
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 to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitors, 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(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibilities for the contents of the Prospectus Documents, make no representations as to their 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 “15. Documents delivered to the Registrar of Companies in Hong Kong” in Appendix III to this Prospectus, 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). Neither the Registrar of Companies in Hong Kong nor The Stock Exchange of Hong Kong Limited nor the Securities and Futures Commission of Hong Kong takes any 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 licensed securities dealer or registered institution in securities, 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 HKSCC and HKSCC Operational Procedures in effect from time to time.

Subject to certain limited exceptions, this Prospectus does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States or in any other jurisdiction in which such an offer or solicitation is unlawful. The securities mentioned herein have not been, and will not be, registered under the US Securities Act, and may not be offered or sold in the United States unless registered under the US Securities Act or pursuant to an exemption from, or in a transaction not subject to, registration under the US Securities Act. The Company has no intention to register under the US Securities Act any portion of the Rights Issue or any of the securities referred to herein 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)

RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE

Financial adviser to the Company



Placing Agent to the Rights Issue



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

The Rights Issue will proceed on a non-underwritten basis. There are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. The Rights Issue is subject to fulfilment of the conditions of the Rights Issue as set out in the section headed “Letter from the Board — Conditions of the Rights Issue” in 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 Wednesday, 22 January 2025). 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.

If the Rights Issue is not fully subscribed, the Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid Rights Shares together with the ES Unsold Rights Shares will be placed to independent places under the Compensatory Arrangements. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Dealings in the Rights Shares in the nil-paid form will take place from Friday, 27 December 2024 to Tuesday, 7 January 2025 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Friday, 27 December 2024 to Tuesday, 7 January 2025 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

The latest time for acceptance of and payment for the Rights Shares and for application is 4:00 p.m. on Friday, 10 January 2025. The procedure for acceptance and payment or transfer is set out on pages 20 to 21 of this Prospectus.

* For identification purposes only

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EXPECTED TIMETABLE

Events	Date
Expected effective date of the Change in Board Lot Size	Friday, 27 December 2024
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of the Shares.....	9:00 a.m. on Friday, 27 December 2024
Original counter for trading in Shares in board lots of 4,000 Shares (in the form of new share certificates) re-opens	9:00 a.m. on Friday, 27 December 2024
Parallel trading in the Shares (in the form of both existing share certificates and new share certificates for the Shares) commences	9:00 a.m. on Friday, 27 December 2024
First day of dealings in nil-paid Rights Shares (in the new board lot size of 4,000 Rights Shares)	Friday, 27 December 2024
Latest time for splitting the PALs	4:00 p.m. on Thursday, 2 January 2025
Last day of dealings in nil-paid Rights Shares (in the new board lot size of 4,000 Rights Shares)	Tuesday, 7 January 2025
Latest time for acceptance of and payment for the Rights Shares.....	4:00 p.m. on Friday, 10 January 2025
Announcement of the number of the Unsubscribed Rights Shares and ES Unsold Rights Shares subject to the Placing	Tuesday, 14 January 2025
Commencement of the Placing Period (if there are any Unsubscribed Rights Shares and ES Unsold Rights Shares available)	Wednesday, 15 January 2025
Designated broker ceases to stand in the market to provide matching services for sale and purchase of odd lots of the Shares	4:00 p.m. on Friday, 17 January 2025
Temporary counter for trading in Shares in board lots of 800 Shares (in the form of existing share certificates) closes.....	4:10 p.m. on Friday, 17 January 2025

EXPECTED TIMETABLE

Parallel trading in Shares (in the form of both existing share certificates and new share certificates for the Shares) ends..... 4:10 p.m. on Friday, 17 January 2025

Latest time for placing of Unsubscribed Rights Shares and ES Unsold Rights Shares (if any) 4:00 p.m. on Monday, 20 January 2025

Latest date and time for free exchange of existing share certificates for the new share certificate of the Shares 4:00 p.m. on Tuesday, 21 January 2025

Latest time for the Rights Issue and the Placing to become unconditional 4:00 p.m. on Wednesday, 22 January 2025

Announcement of the results of the Rights Issue (including the results of the Placing and the Net Gain) Tuesday, 28 January 2025

Despatch of share certificates of fully-paid Rights Shares or, if the Rights Issue does not become unconditional, refund cheques Monday, 3 February 2025

First day of dealings in fully-paid Rights Shares in the new board lots of 4,000 Rights Shares commence Tuesday, 4 February 2025

Payment of Net Gain to relevant No Action Shareholders (if any) or Excluded Shareholders (if any) Wednesday, 19 February 2025

Note: All times and dates in this timetable refer to Hong Kong local times and dates. In the event that any special circumstances arise, such dates and deadlines may be adjusted by the Board if it considers appropriate. Any changes to the expected timetable will be published or notified to the Shareholders by way of announcement(s) on the website of the Stock Exchange and on the website of the Company as and when appropriate.

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

The Latest Time for Acceptance will not take place if a tropical cyclone warning signal no. 8 or above, or “extreme conditions” or a “black” rainstorm warning is:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Friday, 10 January 2025. Instead, the Latest Time for Acceptance 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 Friday, 10 January 2025. Instead, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place at 4:00 p.m. on Friday, 10 January 2025, the dates mentioned in the expected timetable may be affected. The Company will notify the Shareholders by way of announcement on any change to the expected timetable as soon as practicable.

