematic risks which are specific to a company. Non-systematic risks of the Target Company, such as relatively small size and risk of not achieving the expected growth rate, were considered by adding other risk premiums including size premium and company-specific risk premium.

The cost of equity under the modified CAPM was computed using the following formula:

Re = Rf + β * MRP + RPS + RPU

Where:

Re = Cost of equity
Rf = Risk-free rate
β = Beta coefficient
MRP = Market risk premium
RPS = Size premium
RPU = Company-specific risk premium

In computation of the beta coefficient, we have observed the share price movements relative to the respective equity market indices of listed comparable companies.

The comparable public companies are selected with reference to the following selection criteria:

- The principal business of the companies is provision of water supply and related services;
- The principal business activities of the companies are mainly conducted in the PRC;
- The companies are listed in The Stock Exchange of Hong Kong ("**SEHK**") with more than 3 years' listing period; and
- The financial information of the companies is available to the public.

Based on the above selection criteria, we have identified 4 comparable companies listed as follows:

No.	Stock Ticker	Company Name	Brief Description
1	SEHK:855	China Water Affairs Group Limited	China Water Affairs Group Limited, an investment holding company, engages in the water supply, sewage treatment, and property businesses in the People's Republic of China. It operates through City Water Supply Operation and Construction, Environmental Protection, and Property Development and Investment segments. The City Water Supply Operation and Construction segment is involved in the provision of water supply operation and construction services. The Environmental Protection segment engages in the sewage treatment and drainage operation and construction, solid waste and hazardous waste, environmental sanitation, and water environment management businesses. The Property Development and Investment segment develops properties for sale and invests in properties. It is also involved in the development and infrastructure of sightseeing area; provision of water environmental renovation infrastructure; and investment, construction, and operation of water conservation and hydropower related projects, as well as energy conservation and environmental protection and hotel operations. The company was formerly known as China Silver Dragon Group Limited and changed its name to China Water Affairs Group Limited in December 2004. China Water Affairs Group Limited is headquartered in Wan Chai, Hong Kong.

No.	Stock Ticker	Company Name	Brief Description
2	SEHK:1129	China Water Industry Group Limited	China Water Industry Group Limited, an investment holding company, provides water supply and sewage treatment services in the People's Republic of China. The company operates through Provision of Water Supply, Sewage Treatment and Construction Services; Exploitation and Sale of Renewable Energy; and Property Investment and Development segments. It also constructs water supply and sewage treatment infrastructure, including water meter installation, infrastructure and pipeline construction, and repair. In addition, the company is involved in the installation of water supply facilities; and provision of information, environmental and product testing, renewable energy technology development, trading, water pipeline network design, glass recycling, and administrative services. Further, it engages in the exploitation, production, generation, and sale of electricity and compressed natural gas from biogas power plants, as well as purified and drinking systems; and operation of landfill gas power generation plant. The company was formerly known as Sky Hawk Computer Group Limited and changed its name to China Water Industry Group Limited in November 2006. China Water Industry Group Limited is headquartered in Sheung Wan, Hong Kong
3	SEHK:2281	Luzhou Xinglu Water (Group) Co., Ltd.	Luzhou Xinglu Water (Group) Co., Ltd., an integrated municipal water service provider, together with its subsidiaries, engages in the tap water supply and wastewater treatment businesses in China. It also provides tap water supply related installation and maintenance services; and construction and upgrading services related to tap water supply and wastewater treatment infrastructure. The company owns 10 tap water plants with a daily supply capacity of approximately 491,500 tons; and has a total of 9 wastewater treatment plants with an aggregate wastewater treatment capacity of 301,000 tons per day. It serves urban and rural residents, industrial and commercial users, local governments, and other institutions. The company was founded in 1958 and is headquartered in Luzhou, the People's Republic of China. Luzhou Xinglu Water (Group) Co., Ltd. is a subsidiary of Luzhou City Xinglu Investment Group Co., Ltd.

No.	Stock Ticker	Company Name	Brief Description
4	SEHK:1026	Universal Technologies Holdings Limited	Universal Technologies Holdings Limited, an investment holding company, primarily engages in the water supply and related services business in the People's Republic of China and internationally. The company operates through two segments, Water Supply and Related Services; and Properties Investment and Development. The Water Supply and Related Services segment supplies tap water to various districts of Qingyuan City, Guangdong province. The Properties Investment and Development segment develops, leases, and manages land, and commercial and residential properties. The company is also involved in the provision of investment advisory and water quality testing services; and online payment businesses. Universal Technologies Holdings Limited was incorporated in 2001 and is headquartered in Sheung Wan, Hong Kong.

The computation of the Weighted Average Cost of Capital ("**WACC**") is shown as follows:

Parameters	Input as of the Valuation Date	Note
Average Debt-to-Equity Ratio	34.1%	(1)
Proportion of Equity	74.55%	(1)
Proportion of Debt	25.45%	(1)
Unlevered Beta	0.36	(1)
Re-levered Beta	0.45	(2)
Equity Risk Premium	6.26%	(3)
Risk Free Rate	3.10%	(4)
Cost of Equity	5.98%	
Small Size Premium	3.49%	(5)
Company Specific Premium	6.00%	(6)
Cost of Equity Adopted	15.47%	
Cost of Debt	4.90%	(7)
Tax Rate	25.0%	(8)
After-Tax Cost of Debt	3.68%	
WACC	12.5%	

Notes:

(1) It is derived based on the selected comparable companies as of the Valuation Date, sourced from S&P Capital IQ;

(2) Re-levered beta in accordance to the long-term capital structure of the Target Company;

(3) Based on implied equity risk premium estimated by Aswath Damodaran as of July 2020;

(4) The yield-to-maturity of the government bond with the longest maturity (plus term premium) in China, sourced from S&P Capital IQ;

(5) The size of the Company falls in the 10th decile and therefore, we utilized a size premium of 3.49 percent, which is extracted from the 10th decile according to 2020 CRSP Deciles Size Study;

(6) An additional 6.00% risk premium reflects the operating risks and business uncertainties of the Water Supply and Construction Segment;

(7) According to the 5-year best lending rate extracted issued by People's Bank of China; and

(8) The corporate income tax rate in the PRC.

Business Enterprise Value indicated by the Income Approach

Based on the aforementioned key assumptions and discount rate, the business enterprise value ("**BEV**") of the Water Supply and Construction Segment was derived at approximately RMB288.6 million.

While the DCF method gives an indicative BEV as a whole, the equity value is derived from BEV after adjustment of net cash, non-operating assets and investment property. Brief descriptions of such adjustments are shown as below:

(1) Net Cash

As of the Valuation Date, the net cash is approximately RMB53.5 million according to the financial statements of the Water Supply and Construction Segment provided by the Management.

(2) Non-operating assets

As of the Valuation Date, the non-operating assets and liabilities mainly consist of amount due from and to group companies, prepayment and other receivable, receipt in advance and other payables. According to the financial statements of the Water Supply and Construction Segment, the net total amount of the non-operating assets was RMB96.9 million as of the Valuation Date.

(3) Investment property

The fair value of the investment property is approximately RMB71.0 million as of the Valuation Date.

The investment property comprises (i) various units in Xiabu Water Plant Control Centre Block 1 and 2 located at No.1 Qilin East Road, Yingtan City, Jiangxi Province, the PRC and (ii) various units in Kaixiangxintiandi located at No.8 Shengli West Road, Yingtan City, Jiangxi Province, the PRC. The properties have a total lettable area of approximately 14,827.43 square metres and 820.09 square metres respectively. As of the Valuation Date, the property is leased to various third parties for commercial/office purpose. For the property details, please refer to Appendix V Property Valuation Report.

Equity Value of the Water Supply and Construction Segment (in RMB'000)

Enterprise Value	**288,568**
Add: Net Cash	53,452
Add: Non-operating asset	96,870
Add: Investment Property	70,990
100% Equity Value of the Water Supply and Construction Segment	509,880

VALUATION OF THE PROPERTY DEVELOPMENT SEGMENT

In the appraisal of the equity value of the Property Development Segment, we applied Asset Based Approach. Under Asset Based Approach, the equity value of a company is based on the market value of individual business assets less liabilities. This methodology is appropriate for the industry that their assets are highly liquid and able to be sold separately, like property development and financial institution. Hence, this approach is adopted in valuation of the Property Development Segment.

Under Asset Based Approach, the appraisal starts with the reported book value of assets and liabilities and then adjust the book value of individual assets and liabilities, where necessary, to fair value.

(1) 100% Equity Value of Jiangxi Deyin Industrial

Jiangxi Deyin Industrial owns two parcels of land in Jiangxi Province, the PRC with a total site area of approximately 88,648 square metres as of the Valuation Date and represent as prepaid lease payments on the financial statements.

The fair value of the prepaid lease payments is RMB 103.2 million as of the Valuation Date.

The prepaid lease payments comprise two parcels of land located at the east of Jinqi Road and Dongsan Road, Zhongtong Town, Yujiang District, Jiangxi Province, the PRC with a site area of approximately 39,984 square metres and 48,664 square metres respectively. The land use rights of the land have been granted for a term expiring on 17 December 2062 and 20 May 2063 for residential and commercial use. As of the Valuation Date, the property is vacant and yet to be developed.

In valuing the property interests, market approach has been adopted which is generally by comparing recent market evidence of similar properties located in the neighborhood area of the property. Adjustments are considered to reflect the differences in various aspects including market conditions, size, location, time, age, quality and any other relevant factors when comparing such sales against the property. This approach is commonly used to value properties where reliable market evidence is available.

The adjusted net assets value of Jiangxi Deyin Industrial as of the Valuation Date was illustrated as follows:

(In RMB'000)	**Book Value**	**Adjustment**	**Market Value**
Assets			
Cash	110	–	110
Prepaid Lease Payments	46,406	56,794	103,200
Total Assets	46,516	56,794	103,310
Liabilities			
Other Payable	(269)	–	(269)
Amount due to Group	(49,446)	–	(49,446)
Tax Payable	(28)	–	(28)
Total Liabilities	(49,743)	–	(49,743)
Net Asset Value	(3,227)	56,794	53,567

(2) 100% Equity Value of Jiangxi Hanhe Enterprise

Jiangxi Hanhe Enterprise owns one parcel of land in Jiangxi Province, the PRC, with a total site area of approximately 30,742 square metres, which is under construction as of the Valuation Date and represent as property under development in the table shown as below.

