
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action you should take, you should consult your licensed securities dealer or registered institution 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 the Prospectus Documents to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibilities for the contents of the Prospectus Documents, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus Documents.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed "13. Documents delivered to the Registrar of Companies in Hong Kong" in Appendix IV to this Prospectus, have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, the Stock Exchange and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of the Prospectus Documents.

Dealings in the Shares and the Rights Shares in both nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC and you should consult your stockbroker or other registered securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter.

The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the "U.S. Securities Act") or the laws of any state in the United States of America (the "United States"), and may not be offered or sold within the United States, absent registration or an exemption from the registration requirements of the U.S. Securities Act and applicable state laws. There is no intention to register any portion of the rights issue or any securities described herein in the United States or to conduct a public offering of securities in the United States.

The Rights Issue is not an "offer to the public" as contemplated in the South African Companies Act, 71 of 2008 (the "South African Companies Act"). The Prospectus Documents do not, nor do it intend to, constitute a "registered prospectus" or an "advertisement", as contemplated by the South African Companies Act and no prospectus (as contemplated in the South African Companies Act) has been filed with the Companies and Intellectual Property Commission ("CIPC") in respect of the Rights Issue. As a result, the Prospectus Documents do not comply with the substance and form requirements for a prospectus set out in the South African Companies Act and the South African Companies Regulations of 2011, and has not been approved by, and/or registered with, the CIPC.

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong and the distribution of this Prospectus into jurisdictions other than Hong Kong may be restricted by law. Persons who come into possession of this Prospectus (including, without limitation, agents, custodians, nominees and trustees) should acquaint themselves with and observe any such restrictions. Any failure to comply with those restrictions may constitute a violation of the securities laws of any such jurisdiction for which the Company will not accept any liability. In particular, subject to certain exceptions as determined by the Company, the Prospectus Documents should not be distributed, forwarded to or transmitted in, into or from any jurisdiction where such release or distribution might be unlawful.



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)

PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING SHARES HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

Capitalised terms used on this cover page have the same meanings as defined in this Prospectus.

The Rights Issue is on a non-underwritten basis. Pursuant to the Company's constitutional document, Companies Act, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Listing Rules, save for the Rights Shares to be taken up by Step Wide pursuant to the Irrevocable Undertaking, there is no requirement for a minimum level of subscription in the Rights Issue. The Rights Issue is subject to fulfillment of the conditions of the Rights Issue as set out in the section headed "Conditions of the Rights Issue" in the "Letter from the Board" of this Prospectus at or prior to the latest time for the Rights Issue to become unconditional (which is currently expected to be 4:00 p.m. on Friday, 15 July 2022). None of the conditions to the Rights Issue can be waived. If the conditions of the Rights Issue are not fulfilled at or prior to the latest time for the Rights Issue to become unconditional, the Rights Issue will not proceed.

The Shares have been dealt in on ex-rights basis from Friday, 17 June 2022. Dealings in the Rights Shares in the nil-paid form will take place from Monday, 4 July 2022 to Monday, 11 July 2022 (both days inclusive). Any dealings in the Shares from the date of this Prospectus up to the date on which all conditions of the Rights Issue are fulfilled, and any Shareholder dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders or other persons contemplating any dealing in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

The Latest Time for Acceptance of and payment for the Rights Shares is 4:00 p.m. on Thursday, 14 July 2022. The procedures for acceptance and transfer are set out in the section headed "Procedures for acceptance and payment and/or transfer" in the "Letter from the Board" of this Prospectus.

* For identification purposes only

29 June 2022

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DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this Prospectus shall have the following meanings:

“Announcement”	the announcement of the Company dated 13 June 2022 in relation to the Rights Issue
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any weekday(s) (other than a Saturday or a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks are generally open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended from time to time
“Company”	China Water Industry Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1129)
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for the excess Rights Shares
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body(ies) or stock exchange in that place(s)
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Irrevocable Undertaking”	the irrevocable undertaking granted by Step Wide in favour of the Company, the terms of which are set out in the section headed “Irrevocable Undertaking” in the “Letter from the Board” of this Prospectus
“Last Trading Day”	13 June 2022, being the last trading day of the Shares on the Stock Exchange prior to the release of the Announcement
“Latest Practicable Date”	24 June 2022, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information for inclusion in this Prospectus
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 14 July 2022, being the latest time for acceptance and payment of the Rights Shares, or such other date as the Company may determine
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nil-Paid Rights”	rights to subscribe for Rights Shares (in the form of Rights Shares in nil-paid form) before the Subscription Price is paid
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) on the register of members of the Company on the Record Date is/are in a place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholder(s) for the Rights Issue
“Posting Date”	Wednesday, 29 June 2022 or such other date as the Company may determine in writing for the despatch of the Prospectus Documents
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue

DEFINITIONS

“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Qualifying Shareholders”	Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear on the register of members of the Company as at the close of business on the Record Date
“Record Date”	Friday, 24 June 2022 or such other date as the Company may determine, being the date by reference to which entitlements to the Rights Issue will be determined
“Registrar”	Union Registrars Limited, the Company’s branch share registrar and transfer office in Hong Kong
“Rights Issue”	the proposed issue by way of rights on the basis of one (1) Rights Share for every two (2) existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price
“Rights Share(s)”	the new Share(s) proposed to be allotted and issued by the Company pursuant to the Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Step Wide”	Step Wide Investment Limited, a company incorporated in British Virgin Islands with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price, being HK\$0.175 per Rights Share
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong (as amended and supplemented from time to time)
“%”	per cent

EXPECTED TIMETABLE

All times and dates in this Prospectus refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable below or in other parts of this Prospectus are indicative only and may be extended, amended or varied by the Company. Any change to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

Event

Date

First day of dealings in nil-paid Rights Shares	Monday, 4 July 2022
Latest time for splitting of PALs	4:00 p.m. on Wednesday, 6 July 2022
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Monday, 11 July 2022
Latest time for acceptance of, and payment for, the Rights Shares and the applications for excess Rights Shares	4:00 p.m. on Thursday, 14 July 2022
Latest time for the Rights Issue to become unconditional	4:00 p.m. on Friday, 15 July 2022
Announcement of the allotment results of the Rights Issue.....	Wednesday, 20 July 2022
Despatch of share certificates for fully-paid Rights Shares and refund cheques in relation to wholly or partially unsuccessful application for excess Rights Shares	Thursday, 21 July 2022
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Friday, 22 July 2022

EFFECT OF BAD WEATHER OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, “extreme conditions” caused by super typhoons as announced by the Government of Hong Kong or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12: 00 noon and no longer in force after 12:00 noon on Thursday, 14 July 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or

EXPECTED TIMETABLE

- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 14 July 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Thursday, 14 July 2022, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

LETTER FROM THE BOARD



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. Zhu Yongjun (*Chairman*)
Mr. Hu Siyun
Ms. Chu Yin Yin, Georgiana
Ms. Deng Xiao Ting

Independent Non-executive Directors:

Mr. Wong Siu Keung, Joe
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
No. 168-200
Connaught Road Central
Sheung Wan, Hong Kong

29 June 2022

*To the Qualifying Shareholders and,
for information purpose only, the Excluded Shareholders*

Dear Sirs,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING SHARES
HELD ON THE RECORD DATE
ON A NON-UNDERWRITTEN BASIS**

INTRODUCTION

Reference is made to the Announcement whereby the Board announced that the Company proposed to implement the Rights Issue, on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date at the Subscription Price of HK\$0.175 per Rights Share, to raise up to approximately HK\$167.6 million (before deducting the professional fees and other related expenses) by issuing up to 957,869,883 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) to the Qualifying Shareholders. The Rights Issue is not underwritten and will not be extended to the Excluded Shareholders.

* *For identification purposes only*

LETTER FROM THE BOARD

The purpose of this Prospectus is to provide you with, inter alia, (i) further details of the Rights Issue, including the procedures for acceptance of the Rights Shares provisionally allotted to you and application for excess Rights Shares; (ii) the property valuation report in respect of the Group's properties; (iii) financial information of the Group; (iv) unaudited pro forma financial information of the Group; and (v) other information of the Group.

RIGHTS ISSUE

Issue Statistics

Basis of the Rights Issue	: One (1) Rights Share for every two (2) existing Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	: HK\$0.175 per Rights Share
Net price per Rights Share (i.e., Subscription Price less cost and expenses incurred in the Rights Issue)	: Approximately HK\$0.173 per Rights Share (assuming no change in the share capital of the Company on or before the Record Date and all the Rights Shares will be taken up by the Qualifying Shareholders)
Number of Shares in issue as at the Latest Practicable Date	: 1,915,739,766 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	: Up to 957,869,883 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Total number of Shares in issue upon completion of the Rights Issue	: Up to 2,873,609,649 Shares (assuming no change in the number of Shares in issue on or before the Record Date and all the Rights Shares will be taken up by the Qualifying Shareholders)
Irrevocable Undertaking	: 138,056,000 Rights Shares, being the total Rights Shares proposed to be provisionally allotted by the Company to and undertaken to be subscribed by Step Wide
Aggregate nominal value of the Rights Shares	: Up to approximately HK\$9,578,699 (assuming no change in the number of Shares in issue on or before the Record Date and all the Rights Shares will be taken up by the Qualifying Shareholders)
Gross proceeds from the proposed Rights Issue	: From approximately HK\$24.2 million to approximately HK\$167.6 million

LETTER FROM THE BOARD

Right of excess application : Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

Assuming no change in the issued share capital of the Company on or before the Record Date, the 957,869,883 Rights Shares to be issued pursuant to the terms of the Rights Issue represented 50% of the total number of issued Shares and approximately 33.3% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue (assuming all the Rights Shares will be taken up by the Qualifying Shareholders).

As at the Latest Practicable Date, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares. The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

The Subscription Price

The Subscription Price of HK\$0.175 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, and where applicable, upon an application of excess Rights Shares, or where a transferee of the Nil-Paid Rights accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 12.06% to the closing price of HK\$0.199 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 31.37% to the closing price of HK\$0.255 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of 30.00% to the average closing price of HK\$0.250 per Share as quoted on the Stock Exchange on the Last Trading Day for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 30.56% to the average closing price of HK\$0.252 per Share as quoted on the Stock Exchange on the Last Trading Day for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 23.25% to the theoretical ex-rights price of approximately HK\$0.228 per Share based on the closing price of HK\$0.255 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 10.46%, represented by the theoretical diluted price of approximately HK\$0.224 per Share to the benchmarked price of approximately HK\$0.255 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of

LETTER FROM THE BOARD

the closing price of the Last Trading Day of HK\$0.255 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days prior to the Last Trading Day of approximately HK\$0.249 per Share); and

- (vii) a discount of approximately 75.52% to the audited consolidated net asset value of the Company of approximately HK\$0.715 per Share (based on the latest published audited consolidated net asset value attributable to owners of the Company of approximately HK\$1,370,239,000 as at 31 December 2021 as disclosed in the annual report of the Company for the year ended 31 December 2021 and 1,915,739,766 Shares in issue as at the Latest Practicable Date).

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

The Subscription Price was determined with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the latest business performance and financial position of the Group; and (iii) the reasons and benefits of Rights Issue as discussed in the section headed “Reasons for and Benefits of the Rights Issue” in this Letter from the Board. The Directors (including the independent non-executive Directors) consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the proposed Rights Issue are able to sell the Nil-Paid Rights in the market; and (ii) the proposed Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company.