DEFINITIONS

In this Prospectus, unless the context requires otherwise, the following expressions shall have the following meanings:

“Announcement”	the announcement of the Company dated 6 November 2024 in relation to, among other things, the Rights Issue and the Placing and the respective transactions contemplated thereunder
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday and public holiday) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 8,000 Shares to 4,000 Shares
“Circular”	the circular of the Company dated 15 November 2024 in relation to, among other things, the Share Consolidation, the Change in Board Lot Size, the Rights Issue and the Placing
“Company”	China Water Industry Group Limited (中國水業集團有限公司*), a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Stock Exchange (stock code: 1129)
“Compensatory Arrangements”	the compensatory arrangements pursuant to Rule 7.21(1)(b) of the Listing Rules as described in the section headed “Letter from the Board — Procedures in respect of the Unsubscribed Rights Shares and ES Unsold Rights Shares and the Compensatory Arrangements” in this Prospectus
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company

* For identification purposes only

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company held on Monday, 9 December 2024 at which the Share Consolidation, the Rights Issue and the respective transactions contemplated thereunder were approved by the Shareholders or the Independent Shareholders (as the case may be)
“ES Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholders (if any) in nil-paid form that has/have not been sold by the Company
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the Listing Rules
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons
“Intermediary”	in relation to a beneficial owner whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, means the beneficial owner’s broker, custodian, nominee or other relevant person who is a CCASS participant or who has deposited the beneficial owner’s shares with a CCASS participant
“Last Trading Day”	Wednesday, 6 November 2024, being the last trading day of the Shares on the Stock Exchange immediately prior to the publication of the Announcement
“Latest Practicable Date”	17 December 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus prior to its publication

DEFINITIONS

“Latest Time for Acceptance”	4:00 p.m. on Friday, 10 January 2025 or such later time or date as may be determined by the Company, being the latest time for acceptance of and payment for the Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on Wednesday, 22 January 2025, being the latest time to terminate the Placing Agreement
“Listing Committee”	has the meaning ascribed to it in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and ES Unsold Rights Shares placed by the Placing Agent and/or its sub-placing agent(s) under the Placing Agreement) under the Compensatory Arrangements
“No Action Shareholder(s)”	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed, and/or the Excluded Shareholders (if any)
“Old Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation having become effective
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong, if any
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agent(s), to the independent placee(s) who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be Independent Third Party(ies), during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement

DEFINITIONS

“Placing Agent”	Kingston Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO
“Placing Agreement”	the placing agreement dated 6 November 2024 and entered into between the Company and the Placing Agent in relation to the placing of Unsubscribed Rights Shares and ES Unsold Rights Shares
“Placing Period”	the period commencing from Wednesday, 15 January 2025 and ending at 4:00 p.m. on Monday, 20 January 2025
“PRC”	the People’s Republic of China, and for the purpose of this Prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	this prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	Monday, 23 December 2024 or such other date as may be determined by the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Excluded Shareholders
“Public Float Requirement”	the public float requirement under Rule 8.08(1)(a) and Rule 13.32(1) of the Listing Rules
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Friday, 20 December 2024 or such other date as may be determined by the Company, being the date for determining entitlements of the Shareholders to participate in the Rights Issue
“Registrar”	Union Registrars Limited, the Company’s Hong Kong branch share registrar and transfer office, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong

DEFINITIONS

“Rights Issue”	the rights issue on the basis of one (1) Rights Share for every one (1) Share held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Prospectus Documents
“Rights Share(s)”	up to 287,360,964 Shares to be allotted and issued pursuant to the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company
“Share Consolidation”	the consolidation of (i) every ten (10) issued and unissued Old Shares of par value of HK\$0.01 each into one (1) Share of HK\$0.10 each; and (ii) every ten (10) unissued preference shares of par value of HK\$0.10 each into one (1) consolidated preference share of par value of HK\$1.00 each, which was effective on Wednesday, 11 December 2024
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.326 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“United States” or “US”	the United States of America (including its territories and dependencies, any state in the US and the District of Columbia)
“Unsubscribed Rights Shares”	the Rights Shares that are not subscribed by the Qualifying Shareholders or holders of nil-paid rights
“US Securities Act”	the US Securities Act of 1933, as amended
“%”	per cent.

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*)
Ms. Chu Yin Yin, *Georgiana*

Independent non-executive Directors:

Mr. Wong Siu Keung, *Joe*
Mr. Lam Cheung Shing, *Richard*
Mr. Mak Ka Wing, *Patrick*

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:*

Office H, 8/F
Kingston International Centre
19 Wang Chiu Road
Kowloon Bay
Hong Kong

23 December 2024

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

Dear Sir or Madam,

**RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR
EVERY ONE (1) SHARE HELD ON THE RECORD DATE**

INTRODUCTION

References are made to the Announcement, the clarification announcement of the Company dated 7 November 2024 and the Circular in relation to, among other matters, the Rights Issue and the Placing. On 6 November 2024, the Company proposed to raise gross proceeds of up to approximately HK\$93.68 million (assuming full subscription under the Rights Issue) by way of a rights issue of up to 287,360,964 Rights Shares at the Subscription Price of HK\$0.326 per Rights Share on the basis of one (1) Rights Share for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholder(s) (if any).

* *For identification purposes only*

LETTER FROM THE BOARD

At the EGM, the resolution approving the Rights Issue and the transactions contemplated thereunder was duly passed by the Independent Shareholders by way of poll. Ms. Chu Yin Yin Georgiana, an executive Director who was interested in 1,112,000 Old Shares as at the date of the EGM (representing approximately 0.04% of the issued share capital of the Company immediately prior to the Share Consolidation having become effective) had abstained from voting in favour of the proposed resolution approving the Rights Issue and the transaction contemplated thereunder at the EGM.