The fair value of the property under development is RMB 607 million as of the Valuation Date.

The property under development comprises one parcel of land with a site area of approximately 30,742 square metres and various blocks of composite buildings located at the east of Gai Zao Yu Ting Avenue, north of Century Avenue B18-02, Shanty Town, Yugan County, Shangrao City, Jiangxi Province, the PRC. The development is scheduled to be completed in June 2021. Upon completion, the development will have a total gross floor area of approximately 148,251.24 square metres. For the property details, please refer to Appendix V Property Valuation Report.

The adjusted net assets value of Jiangxi Hanhe Enterprise as of the Valuation Date was illustrated as follows:

(In RMB'000)	Book Value	Adjustment	Market Value
Assets			
Cash	117,726	–	117,726
Account Receivables	26,943	–	26,943
Other Receivables	7,809	–	7,809
Property under development	490,387	116,613	607,000
Amount due from Group	90,453	–	90,453
Fixed assets, net	432	–	432
Total Assets	733,751	116,613	850,364
Liabilities			
Other Payable	(0)	–	(0)
Account Payable	(220)	–	(220)
Salary Payable	(0)	–	(0)
Tax Payable	46,621	–	46,621
Contract Liabilities	(794,348)	–	(794,348)
Total Liabilities	(747,948)	–	(747,948)
Net Asset Value	(14,198)	116,613	102,416

(3) 100% Equity Value of Yingtan Xiang Rui Property

Yingtan Xiang Rui Property constructed the property namely Yu Jing No. 1 in Jiangxi Province, the PRC, which was completed in July 2017 with an unsold portion has a total gross floor area of approximately 14,711.11 square metres and represent as inventory in the table shown as below.

The fair value of the inventory was RMB 91.3 million as of the Valuation Date.

The inventory comprises various commercial units in Block 1-7 of YuJing No. 1 located at No.8 Xinjiang North Road, Xinjiang New District, Yingtan City, Jiangxi Province, the PRC. The property has a total gross floor area of approximately 14,711.11 square metres. As of the Valuation Date, portion of the property with a gross floor area of approximately 6,287.10 square metres has been leased to various third parties for commercial purpose and the remaining portion with a gross floor area of approximately 8,424.01 square metres was vacant. For the property details, please refer to Appendix V Property Valuation Report.

The adjusted net assets value of Yingtan Xiang Rui Property as of the Valuation Date was illustrated as follows:

(In RMB'000)	**Book Value**	**Adjustment**	**Market Value**
Assets			
Cash	7,929	–	7,929
Account Receivables	247	–	247
Other Receivables	2,276	–	2,276
Inventory	90,283	1,017	91,300
Amount due from Joint Venture	81,600	–	81,600
Fixed assets, net	2	–	2
Investment in Joint Venture [Note 1]	300	(300)	–
Total Assets	182,637	717	183,354
Liabilities			
Other Payable	(2,059)	–	(2,059)
Account Payable	(550)	–	(550)
Amount due to Group	(147,000)	–	(147,000)
Tax Payable	(51)	–	(51)
Contract Liabilities	(4,991)	–	(4,991)
Total Liabilities	(154,651)	–	(154,651)
Net Asset Value	27,986	717	28,703

Note 1: Value of Investment in Joint Venture

The investment in joint venture represents the investment cost in 30% equity interest in Yugan San Hai Property. Since the equity interest in Yugan San Hai Property was separately considered using asset based approach, this balance should be excluded from the adjusted net asset value of Yingtan Xiang Rui Property.

(4) 40% Equity Value of Jiangxi Yuehe Property

Jiangxi Yuehe Property owns one parcel of land in Jiangxi Province, with a total site area of approximately 10,076 square metres, which is under construction as of the Valuation Date and represent as property under development in the table shown as below and named as the Sanshui California Sunshine Real Estate Project. As of the Valuation Date, the Group has launched the Sanshui California Sunshine Real Estate Project for pre-sale.

The fair value of the property under development was RMB 248.7 million as of the Valuation Date.

The property under development comprises one parcel of land with a site area of approximately 10,076 square metres and three blocks of composite buildings located at the east of Gai Zao Yu Ting Avenue, south of Siya Road B18-03, Shanty Town, Yugan County, Shangrao City, Jiangxi Province, the PRC. The development is scheduled to be completed in December 2020. Upon completion, the development will have a total gross floor area of approximately 47,941.20 square metres. For the property details, please refer to Appendix V Property Valuation Report.

The adjusted net assets value of Jiangxi Yuehe Property as of the Valuation Date was illustrated as follows:

(In RMB'000)	Book Value	Adjustment	Market Value
Assets			
Cash	40,524	–	40,524
Other Receivables	23,994	–	23,994
Prepayment	161	–	161
Property under development	160,324	88,376	248,700
Fixed assets, net	24	–	24
Total Assets	225,028	88,376	313,404
Liabilities			
Receipt in Advance	(143,521)	–	(143,521)
Other Payable	(93,749)	–	(93,749)
Account Payable	(545)	–	(545)
Tax Payable	14,139	–	14,139
Total Liabilities	(223,675)	–	(223,675)
Net Asset Value	1,352	88,376	89,728
40% of Adjusted Net Asset Value			35,891

(5) 30% Equity Value of Yugan San Hai Property

Yugan San Hai Property owns two parcels of land in Jiangxi Province, the PRC, with a total site area of approximately 68,449 square metres which is under construction as of the Valuation Date and represent as property under development in the table shown as below and named as Sanshui Jinlin House Project. As of the Valuation Date, the Group has launched the Sanshui Jinlin House Project for pre-sale.

The fair value of the property under development was RMB 345.4 million as of the Valuation Date.

The property under development comprises two parcels of land with a site area of approximately 68,449 square metres and various blocks of composite buildings located at the western part of Yugan County, south of Century Avenue, east of Xiwu Road, and west of production and living land of Yanxi Village, Yugan County, Shangrao City, Jiangxi Province, the PRC. The development is scheduled to be completed in December 2022. Upon completion, the development will have a total gross floor area of approximately 243,442.12 square metres. For the property details, please refer to Appendix V Property Valuation Report.

The adjusted net assets value of Yugan San Hai Property as of the Valuation Date was illustrated as follows:

(In RMB'000)	**Book Value**	**Adjustment**	**Market Value**
Assets			
Cash	86,200	–	86,200
Other Receivables	135,255	–	135,255
Property under development	333,140	12,260	345,400
Fixed assets, net	95	–	95
Total Assets	554,689	12,260	566,950
Liabilities			
Receipt in Advance	(92,715)	–	(92,715)
Other Payable	(295,874)	–	(295,874)
Account Payable	(850)	–	(850)
Tax Payable	5,934	–	5,934
Long-term Debt	(170,000)	–	(170,000)
Total Liabilities	(553,504)	–	(553,504)
Net Asset Value	1,185	12,260	13,446
30% of Adjusted Net Asset Value			4,034

Equity Value of the Property Development Segment

Based on the aforementioned calculation, the result of the equity value of the Property Development Segment was summarized below:

Property Development Segment		**(In RMB'000)**
(1)	100% equity value of Jiangxi Deyin Industrial	53,567
(2)	100% equity value of Yingtan Xiang Rui Property	102,416
(3)	100% equity value of Jiangxi Hanhe Enterprise	28,703
(4)	40% equity value of Jiangxi Yuehe Property	35,891
(5)	30% equity value of Yugan San Hai Property	4,034
Total equity value of the Property Development Segment		224,611

VALUATION OF THE OTHER BUSINESS SEGMENT

Under Other Business Segment, there are 2 associated companies, namely Yingtan Hongji Construction and Yu Jiang Hui Min. Yingtan Hongji Construction principally engages in the sale of construction materials while Yu Jiang Hui Min principally engages in money lending business.

In the appraisal of the equity value of the Other Business Segment, we applied Asset Based Approach due to the fact that those companies are inactive and loss making.

As of the Valuation Date, the net asset values of Yingtan Hongji Construction and Yu Jiang Hui Min are RMB 19.7 million and RMB 43.4 million respectively. Considered that the assets and liabilities on book are cash or current in nature and the fixed assets are purchased from external third parties on arm's length basis which have been depreciated in accordance with the depreciation policies, it is assumed that the net book value of assets and liabilities can reflect the market value and no adjustment is made.

Equity Value of the Other Business Segment (in RMB'000)	
37% equity value of Yingtan Hongji Construction	7,304
10% equity value of Yu Jiang Hui Min	4,343
Total equity value of the Other Business Segment	11,646

SUMMARY OF RESULTS

Based on the aforementioned valuation methodology, the result of the 100% equity value of Yingtan Water Supply was derived as below:

Equity Value of Yingtan Water Supply Group Co., Ltd	**(RMB'000)**
(i) Water Supply and Construction Segment	509,880
(ii) Property Development Segment	224,611
(iii) Other Business Segment	11,646
100% Equity Value of Yingtan Water Supply Group Co., Ltd. (Marketable Basis)	746,138
Less: Lack of Marketability Discount ("**LoMD**") [Note 1] 20.6%	(153,704)
100% Equity Value of Yingtan Water Supply Group Co., Ltd. (Non-Marketable Basis)	**592,434**

Note:

(1) The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. LOMD reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

As the shares of the Target Company are unlikely to be listed in any major stock exchange or be marketable in any over-the-counter market in near future, the ownership interests in the Target Company are not readily marketable. However, the discount rate adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest; fair value calculated using such discount rate, therefore, represents the marketable interest. Thus, LOMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value.