Conditions of the Rights Issue

The Rights Issue is conditional upon the fulfillment of each of the following conditions:

- (i) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Posting Date;
- (ii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on the Posting Date; and

LETTER FROM THE BOARD

- (iii) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Shares as well as the Rights Shares in nil-paid and fully-paid forms by no later than the Business Day prior to the first day of their dealings.

All conditions set out above cannot be waived. The Company shall use its reasonable endeavours to procure the fulfilment of the conditions above (to the extent it is within its power to do so), and shall do all the things required to be done by it pursuant to the Prospectus Documents or otherwise reasonably necessary to give effect to the Rights Issue. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein, the Rights Issue will not proceed.

Status of the Rights Shares

The Rights Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issue of the fully paid Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Excluded Shareholder.

The last day of dealings in the Shares on a cum-rights basis was Thursday, 16 June 2022, and the Shares have been dealt with on an ex-rights basis since Friday, 17 June 2022.

Subject to the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Posting Date and will despatch the Prospectus and a letter only (without the PAL and the EAF) to the Excluded Shareholders for their information only.

Basis of provisional allotments

The basis of the provisional allotment shall be one (1) Rights Share for every two (2) existing Shares held by the Qualifying Shareholders as at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions as set out in the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the full amount payable for the Rights Shares being applied for with the Registrar on or before the Latest Time

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for Acceptance. Any holding (or balance of holdings) of less than two (2) Shares will not entitle the holders to be provisionally allotted a Rights Share. Please refer to the arrangement set out in the paragraph headed “Fractional entitlements to the Rights Shares” below.

Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the excess applications and the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). If a Qualifying Shareholder does not take up his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Rights of the Overseas Shareholders (if any)

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may or may not be eligible to take part in the Rights Issue as explained below.

According to the register of members of the Company as at the close of business on the Record Date, there were a total of 5 Overseas Shareholders with registered addresses located outside Hong Kong, details of which are set out below:

Jurisdiction	Number of Overseas Shareholder(s)	Aggregate number of Shares held by Overseas Shareholder(s) in the jurisdiction	Approximate percentage of issued share capital of the Company
The PRC	3	8,500,000	0.4437%
Taiwan	1	11,400	0.0006%
South Africa	1	11,400	0.0006%

In compliance with Rule 13.36(2)(a) of the Listing Rules, the Company has made enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders.

On the basis of the results of such enquiries obtained as at the Latest Practicable Date, given that the Rights Issue may only be made to, and be capable of acceptance by, shareholders who fall within one of the specified categories listed in section 96(1)(a) of the South African Companies Act, 71 of 2008 (the “**South African Companies Act**”) or single shareholders, acting as principal, acquiring rights shares for a total acquisition cost of R1,000,000 (equivalent to approximately HK\$495,000) or more, as contemplated in section 96(1)(b) of the South African Companies Act, the Directors are of view that it is necessary not to offer the Rights Shares to the Overseas Shareholders in South Africa on account of the legal restrictions under the relevant laws and regulations in South Africa with respect to the offer of the Rights Shares to the Overseas Shareholders with registered address in South Africa.

LETTER FROM THE BOARD

Accordingly, the Overseas Shareholder(s) whose registered address on the Record Date were in South Africa are treated as Excluded Shareholders and therefore will not be entitled to participate in the Rights Issue.

On the other hand, the Directors are of view that there are no legal restrictions under the laws of or the requirements of the relevant regulatory bodies or stock exchange in the PRC and Taiwan with respect to the offer of the Rights Shares to the Overseas Shareholders with registered addresses in such jurisdictions as at the Latest Practicable Date.

Accordingly, the Directors have decided to extend the Rights Issue to the Overseas Shareholders having registered addresses in the PRC and Taiwan and such Overseas Shareholders are considered as Qualifying Shareholders.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholder(s) to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the Excluded Shareholder(s). The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold entitlement of Excluded Shareholder(s) to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be made available for excess applications by Qualifying Shareholders under the EAF(s).

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Procedures for acceptance and payment and/or transfer

Qualifying Shareholders should find enclosed with this Prospectus a PAL which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by no later than 4:00 p.m. (Hong Kong time) on Thursday, 14 July 2022 (or, under bad weather conditions, such later time and/or date as mentioned in the section headed "Expected Timetable — Effect of Bad Weather or Extreme Conditions on the Latest Time for Acceptance of and Payment for the Rights Shares" of this Prospectus). All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "**CHINA WATER INDUSTRY GROUP LIMITED — PAL**" and crossed "**Account Payee Only**". It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by no later than 4:00 p.m. on Thursday, 14 July 2022, whether by the original allottee or any person in whose favour the provisional allotment has been validly transferred, that provisional allotment and all rights and entitlement thereunder will be deemed to have

LETTER FROM THE BOARD

been declined and will be cancelled. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions.

If the Qualifying Shareholders wish to accept only part of the provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or transfer part/all of their rights to more than one person, the original PAL must be surrendered for cancellation by no later than 4:00 p.m. on Wednesday, 6 July 2022 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required. The new PALs will be available for collection from the Registrar at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders.

All cheques or cashier's orders accompanying completed PALs will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL together with a cheque or a cashier's order in payment for the Rights Shares applied for will constitute a warranty by such person that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. No actions have been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no persons receiving the Prospectus Documents in any territory outside Hong Kong may treat it as an offer or invitation to apply or subscribe for the Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone (including, without limitation, a nominee, agent and trustee) receiving the Prospectus Documents outside Hong Kong wishing to make on their behalf an application for the Rights Shares to satisfy themselves as to the observance of the laws and regulations of all relevant jurisdiction, including the obtaining of any governmental or other consents and observing other formalities, and to pay any taxes and duties and other amounts required to be paid in such jurisdiction in connection therewith. Completion and return of the PAL by anyone outside Hong Kong will constitute a warranty and representation by such person to the Company that all registration, legal and regulatory requirements of such relevant jurisdictions other than Hong Kong in connection with the PAL and any acceptance of it, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above warranty and representation. The Company reserves the right to refuse to accept any

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application or subscription for Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. If you are in any doubt as to your position, you should consult a professional adviser. The Company will send the Prospectus only (without the PAL and the EAF) and a letter explaining the circumstances in which the Excluded Shareholders are not permitted to participate in the Rights Issue to the Excluded Shareholders for their information only. No applications for the Rights Shares will be accepted from any person who is an Excluded Shareholder.

No receipts will be given in respect of any application monies received.

If any of the conditions of the Rights Issue as set out in the paragraph headed “Conditions of the Rights Issue” is not fulfilled at or before 4:00 p.m. on Friday, 15 July 2022 (or such later time and/or date as the Company may determine), the Rights Issue will not proceed. Under such circumstances, the remittance received in respect of application for the Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Thursday, 21 July 2022.

Application for the excess Rights Shares

Under the Rights Issue, Qualifying Shareholders may apply, by way of excess application:

- (i) any unsold entitlements to the Rights Shares of the Excluded Shareholder(s) (if any);
- (ii) any unsold Rights Shares created by aggregating fractions of the Rights Shares; and
- (iii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by renounees or transferees of nil-paid Rights Shares.

(i) to (iii) are collectively referred to as “**Untaken Rights**”.

Application for excess Rights Shares can be made by the Qualifying Shareholders only and by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the amount payable for the excess Rights Shares being applied for with the Registrar no later than 4:00 p.m. on Thursday, 14 July 2022 (or, under bad weather conditions, such later time and/or date as mentioned in the section headed “Expected Timetable — Effect of Bad Weather or Extreme Conditions on the Latest Time for Acceptance of and Payment for the Rights Shares” of this Prospectus).

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The Directors will, subject to the compliance with the Listing Rules (including but not limited to the public float requirement under Rule 8.08 of the Listing Rules), allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the excess Rights Shares applied for under each application;
- (ii) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by the Qualifying Shareholders; and
- (iii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings.

If the aggregate number of Rights Shares underlying the Untaken Rights is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

In the event that the Board notes unusual patterns of excess applications and has reason to believe that any excess application may have been made with the intention to abuse the mechanism, such application(s) for excess Rights Shares may be rejected at the sole discretion of the Board.

Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Qualifying Shareholders who wish to apply for excess Rights Shares in addition to their provisional allotment must complete and sign an EAF (in accordance with the instructions printed thereon) and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar by no later than 4:00 p.m. (Hong Kong Time) on Thursday, 14 July 2022 (or, under bad weather conditions, such later time and/or date as mentioned in the section headed “Expected Timetable — Effect of Bad Weather or Extreme Conditions on the Latest Time for Acceptance of and Payment for the Rights Shares” of this Prospectus). All remittances must be made in Hong Kong dollars by cheques which must be drawn on a bank account with, or by cashier’s orders which must be issued by, a licensed bank in Hong Kong and made payable to “**CHINA WATER INDUSTRY GROUP LIMITED — EAF**” and crossed “**Account Payee Only**”.

If no excess Rights Shares are allotted to a Qualifying Shareholder who has applied for excess Rights Shares, the remittance tendered on application is expected to be returned by refund cheque to that Qualifying Shareholder in full without interest by ordinary post to their registered address and at their own risk by the Registrar on or before Thursday, 21 July 2022.

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If the number of excess Rights Shares allotted to a Qualifying Shareholder is less than that applied for, the surplus application monies is also expected to be returned by refund cheque to that Qualifying Shareholder without interest by ordinary post to their registered address at their own risk by the Registrar on or before Thursday, 21 July 2022.

All cheques or cashier's orders accompanying completed EAFs will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or a cashier's order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any EAF in respect of which the cheque or cashier's order is dishonoured on first presentation.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable.

The Company may, at its discretion, treat an EAF as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the EAF is not completed in accordance with the relevant instructions. Completion and return of the EAF together with a cheque or cashier's order in payment for the excess Rights Shares applied for will constitute a warranty and representation from such Qualifying Shareholder(s) to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection with the EAF and any application thereunder, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above warranty and representation. The Company reserves the right to refuse to accept any application for excess Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. If you are in any doubt as to your position, you should consult a professional adviser.

No receipts will be given in respect of any application monies received.

If any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue" is not fulfilled at or before 4:00 p.m. on Friday, 15 July 2022 (or such later time and/or date as the Company may determine), the Rights Issue will not proceed. Under such circumstances, the remittance received in respect of application for the excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Thursday, 21 July 2022.

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Thursday, 21 July 2022, to those entitled thereto by ordinary post, at their own risk, to their registered addresses.

LETTER FROM THE BOARD

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Thursday, 21 July 2022, by ordinary post to the applicants, at their own risk, to their registered addresses. Each applicant, (except HKSCC Nominees Limited) will receive one share certificate for all the allotted Rights Shares.

Fractional entitlement to the Rights Shares

The Company will not provisionally allot and will not accept application for any fractions of the Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number). Fractional entitlements to any Rights Shares will be disregarded and will be aggregated and allocated to satisfy excess applications (if any) and/or disposed of in such manner as the Directors in their absolute discretion deem appropriate and for the benefit and interests of the Company as more particularly described in the paragraph headed “Application for the excess Rights Shares”.