The purpose of this Prospectus is to provide you with, among other things, (i) further details of the Rights Issue; (ii) financial information of the Group; (iii) unaudited pro forma financial information of the Group; and (iv) other general information of the Group.

RIGHTS ISSUE

Rights Issue statistics

Basis of the Rights Issue	:	one (1) Rights Share for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.326 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	287,360,964 Shares
Number of Rights Shares	:	up to 287,360,964 Rights Shares
Aggregated nominal value of the Rights Shares	:	approximately HK\$28,736,096
Number of Shares in issue as enlarged by the allotment and issue of the Rights Shares	:	up to 574,721,928 Shares (assuming that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Gross proceeds from the Rights Issue	:	approximately HK\$93.68 million before expenses (assuming full subscription under the Rights Issue)
Net proceeds from the Rights Issue	:	approximately HK\$90.10 million after expenses (assuming full subscription under the Rights Issue)
Net price (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	approximately HK\$0.3135 per Rights Share
Rights of excess application and underwriter	:	There will be no excess application arrangements in relation to the Rights Issue and the Rights Issue is not underwritten.

LETTER FROM THE BOARD

Compensatory Arrangements : Any Unsubscribed Rights Shares and ES Unsold Rights Shares will be placed to independent placees on a best effort basis under the Compensatory Arrangements.

Any of the Rights Shares which remain unsold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

As at the Latest Practicable Date, the Group had no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible into or giving rights to subscribe for, convert or exchange into any Shares.

The 287,360,964 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 100% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 50% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

The Company had approached Kingston Securities Limited (i.e. the Placing Agent) to underwrite the Rights Issue. However, it agreed only to take up the role of Placing Agent to place down the Unsubscribed Rights Shares and the ES Unsold Rights Shares, if any, on a best effort basis. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent declined the offer to be an underwriter after considering various factors that, among others, (i) the Placing Agent is an associate of the substantial Shareholder and taking up the role of an underwriter of the Rights Issue could trigger implications under the Takeovers Code, leading to additional time and costs for executing the Rights Issue; and (ii) during a period of a weak capital market sentiment, the Placing Agent has recently been more inclined to be a placing agent rather than an underwriter.

In addition, the Company had also approached two other local securities houses but was informed that they had no interest in underwriting the Rights Issue notwithstanding the theoretical dilution effect being close to the maximum of 25% given that the Group is still loss making and has a high gearing ratio.

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. In the event that the Rights Issue is not fully-subscribed, any Unsubscribed Rights Shares and ES Unsold Rights Shares will be placed to independent placees on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any Shareholder who applies to take up

LETTER FROM THE BOARD

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, or may result in the non-compliance by the Company of the Public Float Requirement under Rule 8.08 of the Listing Rules. 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 Rights Issue will be scaled down to a level which (i) does not trigger an obligation on the 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; and (ii) does not result in the non-compliance of the Public Float Requirement on the part of the Company.

As at the Latest Practicable Date, the Board has not received any information or undertaking from any substantial shareholders of the Company of their intention in relation to the Rights Shares to be provisionally allotted to them under the Rights Issue.

Subscription Price

The Subscription Price of HK\$0.326 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 13.07% to the closing price of HK\$0.3750 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 49.85% to the theoretical closing price of HK\$0.6500 per Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.0650 per Old Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 49.54% to the theoretical average closing price of approximately HK\$0.6460 per Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0646 per Old Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 49.54% to the theoretical average closing price of approximately HK\$0.6460 per Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0646 per Old Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (v) a discount of approximately 55.89% to the theoretical average closing price of approximately HK\$0.7390 per Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0739 per Old Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 33.20% to the theoretical ex-rights price of approximately HK\$0.4880 per Share (after taking into account the effect of the Share Consolidation), based on the theoretical closing price of HK\$0.6500 per Share (after taking into account the effect of the Share Consolidation, based on the closing price of HK\$0.0650 per Old Share as quoted on the Stock Exchange on the Last Trading Day);
- (vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 24.92%, represented by the theoretical diluted price of approximately HK\$0.4880 per Share to the theoretical benchmarked price of HK\$0.6500 per Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.0650 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the Last Trading Day of approximately HK\$0.0642 per Old Share); and
- (viii) a discount of approximately 93.95% to the consolidated net asset value per consolidated Share of approximately HK\$5.3888 (based on the consolidated net asset value of the Company as at 30 June 2024 of approximately HK\$1,548.54 million and the total number of issued Shares after the Share Consolidation, which was 287,360,964).

The Subscription Price was determined by the Company with reference to (i) the prevailing market conditions and weak market sentiment of the capital market in Hong Kong as mentioned below; (ii) the prevailing market price of the Shares; (iii) low liquidity of the Shares for the six months preceding the Last Trading Day with the average daily trading volume of approximately 433,611 Old Shares, representing approximately 0.02% of the total number of issued Old Shares as at the Last Trading Day; (iv) the financial position of the Group, in particular, the loss for the year ended 31 December 2023 attributable to owners of the Company of approximately HK\$(243.45) million; (v) the high gearing ratio as at 30 June 2024 of approximately 52.54% (which was calculated by dividing total liabilities of the Group of HK\$1,714.28 million over total assets of the Group of HK\$3,262.82 million) as shown in the interim report of the Company for the six months ended 30 June 2024; and (vi) the reasons and benefits of the Rights Issue as discussed in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” below.