The report "Stout Restricted Stock Study Companion Guide (2019 edition)" by Stout Risius Ross, LLC, a reputable research company, suggested an average marketability discount is 20.6%. A marketability discount of 20.6% is considered appropriate and suitable for this valuation as we understand that the Target Company is a group of privately held companies.

The value of non-marketable interest can be calculated from marketable interest using the following formula:

Fair Value of Non-Marketable Interest = Fair Value of Marketable Interest x (1- LOMD)

CONCLUSION OF VALUE

Based on our investigation and analysis method employed, it is our opinion that the fair value of the 100% equity value of the Target Company as of the Valuation Date is approximately RMB 592.4 million.

The conclusion of the fair value was prepared in compliance with the requirements of International Valuation Standards published by The International Valuation Standards Council, with the conclusion of value relying extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in China Water Industrial Group Limited nor the value reported.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited

Vincent C B Pang
CFA, FCPA(HK), FCPA (Aus.), MRICS, RICS Registered Valuer
Managing Director

Analysed and Reported by:

Leo K W Hung
CPA(HK)
Senior Manager

Hugo T H Wong
FRM
Assistant Manager

Alan C L Ho
Analyst

Note: Mr. Vincent Pang is a member of CFA Institute, a fellow member of the CPA Australia, a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of RICS and a RICS Registered Valuer. Vincent has over 20-year experience in financial valuation and business consulting in Hong Kong and the PRC.

APPENDIX – GENERAL LIMITATIONS AND CONDITIONS

This Report was prepared based on the following general assumptions and limiting conditions:

- All data, including historical financial data, which we relied upon in reaching opinions and conclusions or set forth in the Report are true and accurate to our best knowledge. Whilst reasonable care has been taken to ensure that the information contained in the Report is accurate, we cannot guarantee its accuracy and we assume no liability for the truth or accuracy of any data, opinions, or estimates furnished by or sourced from any third parties which we have used in connection with the Report.

- We also assume no responsibilities in the accuracy of any legal matters. In particular, we have not carried out any investigation on the title of or any encumbrances or any interest claimed or claimable against the property appraised. Unless otherwise stated in the Report, we have assumed that the owner's interest is valid, the titles are good and marketable, and there are no encumbrances that cannot be identified through normal processes.

- We have not verified particulars of property, including their areas, sizes, dimensions, and descriptions, which we have used or have referred to in connection with the preparation of this Report, unless otherwise stated in this Report. Any information regarding areas, sizes, dimensions, and descriptions of property mentioned in this Report are for identification purposes only, and no one should use such information in any conveyance or other legal document. Any plans or graphical illustrations presented in this Report are intended only for facilitating the visualization of the property and its surroundings and such plans or graphical illustrations should not be regarded as a survey or a scale for size.

- The value opinion presented in this Report is based on the prevailing or then prevailing economic conditions and on the purchasing power of the currency stated in the Report as of the date of analysis. The date of value on which the conclusions and opinions expressed apply is stated in this Report.

- This Report has been prepared solely for the use or uses stated. Except for extraction of or reference to the Report by the Company, its financial advisor and/or its independent financial advisor for their respective work in relation to the Proposed Disposal, it is not intended for any other use or purpose or use by any third parties. We hereby disclaim that we are not liable for any damages and/or loss arisen in connection with any such unintended use.

- Prior written consent must be obtained from AVISTA Valuation Advisory Limited for publication of this Report. Except for disclosure in the Circular in relation to the Proposed Disposal, no part of this Report (including without limitation any conclusion, the identity of any individuals signing or associated with this Report or the firms/companies with which they are connected, or any reference to the professional associations or organisations with which they are affiliated or the designations awarded by those organisations) shall be disclosed, disseminated or divulged to third parties by any means of publications such as prospectus, advertising materials, public relations, news.

- No environmental impact study has been carried out, unless otherwise stated in this Report. We assume all applicable laws and governmental regulations are being complied with unless otherwise stated in this Report. We have also assumed responsible ownership and that all necessary licenses, consents, or other approval from the relevant authority or private organisations have been or to be obtained or renewed for any use that is relevant to value analysis in this Report.

- Unless otherwise stated in this Report, the value estimate set out in this Report excludes the impact of presence of any harmful substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination. For purposes of evaluating potential structural and/or environmental defects, where their existence could have a material impact on value of the property, we would recommend that advices from the relevant experts, such as a qualified structural engineer and/or industrial hygienist, should be sought.

The following is the text of a letter from Crowe (HK) CPA Limited, Certified Public Accountants, which has been prepared for the purpose of inclusion in this circular.

國富浩華(香港)會計師事務所有限公司
Crowe (HK) CPA Limited
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF 100% EQUITY INTEREST IN YINGTAN WATER SUPPLY GROUP COMPANY LIMITED AND ITS SUBSIDIARIES

TO THE BOARD OF DIRECTORS OF CHINA WATER INDUSTRY GROUP LIMITED

We refer to the discounted future cash flows on which the business valuation (the "Valuation") dated 25 January 2021 prepared by AVISTA Valuation Advisory Limited in respect of the appraisal of the fair value of the entire equity interest of Yingtan Water Supply Group Company Limited (the "Target Company") as of 30 September 2020 was based. The Valuation was assessed using asset based approach and discounted cash flow method under the income approach. The discounted future cash flows is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Responsibilities

The directors of China Water Industry Group Limited (the "Directors") are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows on which the Valuation is based. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of opinion

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Target Company or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 25 January 2021

Alvin Yeung Sik Hung
Practising Certificate Number P05206

The following is the text of a letter from INCU Corporate Finance Limited, which has been prepared for the purpose of inclusion in this circular.

INCU Corporate Finance Limited

25 January 2021

The Board of Directors
China Water Industry Group Limited
Room 1207, 12/F.,
West Tower Shun Tak Centre,
No 168-200 Connaught Road,
Sheung Wan, Hong Kong

Dear Sirs,

We refer to the discounted cash flow forecast (the "**Forecast**") underlying the business valuation (the "**Valuation**") prepared by AVISTA Valuation Advisory Limited ("**AVISTA Valuation**") dated 25 January 2021 in relation to valuation of the entire equity interests of 鷹潭市供水集團有限公司 (for transliteration purpose only, Yingtan Water Supply Group Co., Ltd) as at 30 September 2020. The Valuation is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

We are engaged to assist the directors of China Water Industry Group Limited (the "**Company**") to comply with Rule 14.62 of the Listing Rules. The principal assumptions upon which the Valuation is based are included in the circular of the Company dated 25 January 2021 (the "**Circular**"), of which this letter forms part.

We have reviewed the Forecast upon which the Valuation has been made for which you as the directors of the Company are solely responsible, and have discussed with you and AVISTA Valuation the information and documents provided by you which formed part of the bases and assumptions set out in the Valuation report. We have also considered the letter dated 25 January 2021 addressed to you from Crowe (HK) CPA Limited as set out in Appendix III to the Circular, regarding their review on the arithmetical accuracy of the calculations of the Valuation.

On the basis of the foregoing and in the absence of unforeseeable circumstances, we are of the opinion that the Forecast upon which the Valuation has been made, for which you as the directors of the Company are solely responsible, had been made after due and careful enquiry. However, we express no opinion on how closely the actual cash flow and profit eventually will correspond with the Forecast.

Our work in connection with the Forecast has been undertaken solely for the compliance of Rule 14.62(3) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,
For and on behalf of
INCU Corporate Finance Limited
Gina Leung
Managing Director

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 31 October 2020 of the property interests held by the Group.

AVISTA Valuation Advisory
艾華迪評估咨詢

23rd Floor, Siu On Centre, No. 188 Lockhart Road,
Wan Chai, Hong Kong

TEL : (852) 3702 7338 FAX : (852) 3914 6388
info@avaval.com
www.avaval.com

25 January 2021

The Board of Directors
China Water Industry Group Limited
Room 1207, 12/F, West Tower, Shun Tak Centre,
168-200 Connaught Road Central,
Sheung Wan, Hong Kong

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions of China Water Industry Group Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") for us to carry out the valuation of the property interests located in the People's Republic of China (the "PRC") held by the Group. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the property interests as at 31 October 2020 (the "Valuation Date").

VALUATION STANDARDS

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the HKIS Valuation Standards (2017 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

BASIS OF VALUATION

Our valuation is carried out on a Market Value basis, which is defined by the Hong Kong Institute of Surveyors as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

CATEGORISATION OF PROPERTY INTERESTS

In the course of our valuation, the appraised property interests have been categorized according firstly to type of interests held and occupied by the Group in the PRC, which in turn being classified into the following groups:

Group I – Property interests held for investment by the Group in the PRC;

Group II – Property Interests held for development by the Group in the PRC; and

Group III – Property Interests held for sale by the Group in the PRC.

VALUATION ASSUMPTIONS

Our valuation of the property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In the course of our valuation of the property in the PRC, we have assumed that transferable land use rights in respect of the property for a specific term at nominal annual land use fees have been granted and that any premium has already been fully settled. We have relied on the advice given by the Group regarding the title to the property. For the purpose of our valuation, we have assumed that the grantee has an enforceable title to the property.

In valuing the property in the PRC, we have assumed that the grantees or the users of the property have free and uninterrupted rights to use or to assign the property for the whole of the unexpired term as granted.

Unless noted in the report, vacant possession is assumed for the property concerned.

Moreover, we have assumed that the design and construction of the properties are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at the valuation date. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

VALUATION METHODOLOGY

In the course of our valuation, unless otherwise stated, we have valued the properties in their designated uses with the understanding that the properties will be used as such (hereafter referred to as "continued uses").

In valuing the property interests in Group I, we have valued by income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate. Where appropriate, reference has also been made to the comparable sale transactions/asking as available in the relevant market.

In valuing the property interests in Group II, the property is currently under development, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us by the Group. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. In arriving at our opinion of value, we have

adopted the market approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the date of valuation and the reminder of cost and fees that expected to be incurred for completing the development.