The Irrevocable Undertaking

As at the Latest Practicable Date, Step Wide is interested in 276,112,000 Shares, representing approximately 14.41% of the issued Shares. Pursuant to the Irrevocable Undertaking, Step Wide has irrevocably undertaken to the Company, among other things, to accept its full entitlement to the provisional allotment of an aggregate of 138,056,000 Rights Shares.

Save for the Irrevocable Undertaking, the Company has not received any information or irrevocable undertaking from any other Shareholders of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue as at the Latest Practicable Date.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and the level of subscription of the excess Rights Shares. Saved for the amount to be raised for such Rights Shares undertaken to be subscribed by Step Wide under the Irrevocable Undertaking, there is no minimum amount to be raised under the Rights Issue. Upon making further enquiries, the Directors confirmed that there are no statutory requirements under the laws of Cayman Islands and the laws of Hong Kong regarding minimum subscription levels in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the PAL or for excess Rights Shares under the EAF can be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules.

LETTER FROM THE BOARD

Application for listing of the Rights Shares

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms.

The board lot size of the nil-paid Rights Shares will be the same as that of the fully-paid Rights Shares, i.e. 8,000 Rights Shares in one board lot.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Stamp duty and other applicable fees

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be in the board lots of 8,000 Rights Shares and will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the possible changes in the shareholding structure of the Company arising from the Rights Issue which are for illustrative purpose only.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has 1,915,739,766 Shares in issue. Set out below is the shareholding structure of the Company, assuming there are no changes in the share capital of the Company on or before completion of the Rights Issue other than the allotment and issue of the Rights Shares pursuant to the Rights Issue, (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue (assuming full acceptance by the Qualifying Shareholders) and (iii) immediately upon completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders other than those to be taken up under the Irrevocable Undertaking).

Name of Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue (assuming full acceptance by the Qualifying Shareholders)		Immediately upon completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders other than those to be taken up under the Irrevocable Undertaking)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Substantial Shareholders						
Step Wide Investment Limited (note 1)	276,112,000	14.41	414,168,000	14.41	414,168,000	20.16
Executive Directors						
Hu Siyun	27,936,000	1.46	41,904,000	1.46	27,936,000	1.36
Deng Xiao Ting	3,000,000	0.16	4,500,000	0.16	3,000,000	0.15
Chu Yin Yin, Georgiana	743,200	0.04	1,114,800	0.04	743,200	0.04
Other Shareholders						
Honghu Capital Co. Ltd. (note 2)	161,532,000	8.43	242,298,000	8.43	161,532,000	7.86
Others	1,446,416,566	75.50	2,169,624,849	75.50	1,446,416,566	70.43
	<u>1,915,739,766</u>	<u>100.00</u>	<u>2,873,609,649</u>	<u>100.00</u>	<u>2,053,795,766</u>	<u>100.00</u>

Notes:

- These shares are held by Step Wide Investment Limited which Mrs. Chu Yuet Wah is the beneficial owner.
- These Shares are held by Honghu Capital Co. Ltd. which Mr. Deng Jun Jie is the beneficial owner.
- Certain percentage figures included in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE

The Group is principally engaged in three business segments: (i) provision of water supply, sewage treatment and construction services; (ii) exploitation and sale of renewable energy; and (iii) property investment and development.

LETTER FROM THE BOARD

As at 31 May 2022, the Group's loans and borrowings amount to approximately HK\$817.7 million. The Group intends to raise additional funding to repay part of the loans and borrowings and for its general working capital. The Board has considered various means of fund raising, such as debt financing/bank borrowings and placing of new Shares, before resolving to the Rights Issue. The Company has considered the pros and cons of different fund-raising options. In respect of debt financing, the Board considers that further debt financing would result in additional interest burden and higher gearing ratio of the Group which is not beneficial to the Group. Placing of new Shares is not adopted as it does not allow the Qualifying Shareholders the right to participate in the fund-raising exercise and their respective shareholdings in the Company would be diluted without being offered an opportunity to maintain their proportionate interests in the Company. In comparison, the Rights Issue is pre-emptive in nature, allowing the Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (i) increase their respective interests in the shareholdings of the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (ii) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). In addition, the Board believes that the Rights Issue will enable the Group to strengthen its capital base and enhance its financial position for business development. As open offer does not allow the trading of rights entitlement, rights issue is preferred.

As the Rights Issue will be on a non-underwritten basis, the actual amount of the net proceeds of the Rights Issue cannot be ascertained at this moment, However, having considering that Step Wide holding approximately 14.41% of the existing issued Shares has irrevocably undertaken to fully take up its entitlement under the PAL in respect of the Shares beneficially owned by it, the Company expects that the Rights Issue will be well received by Shareholders who are offered the opportunity to participate in the potential growth of the Group's businesses in the future. There are no minimum amounts of proceeds that the Company intends to raise. Nevertheless, in the event that there is any shortfall in net proceeds from the Rights Issue, the Company may finance such shortfall for repayment of loans and borrowings by internal resources, working capital and/or other means of financing as and when appropriate. Based on the above, the Board considers that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The estimated net proceeds of the Rights Issue will be ranged from approximately HK\$22.4 million to approximately HK\$165.8 million, of which (i) approximately 80% of the net proceeds is intended to be utilised for the partial repayment of the Group's loans and borrowings; and (ii) approximately 20% of the net proceeds is intended to be used for general working capital (including but not limited to staff cost, office rent and rates, professional fees and other general corporate expenses).

The Directors consider that it is appropriate to propose the Rights Issue as a means of fund raising for repayment of loans and borrowings and for general working capital and the terms of the Rights Issue, including the Subscription Price, are fair and reasonable based on the current market conditions.

LETTER FROM THE BOARD

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

Set out below is the fundraising activities conducted by the Company during the past twelve months immediately prior to the Latest Practicable Date:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of the announcement
27 January 2022	Placing of 319,200,000 new Shares under general mandate granted by the Shareholders at the annual general meeting held on 2 June 2021	HK\$77.6 million	Partial repayment of the Group's loan and accrued interests and/or the general working capital	All net proceeds have been fully utilised as intended

Save as the abovementioned, the Company had not conducted any other fundraising exercise in the past twelve months immediately preceding the Latest Practicable Date.

LISTING RULES IMPLICATIONS

As the Company has not conducted any rights issue or open offer within the 12-month period prior to the Latest Practicable Date and the Rights Issue will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the 12-month period immediately preceding the Latest Practicable Date, the Rights Issue is not subject to Shareholders' approval under the Listing Rules.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

GENERAL

Subject to the fulfillment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus and a letter to the Excluded Shareholders for their information only, but the Company will not send the PALs and EAFs to the Excluded Shareholders.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.

Any dealing in the Shares from the Latest Practicable Date up to the date on which all conditions of the Rights Issue are fulfilled, and any Shareholder dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders or other persons contemplating any dealing in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

Subject to the fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

ADDITIONAL INFORMATION

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

By order of the Board
China Water Industry Group Limited
Mr. Zhu Yongjun
Chairman and Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2019, 2020 and 2021 are disclosed in the annual reports of the Company for the years ended 31 December 2019, 2020 and 2021. The said annual reports of the Company 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 2019 from pages 133 to 280 published on the website of the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0512/2020051200906.pdf>);
- annual report of the Company for the year ended 31 December 2020 from pages 135 to 272 published on the website of the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042801884.pdf>); and
- annual report of the Company for the year ended 31 December 2021 from pages 148 to 284 published on the website of the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042701952.pdf>).

2. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in three business segments: (i) provision of water supply, sewage treatment and construction services; (ii) exploitation and sale of renewable energy; and (iii) property investment and development.

As disclosed in the annual report of the Company for the year ended 31 December 2021 (“**FY2021**”), the Group has scaled-down the businesses in the provision of water supply, construction services for water supply and property development as a result of the completion of disposal of 20% equity interests in the Yingtan Water Supply Group Co., Ltd and its subsidiaries (“**Yingtan Water Group**”) in February 2021 and the completion of the disposal of 31% equity interests in the Yingtan Water Group in September 2021. Following the completion of such disposals, the Group was no longer to hold any equity interest in Yingtan Water Group. There is no change to the principal business of the remaining group (the “**Remaining Group**”). The Remaining Group have continued to carry out its existing businesses.

Overall the Group’s revenue decreased by approximately HK\$27.76 million from approximately HK\$1,129.55 million for the FY2020 to approximately HK\$1,101.79 million for FY2021 because there was only two months of Yingtan Water Group’s revenue consolidated into the Group while recorded full year of Yingtan Water Group’s revenue for the year ended 31 December 2020 (“**FY2020**”). The Remaining Group’s revenue grew by approximately HK\$193.52 million from approximately HK\$864.65 million for the FY2020 to approximately HK\$1,058.17 million for FY2021. The steady growth was mainly due to (i) the ongoing increase in the volumes of on-grid electricity of projects in operation; (ii) the increase of waste water processing contributed by new sewage treatment plant; and (iii) continued appreciation

of exchange rate of RMB against HK\$; (iv) the increase in the water supply and related construction service income; and (v) the sale of commercial units in Nanjing Space Big Data project.

During FY2021, the renewable energy business segment become the principal source of the Remaining Group's revenue which contributed approximately HK\$569.20 million (FY2020: HK\$494.25 million). Construction services business segment became the second largest revenue generator of the Remaining Group which achieved a revenue of approximately HK\$250.31 million (FY2020: HK\$187.96 million).

Overall gross profit in FY2021 was approximately HK\$420.53 million, fell by approximately 12.44% compared to approximately HK\$480.30 million in FY2020. The decrease in gross profit was in-line with the decrease in overall revenue. The Remaining Group of gross profit improved by approximately HK\$49.61 million from approximately HK\$348.10 million for the FY2020 to approximately HK\$397.71 million for the FY2021 due to the continued growth in the existing businesses.

BUSINESS REVIEW

Continuous Increase in Environmental Protection and New Energy Business with Multi-faceted Prosperity

As of the end of 2021, New China Water (Nanjing) Renewable Resources Investment Company Limited (the “**New China Water**”) and its subsidiaries (the “**New China Water Group**”) had a total of over 40 solid waste treatment projects with an annual on-grid electricity capacity of 835 million kWh, representing a year-on-year increase of 10.82%. The total installed capacity reached 141MW, maintaining its position as a leading enterprise in the sub-segment.

In 2021, the business continued to maintain a steady development with seven new projects put into operation providing a new power generation scale of 8.7MW. New China Water Group also signed contracts on seven new projects, upon completion and put into operation will provide additional power generation capacity of 25MW, representing an increase of 10MW of contracted scale as compared with the new contracted scale of last year of 15MW.

As of the end of 2021, the total carbon emission reduction of New China Water Group was approximately 17.71 million tonne, including 14 Verified Carbon Standard (“**VCS**”) (核證碳減排標準) projects with an accumulated carbon emission reduction of 2,788,000 tonne. In 2021, the actual carbon emission reduction transaction volume was 1.71 million tonne and achieved a revenue of RMB7.45 million. In addition, 17 CCER projects with an accumulated carbon emission reduction of 15.10 million tonne are well prepared for development and pending the re-initiation of CCER policies.