As aforementioned, the Subscription Price was determined by the Company after considering factors including the market conditions, liquidity of Shares, the Group’s financial fundamentals, and funding needs to align with the Company’s situation and attract investors’ interest. According to the annual report of the Company for the year ended 31 December 2023,

LETTER FROM THE BOARD

the revenue significant decreased by approximately 39.81% from approximately HK\$1,219.14 million to approximately HK\$733.79 million and the loss attributable to owners of the Company significantly increased by approximately 172.93% from approximately HK\$89.20 million to approximately HK\$243.45 million. Moreover, the gearing ratio as at 30 June 2024 was 52.54%, indicating financial strain. Given these negative financial indicators and weak capital market, the closing price of the Shares showed a decreasing trend. The share price per Old Share dropped from HK\$0.156 on 27 March 2024, the date of the publication of the results announcement of the Company for the year ended 31 December 2024, to HK\$0.065 on the Last Trading Day, representing a decrease of approximately 58.33%. Considering these circumstances and current market conditions as explained below, the Board would like to propose the lowest possible subscription price to attract Shareholders to participate into the Rights Issue, aiming to address the challenging financial situation and attract Shareholders' interest amid the adverse market conditions.

The Board noted the relatively large discount of the Subscription Price as mentioned above. In order to assess the fairness and reasonableness of the terms of the Rights Issue, the Board has identified an exhaustive list of 24 rights issue transactions (the “**Comparables**”) announced by other companies listed on the Stock Exchange during the period from 1 July 2024 to the Last Trading Day (the “**Comparable Review Period**”), excluding those rights issue transactions that have been terminated or lapsed. Although the Comparables having rights issue on different bases, engaged in different business or with different financial performance and funding needs, having considered that (i) all of the Comparables and the Company are listed on the Stock Exchange; (ii) the analysis is mainly concerned with the principal terms of the rights issues; (iii) an approximately four months period for selection of the Comparables having generated a reasonable sampling size to reflect the market practice regarding rights issue in the recent period; and (iv) the Comparables were sorted out without filtering so the Comparables represent a complete picture of the recent market trends for similar rights issue transactions conducted by other issuers listed on the Stock Exchange, the Board considers the list of Comparables to be representative. In addition, the Board considers that the Comparable Review Period is adequate and fair and representative given that (i) such period would provide the Shareholders with the recent and relevant information in relation to the rights issues to demonstrate the prevailing market practices prior to the Last Trading Day under the prevailing market conditions; and (ii) the Board is able to identify sufficient number of samples of 24 representative Comparables that meet the aforesaid criteria for comparison analysis in such period.

Set out below is an exhaustive list of the Comparables announced during the Comparable Review Period:

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Company	Stock code	Date of initial announcement	Rights Issue basis	Expected maximum gross proceeds HK\$ million	Premium/(discount) of the subscription price to the average closing price per share for the last five consecutive trading days immediately prior to the publication of announcement in relation to the respective rights issue (the "TJD Discount") %	Premium/(discount) of the subscription price to the average closing price per share for the last five consecutive trading days immediately prior to the publication of announcement in relation to the respective rights issue (the "TERP Discount") %	Premium/(discount) of the subscription price to the average closing price per share for the last five consecutive trading days immediately prior to the publication of announcement in relation to the respective rights issue (the "NAV Discount") %	Theoretical dilution effect (the "Dilution Effect") (note 1)	Subscription level under provisional allotment letter(s)	Excess application/Compensatory arrangements	Placing commission
Tongkai New Energy Group Holdings Limited	8336	2/7/2024	1 for 2	40.90	(41.18)	(33.30)	(69.70)	11.76%	71.80%	Compensatory arrangements (which ever is higher)	HK\$100,000 or 1% (whichever is higher)
Guan Chao Holdings Limited	1872	12/7/2024	4 for 1	172.80	(20.00)	(4.76)	(89.86)	20.07%	(Note 8)	Compensatory arrangements	0.75%
Trendzon Holdings Group Limited	1865	19/7/2024	4 for 1	102.00	(17.40)	(4.30)	(93.70)	14.60%	15.72%	Compensatory arrangements	1%
Roma (Meta) Group Limited	8072	22/7/2024	3 for 1	25.30	(23.08)	(7.41)	(97.23)	18.18%	46.28%	Compensatory arrangements	HK\$100,000 + 1.25%
Emperor International Holdings Limited	163	31/7/2024	1 for 2	459.70	(31.50)	(23.60)	(96.10)	10.50%	88.30%	Compensatory arrangements	N/A
Asia Television Holdings Limited	707	2/8/2024	1 for 2	71.24	(41.60)	(37.00)	(Note 3)	15.60%	21.44%	Compensatory arrangements (which ever is higher than HK\$1.5 million)	HK\$100,000 + 2% (the higher is higher)
Beijingwest Industries International Limited	2339	22/8/2024	1 for 2	48.20	(13.85)	(9.68)	(88.72)	4.62%	65.07%	Compensatory arrangements	N/A
Guangdong — Hong Kong Greater Bay Area Holdings Limited	1396	2/9/2024	1 for 2	62.41	(21.77)	(15.85)	(90.50)	8.28%	65.46%	Excess application	N/A
China New Consumption Group Limited	8275	4/9/2024	1 for 2	24.00	(5.66)	(4.76)	(61.09)	2.47%	(Note 8)	Compensatory arrangements	HK\$250,000 or 3.5% (whichever is higher)
Crown International Corporation Limited	727	9/9/2024 (Note 4)	1 for 2	155.40	12.25	—	156.52	(Note 5)	(Note 8)	Excess application	N/A
Shougang Century Holdings Group Limited	103	13/9/2024	1 for 5	129.25	8.20	8.20	(62.50)	6.80%	56.55%	Excess application	N/A
Dragon Rise Group Holdings Limited	6829	13/9/2024	1 for 1	28.80	(48.70)	(33.10)	(89.20)	24.90%	(Note 8)	Compensatory arrangements	HK\$100,000 or 1.0% (whichever is higher)
Shougang Fishan Resources Group Limited	639	23/9/2024	1 for 30	427.00	2.52	1.90	(21.21)	0.06%	(Note 8)	Excess application	N/A
Hatcher Group Limited	8365	23/9/2024	3 for 1	32.10	(24.00)	(10.40)	(94.10)	23.60%	(Note 8)	Compensatory arrangements	0%
Innovax Holding Limited	2680	26/9/2024	1 for 2	12.00	(68.35)	(59.02)	(88.59)	22.78%	(Note 8)	Compensatory arrangements	1%
China National Culture Group Limited	745	21/10/2024	2 for 1	15.60	(31.97)	(13.79)	(Note 6)	21.31%	(Note 8)	Compensatory arrangements	2%
Palida Group Holdings Limited	8179	4/10/2024	1 for 2	71.70	(9.42)	(13.29)	(66.10)	6.23%	(Note 8)	Excess application	N/A
V & V Technology Holdings Limited	8113	8/10/2024	1 for 2	24.20	(26.04)	(23.47)	(32.23)	10.50%	(Note 8)	Excess application	N/A
Emmence Enterprise Limited	616	15/10/2024	2 for 1	62.20	(8.00)	(2.85)	(98.98)	21.30%	(Note 8)	Excess application	N/A
Gaodi Holdings Limited	1676	18/10/2024 (Note 7)	1 for 2	30.80	37.90	12.10	(65.50)	—	(Note 8)	Compensatory arrangements	1%
Kingsley Financial International (Holdings) Limited	1468	18/10/2024	1 for 2	417.51	(6.17)	(Note 6)	87.58	2.06%	(Note 8)	Excess application	N/A
China 33 Media Group Limited	8087	21/10/2024	3 for 2	19.40	(8.54)	(3.23)	(Note 6)	5.12%	(Note 8)	Compensatory arrangements	HK\$100,000 or 1.5% (whichever is higher)
IBC Limited	1029	22/10/2024	1 for 2	362.09	(17.20)	(10.50)	(67.30)	4.90%	(Note 8)	Excess application	N/A
Yezhou Group Holdings Company Limited	1628	31/10/2024	49 for 100	112.20	(72.99)	(65.27)	(Note 3)	24.23%	(Note 8)	Excess application	N/A
Minimum				12.00	(73.68)	(65.27)	(98.98)	—			
Median				62.31	(19.35)	(10.40)	(79.15)	10.50%			
Maximum				459.70	37.90	12.10	156.52	24.90%			
Average				121.12	(21.00)	(15.36)	(56.43)	12.17%			
The Company				93.68	49.54	33.20	(93.95)	24.92%		Compensatory arrangements	2%

Source: the website of the Stock Exchange

Notes:

- The dilution effect represented by the theoretical diluted price per share of the respective Comparables to the theoretical benchmarked price per share of the respective Comparables (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the last trading day of per share of the respective Comparables and the average closing prices per share of the respective Comparables as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the publication of the announcement.
- It represented a discount to the theoretical benchmarked price per consolidated share (after taking into account the effect of the share consolidation) based on the benchmarked price per existing share.
- The company was in a net deficit position based on the information disclosed in its announcement.
- The company announced a classification announcement on 10 September 2024 in relation to the classification on the subscription price and the results of such classification.
- Based on the announcement of the Company, the rights issue was in compliance with the theoretical dilution limit under Rule 7.27B of the Listing Rules but no disclosure on the percentage of the theoretical dilution effect.
- No disclosure was made on the announcement.
- The company announce a supplemental announcement on 4 November 2024 in relation to revision of subscription price.
- As at the Last Trading Day, the rights issue has not been completed and the results announcement is pending.

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It is observed that the discounts of the LTD Discount, 5-Day Discount, TERP Discount and the NAV Discount of approximately 49.85%, 49.54%, 33.20% and 93.95%, respectively, are within the market range of the Comparables. The discounts lower than the minimum of the respective Comparables which are approximately 73.68%, 72.99%, 65.27% and 98.98% and higher than the median of the respective Comparables, which are approximately 19.35%, 22.89%, 10.40% and 79.15%, respectively. The discounts are also higher than the average of the respective Comparables of approximately of 21.00%, 20.96%, 15.36% and 56.43%, respectively. The theoretical dilution effect of approximately of 24.92% is similar with the maximum of the Comparables of approximately of 24.90%. The Board believes that it is reasonable to offer discount for the Subscription Price to promote its attractiveness given the generally thin average daily trading volume for the six months preceding the Last Trading Day as mentioned above.

As at the Last Trading Day, only 8 Comparables (the “**Completion Comparables**”) completed the rights issue. The theoretical dilution effect of the Completion Comparables ranged from approximately 4.62% to 18.18% and the subscription level under the provisional allotment letters of the Completion Comparables ranged from approximately 15.72% to approximately 88.30%. However, the other 16 Comparables with theoretical dilution effect between nil to approximately 24.90% had yet to be completed.