In valuing the property interests in Group III, we have adopted market approach which is generally by comparing recent market evidence of similar properties located in the neighborhood area of the property. Adjustments are considered to reflect the differences in various aspects including market conditions, size, location, time, age, quality and any other relevant factors when comparing such sales against the property. This approach is commonly used to value properties where reliable market evidence is available.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title of the property interests in the PRC. Where possible, we have examined the original documents to verify the exiting title to the property interest in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. All documents have been used for reference only and all dimensions, measurements and areas are approximate. In the course of our valuation, we have relied considerably on the legal opinion given by the Company's PRC legal adviser – Guangdong Jusun Law Firm, concerning the validity of title of the property interests in the PRC.

SITE INVESTIGATION

We have inspected the exteriors and, where possible, the interior of the Property. The site inspection was carried out from 25 November 2020 to 26 November 2020 by Amber Liu (holder of Bachelor Degree in Engineering Management, Shanxi University of Finance and Economics and a Valuer of AVISTA Valuation Advisory Limited). However, we have not carried out an investigation on site to determine the suitability of ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

Moreover, no structural surveys have been undertaken, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the Property is free of rot, infestation or any other structural defects. No tests were carried out on any of the utility services.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal or other professional advisers on such matters as statutory notices, planning approvals, zoning, easements, tenures, completion date of buildings, development proposal, identification of properties, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

LIMITING CONDITION

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

CURRENCY

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited

Vincent C B Pang	**Oswald W Y Au**
MRICS CFA FCPA FCPA Australia	*MHKIS(GP) AAPI MSc(RE)*
RICS Registered Valuer	*Registered Professional Surveyor (GP)*
Managing Director	*Director*

Notes: Mr. Vincent C B Pang is a member of Royal Institution of Chartered Surveyors (RICS) and a registered valuer of RICS. He has over 10 years' experience in the valuation of properties including Hong Kong, the PRC and Asia Pacific region.

Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 15 years' experience in the valuation of properties including Hong Kong, the PRC, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

SUMMARY OF VALUES

Group I – Property interests held for investment by the Group in the PRC

No.	Property	Market value in existing state as at 31 October 2020 *RMB*	Interest Attributable to the Group	Market value Attributable to the Group as at 31 October 2020 *RMB*
1.	Portion of Xiabu Water Plant Control Centre Block 1 and 2 located at No.1 Qilin East Road, Yingtan City, Jiangxi Province, the PRC	61,160,000	100%	61,160,000
2.	Room 115, Unit 01, Block 3 and portion of Block 11 of Kaixiangxintiandi located at No. 8 Shengli West Road, Yingtan City, Jiangxi Province, the PRC	9,170,000	100%	9,170,000
	Sub-total:	**70,330,000**		**70,330,000**

Group II – Property interests held for development by the Group in the PRC

No.	Property	Market value in existing state as at 31 October 2020 *RMB*	Interest Attributable to the Group	Market value Attributable to the Group as at 31 October 2020 *RMB*
3.	"Sanshui Jinlin House"("三水金麟府") located at Western part of Yugan County, South of Century Avenue, East of Xiwu Road, and West of production and living land of Yanxi Village, Yugan County, Shangrao City, Jiangxi Province, the PRC	353,800,000	30%	106,140,000
4.	"Sanshui Guobinfu project"("三水國賓府") located at East of Gai Zao Yu Ting Avenue, North of Century Avenue B18-02, Shanty Town, Yugan County, Shangrao City, Jiangxi Province, the PRC	612,000,000	100%	612,000,000
5.	"Sanshui California Sunshine Real Estate"("三水加州陽光") located at East of Gai Zao Yu Ting Avenue, South of Siya Road B18-03, Shanty Town, Yugan County, Shangrao City, Jiangxi Province, the PRC	251,300,000	40%	100,520,000
	Sub-total:	**1,217,100,000**		**818,660,000**

Group III – Property Interests held for sale by the Group in the PRC

No.	Property	Market value in existing state as at 31 October 2020 *RMB*	Interest Attributable to the Group	Market value Attributable to the Group as at 31 October 2020 *RMB*
6.	Various commercial units of Block 1-7 of YuJing No. 1 located at No.8 Xinjiang North Road, Xinjiang New District, Yingtan City, Jiangxi Province, the PRC	89,025,000	100%	89,025,000
	Sub-total:	**89,025,000**		**89,025,000**
	Grand Total	**1,376,455,000**		**978,015,000**

VALUATION CERTIFICATE

Group I – Property interests held for investment by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2020 *RMB*
1.	Portion of Xiabu Water Plant Control Centre Block 1 and 2 located at No.1 Qilin East Road, Yingtan City, Jiangxi Province, the PRC	The property comprises various units in an 18-storey building (Block 1) and a 5-storey building (Block 2) respectively and which are completed in about 2015. The total gross floor area of Block 1 and Block 2 is approximately 25,156.21 sq.m.. The property has a total lettable area of approximately 14,827.43 sq.m.. The property is located nearby the The People's Government of Yingtan Municipality, with approximately 7km to Yingtan Train Station and 100km to Shangrao Sanqingshan Airport. The land use rights of the property have been granted for a term expiring on 8 February 2061 for public utility use.	The property is leased to various third parties for commercial/office purpose as at the valuation date.	61,160,000 (100% interest attributable to the Group: 61,160,000)

Notes:

1. Pursuant to the Block 1 and 2 's State-owned Land Use Rights Certificate – Ying Guo Yong (2011) Di No. 2555 dated 20 May 2011 with a total site area of approximately 30,091.16 sq.m. has been vested to Jiangxi Province Yingtan Water Supply Group Co., Ltd (江西省鷹潭市供水有限公司)(an indirect wholly-owned subsidiary of the Group) for a term of approximately 50 years for public utility use.

2. Pursuant to the 3 Building Ownership Certificates of Block 1 and 2, the buildings with a total gross floor area of approximately 25,156.21 sq.m. and the details are shown as below:

No.	Certificate No.	Gross Floor Area *(sq.m.)*	Date of Issue	Usage	Owner
a.	Gan (2016) Ying Tan Shi Bu Dong Chan Quan Di No. 0005711	14,439.65	9 October 2016	public utility use or office	Yingtan Water Supply Group Co., Ltd
b.	Gan (2017) Yin Tan Shi Bu Dong Chan Quan Di No. 0000310	2,510.96	12 January 2017	public utility use or office	Yingtan Water Supply Group Co., Ltd
c.	Gan (2016) Ying Tan Shi Bu Dong Chan Quan Di No. 0005710	8,205.6	9 October 2016	public utility use or office	Yingtan Water Supply Group Co., Ltd
	Total	**25,156.21**			

3. Pursuant various tenancy agreements, the property with a total lettable area of approximately 14,827.43 sq.m. are leased to various third parties for various terms with the latest expiry date 30 June 2036 at a total monthly rent of RMB 250,000 for commercial/office purpose.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The State-Owned Land Use Right Certificate and Building Ownership Certificates are legally obtained by the Group and valid;

   b. The tenancy agreements mentioned above are valid; and

   c. The property was not pledged.

5. In our valuation, we have made reference to some rental evidence and asking rent of similar properties in the locality which are in the region of RMB 25 to RMB 35 per sq.m./month for office purpose and RMB 80 to RMB 95 per sq.m./month for commercial purpose. The market yield assumed by us is 7-8% which is in line with the market yield of this property sector in the region of 7% to 9%.

6. A summary of major certificates/licenses is shown as follows:

a.	State-owned Land Use Rights Certificates	Yes
b.	Building Ownership Certificate	Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2020 *RMB*
2.	Room 115, Unit 01, Block 3 and portion of Block 11 of Kaixiangxintiandi located at No. 8 Shengli West Road, Yingtan City, Jiangxi Province, the PRC	The property comprises 2 units on the 1st and 2nd floor of a 34-storey commercial building completed in about 2018. The property has a total gross floor area of approximately 820.09 sq.m.. The property is located nearby the The People's Government of Yingtan Municipality, with approximately 1km to Yingtan Train Station and 110km to Shangrao Sanqingshan Airport. The land use rights of the property have been granted for a term expiring on 30 September 2052 for commercial use.	The property is leased to various third parties for various terms with the latest expiry date 31 December 2024 at a total monthly rent of RMB 70,000 for commercial purpose as at the valuation date.	9,170,000 (100% interest attributable to the Group: 9,170,000)

Notes:

1. Pursuant to the Building Ownership Certificates – Gan (2018) Ying Tan Shi Bu Dong Chan Quan Di No. 0015908 with a total gross floor area of approximately 694.56 sq.m. has been vested to Yingtan Water Supply Group Co., Ltd (鷹潭市供水集團有限公司)(an indirect wholly-owned subsidiary of the Group) for a term of approximately 40 years for commercial use.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Building Ownership Certificates are legally obtained by the Group and valid;

   b. The tenancy agreements mentioned above are valid; and

   c. The property was not pledged.

3. In undertaking our valuation, we have assigned no commercial value to the property with a total gross floor area of approximately 125.53 sq.m. since it has not obtained valid title certificates and could not be freely transferred in the market. For reference purpose, we are of the opinion that the estimated value of the property as at the valuation date would be RMB850,000, assuming the property has obtained valid title certificates and could be freely transferred in the market.

4. In our valuation, we have made reference to some rental evidence and asking rent of similar properties in the locality which are in the region of RMB 80 to RMB 95 per sq.m./month. The market yield assumed by us is 7-8% which is in line with the market yield of this property sector in the region of 7% to 9%.

5. A summary of major certificates/licenses is shown as follows:

   a. Building Ownership Certificate Yes

VALUATION CERTIFICATE

Group II – Property Interests held for development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2020 *RMB*
3.	"Sanshui Jinlin House"("三水金麟府") located at Western part of Yugan County, South of Century Avenue, East of Xiwu Road, and West of production and living land of Yanxi Village, Yugan County, Shangrao City, Jiangxi Province, the PRC	The property comprises 2 parcels of land with a site area of approximately 68,448.45 sq.m. and various blocks of composite buildings which are currently being constructed thereon. The development is scheduled to be completed in December 2022. Upon completion, the development will have a total gross floor area of approximately 243,442.12 sq.m. and the details area set out as following:	The property is currently under construction as at the valuation date.	353,800,000 (30% interest attributable to the Target Company: 106,140,000)

Usage	**Gross Floor Area** *(Sq.m.)*
Residential	187,023.84
Commercial	7,727.92
Car Parking Spaces, Utilities & Ancillary Facilities	48,690.36
Total:	**243,442.12**

As advised by the Group, the total construction cost is estimated to be approximately RMB567,000,000 of which RMB50,900,000 had been paid as at the date of valuation.