New China Water Group raised a total of RMB190 million through financial leasing, bank loans and other channels throughout the year. At the same time, New China Water expanded the development with its financing partners. New China Water has established the cooperation intention on green loans with International Finance Corporation (IFC) and is likely to achieve substantive progress in the second quarter of 2022 to further reduce financing and financial

costs and improve efficiency. In addition, New China Water also attempted to discuss with certain investment institutions on equity financing, actively introduced strategic investors and optimised internal financial structure to safeguard enterprise development.

It also achieved important progresses in the collection of tariff subsidies. In 2021, New China Water Group collected tariff subsidies of RMB41.51 million, representing an increase of 391% over last year.

Strategic Optimisation of Water Sector with Booming “Construction of Three Industries”

Despite the pandemic keep on reoccurring, all companies in the water services segment had successfully achieved the operation targets pre-determined at the beginning of the year and recorded steady growth. They continued to provide residents with premier services and ensure safe water supply, safe operation and qualified water throughout the year.

With the strategic thinking adjustment in mind, the Group gradually optimised and disposed of the assets of certain projects.

1. It completed the transfer of the remaining 51% equity of Yingtan Water Group in 2021.
2. Yichun Water Industry Group Co., Ltd* initiated the “three-orientation construction” to regulate the enterprise standard management and facilitated the construction of three industries. It released the Reply on the Review of the Price of Secondary Water Supply in Urban Areas of Yichun City (for Trial Implementation) and proposed a trial price of RMB1/tonne. Meanwhile, the direct drinking water business achieved significant breakthroughs and has successfully established presence in three governments and two schools.
3. Linyi Fenghuang Water Industry Co. Ltd. comprehensively optimised the business environment and developed smart water services. It responded to national policies on renovating old communities. While pushing for certain financial funds on renovation, it actively undertook the renovation works of the first batch of old communities in Hedong District, guaranteeing the quality and subsequent management of projects. The project is of demonstrative significance in renovation and greatly improved its enterprise business image. While saving costs for the company, it also guaranteed project quality and ensured providing high-quality services.
4. The construction and operation of the project with a capacity of 140,000 tonne/day of Yichun Fangke Sewage Treatment Company Limited* progressed in a stable manner. The Mingyue Mountain Wentang Sewage Treatment Plant completed its environmental inspection and acceptance in April. With a sewage disposal capacity of 20,000 tonne/day, the operation is stable and has achieved profitability. The project of Mingyue Mountain Hongjiang Sewage Treatment Plant with a sewage disposal capacity of 10,000 tonne/day has completed the feasibility research and the assessment on social stability risk as well as the pre-approval of project lands. It is expected to conduct design and project bidding in the first half of 2022 and commence construction in the second half year. For the construction of the 1MW

photovoltaic project on the rooftop of its factories, which is invested by a third party, it has completed the filing, bidding and preliminary civil works on brackets and is expected to complete construction and commence on-grid power generation in April 2022.

City-Industry Integration Segment Braving Difficulties and Embracing a Turnaround

Owing to the impact of the overall domestic economic situation and policy adjustments in 2021, the Group's two city-industry integration projects in Huizhou and Nanjing experienced various problems and difficulties such as postponement and suspension in construction, changes in policies on project acceptance, slow progress in investment solicitation and collection of sales proceeds as well as shortage of construction funds.

Facing such difficulties, the Group and Swan (Huizhou) Investment Company Limited worked closely together and forged ahead. It has completed the completion filing for the Nanjing Space Big Data Industry Base Project. The project has officially started investment solicitation and operation. The hand over of the relevant sold units of the project was also completed during 2021. The construction of the Huizhou Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場) Project has successfully resumed and investment solicitation and sales activities have initiated comprehensively. It has reached preliminary transfer intention with potential buyers, embracing its turnaround stealthily.

Improved Situation on Glass Recycling Business in Hong Kong

Hong Kong witnessed social instability and the reoccurrence of the pandemic in 2021, which had significantly bombarded the business operation of the Glass Company in Hong Kong. In the first half of 2021, the Glass Company hardly conducted any normal recycling of glass bottles operation due to a serious loss of internal staff. Thanks to the improved social stability in the second half of 2021, the Glass Company achieved substantive progress in business operation and internal management through replacing management personnel and shifting of decisionmaking direction of the Group. With all the efforts of the Glass Company in the second half of 2021, it has maintained a stable operation, established a positive corporate image and was highly recognised by the Environmental Protection Department and relevant government authorities.

OUTLOOK AND FUTURE PLANS

Under the leadership of the new session of the Board, the Group surmounted various difficulties and challenges in 2021 and successfully got over the year of adjustment. In 2021, the Group had laid a solid foundation and is well prepared to officially commence the inaugurated year for taking off the Group under new strategic development deployment. In the future, the Group will further emphasise streamlining and developing core business segments, targeting specifically on the current development conditions of all segments.

For the traditional water services segment, after the overall strategic adjustments of the Group in 2021, it is the intention of the Group to continue to develop the water services segment as the core assets in 2022. Considering the feasibility on the continuous development of existing water services projects, the Group will gradually complete the reasonable

optimisation of the Group's water services assets. Moreover, the Group proposes to cultivate the Group's technical capability in the water treatment sector through measures such as cooperation, joint ventures and acquisition to seize opportunities in non-traditional municipal water supply and drainage projects. It will focus on benchmarking the industrial sewage treatment business and relevant market opportunities.

For the sewage segment, the Group will continue to improve the operation of sewage treatment plants and improve efficiency. In considering the changes in the core strategic development of the Company, the Group does not rule out the possibility of selling such sewage-related assets with fair and reasonable prices.

For the city-industry integration segment, the Group plans to integrate domestic and overseas economic situation and internal resources of the Group to further improve various conditions of the projects based on the results achieved in 2021. It will conduct further communication exchange with potential clients to complete the transfer and sale of the Huizhou Honghu Blue Valley Wisdom Square* Project. For the Nanjing Space Big Data Industry Base Project, it will complete the delivery of the contracted parts and collect sales proceeds as soon as possible. At the same time, it will fully carry out investment solicitation and operation to bring long-term and stable revenue growth points to the Group.

For the glass recycling business in Hong Kong, the Group will further optimise the production factory zone and improve production equipment by referencing to the basis in 2021 to increase the total volume capacity of glass recycling, actively expand new recycling sites and expand the recycling category from food and beverage to accommodation living. At the same time, the Group will conduct in-depth research on the market potential in Kowloon, Hong Kong and the recycling potential in other areas to boost business volume and turn losses into profits.

In the future, the Group will after evaluating the resources of the Group, give priority to the business development of the environmental protection and new energy segment, continuously deepen the business of the landfill gas sub-segment, actively seek new gas sources and tap into opportunities in biomass and fuel gas projects in industrial, agricultural planting and breeding wastes, kitchen wastes and other sectors to further consolidate its positioning as a leading operator in the biomass and fuel gas industry in China. On the other hand, it will focus on overseas markets, reinitiate the project in Jakarta and leverage the project in Jakarta to seek development opportunities in the landfill gas business in Indonesia and other Southeast Asian countries. Meanwhile, the Group will actively respond to national carbon neutrality policies and improve the carbon emission reduction team. It will propose optimised resolutions to the carbon emission reduction reserve of the Group and significantly increase the Group's revenue after the re-initiation of CCER policies. In addition, the Group will continue to work diligently in seeking strategic partners and introduce partners through equity financing aspect of New China Water. Under the national strategic targets, the Group will boost efforts in innovation and vigorously seek multi-dimension breakthroughs to achieve win-win results through strong alliance.

In order to ensure the sustainable development of the Group's core businesses and meet the capital needs for future business expansion, the Group will actively expand its financing channels and accelerate the introduction of strategic investors; the Group will also enter into cooperation with financial institutions to realize the integration and utilisation of resources of various platforms in the next three years, so as to maximize resources utilization and ensure the long-term and stable development of the Group.

The Group will always adhere to the business philosophy of “The government is assured and the public is satisfied. Shareholders’ recognition and staff contentment are achieved” (“政府放心，市民滿意，股東認可，員工樂業”). Despite COVID-19 pandemic is still lingering and international economic situation will yet to be optimistic in 2022, nevertheless, the Group has been fully prepared after the exploration and refinement in 2021. In the future, the Group will focus on the visionary strategic deployment of the new session of the Board, tackle challenges and adopt targeted measures to write a new chapter for the Group.

3. INDEBTEDNESS STATEMENT

The following table set forth a breakdown of our indebtedness as at 31 May 2022, being the latest practicable date for the purpose of this indebtedness in this Prospectus.

	As at 31 May 2022 <i>HK\$'000</i>
Other borrowings (<i>Note a</i>)	338,843
Bank borrowings (<i>Note b</i>)	157,653
Lease liabilities (<i>Note c</i>)	<u>321,206</u>
	<u><u>817,702</u></u>

Note a:

The breakdown of other borrowings are as follows:

- interest-bearing, guaranteed, secured other loan of approximately HK\$202.84 million;
- interest-bearing, unguaranteed, unsecured other loan of approximately HK\$123.22 million;
- interest-bearing, guaranteed, unsecured other loan of approximately HK\$11.55 million;
- interest-free, unguaranteed, unsecured other loan of approximately HK\$1.23 million;

Note b:

The breakdown of bank borrowings are as follows:

- interest-bearing, guaranteed, secured bank borrowings of approximately HK\$92.47 million;
- interest-bearing, guaranteed, unsecured bank borrowings of approximately HK\$64.68 million;
- interest-bearing, unguaranteed, unsecured bank borrowings of approximately HK\$0.51 million;

Note c:

The breakdown of lease liabilities are as follows:

- guaranteed, secured lease liabilities of approximately HK\$220.36 million;
- unguaranteed, secured lease liabilities of approximately HK\$94.32 million;
- lease liabilities of approximately HK\$6.53 million related to the lease agreements for leasing of office premises located in Hong Kong and the People's Republic of China and recognised as right-of-use assets and lease liabilities for these leases.

As at 31 May 2022, the Group had no material contingent liabilities outstanding.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as of 31 May 2022, 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.

The Directors are not aware of any material change in the indebtedness and contingent liability position of the Group since 31 May 2022 and up to the Latest Practicable Date.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that taking into account (i) the internal resources of the Group; (ii) estimated proceeds from the Rights Issue; and (iii) the existing cash and bank balances, the Group has sufficient working capital to satisfy its present requirements for at least 12 months from the date of this Prospectus.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, so far as was known to the Directors, there are no material adverse change in the financial or trading position of the Group since 31 December 2021, the date to which the latest published financial statements of the Group were made up.

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial positions at the relevant time.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (“**Unaudited Pro Forma Financial Information**”) has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had been completed on 31 December 2021.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company upon completion of the Rights Issue or at any future dates after completion of the Rights Issue.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of Company as at 31 December 2021 as derived from the Group's consolidated financial statements for the year ended 31 December 2021 set out in the published annual report of the Company and is adjusted for the effect of the Rights Issue as if the Rights Issue had been completed on 31 December 2021.