The Board considers it is not meaningful to assess the fairness and reasonableness of the theoretical dilution effect of the Rights Issue with reference to the subscription levels given that the business industry, operations and financial fundamentals including profit/loss making, revenue growth/drop rate and gearing ratios of these Comparables are different from those of the Company. Therefore, the subscription level of the Completion Comparables is not an indicator to assess the fairness and reasonableness of the theoretical dilution effect of the Rights Issue, in particular whether the theoretical dilution effect of the Rights Issue complies with Rule 7.27B of the Listing Rules.

For illustrative purposes, the following table shows the decrease in closing price of the Shares over the period:

	As at the date of announcement on 4 October 2024 regarding the previous rights issue (which had been terminated on 6 November 2024) (the “Previous Rights Issue”) HK\$	As at the Last Trading Day HK\$	Decrease %
Last trading day	0.0890	0.0650	26.97
Five (5) consecutive trading days up to and including the last trading day	0.0886	0.0646	27.09
Ten (10) consecutive trading days up to and including the last trading day	0.0891	0.0646	27.50

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As shown above, the closing price of the Shares decreased by more than 25% from the announcement date of the Previous Rights Issue to the Last Trading Day. The Subscription Price is the most crucial factor for attracting the Shareholders to participate in the Rights Issue. Considering the weak capital market sentiment, the Board aims to enhance the attractiveness of the Rights Issue for Shareholders.

The Board considers, 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 that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares and discount to the recent closing prices of the Shares; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the avoidance of doubt, unless Qualifying Shareholders submit their requests in writing to the Company for printed copies of the Prospectus, the Company will send the Prospectus to Qualifying Shareholders in electronic form, while the PAL, as actionable corporate communication, will be sent in printed copies.

For the Excluded Shareholders, the Company will send copies of the Prospectus (in electronic form or printed copies) to them for their information only, but no PAL will be sent to the Excluded Shareholders.

To qualify for the Rights Issue, a Shareholder must at the close of business on the Record Date: (i) be registered on the register of members of the Company; and (ii) not be an Excluded Shareholder.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.

Rights of Overseas Shareholders

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholder(s) may not be eligible to take part in the Rights Issue. The Company will send this Prospectus (without the PAL) to the Excluded Shareholders for their information only.

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As at the Latest Practicable Date, there were five Overseas Shareholders with registered address situated in the PRC, Taiwan and South Africa with the following shareholding structure:

Jurisdiction	Number of Overseas Shareholder(s)	Aggregated number of Shares held by Overseas Shareholder(s) in the jurisdiction	Approximate % of the issued share capital of the Company (Note)
PRC	3	350,040	0.1218
Taiwan	1	1,140	0.0004
South Africa	1	1,140	0.0004
	<u>5</u>	<u>352,320</u>	<u>0.1226</u>

Note: The percentage figures have been subject to rounding adjustment. Any discrepancies between totals and sums of amount listed herein are due to rounding adjustment.

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. Based on the results of such enquiries obtained from the PRC legal advisers engaged by the Company as at the Latest Practicable Date, the Directors consider that, subject to certain limited exceptions, it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders in the PRC, due to the additional steps the Company and/or Shareholders need to take to comply with the local legal requirements and/or other requirements to be satisfied in order to comply with relevant local legal or regulatory requirements. Accordingly, the Overseas Shareholders whose registered address on the Record Date were in the PRC are treated as Excluded Shareholders and therefore will not be entitled to participate in the Rights Issue.

On the other hand, based on the results of such enquiries obtained from the legal advisers of the relevant jurisdictions engaged by the Company as at the Latest Practicable Date, the Directors consider that there are no legal restrictions under the laws of or the requirements of the relevant regulatory bodies or stock exchange in Taiwan and South Africa 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.

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

As the register of members of the Company is already closed as at the Latest Practicable Date and will remain closed up to the Record Date, there will be no additional Overseas Shareholder and save for the Overseas Shareholders with registered addresses in the PRC, there were no Excluded Shareholder on the Record Date.

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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.

It is the responsibility of any person (including, without limitation, a nominee, agent and trustee) receiving the Prospectus Documents outside Hong Kong and wishing to take up the Rights Shares to satisfy themselves as to the full compliance with the laws of the relevant jurisdictions including the obtaining of any governmental or other consents and observing other formalities which may be required in such jurisdictions, and to pay any taxes, duties and other amounts required to be paid in such jurisdictions in connection therewith. Any acceptance of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that such local laws, regulations and requirements of the relevant territory or jurisdiction have been fully complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, the above representation and warranty. If you are in any doubt as to your position, you should consult a professional adviser.

Notwithstanding any other provision in this Prospectus or the PAL, the Company reserves the right to permit any Shareholder to take up his/her/its rights if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions as to the offer and issue of the Rights Shares. If the Company is so satisfied, the Company will, if requested, arrange for the relevant Shareholder to be sent a PAL.

Receipt of any of the Prospectus Documents or the crediting of nil-paid rights to a stock account in CCASS does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, the relevant Prospectus Document(s) must be treated as sent for information purposes only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of any of the Prospectus Documents or whose stock account in CCASS is credited with nil-paid rights should not, in connection with the Rights Issue, distribute or send the same to, or transfer nil-paid rights to any Excluded Shareholder. If a PAL is received by, or any nil-paid rights are credited to any stock account in CCASS of, any person in any such territory (or his/her/its agent or nominee), he/she/it should not take up such nil-paid rights, transfer the PAL, or transfer the nil-paid rights credited to any stock account in CCASS unless the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, agents, custodians, nominees and trustees) who forwards this Prospectus or a PAL to any Excluded Shareholder (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

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Basis of provisional allotment

The basis of the provisional allotment shall be one (1) Rights Share for every one (1) Share in issue and held by the Qualifying Shareholders 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 set out in the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. There will be no excess application arrangements in relation to the Rights Issue.