The property is located at Shangrao City, with approximately 74km to Yingtan Train Station, 96km to Nanchang Changbei International Airport and 170km to Shangrao Sanqingshan Airport.

The land use rights of the property have been granted for a term expiring on 30 December 2059 for commercial use and 30 December 2089 for residential use.

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – No. 3620190411000067 dated 25 November 2019 issued by the Land and Resources Bureau of Yugan County, the land use rights of a parcel of land with the total site area of approximately 68,448.45 sq.m. has been granted to Yingtan Xiang Rui Property Limited*(鷹潭祥瑞置業有限公司), Yingtan Sanhao Trading Company Limited*(鷹潭三浩貿易有限公司), Zhang Qing Bang(章青邦) and Li Wei Han(李衛漢) for a land use right term of 40 years for commercial use and 70 years for residential use at a total land premium of approximately RMB267,100,000.

   As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Permitted Gross Floor Area:	198,500.50 sq.m.
Plot Ratio:	≤2.9
Site Coverage:	≤28%

2. Pursuant to the Supplemental Agreement between the Land and Resources Bureau of Yugan County and 余干三海置業有限公司 (Yugan San Hai Property Limited, a non-wholly owned subsidiary of the Group) dated 20 January 2020, the land owner has changed to Yugan San Hai Property Limited*(余干三海置業有限公司).

3. Pursuant to 2 Real Estate Ownership Certificates, two parcels of land with a total site area of approximately 68,448.45 sq.m. has been vested to 余干三海置業有限公司, for a term of approximately 40 years for commercial use and 70 years for residential use. The details are shown as below:

No.	Real Estate Ownership Certificates No.	Site Area *(sq.m.)*	Date of Issue
a.	Gan (2020) Yugan Xian Bu Dong Chan Quan Di No. 0000859	61,645.93	07-Apr-20
b.	Gan (2020) Yugan Xian Bu Dong Chan Quan Di No. 0000860	6,802.52	07-Apr-20
	Total:	**68,448.45**	

4. Pursuant to the Construction Land Planning Permit – Di Zi Di No. 3611272020010 dated 24 April 2020 in favour of Yugan San Hai Property Limited*(余干三海置業有限公司), permission towards the planning of a parcel of land with a total site area of approximately 68,448.45 sq.m. is obtained. A development scale of 242,337.24 sq.m. is approved, for which the permitted gross floor area is 198,494.54 sq.m..

5. Pursuant to 2 Construction Works Planning Permits in favour of Yugan San Hai Property Limited*(余干三海置業有限公司), the development with total gross floor area of approximately 243,442.09 sq.m. have been approved for the construction of composite buildings of residential and office units and car parking spaces, utilities & ancillary facilities and the details are shown as below:

No.	Construction Works Planning Permit No.	Gross Floor Area *(sq.m.)*	Date of Issue
a.	Jian Zi Di No. 3611272020012	137,680.48	28-Apr-20
b.	Jian Zi Di No. 3611272020061	105,761.61	03-Sep-20
	Total:	**243,442.09**	

6. Pursuant to the Construction Works Commencement Permit – No. 361127202005181101 dated 18 May 2020 in favour of Yugan San Hai Property Limited*(余干三海置業有限公司), permission by the relevant local authority has been given to commence the construction work with a total gross floor area of approximately 137,680.48 sq.m. for the development of composite buildings of residential and commercial units and car parking spaces, utilities & ancillary facilities.

7. Pursuant to the 4 Forward Sell Licences for Commodity House, the pre-sale right of a total gross floor area of approximately 73,929.55 sq.m. has been granted to Yugan San Hai Property Limited*(余干三海置業有限公司). The details are shown as below:

No.	Forward Sell Licences Nos. for Commodity House	Block nos.	Usage	Gross Floor Area *(sq.m.)*	Date of Issue
a.	Yu Fang Yu Shou Zheng Di No. 2020010	1	Commercial and Residential	13,209.89	23-Jun-20
b.	Yu Fang Yu Shou Zheng Di No. 2020009	2	Commercial and Residential	23,419.76	23-Jun-20
c.	Yu Fang Yu Shou Zheng Di No. 2020008	3	Commercial and Residential	18,663.62	23-Jun-20
d.	Yu Fang Yu Shou Zheng Di No. 2020016	5	Commercial and Residential	18,636.28	15-Sep-20
			Total:	**73,929.55**	

8. For reference purpose, we are of the opinion that the estimated capital value of the property stated above as at the valuation date would be RMB1,200,000,000, assuming the property has been completed.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Real Estate Ownership Certificates, Construction Land Planning Permit, Construction Works Planning Permits, Construction Works Commencement Permit and Forward Sell Licences for Commodity House are legally obtained by the Group and valid; and

   b. The property was not pledged.

10. In our valuation, we have made reference to some transaction/asking price references of some development which have characteristics comparable to the property. We have adopted the range of unit rates between RMB 5,500 to RMB 6,500 per sq.m. for residential units and RMB 7,000 to RMB 20,000 per sq.m. for commercial units. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been considered to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

11. As advised by the Company that portion of the property with a total gross floor area of approximately 21,842.96 sq.m. has been pre-sold to various third parties but have not been handed over to the purchasers. The details are shown as below:

Pre-sales Buildings	**Usage**	**Pre-sold Gross Floor Area** *(sq.m.)*	**Pre-sold Consideration** *(RMB)*
Block 1-3, 5	Residential	21,842.96	121,486,965

12. A summary of major certificates/licenses is shown as follows:

a.	Real Estate Ownership Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Works Planning Permit	Yes
d.	Construction Works Commencement Permit	Yes
e.	Forward Sell License for Commodity House	Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2020 *RMB*
4.	"Sanshui Guobinfu project"("三水國賓府") located at East of Gai Zao Yu Ting Avenue, North of Century Avenue B18-02, Shanty Town, Yugan County, Shangrao City, Jiangxi Province, the PRC	The property comprises 1 parcel of land with a site area of approximately 30,741.56 sq.m. and various blocks of composite buildings which are currently being constructed thereon. The development is scheduled to be completed in June 2021. Upon completion, the development will have a total gross floor area of approximately 148,251.24 sq.m. and the details area set out as following: **Usage** — **Gross Floor Area** *(Sq.m.)* Residential — 118,333.17 Commercial — 10,049.31 Underground Car Parking Spaces, Utilities & Ancillary Facilities — 19,868.76 **Total:** — **148,251.24** As advised by the Group, the total construction cost is estimated to be approximately RMB 318,000,000 of which RMB 181,400,000 had been paid as at the date of valuation. The property is located at Shangrao City, with approximately 70km to Yingtan Train Station, 100km to Nanchang Changbei International Airport and 170km to Shangrao Sanqingshan Airport. The land use rights of the property have been granted for a term expiring on 30 July 2059 for commercial use and 30 July 2089 for residential use.	The property is currently under construction as at the valuation date.	612,000,000 (100% interest attributable to the Target Company: 612,000,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – No. 3620190411000036 dated 3 June 2019 issued by the Land and Resources Bureau of Yugan County, the land use rights of a parcel of land with a site area of approximately 30,741.56 sq.m. has been granted to Yingtan City Hongzhu Trading Co Limited*（鷹潭市宏築貿易有限公司）for a land use right term of 40 years for commercial use and a land use right term of 70 years for residential at a total land premium of approximately RMB300,080,000.

   As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Permitted Gross Floor Area:	129,114.55 sq.m.
Plot Ratio:	≥1 and ≤4.2
Site Coverage:	≤48%

2. Pursuant to the Supplemental Agreement between the Land and Resources Bureau of Yugan County and 江西漢和企業發展有限公司 (Jiangxi Hanhe Enterprise Development Co., Ltd, an indirect wholly-owned subsidiary of the Group) dated 3 June 2019, the land owner has changed to Jiangxi Hanhe Enterprise Development Co., Ltd*（江西漢和企業發展有限公司）.

3. Pursuant to the Real Estate Ownership Certificate – Gan (2019) Yu Gan Xian Bu Dong Chan Quan Di No. 0004120 dated 9 August 2019 with a total site area of approximately 30,741.56 sq.m. has been vested to Jiangxi Hanhe Enterprise Development Co., Ltd*（江西漢和企業發展有限公司）.

4. Pursuant to the Construction Land Planning Permit – Di Zi Di No. 36112720190134 dated 13 August 2019 in favour of Jiangxi Hanhe Enterprise Development Co., Ltd*（江西漢和企業發展有限公司）, permission towards the planning of a parcel of land with a total site area of approximately 30,741.56 sq.m. is obtained. A development scale of 129,114.55 sq.m. is approved.

5. Pursuant to the Construction Works Planning Permit – Jian Zi Di No. 36112720190127 dated 29 August 2019 in favour of Jiangxi Hanhe Enterprise Development Co., Ltd*（江西漢和企業發展有限公司）, a development scale of 148,084.53 sq.m. is approved, for which the permitted gross floor area is 129,114.55 sq.m have been approved for the construction of composite buildings of residential and commercial units and car parking spaces, utilities & ancillary facilities.

6. Pursuant to the Construction Works Commencement Permit – No. 361127201909020101 dated 2 September 2019 in favour of Jiangxi Hanhe Enterprise Development Co., Ltd*（江西漢和企業發展有限公司）, permission by the relevant local authority has been given to commence the construction work with a total gross floor area of approximately 148,382.75 sq.m. for the development of composite buildings of residential and commercial units and car parking spaces, utilities & ancillary facilities.