				Prior to		After
				Completion of Rights Issue		Completion of Rights Issue
				Unaudited	Unaudited	Unaudited
				consolidated	consolidated	consolidated
				net tangible	net tangible	net tangible
			Unaudited	assets of the	assets of the	assets of the
			pro forma	Group per	Group per	Group per
			adjusted	share	share	share
			consolidated	attributable	attributable	attributable
			net tangible	to owners of	to owners of	to owners of
			assets of the	the Company	the Company	the Company
			Group	as at	as at	as at
	Net proceeds		attributable	31 December	31 December	31 December
	from the		to owners of	2021 without	2021 after	2021 after
	completion of		the Company	taking into	taking into	taking into
	placing	Estimated net	upon	account of	account of	account of
	of new	proceeds	completion of	the placing	the placing	the placing
	Shares on	from the	the Rights	of new	of new	of new
	23 February	Rights Issue	Issue	Shares	Shares	Shares
	2022	HK\$	HK\$	HK\$	HK\$	HK\$
	2021	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)
	HK\$					(Note 6)

Based on 957,869,883

Right Shares to be
issued at
subscription price
of HK\$0.175 per
Rights Share

	<u>1,191,730,000</u>	<u>77,600,000</u>	<u>165,827,000</u>	<u>1,435,157,000</u>	<u>0.746</u>	<u>0.663</u>	<u>0.499</u>
	(Note 1)	(Note 2)	(Note 7)		(Note 4)	(Note 5)	(Note 8)

Based on 138,056,000

Right Shares to be
issued at
subscription price
of HK\$0.175 per
Right Share

	<u>1,191,730,000</u>	<u>77,600,000</u>	<u>22,360,000</u>	<u>1,291,690,000</u>	<u>0.746</u>	<u>0.663</u>	<u>0.629</u>
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Notes:

1. The amount of unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2021 is based on audited consolidated net assets of the Group attributed to the owners of the Company of HK\$1,370,239,000 as adjusted by exclusion of other intangible assets of HK\$177,770,000 and deferred tax assets of HK\$739,000 as shown on the Group's audited consolidated financial statements for the year ended 31 December 2021 that has been extracted from the published annual report of the Company for the year ended 31 December 2021 dated 27 April 2022.
2. The net proceeds from the completion of placing of new Shares under general mandate (the "Placing") (which completed on 23 February 2022 and announced by the Company on the same date) of approximately HK\$77,600,000 is calculated based on the placing of 319,200,000 new Shares at the subscription price of HK\$0.25 each, after deduction of the placing commission and other expenses paid by the Company of approximately HK\$2,200,000.
3. The estimated net proceeds from the Rights Issue of approximately HK\$165,827,000 is calculated based on the 957,869,883 Rights Shares to be issued at the subscription price of HK\$0.175 each, after deduction of the estimated professional fees and other share issue related expenses payable by the Company of approximately HK\$1,800,000.
4. The calculation is determined based on the unaudited adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2021 of HK\$1,191,730,000 divided by 1,596,539,766 Shares which represents the total Shares in issue as at 31 December 2021.
5. The calculation is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2021 of HK\$1,269,330,000 divided by 1,915,739,766 Shares, as if the Placing has been completed on 31 December 2021.
6. The calculation is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2021 of HK\$1,435,157,000 divided by 2,873,609,649 Shares, assuming the Rights Shares have been fully subscribed by the Qualifying Shareholders and as if the Placing and the Rights Issue has been completed on 31 December 2021.
7. The estimated net proceeds from the Rights Issue of approximately HK\$22,360,000 is calculated based on the 138,056,000 Rights Shares to be issued at the subscription price of HK\$0.175 each, after deduction of the estimated professional fees and other share issue related expenses payable by the Company of approximately HK\$1,800,000.
8. The calculation is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2021 of HK\$1,291,690,000 divided by 2,053,795,766 Shares, assuming nil Rights Shares have been subscribed by the Qualifying Shareholders other than those to be taken up under the Irrevocable Undertaking and as if the Placing and the Rights Issue has been completed on 31 December 2021.
9. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2021.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this Prospectus, received from the independent reporting accountants, Crowe (HK) CPA Limited, Certified Public Accountants.

The Directors
China Water Industry Group Limited
Room 1207, 12th Floor
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan, Hong Kong

Dear Sirs

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information (the “**Unaudited Pro Forma Financial Information**”) of China Water Industry Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The Unaudited Pro Forma Financial Information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2021, and the related notes set out on pages II-1 to II-3 of Appendix II to the prospectus issued by the Company dated 29 June 2022 relating to the proposed rights issue (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page II-1 to II-3 of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue of the Company (the “**Rights Issue**”) on the financial position of the Group as at 31 December 2021 as if the Rights Issue had taken place on 31 December 2021. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the year ended 31 December 2021, on which an audit report has been published.

Directors’ responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements issued by HKICPA, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had accrued or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2021 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Crowe (HK) CPA Limited

Certified Public Accountants

Hong Kong, 29 June 2022

Alvin Yeung Sik Hung

Practising Certificate Number P05206

APPENDIX III VALUATION REPORTS ON PROPERTIES OF THE GROUP

The following is the text of a letter, a summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 31 May 2022 of the property interests held by the Group.



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Wan Chai, Hong Kong

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info@avaval.com

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29 June 2022

The Board of Directors

China Water Industry Group Limited (中國水業集團有限公司)

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 (中國水業集團有限公司) (the “Company”) for us to carry out the valuation of the property interests (the “Property”) located in the People’s Republic of China (the “PRC”) held by the Company and its subsidiaries (hereinafter together referred to as 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 May 2022 (the “Valuation Date”).

VALUATION STANDARDS

In valuing the Property, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the RICS Valuation — Global Standards 2022 published by the Royal Institution of Chartered Surveyors (“RICS”) 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 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*”.

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 valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

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 and its legal adviser, being Guangdong Jusun Law Firm (廣東卓尚律師事務所) (the “PRC Legal Adviser”), regarding the title to the Property.

In valuing the Property, we have relied on a legal opinion regarding the property interests provided by the PRC Legal Adviser dated 21 June 2022 (the “PRC Legal Opinion”), which states the Group has legally obtained the land use rights of the Property. 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.

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 Property described and that no encroachment or trespass exists, unless noted in the report.

We have further assumed that the Property was 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 Property in between dates of our inspection and the Valuation Date.

VALUATION METHODOLOGY

In valuing the Property in Group I which are held for sale by the Group, we have valued by market approach which is generally by comparing recent market evidence of similar properties located in the neighbourhood area of the Property. This approach is commonly used to value properties where reliable market evidence is available.

In valuing the Property in Group II which are held for investment by the Group, we have valued by the income approach by taking into account the rental income of the Property 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 capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

In valuing the Property in Group III which are currently under development by the Group, we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. We have assumed that approvals for the proposals have been obtained. In arriving at our opinion of values, we have adopted the market approach by making references 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 Valuation Date and the remainder of the cost and fees expected to be incurred for completing the Property. We have relied on the accrued construction cost and professional fees information provided by the Group according to the different stages of construction of the Property as at the Valuation Date.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title of the Property in the PRC. Where possible, we have examined the original documents to verify the existing title to the Property in the PRC and any material encumbrance that might be attached to the Property 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 PRC Legal Opinion given by the PRC Legal Adviser, 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 on 16 June 2022 by Tina Li (Senior Valuer). 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.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Group or the PRC Legal Adviser or other professional advisers on such matters as statutory notices, planning approvals, zoning, easements, tenures, completion date of buildings, development proposal, identification of Property, 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 Group. We have also sought confirmation from the Group 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.

OTHER DISCLOSURE

We hereby confirm that no single property interest that forms part of non-property activities of the Group has a carrying amount of 15% or more of total assets except for the Property disclosed in the valuation report.

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
MRICS CFA FCPA FCPA Australia
RICS Registered Valuer
Managing 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, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

APPENDIX III VALUATION REPORTS ON PROPERTIES OF THE GROUP

SUMMARY OF VALUES

Abbreviation

Group I:	Property interests held for sale by the Group in the PRC
Group II:	Property interests held for investment by the Group in the PRC
Group III:	Property interests held by the Group under development in the PRC
“—” or N/A:	Not applicable or not available

No.	Property	Market value in existing state as at 31 May 2022 Group I RMB	Market value in existing state as at 31 May 2022 Group II RMB	Market value in existing state as at 31 May 2022 Group III RMB	Interest Attributable to the Group	Market value Attributable to the Group as at 31 May 2022 RMB
1.	Huizhou Honghu Blue Valley Wisdom Square, No. 3 Taihao Road, Huicheng District, Huizhou City, Guangdong Province, the PRC (中國廣東省惠州市惠城區泰豪路3 號鴻鵠藍谷智慧廣場)	—	—	188,300,000	100%	188,300,000
2.	Nanjing Space Big Data Industry Base, No. 88 Kangyuan Road, Xuanwu District, Nanjing City, Jiangsu Province, the PRC (中國江蘇省南京市康園路88號南 京空間大數據產業基地)	241,700,000	218,300,000	—	99.41%	457,286,000
Total:		<u>241,700,000</u>	<u>218,300,000</u>	<u>188,300,000</u>		<u>645,586,000</u>

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2022 RMB
1.	Huizhou Honghu Blue Valley Wisdom Square, No. 3 Taihao Road, Huicheng District, Huizhou City, Guangdong Province, the PRC (中國廣東省 惠州市 惠城區 泰豪路3號 鴻鵠藍谷 智慧廣場)	<p>The property comprises a parcel of land with a site area of approximately 30,544.24 sq.m. which is being developed into an industrial office development.</p> <p>As at the Valuation Date, portions of the property were under development and were scheduled to be completed in December 2022 (the “Phase 1 Development”). Upon completion, the Phase 1 Development will have a total planned gross floor area of approximately 41,626.21 sq.m..</p> <p>The remaining portions of the property were under demolition for redevelopment and were scheduled to be completed in July 2023 (the “Phase 2 Development”). Upon completion, the Phase 2 Development will have a total planned gross floor area of approximately 14,810.67 sq.m..</p> <p>As advised by the Group, the total construction cost of the property was estimated to be approximately RMB265,400,000 of which RMB142,100,000 had been paid as at the Valuation Date.</p> <p>The classification, usage and gross floor area, details are set out in Note 6.</p> <p>The property is located in Huicheng District of Huizhou City, with approximately 9.4 km to Shengtai West Road Railway Station and 8.8 km to Shenzhen Airport.</p> <p>The land use rights of the property have been granted for a term expiring on 30 August 2066 for science and education use.</p>	<p>As at the Valuation Date, the Phase 1 Development was under construction, and the Phase 2 Development was under demolition for redevelopment.</p>	<p>188,300,000 (100% interest attributable to the Group: 188,300,000)</p>

APPENDIX III VALUATION REPORTS ON PROPERTIES OF THE GROUP

Notes:

1. Pursuant to a Real Estate Ownership Certificate (for land) — Yue (2016) Hui Zhou Shi Bu Dong Chan Quan Di No. 1001583 issued by the Natural Resources Bureau of Huizhou City (惠州市國土資源局), the land use rights of the land with a total site area of approximately 30,544.24 sq.m. have been granted to Huizhou Swan Heng Chang Property Development Company Limited (惠州鴻鵠恒昌置業有限公司, “Huizhou Swan Heng Chang”), a wholly-owned subsidiary of the Company, for a term expiring on 30 August 2066 for science and education use.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 441302 (2016) 10122, permission towards the planning of the land parcel with a total site area of approximately 35,725.00 sq.m. has been granted to Huizhou Swan Heng Chang.
3. Pursuant to 19 Construction Work Planning Permits — Jian Zi Di Nos. 441302 (2017) 10324, 441302 (2017) 10344, 441302 (2017) 10499, 441302 (2018) 20042, 441302 (2018) 20044 to 441302 (2018) 20049, 441302 (2018) 20052 to 441302 (2018) 20058, 441302 (2018) 20060 and 441302 (2021) 10514 in favour of Huizhou Swan Heng Chang, the construction work of the development site pipeline project and the property with a total gross floor area of approximately 56,475.56 sq.m. has been approved for construction.
4. Pursuant to a Construction Work Commencement Permit — No. 441302201708150101, in favour of Huizhou Swan Heng Chang, permissions by the relevant local authority were given to commence the construction work of the property with a total gross floor area of approximately 54,793.50 sq.m..
5. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be approximately RMB371,800,000.
6. As advised by the Group, the gross floor area of the property is set out as below:

Group	Usage	Planned Gross Floor Area (sq.m.)	No. of car parking space
Group III — Property interests held by the Group under development in the PRC	Industrial Office	39,247.44	—
	Retail	3,250.60	—
	Car Parking Space	9,743.12	429
	Ancillary	4,195.72	—
	Total:	56,436.88	429

7. We have been provided with the PRC Legal Opinion, which contains, inter alia, the following:
 - a. Huizhou Swan Heng Chang has fully settled all land premium and has legally and validly obtained the land use rights of the property under the terms of the Real Estate Ownership Certificate;
 - b. The land use rights of the property were pledged to Huizhou Rural Commercial Bank Co., Ltd. branch in Huicheng (惠州農村商業銀行股份有限公司惠城支行); and
 - c. The land use rights of the property were seized by Huicheng District People’s Court (惠城區人民法院). Huizhou Swan Heng Chang has the rights to occupy, use, lease, transfer, mortgage or dispose of the land use rights if the relevant seizure of the land use rights is withdrawn and the arbitration result is acted in accordance.
8. In the course of our valuation, we assume that the property is transferable without legal impediment.

APPENDIX III VALUATION REPORTS ON PROPERTIES OF THE GROUP

9. Our valuation has been made on the following basis and analysis:

In the course of our valuation of the property, we have made references to comparables located in the area close to the subject property with similar nature, use, size, layout and accessibility as the subject property. The unit prices of the comparables are ranging from RMB7,000 to RMB13,700 per sq.m. for industrial office units, RMB16,900 to RMB18,600 per sq.m. for retail units on the ground floor and RMB47,300 to RMB56,500 for each of the car parking spaces. The unit rates adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of location, time and size, etc.

10. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the Valuation Date in its existing state is set out as below:

Group	Market value in existing state as at the Valuation Date (RMB)
Group III — Property interests held by the Group under development in the PRC	<u>188,300,000</u>
Total:	<u><u>188,300,000</u></u>

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2022 RMB
2.	Nanjing Space Big Data Industry Base, No. 88 Kangyuan Road, Xuanwu District, Nanjing City, Jiangsu Province, the PRC (中國江蘇省 南京市 康園路88號 南京空間大數據 產業基地)	<p>The property comprises six 6-storey industrial office buildings over a 2-storey basement with a total gross floor area of approximately 72,825.30 sq.m..</p> <p>As at the Valuation Date, portions of the property with a total gross floor area of approximately 23,168.00 sq.m. were held for sale (the “For-sale Unit”) and the remaining were held for investment (the “Investment Property”). The property was completed in August 2021.</p> <p>The classification, usage and gross floor area, details are set out in Note 6.</p> <p>The property is located in Xuanwu District of Nanjing City, with approximately 11.0 km to Youfangqiao Railway Station and 9.3 km to Nanjing Lukou International Airport.</p> <p>The land use rights of the property have been granted for a term expiring on 21 July 2066 for science and education use.</p>	As at the Valuation Date, the For-sale Unit and Investment Property were vacant.	460,000,000 (99.41% interest attributable to the Group: 457,286,000)

APPENDIX III VALUATION REPORTS ON PROPERTIES OF THE GROUP

Notes:

1. Pursuant to a Real Estate Ownership Certificate (for land) — Su (2018) Ning Xuan Bu Dong Chan Quan Di No. 0005910 issued by the Natural Resources Bureau of Nanjing City (南京市國土資源局), the land use rights of the land with a total site area of approximately 26,340.79 sq.m. have been granted to New China Water (Nanjing) Energy Company Limited (新中水(南京)能源有限公司, “New China Water Energy”), a wholly-owned subsidiary of the Company, and New China Water (Nanjing) Carbon Company Limited (新中水(南京)碳能有限公司, “New China Water Carbon”), an approximately 96.13%-owned subsidiary of the Company for a term expiring on 21 July 2066 for science and education use.
2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 320115201910050, permission towards the planning of the land parcel with a total site area of approximately 26,340.79 sq.m. has been granted to New China Water Energy and New China Water Carbon.
3. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 320100201711117 in favour of New China Water Energy and New China Water Carbon, the construction work of the property with a total gross floor area of approximately 72,851.27 sq.m. has been approved for construction.
4. Pursuant to a Construction Work Commencement Permit — No. 320102201809130101, in favour of New China Water Energy and New China Water Carbon, permissions by the relevant local authority were given to commence the construction work of the property with a total gross floor area of approximately 72,825.30 sq.m..
5. Pursuant to a Completion and Inspection Certified Report — No. 3201021611230101-JX-001, in favour of New China Water Energy and New China Water Carbon, the construction of the property with a total gross floor area of approximately 72,825.30 sq.m. has been completed and passed the inspection acceptance.
6. As advised by the Group, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area (sq.m.)	No. of car parking space
Group I — Property interests held for sale by the Group in the PRC	Industrial Office	23,159.03	—
	Sub-total:	23,159.03	—
Group II — Property interests held for investment by the Group in the PRC	Industrial Office Car Parking Space	23,176.97 26,489.30	— 535
	Sub-total:	49,666.27	535
	Total:	72,825.30	535

7. As advised by the Group that portion of the For-sale Unit with a total gross floor area of approximately 23,159.03 sq.m. has been pre-sold to various independent third parties but have not been handed over to the purchasers with the total pre-sold consideration of approximately RMB241,700,000.

APPENDIX III VALUATION REPORTS ON PROPERTIES OF THE GROUP

8. We have been provided with the PRC Legal Opinion, which contains, inter alia, the following:
- a. New China Water Energy and New China Water Carbon have fully settled all land premium and have legally and validly obtained the land use rights of the property under the terms of the Real Estate Ownership Certificate;
 - b. The land use rights of the property were pledged to Jiangsu Zijin Rural Commercial Bank Co., Ltd. (江蘇紫金農村商業銀行股份有限公司); and
 - c. The land use rights of the property were seized by Nanjingshi Jiangningqu Renming Fayuen (南京市江寧區人民法院). New China Water Energy and New China Water Carbon have the rights to occupy, use, lease, transfer, mortgage or dispose of the land use rights if the relevant seizure of the land use rights is withdrawn and the arbitration result is acted in accordance.
9. In the course of our valuation, we assume that the property is transferable without legal impediment.
10. Our valuation has been made on the following basis and analysis:
- In the course of our valuation of the Investment Property, we have made references to various relevant rental evidences in the locality which have similar characteristics as the subject property such as nature, use and accessibility. The adopted unit rents of the comparables are ranging from RMB1.3 to RMB1.5 per sq.m. per day for industrial office units and RMB17.4 to RMB19.0 per day for each of the car parking spaces. The market yield assumed by us is 6.0% for both industrial office units and car parking spaces, which is consistent with the market yield of these property sector in the range of 5.5% to 6.2%.
11. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the Valuation Date in its existing state is set out as below:

Group	Market value in existing state as at the Valuation Date (RMB)
Group I — Property interests held for sale by the Group in the PRC	241,700,000
Group II — Property interests held for investment by the Group in the PRC	<u>218,300,000</u>
Total:	<u><u>460,000,000</u></u>

1. RESPONSIBILITY STATEMENT

This Prospectus, 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 Prospectus 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 Prospectus misleading.

2. SHARE CAPITAL

(i) Share capital as at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Convertible preference shares of HK\$0.1 each	<u>200,000,000</u>
<u>200,000,000,000</u>	Shares of HK\$0.01 each	<u>2,000,000,000</u>
<i>Issued and fully paid up:</i>		<i>HK\$</i>
<u>1,915,739,766</u>	Shares of HK\$0.01 each	<u>19,157,397</u>

(ii) Share capital upon the completion of the Rights Issue, assuming no changes in the number of Shares in issue before completion of the Rights Issue and all Qualifying Shareholders take up their respective allotment of Rights Shares in full

<i>Authorised:</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Convertible preference shares of HK\$0.1 each	<u>200,000,000</u>
<u>200,000,000,000</u>	Shares of HK\$0.01 each	<u>2,000,000,000</u>
<i>Issued and fully paid up:</i>		<i>HK\$</i>
1,915,739,766	Shares of HK\$0.01 each	19,157,397
<u>957,869,883</u>	Rights Shares of HK\$0.01 each	<u>9,578,699</u>
<u>2,873,609,649</u>		<u>28,736,096</u>

All the Rights Shares to be issued will rank pari passu in all respect with each other, including, in particular, as to dividends, voting rights and capital, and once issued and fully paid, with all the Shares in issue as at the date of allotment and issue of the Rights Shares.

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No parts of the share capital or any other securities of the Company are listed or dealt in on any stock exchange other than the Stock Exchange and no applications are being made or are currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange. As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, the Company had no outstanding derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into or confer any right to subscribe for Shares.

3. DISCLOSURE OF INTERESTS

(i) Directors' interest and short positions in the securities of the Company and its associated companies

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares

Name of Directors	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
Mr. Hu Siyun	Beneficial owner	27,936,000	1.46%
Ms. Deng Xiao Ting	Beneficial owner	3,000,000	0.16%
Ms. Chu Yin Yin, Georgiana	Beneficial owner	743,200	0.04%

Note: The shareholding percentage in the company is calculated on the basis of 1,915,739,766 shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) 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 they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the issued voting shares of any member of the Group were as follows:

Long position in the Shares

Name of Shareholders	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
Step Wide Investment Limited	Beneficial owner	276,112,000 (Note 1)	14.41
Honghu Capital Co. Ltd.	Beneficial owner	161,532,000 (Note 1)	8.43

Notes:

1. These shares are held by Step Wide Investment Limited (“**Step Wide**”) which Mrs. Chu Yuet Wah (“**Mrs. Chu**”) is the beneficial owner. Mrs. Chu is deemed to be interested in shares held by Step Wide by virtues of the SFO.
2. These shares are held by Honghu Capital Co. Ltd. (“**Honghu Capital**”) which Mr. Deng Jun 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. The shareholding percentage in the company is calculated on the basis of 1,915,739,766 shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, 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 other member of the Group.

None of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying share of the Company which would fall to be disclosed under the provision of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminate by the employers within one year without payment of compensation other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of Directors or substantial Shareholder or any of their respective associates has any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

6. LITIGATION

There is a pending litigation in 江蘇省南京市玄武區人民法院 (for transliteration purpose only, the People's Court of Xuanwu District, Nanjing City, Jiangsu Province) ("**Xuanwu People's Court**") regarding the allegedly unsettled payment of construction fee by the subsidiaries of the Company to a contractor in the sum of approximately RMB151,593,000. In February 2022, the parties were in negotiations in view of reaching an agreement to settle the claims. In May 2022, the parties reached a settlement agreement and the said settlement agreement will be filed with the Xuanwu People's Court on the date of hearing which is expected to be held on 24 June 2022 (unless otherwise adjourned by the Xuanwu People's Court).