No fractional entitlements to the Rights Shares

On the basis of provisional allotment of one (1) Rights Share for every one (1) Share held on the Record Date, no fractional entitlements to the Rights Shares shall arise under the Rights Issue. No odd lot matching services in relation to the Rights Issue will be provided.

Procedures for acceptance and payment or transfer

A PAL will be sent to the Qualifying Shareholder(s) in printed form which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If a Qualifying Shareholder wishes to accept all the Rights Shares provisionally allotted to him/her/it as specified in the PAL, he/she/it must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance with the Registrar at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, by not later than 4:00 p.m. on Friday, 10 January 2025 (or, under bad weather conditions and/or extreme conditions, such later time or date as mentioned in the section headed “**EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES**” in the section headed “**Expected Timetable**” in 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 PAL, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Friday, 10 January 2025, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have 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. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer part or all of his/her/its rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by not later than 4:00 p.m. on

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Thursday, 2 January 2025 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which 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 will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier’s order, whether by a Qualifying Shareholder or by any nominated transferee(s), 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 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.

If the conditions of the Rights Issue as set out in the section headed “Conditions of the Rights Issue” below are not fulfilled by the Latest Time for Termination, the Rights Issue will not proceed. Under such circumstances, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred 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 Monday, 3 February 2025.

No receipt will be issued in respect of any application monies received.

Beneficial owners’ instructions to their Intermediary

For beneficial owners whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, if they wish to subscribe for the Rights Shares provisionally allotted to them, or sell their nil-paid Rights Shares or “split” their nil-paid Rights Shares by accepting part of their provisional allotment and selling/transferring the remaining part, they should contact their Intermediary and provide their Intermediary with instructions or make arrangements with their Intermediary in relation to the acceptance, transfer and/or “splitting” of the rights to subscribe for the Rights Shares which have been provisionally allotted to them in respect of the Shares in which they are beneficially interested. Such instructions and the relevant arrangements should be given or made in advance of the relevant dates stated in the section headed “Expected Timetable” in this Prospectus and otherwise in accordance with the requirements of their Intermediary in order to allow their Intermediary sufficient time to ensure that their instructions are given effect. The procedures for acceptance, transfer and/or “splitting” in these cases shall be in accordance with the General Rules of HKSCC, HKSCC Operational Procedures and any other applicable requirements of CCASS.

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Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, shall rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered addresses, at their own risk, on or before Monday, 3 February 2025. Refund cheques (without interest), if the Rights Issue is terminated, are expected to be posted on or before Monday, 3 February 2025 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

Procedures in respect of the Unsubscribed Rights Shares and ES Unsold Rights Shares and the Compensatory Arrangements

According to Rule 7.21(1)(b) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares and ES Unsold Rights Shares by offering the Unsubscribed Rights Shares and ES Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. Accordingly, on 6 November 2024 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares to the independent placees on a best effort basis.

Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and ES Unsold Rights Shares during the Placing Period to independent placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders on a pro rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Monday, 20 January 2025, subscribers for all (or as many as possible) of those Unsubscribed Rights Shares and ES Unsold Rights Shares. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders as set out below on pro rata basis (but rounded down to the nearest cent):

- A. the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- B. the relevant Excluded Shareholders with reference to their shareholdings in the Company on the Record Date.

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If and to the extent in respect of any Net Gain, any No Action Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefits.

Placing Agreement for the Unsubscribed Rights Shares and ES Unsold Rights Shares

Details of the Placing Agreement are summarised as follows:

Date	:	6 November 2024 (after trading hours of the Stock Exchange)
Issuer	:	The Company
Placing Agent	:	Kingston Securities Limited, a corporation licensed to engage in type 1 (dealing in securities) regulated activity under the SFO, was appointed as the Placing Agent to procure, on a best effort basis, places to subscribe for the Unsubscribed Rights Shares and ES Unsold Rights Shares during the Placing Period.

As at the Latest Practicable Date, Mrs. Chu Yuet Wah, the ultimate beneficial owner of the Placing Agent, holding 24.63% of the total issued shares of the Company, is a substantial shareholder and therefore a connected person of the Company under the Listing Rules.

Placing Period	:	The period commencing from Wednesday, 15 January 2025 and ending at 4:00 p.m. on Monday, 20 January 2025.
Commission and expenses	:	Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong Dollars, of 2.0% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and ES Unsold Rights Shares that have been successfully placed by the Placing Agent and/or its sub-placing agent(s) pursuant to the terms of the Placing Agreement. Assuming none of the Qualifying Shareholders has taken up their entitled Rights Shares and all Unsubscribed Rights Shares and the ES Unsold Rights Shares have been placed by the Placing Agent, the total placing commission will be approximately HK\$1.87 million in cash to be deducted from the gross proceeds of the Rights Issue.