7. Pursuant to the 5 Forward Sell Licences for Commodity House, the pre-sale right of a total gross floor area of approximately 131,103.00 sq.m. has been granted to Jiangxi Hanhe Enterprise Development Co., Ltd*(江西漢和企業發展有限公司). The details are shown as below:

No.	Forward Sell Licences Nos. for Commodity House	Block nos.	Usage	Gross Floor Area *(sq.m.)*	Date of Issue
a.	Yu Fang Yu Shou Zheng Di No. 014 (2019)	1 and 3	Commercial and Residential	43,871.00	11-Sep-19
b.	Yu Fang Yu Shou Zheng Di No. 016 (2019)	2	Commercial and Residential	27,562.00	27-Sep-19
c.	Yu Fang Yu Shou Zheng Di No. 021 (2019)	6	Commercial and Residential	11,211.00	16-Nov-19
d.	Yu Fang Yu Shou Zheng Di No. 022 (2019)	5	Residential	22,234.00	13-Dec-19
e.	Yu Fang Yu Shou Zheng Di No. 023 (2019)	7 and 8	Commercial and Residential	24,225.00	31-Dec-19
			Total:	**129,103.00**	

8. For reference purpose, we are of the opinion that the estimated capital value of the property stated above as at the valuation date would be RMB927,000,000, assuming the property has been completed.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Real Estate Ownership Certificates, Construction Land Planning Permit, Construction Works Planning Permit, Construction Works Commencement Permit and Forward Sell Licences for Commodity House are legally obtained by the Group and valid; and

   b. The property was not pledged.

10. In our valuation, we have made reference to some transaction/asking price references of some development which have characteristics comparable to the property. We have adopted the range of unit rates between RMB 5,500 to RMB 6,500 per sq.m. for residential units and RMB 8,000 to RMB 26,000 per sq.m. for commercial units. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been considered to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

11. As advised by the Company that portion of the property with a total gross floor area of approximately 115,031.01 sq.m. has been pre-sold to various third parties but have not been handed over to the purchasers:

Pre-sales Buildings	**Usage**	**Pre-sold Gross Floor Area** *(sq.m.)*	**Pre-sold Consideration** *(RMB)*
Blocks 1, 3 and 8	Commercial	1,635.02	35,731,425
Blocks 1-3, 5-8	Residential	113,395.99	746,998,228
	Total:	**115,031.01**	**782,729,653**

12. A summary of major certificates/licenses is shown as follows:

a.	Real Estate Ownership Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Works Planning Permit	Yes
d.	Construction Works Commencement Permit	Yes
e.	Forward Sell Licences for Commodity House	Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2020 *RMB*
5.	"Sanshui California Sunshine Real Estate"("三水加州陽光") located at East of Gai Zao Yu Ting Avenue, South of Siya Road B18-03, Shanty Town, Yugan County, Shangrao City, Jiangxi Province, the PRC	The property comprises 1 parcel of land with a site area of approximately 10,076.09 sq.m. and three blocks of composite buildings which are currently being constructed thereon. The development is scheduled to be completed in December 2020. Upon completion, the development will have a total gross floor area of approximately 47,941.20 sq.m. and the details area set out as following: **Usage** — **Gross Floor Area** *(Sq.m.)* Residential — 36,537.49 Commercial — 4,446.29 Car Parking Spaces, Utilities & Ancillary Facilities — 6,957.42 **Total:** — **47,941.20** As advised by the Group, the total construction cost is estimated to be approximately RMB 97,500,000 of which RMB 75,000,000 had been paid as at the date of valuation. The property is located at Shangrao City, with approximately 74km to Yingtan Train Station, 96km to Nanchang Changbei International Airport and 170km to Shangrao Sanqingshan Airport. The land use rights of the property have been granted for a term expiring on 4 April 2059 for commercial use and 4 April 2089 for residential use.	The property is currently under construction as at the valuation date.	251,300,000 (30% interest attributable to the Target Company: 100,520,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – No. 3620190411000027 dated 5 April 2019 issued by the Land and Resources Bureau of Yugan County, the land use rights of a parcel of land with a site area of approximately 10,076.51 sq.m. has been granted to Yingtan City Hongzhu Trading Co Limited*(鷹潭市宏築貿易有限公司) for a land use right term of 40 years for commercial use and 70 years for residential use at a total land premium of approximately RMB 82,757,300.

   As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Permitted Gross Floor Area:	41,313.73 sq.m.
Plot Ratio:	≥1 and ≤4.2
Site Coverage:	≤30%

2. Pursuant to the Supplemental Agreement between Land and Resources Bureau of Yugan County and Yingtan City Hongzhu Trading Co Limited*(鷹潭市宏築貿易有限公司) dated 30 July 2019, the land owner has changed to Jiangxi Yuehe Property Co., Limited*(江西越和置業有限公司)(Jiangxi Yuehe Property Company Limited, a non-wholly owned subsidiary of the Group).

3. Pursuant to the Real Estate Ownership Certificate – Gan (2019) Yu Gan Xian Bu Dong Chan Quan Di No. 0005247 dated 22 August 2019 with a total site area of approximately 10,076.09 sq.m. has been vested to Jiangxi Yuehe Property Co., Limited*(江西越和置業有限公司), for a term of approximately 40 years for commercial use and a term of approximately 70 years for residential use.

4. Pursuant to the Construction Land Planning Permit – Di Zi Di No. 36112720190133 dated 13 August 2019 in favour of Jiangxi Yuehe Property Co., Limited*(江西越和置業有限公司), permission towards the planning of a parcel of land with a total site area of approximately 10,076.51 sq.m. is obtained. A development scale of 47,941.20 sq.m. is approved.

5. Pursuant to the Construction Works Planning Permit – Jian Zi Di No. 36112720190126 dated 22 August 2019 in favour of Jiangxi Yuehe Property Co., Limited*(江西越和置業有限公司), the development with total gross floor area of approximately 47,941.20 sq.m. have been approved for the construction of residential buildings, shops and car parking spaces & utilities, for which the permitted gross floor area is 41,301.45 sq.m.

6. Pursuant to the Construction Works Commencement Permit – No. 361127201908290101 dated 29 August 2019 in favour of Jiangxi Yuehe Property Co., Limited*(江西越和置業有限公司), permission by the relevant local authority has been given to commence the construction work with a total gross floor area of approximately 47,941.20 sq.m. for the development of residential buildings, shops and car parking spaces & utilities.

7. Pursuant to 2 Forward Sell License for Commodity House in favour of Jiangxi Yuehe Property Co., Limited*（江西越和置業有限公司）, the development with total gross floor area of approximately 40,944 sq.m. have been allowed for forward sell of residential and commercial units and the details are shown as below:

No.	Forward Sell License for Commodity House No.	Block Nos.	Usage	Gross Floor Area *(sq.m.)*	Date of Issue
a.	Yu Fang Yu Shou Zheng Di No. 011 (2019)	15 & 17	Commercial and Residential	24,747	30 August 2020
b.	Yu Fang Yu Shou Zheng Di No. 015 (2019)	16	Commercial and Residential	16,197	27 September 2020
			Total:	**40,944**	

8. For reference purpose, we are of the opinion that the estimated capital value of the property stated above as at the valuation date would be RMB325,000,000, assuming the property has been completed.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Real Estate Ownership Certificates, Construction Land Planning Permit, Construction Works Planning Permit, Construction Works Commencement Permit and Forward Sell Licences for Commodity House are legally obtained by the Group and valid; and

   b. The property was not pledged.

10. In our valuation, we have made reference to some transaction/asking price references of some development which have characteristics comparable to the property. We have adopted the range of unit rates between RMB 5,500 to RMB 6,500 per sq.m. for residential units and RMB 7,000 to RMB 26,000 per sq.m. for commercial units. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been considered to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

11. As advised by the Company that portion of the property with a total gross floor area of approximately 36,562.24 sq.m. has been pre-sold to various third parties but have not been handed over to the purchasers:

Pre-sales Buildings	Usage	Pre-sold Gross Floor Area *(sq.m.)*	Pre-sold Consideration *(RMB)*
Block 15-17	Residential	35,863.79	231,745,545
Block 15 & 17	Commercial	698.45	19,846,716
	Total:	**36,562.24**	**251,592,261**

12. A summary of major certificates/licenses is shown as follows:

a.	Real Estate Ownership Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Works Planning Permit	Yes
d.	Construction Works Commencement Permit	Yes
e.	Forward Sell Licence for Commodity House	Yes

VALUATION CERTIFICATE

Group III – Property Interests held for sale by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2020 *RMB*
6.	Various commercial units of Block 1-7 of YuJing No. 1 located at No.8 Xinjiang North Road, Xinjiang New District, Yingtan City, Jiangxi Province, the PRC	The property comprises various commercial units in a 5-storey building (Block 1), a 16-storey building (Block 2), a 5-storey building (Block 3), a 5-storey building (Block 5), a 16-storey building (Block 6) and a 5-storey building (Block 7) respectively and which are completed in about 2016. The property has a total gross floor area of approximately 14,648.09 sq.m.. The property is located nearby the The People's Government of Yingtan Municipality, with approximately 7km to Yingtan Train Station and 100km to Shangrao Sanqingshan Airport. The land use rights of the property have been granted for a term expiring on 7 August 2053 for commercial use.	Portion of the property with a gross floor area of approximately 6,287.10 sq.m. has been leased to various third parties for commercial purpose and the remaining portion with a gross floor area of approximately 8,360.99 sq.m. was vacant.	89,025,000 (100% interest attributable to the Group: 89,025,000)

Notes:

1. Pursuant to the 80 Building Ownership Certificates, the buildings with a total gross floor area of approximately 14,373.11 sq.m. has been vested to Yingtan Xiang Rui Property Limited*（鷹潭祥瑞置業有限公司）(Yingtan Xiang Rui Property Limited, an indirect wholly-owned subsidiary of the Group) for a term of approximately 40 years for commercial use.

   In accordance with the instruction from the Group, our valuation has performed to the buildings have a total gross floor area of approximately 14,648.09 sq.m.