Save as disclosed above, as at the Latest Practicable Date, there were no litigations or claims of material importance, as known to the Directors, pending or threatened against any member of the Group.

7. INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, no contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

None of the Directors has any director or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 December 2021, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) were entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

- (i) an equity transfer agreement dated 23 May 2022 entered into between 深圳市新中水環保科技有限公司 (for transliteration purpose only, Shenzhen City New China Water Environmental Technology Limited) (as purchaser), an indirect non-wholly owned subsidiary of the Company, 山東圓通生物能源有限公司 (for transliteration purpose only, Shandong Yuantong Bioenergy Limited) (as vendor), and 太原市圓通生物能源有限公司 (for transliteration purpose only, Taiyuan Yuantong Bioenergy Limited) (as target company), in relation to the acquisition of the entire equity interests in the target company, for a total consideration of RMB13,550,000;
- (ii) a finance lease agreement dated 28 February 2022 entered into between 深圳市利賽實業發展有限公司 (for transliteration purpose only, Shenzhen City Li Sai Industrial Development Limited) (as lessee), an indirect non-wholly owned subsidiary the Company and 華潤融資租賃有限公司上海分公司 (for transliteration purpose only, Huarun Financial Leasing Company Ltd. Shanghai Branch) (as lessor), in relation to the finance lease arrangement of the leased machinery and equipment for landfill gas and power generation for a total consideration of RMB60,000,000;
- (iii) a transfer agreement and finance lease agreement dated 22 February 2022 entered into between 新中水(南京)再生資源投資有限公司 (for transliteration purpose only, New China Water (Nanjing) Renewable Resources Investment Company Limited) (as lessee), the subsidiary of the Company, and 廣東綠金融資租賃有限公司 (for transliteration purpose only, Canton Greengold Financial Leasing Ltd. (formerly known as 廣東粵盛科融資租賃有限公司 ((for transliteration purpose only, Canton Risen Financial Leasing Co., Ltd.) (as lessor), in relation to the finance lease arrangement of the leased power generation equipment for a total consideration of RMB60,000,000 and for a lease period of 48 months;
- (iv) a termination agreement dated 16 February 2022 entered into between 深圳市新中水環保科技有限公司 (for transliteration purpose only, Shenzhen City New China Water Environmental Technology Limited) (as purchaser), the indirect non-wholly owned subsidiary of the Company, 北控十方(山東)環保能源集團有限公司 (for transliteration purpose only, Beikong Shifang (Shandong) Environmental Energy Group Limited) (as vendor) and 廈門通潔環保科技有限公司 (for transliteration purpose only, Xiamen Tongjie Environmental Protection Technology Limited) (together as vendors) and 廈門十方圓通生物能源有限公司 (for transliteration purpose only, Xiamen Shifang Yuantong Bioenergy Limited) (as target company), in relation to terminate the equity transfer agreement under the Xiamen Acquisition (as defined below);

- (v) a placing agreement dated 27 January 2022 entered into between the Company and Kingston securities Limited (as placing agent) in relation to the placing of up to 319,200,000 placing shares, on a best efforts basis, at a price of HK\$0.25 per placing shares;
- (vi) a cooperation framework agreement dated 28 December 2021 entered into between the Company, 廣州首聯環境集團有限公司 (for transliteration purpose only, Guangzhou Shoulian Environmental Group Company Limited) and 廣州首聯環保服務有限公司 (for transliteration purpose only, Guangzhou Shoulian Environmental Service Company Limited), in relation to the cooperation in respect of the collection, transportation and recycling of hazardous waste business in the PRC for a term of 12 months from the date of the cooperation framework agreement or such longer terms as the parties may agree;
- (vii) a finance lease agreement dated 8 December 2021 entered into between (a) 梧州市中水新能源科技有限公司 (for transliteration purpose only, Wuzhou City China Water New Renewable Resources Company Limited), (b) 大唐華銀湘潭環保發電有限責任公司 (for transliteration purpose only, Datang Huayin Xiangtan Environmental Electricity Generation Company Limited), (c) 湖南瀏陽新中水環保科技有限公司 (for transliteration purpose only, Hunan Liuyang New China Water Environmental Technology Limited) (together as lessees), each being a subsidiary of the Company, and (d) 廣東綠金融資租賃有限公司 (for transliteration purpose only, Canton Greengold Financial Leasing Ltd. (formerly known as 廣東粵盛科融資租賃有限公司 ((for transliteration purpose only, Canton Risen Financial Leasing Co., Ltd.) (as lessor), in relation to the finance lease arrangement of the leased landfill gas power generating facilities for a total consideration of RMB60,000,000 and for a term of three years.
- (viii) an equity transfer agreement dated 2 December 2021 entered into between 深圳市新中水環保科技有限公司 (for transliteration purpose only, Shenzhen City New China Water Environmental Technology Limited) (as purchaser), the indirect non-wholly owned subsidiary of the Company, 北控十方(山東)環保能源集團有限公司 (for transliteration purpose only, Beikong Shifang (Shandong) Environmental Energy Group Limited) (as vendor) and 撫順十方生物能源有限公司 (for transliteration purpose only, Fushun Shifang Bioenergy Limited) (as target company), in relation to the acquisition of the entire equity interests in the target company for a total consideration of RMB3,110,000;
- (ix) an equity transfer agreement dated 2 December 2021 entered into between 深圳市新中水環保科技有限公司 (for transliteration purpose only, Shenzhen City New China Water Environmental Technology Limited) (as purchaser), the indirect non-wholly owned subsidiary of the Company, 北控十方(山東)環保能源集團有限公司 (for transliteration purpose only, Beikong Shifang (Shandong) Environmental Energy Group Limited) (as vendor) and 鄭州新冠能源開發有限公司 (for transliteration purpose only, Zhengzhou Xinguan Energy Development Limited) (as target company), in relation to the acquisition of the entire equity interests in the target company for a total consideration of RMB22,340,000;

- (x) an equity transfer agreement dated 2 December 2021 entered into between 深圳市新中水環保科技有限公司 (for transliteration purpose only, Shenzhen City New China Water Environmental Technology Limited) (as purchaser), the indirect non-wholly owned subsidiary of the Company, 北控十方(山東)環保能源集團有限公司 (for transliteration purpose only, Beikong Shifang (Shandong) Environmental Energy Group Limited) (as vendor) and 廈門通潔環保科技有限公司 (for transliteration purpose only, Xiamen Tongjie Environmental Protection Technology Limited) (together as vendors) and 廈門十方圓通生物能源有限公司 (for transliteration purpose only, Xiamen Shifang Yuantong Bioenergy Limited) (as target company), in relation to the acquisition of 55% equity interests in the target company for a total consideration of RMB15,000,000 (the “**Xiamen Acquisition**”);
- (xi) a partnership agreement dated 2 December 2021 entered into between 西藏禹澤投資管理有限公司 (for transliteration purpose only, Tibet Yuze Investment Management Company Limited) (as general partner), BECE Legend Group Company Limited (北清環能集團股份有限公司) and the Company, in relation to the formation of the fund in the PRC with a total capital contribution of RMB100.1 million;
- (xii) a finance lease agreements dated 2 July 2021 entered into between 平安國際融資租賃(天津)有限公司 (for transliteration purpose only, Ping An International Financial Leasing (Tianjin) Company Limited) (as lessor) and, (a) 寶雞市易飛明達電力發展有限公司 (for transliteration purpose only, Baoji City Electric Power Development Co., Limited) (as lessee), a subsidiary of the Company, in relation to the leased landfill gas power generating facilities and biogas pretreatment equipment for a total consideration of RMB12,220,000 and for a terms of three years; and (b) 安丘市中水新能源科技有限公司 (for transliteration purpose only, Anqiu City China Water New Renewable Resources Company Limited) (as lessee), a subsidiary of the Company, in relation to the leased fuel gas power generating facilities and silent type standard containers for a consideration of RMB9,500,000 and for a terms of three years, respectively;
- (xiii) a finance lease agreement dated 7 February 2021 entered into between (a) 梧州市中水新能源科技有限公司 (for transliteration purpose only, Wuzhou City China Water New Renewable Resources Company Limited), (b) 大唐華銀湘潭環保發電有限責任公司 (for transliteration purpose only, Datang Huayin Xiangtan Environmental Electricity Generation Company Limited), (c) 湖南瀏陽新中水環保科技有限公司 (for transliteration purpose only, Hunan Liuyang New China Water Environmental Technology Limited) (as lessees), each being a subsidiary of the Company, and (d) 廣東綠金融資租賃有限公司 (for transliteration purpose only, Canton Greengold Financial Leasing Ltd. (formerly known as 廣東粵盛科融資租賃有限公司 ((for transliteration purpose only, Canton Risen Financial Leasing Co., Ltd.) (as lessor), in relation to the finance lease arrangement of the leased certain biogas power generating facilities for a total consideration of RMB27,000,000 and for a term of three years;

- (xiv) an equity transfer agreement dated 28 June 2021 entered into between China Water Industry (HK) Limited (as vendor), an indirect wholly-owned subsidiary of the Company, 江西三川集團有限公司 (for transliteration purpose only, Jiangxi Sanchuan Group Company Limited) (as purchaser) and 鷹潭市供水集團有限公司 (for transliteration purpose only, Yingtan Water Supply Group Co., Ltd) (formerly known as 鷹潭市供水有限公司 (for transliteration purpose only, Yingtan Water Supply Co., Ltd) (as target company), in relation to the disposal of 31% equity interests in the target company for a total consideration of RMB186,000,000;
- (xv) an equity transfer agreement dated 15 December 2020 between China Water Industry (HK) Limited (as vendor), an indirect wholly-owned subsidiary of the Company and 江西三川集團有限公司 (for transliteration purpose only, Jiangxi Sanchuan Group Company Limited) (as purchaser) and 鷹潭市供水集團有限公司 (for transliteration purpose only, Yingtan Water Supply Group Co., Ltd) (as target company), in relation to the disposal of 20% equity interests in the target company for a total consideration of RMB120,000,000; and
- (xvi) a loan agreement dated 4 November 2020 entered into between China Water Industry (HK) Limited (as borrower), an indirectly wholly-owned subsidiary of the Company and 江西三川集團有限公司 (for transliteration purpose only, Jiangxi Sanchuan Group Company Limited) (as lender), in relation to the loan of RMB10,000,000.

Save as disclosed above, no material contracts (not being contract entered into in the ordinary course of business of the Group) were entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date.

9. EXPERT AND CONSENT

The following is the qualification of the experts who have given opinions, letters or advice which are contained in this Prospectus:

Name	Qualification
Crowe (HK) CPA Limited	Certified Public Accountants, Hong Kong
Avista Valuation Advisory Limited	Independent qualified professional valuer

As at the Latest Practicable Date, the above experts had no shareholding, directly or indirectly, in any member of the Group or any 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, the above experts had no interest, directly or indirectly, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, the date to which the latest published audited financial statements of the Company were made up.