2. Pursuant various tenancy agreements, the property with a total lettable area of approximately 6,287.1 sq.m. are leased to various third parties for various terms with the latest expiry date 30 August 2025 at a total monthly rent of RMB 182,000 for commercial/office purpose.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Building Ownership Certificates are legally obtained by the Group and valid;

   b. The tenancy agreements mentioned above are valid; and

   c. The property was not pledged.

4. In undertaking our valuation, we have assigned no commercial value to the property with a total gross floor area of approximately 274.98 sq.m. since it has not obtained valid title certificates and could not be freely transferred in the market. For reference purpose, we are of the opinion that the estimated value of the property as at the valuation date would be RMB1,375,000, assuming the property has obtained valid title certificates and could be freely transferred in the market.

5. In our valuation, we have made reference to some transaction/asking price references of some commercial development which have characteristics comparable to the property. We have adopted the range of unit rates between RMB4,200 to RMB4,700 (3/F or above) per sq.m.; RMB4,800 to RMB5,200 (2/F) per sq.m. and RMB9,000 to RMB10,000 (1/F) per sq.m. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been considerated to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

6. As advised by the Company that portion of the property with a total gross floor area of approximately 542.31 sq.m. has been pre-sold to various third parties but have not been handed over to the purchasers:

Pre-sales Buildings	**Usage**	**Pre-sold Gross Floor Area** *(sq.m.)*	**Pre-sold Consideration** *(RMB)*
Block 1 and 6	Commercial	542.31	4,356,871

7. A summary of major certificates/licenses is shown as follows:

   a. Building Ownership Certificate Yes

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests in the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives of the Company and their associates in the shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") were as follows:

Interests in Shares

Name of Director/ Chief Executive	Nature of interest	Number of Shares interested	Approximate percentage of issued share capital of the Company *(Note 1)*
Mr. Lin Yue Hui	Beneficial owner	5,000,000 (L)	0.31%
Ms. Deng Xiao Ting	Beneficial owner	3,000,000 (L)	0.19%
Ms. Chu Yin Yin, Georgiana	Beneficial owner	743,200 (L)	0.05%

Notes:

1. The shareholding percentage in the Company is calculated on the basis of 1,596,539,766 Shares in issue as at the Latest Practicable Date.

2. The letter "L" denotes a long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital:

Interest in Shares

Name of Shareholder	Nature of interest	Number of Shares interested	Approximate percentage of issued share capital of the Company *(Note 1)*
Honghu Capital Co. Ltd.	Beneficial owner	277,788,000(L) (Note 2)	17.40%
Step Wide Investment Limited	Beneficial owner	160,000,000(L) *(Note 3)*	10.02%

Notes:

1. The shareholding percentage in the Company is calculated on the basis of 1,596,539,766 Shares in issue as at the Latest Practicable Date.

2. These shares are held by Honghu Capital Co. Ltd. ("**Honghu Capital**") which Mr. Deng Jue Jie ("**Mr. Deng**") is the beneficial owner. Mr. Deng is deemed to be interested in shares held by Honghu Capital by virtues of the SFO.

3. These shares are held by Step Wide Investment Limited ("**Step Wide**") which Mr. Wong Hin Shek ("**Mr. Wong**") is the beneficial owner. Mr. Wong is deemed to be interested in shares held by Step Wide by virtues of the SFO.

4. The letter "L" denotes a long position in the Shares.

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with the any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. INTERESTS IN CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

6. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which, since 31 December 2019 (the date to which the latest published audited financial statements of the Group were made up), had been or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

7. LITIGATION AND ARBITRATION

(i) Swift Surplus Holdings Limited, an indirect wholly-owned subsidiary of the Company

On 21 August 2012, the Company and its subsidiary of Swift Surplus Holdings Limited ("**Swift Surplus**")(collectively as the "**Lenders**") entered into repayment agreements (the "**Repayment Agreements**") with the Sihui Sewage Treatment Co. Ltd.* (四會市城市污水處理有限公司) and Top Vision Management Limited ("**Top Vision**")(collectively as the "**Borrowers**") together with their respective guarantors, pursuant to which, the Borrowers shall repay to the Lenders the loan receivables of approximately HK$58.43 million together with interest accrued thereon. Despite several requests and demands by the Company, Top Vision failed to repay HK$53.43 million (the "**Remaining Loan Receivables**"). On 14 May 2013, the Company instructed its legal counsel to file the writ of summons to the High Court of Hong Kong Special Administrative Region (the "**High Court**") to recover the Remaining Loan Receivables from Top Vision. On 25 June 2013, the High Court adjudged a final judgment that Top Vision shall pay the Remaining Loan Receivables to Swift Surplus. Top Vision has not performed the repayment obligation under the judgment issued by the High Court. The Company cannot locate any asset of Top Vision in Hong Kong. On 20 August 2014, a petition was filed by Galaxaco Reservoir Holdings Limited to wind up Top Vision, one of the creditors of Top Vision. Top Vision has now been wound up by the High Court by a Winding up Order under Companies Winding-up Proceedings No.157/2014 and appointed SHINEWING Specialist Advisory Services Limited as liquidators.

In 2016, the Company instructed the legal counsel to institute arbitral proceedings against the Borrowers and their respective guarantors by filing the notices of Arbitration to Hong Kong International Arbitration Centre ("HKIAC"). As the major assets owned by the subsidiaries of Top Vision are located in Guangdong Province, the PRC, the Company had undertaken recovery actions including but not limited to legal actions taken in PRC to collect the Remaining Loan Receivables. On 28 June 2019, Sihui City People's Court adjudged the final judgment to execute in Mainland China for the recovering of the outstanding balance and the underlying interest from Top Vision and to freeze the entire equity interest held by Top Vision on Sihui Sewage till July 2022. On 16 March 2020 the arbitrator of HKIAC made an arbitration award that each guarantor should bear joint and several liabilities to repay the principal amount of HK$17.31 million together with interest accrued thereon to Swift Surplus. The PRC legal proceeding is still in progress.

(ii) Guangzhou Hyde Environmental Protection Technology Co., Ltd., an indirect wholly owned subsidiary of the Company

Guangzhou Hyde Environmental Protection Technology Co. Ltd.*(廣州市海德環保科技有限公司)("**Guangzhou Hyde**")(an indirect wholly-owned subsidiary of the Company) and Yunnan Chaoyue Gas Company Limited*(雲南超越燃氣有限公司)("**Yunnan Chaoyue Gas**") entered into the cooperation contract dated 13 October 2010, pursuant to which Guangzhou Hyde shall paid a refundable deposit of HK$10 million ("**Refundable Deposit**") to Yunnan Chaoyue Gas for the purpose of obtaining the operation and management right of the Yunnan Dian Lake Project. Pursuant to the cooperation contract, Yunnan Chaoyue Gas shall refund the Refundable Deposit to Guangzhou Hyde within nine months once it was unsuccessful to obtain the Yunnan Dian Lake Project. Yunnan Chaoyue Gas has failed to repay the aforesaid Refundable Deposit to Guangzhou Hyde when it fell due. On 1 September 2014, Kunming Court has approved the civil enforcement against Yunnan Chaoyue Gas. On 14 September 2017, Guangzhou Hyde applied to Kunming Court for the resumption of civil enforcement which adjudged in 2014. On 13 August 2019, Yunnan Chaoyue Gas and Guarantors failed to fulfil the settlement agreement, Kunming Court accepted the application relating to the resumption of civil enforcement which was submitted by Guangzhou Hyde. The legal proceeding is still in progress.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

8. QUALIFICATION AND CONSENT OF EXPERTS

The following sets out the qualification of the experts who have given opinions, letter or advice included in this circular (collectively, the "**Experts**"):

Name	Qualifications
INCU Corporate Finance Limited	Corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
AVISTA Valuation Advisory Limited	Independent professional valuer
Crowe (HK) CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, the Experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion herein of their respective letters, reports or names in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the Experts had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the Experts had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(i) the Equity Transfer Agreement;

(ii) the disposal agreement dated 10 June 2020 and entered into among 鴻鵠(惠州)投資有限公司 (Swan (Huizhou) Investment Company Limited*) (as vendor), 惠州市遠東康壽園療養中心有限公司 (Huizhou Yuandong Kangshouyuan Medical Center Co., Ltd.*) (as purchaser) and 惠州鴻鵠恒昌置業有限公司 (Huizhou Swan Heng Chang Property Development Company Limited*) ("**Huizhou Swan**"), in relation to the sale and purchase of the entire registered capital of Huizhou Swan and the settlement arrangements of the loan in the principal amount of RMB45,000,000 granted by Huizhou Rural Commercial Bank to Huizhou Swan, the loans in the aggregate principal amount of RMB46,956,000 owed by Huizhou Swan to the vendor, the aggregate sum of accounts payables of approximately RMB39,966,000 owed by Huizhou Swan to various contractors and the total outstanding amount of approximately RMB11,504,000 owed by Huizhou Swan to various contractors;

(iii) the joint venture agreement dated 18 May 2020 entered into between 鷹潭祥瑞置業有限公司 (Yingtan Xiang Rui Property Limited*) ("**Yingtan Property**") and 鷹潭三匯貿易有限公司 (Yingtan Sanhui Trading Company Limited*) ("**Yingtan Sanhui**") in relation to the formation of a joint venture enterprise in the PRC and will be holding by Yingtan Property as to 49% and by Yingtan Sanhui as to 51%. The total investment amount would not exceed RMB125 million (equivalent to approximately HK$137 million) and will be contributed by Yingtan Property and Yingtan Sanhui pursuant to their respective equity interest in the joint venture company;

(iv) the investment agreement and the profit guarantee agreement dated 27 December 2019 entered into between the Company, China Water Industry (HK) Limited (the "**Current Shareholder**"), New China Water (Nanjing) Renewable Resources Investment Company Limited*(新中水(南京)再生資源投資有限公司)("**New China Water**"), and SZQH Energy-saving Environmental Protection investment fund management Co., Ltd.*(深圳前海粵財節能環保投資基金管理有限公司)(the "**Investor**")(as the case maybe) pursuant to which the Investor will invest RMB60 million to New China Water and in return the registered capital of New China Water will increase from US$82.88 million to US$86.1952 million. A profit guarantee will also be provided by the Company and Current Shareholder for the three years ending 31 December 2019, 2020 and 2021;