The above experts have given the consents and confirmed that they have not withdrawn their written consents to the issue of this Prospectus, with the inclusion of the references to their name and/or their opinions or reports in the form and context in which they are respectively included.

10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Head office and principal place of business in Hong Kong	Room 1207, 12th Floor West Tower Shun Tak Centre No. 168–200 Connaught Road Central Sheung Wan, Hong Kong
Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Company in relation to the Rights Issue	Legal advisers to the Company as to Hong Kong laws Michael Li & Co. Room 901 & 19th Floor Prosperity Tower 39 Queen's Road Central Central, Hong Kong
Auditors/Reporting Accountants	Crowe (HK) CPA Limited 9/F Leighton Centre 77 Leighton Road Causeway Bay, Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Central, Hong Kong
Hong Kong branch share registrar and transfer office	Union Registrars Limited Suites 3301–04, 33/F Two Chinachem Exchange Square 338 King's Road North Point, Hong Kong

Authorised representatives

Mr. Zhu Yongjun
Flat B, 16/F, Tower 3
The Entrance
1 Lok Wo Sha Lane
Ma On Shan, New Territories
Hong Kong

Ms. Chu Yin Yin, Georgiana
RM1512, Block H
Lok Man Sun Chuen
To Kwa Wan, Kowloon
Hong Kong

Company secretary

Ms. Chu Yin Yin, Georgiana
(*FHKICPA, FACCA, FCA, HKFCG, FCG*)

11. PARTICULARS OF DIRECTORS**(i) Name of address of the Directors***Executive Directors*

Mr. Zhu Yongjun (*Chairman*)

Flat B, 16/F, Tower 3
The Entrance
1 Lok Wo Sha Lane
Ma On Shan, New Territories
Hong Kong

Mr. Hu Siyun

Room 12C7, Mok Wu Village
Takuling
Sheung Shui, New Territories
Hong Kong

Ms. Chu Yin Yin, Georgiana

RM1512, Block H, Lok Man Sun Chuen
To Kwa Wan, Kowloon
Hong Kong

Ms. Deng Xiao Ting

Room 12A, Tower 5
268 Huan Dao Road 2
HuiCheng District
Huizhou, PRC

Independent Non-executive Directors

Mr. Wong Siu Keung, Joe	Flat LA, 27/F, Tower 1 L Wing (Diamond) Hemera, Lohas Park Tseung Kwan O, Kowloon Hong Kong
Ms. Qiu Na	Room 904, Dan Yuan 1 Tower 1, Jiayuan TCL Maidinan Road Huizhou, PRC
Mr. Lam Cheung Shing, Richard	Room 33A, 33/F, Block 8 Yee King Court, South Horizons Ap Lei Chau, Hong Kong

(ii) Profiles of Directors*Executive Directors*

Mr. Zhu Yongjun (“**Mr. Zhu**”), aged 54, was appointed as an executive Director of the Company in August 2019. Mr. Zhu has been appointed as the chairman, an authorised representative, a member of the Remuneration Committee, the chairman of the Nomination Committee and the chairman of the Investment Committee of the Company in 8 February 2021. He obtained his undergraduate from Hunan University in 1989 and a master degree of business administration in Peking University in the People’s Republic of China in 2005. Currently, Mr. Zhu is the chairman of the board and an executive director of the New Concepts Holdings Limited (Stock code: 2221) which is listed on the Main Board of the Stock Exchange. From February 2015 to 6 March 2020, Mr. Zhu was the chairman of the board of Josab Water Solutions AB, a company incorporated under the laws of Sweden, whose shares are listed on the Spotlight Stock Market, a stock exchange in Sweden. Mr. Zhu started his environmental protection career in 2001. From July 2007 to February 2009, Mr. Zhu was an executive director of Softpower International Limited (Stock code: 380) which is listed on the Main Board of the Stock Exchange. From May 2008 to March 2013, Mr. Zhu was an executive director of EverChina Int’l Holdings Company Limited (Stock Code: 202) which is listed on the Main Board of the Stock Exchange. From January 2009 to May 2015, he was also the chairman of the board of Heilongjiang Interchina Water Treatment Company Limited (Stock Code: 600187) which is listed on the Shanghai Stock Exchange.

Mr. Hu Siyun (“**Mr. Hu**”), aged 44, has been appointed as an executive Director and a member of Investment Committee of the Company in July 2021 and September 2021 respectively. Mr. Hu holds a master degree in Urban Design from University of Melbourne in Australia and a bachelor degree in Architecture from Guangzhou University in the PRC. Currently, Mr. Hu is the chairman of the board of LiZen Asset Management Limited, being a corporation licensed to carry out Type 4

(advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”). From July 2018 to January 2019, Mr. Hu was a vice president of Co-Prosperty Management Limited, being a subsidiary of Asia Television Holdings Limited (stock code: 707), the issued shares of which are listed on the Main Board of the Stock Exchange. From September 2011 to June 2018, Mr. Hu served as the general manager of Huizhou City Honghu Real Estate Development Co., Ltd.* (惠州市鴻鵠房地產開發有限公司). From June 2006 to August 2011, Mr. Hu was an executive associate director of the Architecture Design and Research Institute of Guangdong University of Technology (Huizhou Design Institute). Mr. Hu has over 10 years of experience in financial investment, capital operation as well as the real estate markets and capital markets both domestically and globally. Furthermore, he has participated in several mergers, acquisitions and restructuring projects, both domestically and globally. As at the Latest Practicable Date, Mr. Hu was interested in 27,936,000 shares of the Company, representing approximately 1.46% of the issued share capital of the Company.

Ms. Chu Yin Yin, Georgiana (“Ms. Chu”), aged 51, was appointed as an executive Director and company secretary of the Company as well as financial controller of the Group in October 2006, November 2006 and November 2019 respectively. Ms. Chu has been appointed as a member of Investment Committee in September 2021. Ms. Chu holds a Bachelor’s Degree of Accounting and a Master’s Degree of Corporate Governance. She 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 a fellow member of both of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). Ms. Chu has over 20 years’ extensive experience by working in an international audit firm and other listed companies. On 28 November 2018, Ms. Chu has resigned as an independent non-executive Director and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of Bisu Technology Group International Limited (stock code: 1372). On 4 April 2019, Ms. Chu has resigned as an independent non-executive director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of Sino Golf Holdings Limited (stock code: 361). Both of the aforesaid companies are listed on the Main Board of the Stock Exchange. As at the date of the Latest Practicable Date, Ms. Chu was interested in 743,200 shares of the Company, representing approximately 0.04% of the issued share capital of the Company.

Ms. Deng Xiao Ting (“Ms. Deng”), aged 47, was appointed as an executive Director of the Company in July 2012. She is the director of various subsidiaries of the Group. Ms. Deng has once served as a national civil servant at Huizhou Public Security Bureau. Ms. Deng graduated from Jinan University, majoring in Accounting and subsequently graduated from the Party School of the Central Committee of C.P.C. with a major in law. Ms. Deng is the sister of Mr. Deng Jun Jie (“**Mr.**

Deng”), a substantial shareholder of the Company. As at the Latest Practicable Date, Ms. Deng was interested in 3,000,000 shares of the Company, representing approximately 0.16% of the issued share capital of the Company.

Independent non-executive Directors

Mr. Wong Siu Keung, Joe (“**Mr. Wong**”), aged 57, was appointed as an independent non-executive Director in October 2012. Mr. Wong is a Chairman of both of the Audit Committee and Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Wong is currently an independent non-executive director of Affluent Partners Holdings Ltd. (stock code: 1466), which is listed on the Main Board of the Stock Exchange. Mr. Wong is currently an independent non-executive director of Interactive Entertainment China Cultural Technology Investments Limited (stock code: 8081) and Worldgate Global Logistics Ltd (stock code: 8292), both companies are listed on the GEM of The Stock Exchange. Mr. Wong holds a Degree of Master of Arts in International Accounting from City University of Hong Kong and a Master’s Degree of Corporate Governance from Hong Kong Polytechnic University. He is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Wong has extensive experience in taxation, accounting, financing, audit field and public listed companies for many years.

Ms. Qiu Na (“**Ms. Qiu**”), aged 43, was appointed as an independent non-executive Director in September 2016. Ms. Qiu is a member of the Audit Committee. Graduated from the Information Institute of Defense Studies, NDU, PLA* (中國人民解放軍國防信息學院) in 2012, majoring in accountancy. Ms. Qiu is currently a general manager of Huizhou City Huixinfu Property Company Limited. She has extensive experience in human resources management, accounting, corporate administration and property development.

Mr. Lam Cheung Shing, Richard (“**Mr. Lam**”), aged 63, was appointed as an executive Director in August 2019. Mr. Lam has been appointed as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company in February 2021. He was admitted to the master degree of business administration in the Chinese University of Hong Kong in 2006. He is a fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Currently, Mr. Lam is an executive director, the deputy chairman and chief executive officer of the EverChina. In August 2001, Mr. Lam was appointed as an executive director and deputy chief executive officer of the EverChina and was designated as the chairman of the EverChina during the period from May 2009 to June 2009. Mr. Lam spent over ten years in PricewaterhouseCoopers, an international accounting firm and promoted to a senior audit manager, and is equipped with extensive experience in accountancy, taxation and corporate finance. Prior to joining the EverChina, Mr. Lam held senior positions in a number of listed companies in Hong Kong, including Sun Hung Kai & Co., Limited, Kingsway SW Asset Management Limited and U-Cyber Technology Holdings Limited. Other than the directorship in the EverChina, currently, Mr. Lam is also an independent non-executive director of Lajin Entertainment Network Group

Limited (Stock code: 8172) which is listed on the GEM Board of the Stock Exchange. Besides, Mr. Lam was appointed as an independent non-executive director of Eagle Legend Asia Limited (Stock code: 936) during the period from May 2013 to December 2014 and an executive director of Kai Yuan Holdings Limited (Stock code: 1215) during the period from December 2001 to July 2008 and re-designated as a non-executive director during the period from July 2008 to November 2008, all of which are companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Lam was appointed as an executive director of China Pipe Group Limited (Stock code: 380), which is listed on the Main Board of the Stock Exchange, during the period from June 2007 to February 2009.

12. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, legal advisory fees, valuation, printing, registration, translation and accountancy charges, are estimated to be approximately HK\$1.8 million, which are payable by the Company.

13. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of each of the Prospectus Documents and the written consents as referred to under the paragraph headed “Expert and Consent” in this Appendix, has been registered by the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

14. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained therein are governed by and shall be construed in accordance with the laws of Hong Kong. The Prospectus Documents shall have the effect, if an application is made in pursuance thereof, of rendering all persons concerned bound by all provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), so far as applicable.

15. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chinawaterind.com) for a period of 14 days from the date of this Prospectus:

- (a) the report prepared by Crowe (HK) CPA Limited, Certified Public Accountants on the unaudited pro forma statements of adjusted consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this Prospectus;
- (b) the valuation reports on the properties of the Group prepared by Avista Valuation Advisory Limited, the text of which is set out in Appendix III to this Prospectus;
- (c) the written consents referred to in the paragraph headed “Expert and Consent” in this Appendix; and

- (d) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix.

16. MISCELLANEOUS

- (a) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) This Prospectus and the accompanying PAL and EAF have been prepared in both English and Chinese. In the case of any discrepancies, the English version shall prevail.