(v) the joint venture agreement dated 23 December 2019 entered into between Yingtan Property and Yingtan Sanhao Trading Company Limited*(鷹潭三浩貿易有限公司), Mr. Zhang Qing Bang*(章青邦) and Mr. Li Wei Han*(李衛漢) (collectively known as "**JV Partners**") pursuant to which Yingtan Property and the JV Partners have agreed to establish the joint venture company for the cooperation of carrying out the Sanshui Jinlin House Project. The joint venture will be owned as to 40% by Yingtan Property and in aggregate as to 60% by the JV Partners. Pursuant to the terms of the said joint venture agreement, the total investment amount would be RMB309 million (equivalent to approximately HK$346.08 million) and will be contributed by Yingtan Property and the JV Partners pursuant to their respective equity interest in the joint venture company;

(vi) the supplemental agreement dated 28 August 2019 entered into between Billion City Investments Limited ("**Billion City**")(as vendor), the Company (as guarantor) and Guangdong Water Group (H.K.) Limited (as purchaser) in relation to the inclusion of the irrevocable undertaking and amendment of settlement consideration in the sale and purchase agreement dated 8 June 2018 (the "**2018 SPA**") for the disposal of 30% of the issued share capital of, and the sale loan due to Billion City by, Super Sino Investment Limited;

(vii) the co-operation agreement dated 19 July 2019 entered into among Yingtan Sanrun Consultancy Company Limited*(鷹潭市三潤諮詢有限公司) ("**Yingtan Sanrun**"), Jiangxi Hanhe Corporate Development Company Limited*(江西漢和企業發展有限公司)(the "**Project Company**") and Yingtan Hongzhou Trading Co., Ltd.*(鷹潭市宏築貿易有 限公司) ("**Yingtan Hongzhu**") in relation to the development of the Sanshui Guobinfu Project*(三水國賓府項目), which situated on a piece of land located at 江西省上饒市余干縣棚戶區改造玉亭大道以東, 世紀大道以 北B18-02 (East of Gai Zao Yu Ting Avenue, north of Century Avenue B18-02, Shanty Town, Yugan County, Shangrao City, Jiangxi Province*) (Parcel No. DEI2019035), with a total site area of approximately 30,742 square meters (the "**Land**"). Pursuant to which Yingtan Sanrun will invest RMB49.5 million (or approximately HK$56.4 million) to the Project Company and would then be interested in 30% of the risk and return of the Sanshui Guobinfu Project;

(viii) a second supplemental agreement dated 28 June 2019 entered into between Billion City, the Company and Guangdong Water Group (HK) Limited, pursuant to which the parties agreed to further extend the long stop date in the 2018 SPA to 31 August 2019;

(ix) the land use rights grant contract dated 3 June 2019 entered into between Yingtan Hongzhu and Yugan County Natural Resources Bureau for the acquisition of the land use rights of the Land at a total consideration of RMB300.08 million (equivalent to approximately HK$351.09 million) as a result of successfully winning the bid of the land use rights of the Land on 29 April 2019;

(x) the auction confirmation letter（國有建設用地使用權成交確認書）dated 29 April 2019 entered into between Yingtan Hongzhu and the Yugan County Land Resources Trade Service Centre to confirm the acquisition of a land use rights of the Land for a total consideration of RMB302.20 million (equivalent to approximately HK$353.57 million);

(xi) the agreement dated 28 February 2019 entered into between the Development Bureau and Yingtan Water Supply Co. Ltd*（鷹潭市供水有限公司）("**Yingtan Water Supply Co**"）in relation to the construction of the water intake facilities, pursuant to which the Development Bureau will procure the construction of the water intake facilities and Yingtan Water Supply Co shall acquire from the Development Bureau the water intake facilities by installment payments in cash over eight years' time, commencing from the subsequent month after water connection. The cost of construction shall not exceed RMB420.0 million (equivalent to HK$491.4 million). The water intake facilities comprised of water supply pipelines and its ancillary facilities for (a) the section from the Huaqiao Reservoir Luotang River Water Distribution Plant*（花橋水庫羅塘河配水站）to the intake of the Jiangnan Water Plant*（江南水廠), and (b) the intake section of the Xiabu Water Plant*（夏埠水廠）and the renovation of the Guiye Water Intake Pumping Station*（貴冶取水泵房泵站);

(xii) the supplemental agreement dated 17 January 2019 entered into between the Company and Prior Securities Limited (the "**Placing Agent**"）pursuant to which the parties have agreed to, among others, extend the placing period from the date of placing agreement dated 18 January 2018 from 365 days to 730 days;

(xiii) the placing agreement dated 15 January 2019 entered into between the Company and the Placing Agent in relation to the placing of (i) the one-year 5% coupon unlisted bonds issued by the Company and (ii) the two-year 5.5% coupon unlisted bonds issued by the Company, all of which are unlisted with the combined aggregate principal amount of up to HK$200,000,000, in multiple tranches to be placed during the placing period; and

(xiv) the supplemental agreement dated 10 January 2019 entered into between the Company and the Placing Agent for the extension of a period of 365 days from the date of the placing agreement dated 11 January 2018 to 730 days in relation to the placing of 6% coupon unlisted bonds to be issued by the Company in an aggregate principal amount of up to HK$100,000,000.

10. GENERAL

(a) The secretary of the Company is Ms. Chu Yin Yin, Georgiana ("Ms. Chu"), who is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of the Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales. Ms. Chu is also a fellow member of both of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

(b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(c) The head office and principal place of business of the Company in Hong Kong is situated at Room 1207, 12th floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

(d) The Company's branch share registrar and transfer office in Hong Kong is Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(e) In the event of any inconsistency, the English texts of the circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Room 1207, 12th floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM (being not less than 14 days).

(i) the memorandum and articles of association of the Company;

(ii) the annual reports of the Company for the three years ended 31 December 2019;

(iii) the interim report of the Company for the six months ended 30 June 2020;

(iv) the written consents referred to in the paragraph headed "8. Qualification and consent of Experts" of this appendix;

(v) the material contracts referred to in the paragraph headed "9. Material contracts" of this appendix;

(vi) the Valuation Report issued by AVISTA Valuation Advisory Limited, the text of which is set out in Appendix II to this circular;

(vii) the report from Crowe (HK) CPA Limited on the discounted cash flows in relation to the Valuation, the text of which is set out in Appendix III to this circular;

(viii) the letter from INCU in relation to the Valuation, the text of which is set out in Appendix IV to this circular;

(ix) the valuation certificate and valuation report from AVISTA Valuation Advisory Limited on the property interest of the Target Group, the text of which is set out in Appendix V to this circular;

(x) the circular of the Company dated 24 July 2020 in relation to the disposal of the entire equity interests in Huizhou Swan Heng Chang Property Development Company Limited; and

(xi) this circular.

中國水業集團有限公司*
CHINA WATER INDUSTRY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1129)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of China Water Industry Group Limited (the "**Company**") will be held at Room 13, 7/F., Nexxus Building, 77 Des Voeux Road Central, Central, Hong Kong on Wednesday, 10 February 2021 at 9:30 a.m., to consider and, if thought fit, pass with or without modification the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) the conditional equity transfer agreement dated 15 December 2020 (the "**Equity Transfer Agreement"**, details of which are disclosed in the circular of the Company dated 25 January 2021 (the **"Circular"**) entered into amongst China Water Industry (HK) Limited (the "**Vendor**"), an indirect wholly-owned subsidiary of the Company, as vendor, 江西三川集團有限公司 (for transliteration purpose only, Jiangxi Sanchuan Group Company Limited) (the "**Purchaser**"), as purchaser, and 鷹潭市供水集團有限公司 (for transliteration purpose only, Yingtan Water Supply Group Co., Ltd) (the "**Target Company**"), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 20% registered capital of the Target Company for a consideration of RMB120,000,000 (a copy of the Equity Transfer Agreement is marked "A" and produced to the EGM and signed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;

* *For identification purpose only*

(b) any one or more director(s) of the Company be and is/are hereby authorised to do all such acts and things, to sign and execute all such documents (and to affix the common seal of the Company thereon, if necessary) as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Equity Transfer Agreement and the transactions contemplated thereunder, and to make and agree to make such variations of the terms of the Equity Transfer Agreement as he/she/they may in his/her/their discretion consider to be appropriate, necessary or desirable and in the interests of the Company and its shareholders as a whole.''

By the order of the Board
China Water Industry Group Limited
Mr. Lin Yue Hui
Chairman and Chief Executive Officer

Hong Kong, 25 January 2021

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 1207, 12th Floor
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

Notes:

1. Any member entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and, on a poll, vote in his stead. A member holding two or more Shares may appoint more than one proxy. A proxy need not be a member of the Company.

2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the offices of the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong at least 48 hours before the time for holding the above meeting.

3. In the case of joint holders of a share (a ''**Share**'') of the Company, any one of such persons may vote at the meeting either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

4. In order to qualify for entitlement to attend the EGM, all completed transfer forms, accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration, not later than 4:00 p.m. on Thursday, 4 February 2021.

5. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 6:30 a.m. on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at www.chinawaterind.com and on the website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and venue of the rescheduled meeting.

7. As at the date of this notice, the Board comprises Mr. Lin Yue Hui, Mr. Zhong Wei Guang, Mr. Liu Feng, Ms. Chu Yin Yin, Georgiana, Ms. Deng Xiao Ting and Mr. Zhu Yongjun, all being executive Directors, Mr. Ho Chi Ho being a non-executive Director and Mr. Wong Siu Keung, Joe, Mr. Guo Chao Tian, Ms. Qiu Na and Mr. Lam Cheung Shing, Richard, all being independent non-executive Directors.