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- Placing price of the Unsubscribed Rights Shares and ES Unsold Rights Shares : The placing price of the Unsubscribed Rights Shares and ES Unsold Rights Shares shall be not less than the Subscription Price.
- The final price determination will be depended on the demand for and the market conditions of the Unsubscribed Rights Shares and ES Unsold Rights Shares during the process of placement.
- Placees : The Unsubscribed Rights Shares and ES Unsold Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and none of the placees shall be a party acting in concert (as defined in the Takeovers Code) with any of them or other placees.
- For the avoidance of doubt, no placee shall become a substantial shareholder of the Company.
- The Placing will not have any implications under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing. The Company will continue to comply with the Public Float Requirement upon completion of the Placing and the Rights Issue.
- Ranking of the placed Unsubscribed Rights Shares and ES Unsold Rights Shares : The placed Unsubscribed Rights Shares and ES Unsold Rights Shares (when allotted, issued and fully-paid, if any) shall rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of completion of the Rights Issue.
- Conditions of the Placing Agreement : The obligations of the Placing Agent under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled:
- (i) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms (subject to customary conditions) and such approval not having been withdrawn or revoked;
 - (ii) the Share Consolidation and Change in Board Lot Size having become effective;

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- (iii) the passing of all necessary resolutions to be proposed at the EGM to be convened to consider and, approve, among others, the Share Consolidation, the Rights Issue and the respective transactions contemplated thereunder;
- (iv) all necessary consents and approvals to be obtained on the part of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained;
- (v) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion of the Placing Agreement; and
- (vi) the Placing Agreement not having been terminated accordance with the provisions thereof.

Save for condition (v) which may be waived by either party by notice in writing to the other party, none of the above conditions is capable of being waived.

In the event that the above condition precedents have not been fulfilled or waived (as the case may be) on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing save for any antecedent breach and/or any rights or obligations which may accrue under the Placing Agreement prior to such termination.

As at the Latest Practicable Date, save for conditions (i), (ii) and (vi), all of the above conditions have been fulfilled or waived (as the case may be).

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- Termination : Notwithstanding anything contained in the Placing Agreement, the Placing Agent may terminate the Placing Agreement without any liability to the Company, by notice in writing given to the Company at any time prior to the Latest Time for Termination upon the occurrence of the following events which, in the reasonable opinion of the Placing Agent, has or may have a material adverse effect on the business or financial conditions or prospects of the Company or the Group taken as a whole or the success of the Placing or the full placement of all of the Unsubscribed Rights Shares and the ES Unsold Rights Shares or otherwise make it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:
- (i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industry, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would affect the success of the Placing; or
 - (ii) the imposition of any moratorium, suspension (for more than 7 trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolute opinion, would affect the success of the Placing; or

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- (iii) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's reasonable opinion any such new law or change may affect the business or financial prospects of the Group and/or the success of the Placing; or
- (iv) any litigation or claim being instigated against any member of the Group or its senior management, which has or may affect the business or financial position of the Group and which in the Placing Agent's reasonable opinion would affect the success of the Placing; or
- (v) any breach of any of the representations and warranties given by the Company as set out in the Placing Agreement having come to the knowledge of the Placing Agent or any event having occurred or any matter having arisen on or after the date of the Placing Agreement and prior to the completion of the Rights Issue which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in a material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (vi) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

Basis of the placing commission

The engagement between the Company and the Placing Agent of the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions. To assess the fairness and reasonableness of the placing commission under the compensatory arrangements under the Rights Issue, the Board identified an exhaustive list of 12 placing

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comparables (the “**Placing Comparables**”) during the Comparable Review Period (excluding 12 Comparables that were involved in excess application for the rights issue, as opposed to the case where the Company provides compensatory arrangements). Details of the Comparables (including the Placing Comparables) are set out in the paragraph headed “Subscription Price” under the section headed “Proposed Rights Issue”.

Having considered that (i) all of the Placing Comparables and the Company are listed on the Stock Exchange; (ii) the analysis is mainly concerned with the placing commission; (iii) an approximately four months period for the selection of the Comparables has generated a reasonable sampling size to reflect the market practice regarding the compensatory arrangements under rights issues in the recent period; and (iv) the Placing Comparables were directly sorted out in the Comparable Review Period without filtering such that the Placing Comparables represent a complete picture of the recent market practice on the placing commission payable by the company under the compensatory arrangements as compared to the rights issue transactions conducted by other issuers listed on the Stock Exchange, the Board considers the list of Placing Comparables to be representative. In addition, the Board considers that the Comparable Review Period is adequate and fair and representative given that (i) such period would provide the Shareholders with the recent and relevant information in relation to the compensatory arrangements under the rights issues to demonstrate the prevailing market practices prior to the Last Trading Day under the prevailing market conditions; and (ii) the Board is able to identify sufficient number of samples of 12 representative Placing Comparables that meet the aforesaid criteria for comparison analysis in such period.

Based on the 12 Placing Comparables, the expected maximum gross proceeds from the Placing Comparables ranged from HK\$12.00 million to HK\$172.80 million, with an average of approximately HK\$47.91 million, where the size of the fundraising of the Company is within the range of the Placing Comparables. Among the Placing Comparables, the placing agent of the subject companies for the relevant rights issue charged a commission ranging from nil to 3.5%, or with a minimum charge ranging from HK\$100,000 to HK\$250,000. The commission of 2% charged by the Placing Agent to the Company is within the range of the Placing Comparables. The Board (including the independent non-executive Directors) consider that the terms of Placing Agreement in respect of the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the placing commission) are (i) fair and reasonable; (ii) on normal commercial terms or better; and (iii) in the interests of the Company and its Shareholders as a whole.

As explained above, the Unsubscribed Rights Shares and the ES Unsold Rights Shares will be placed by the Placing Agent and/or its sub-placing agent(s) to Independent Third Parties on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Unsubscribed Rights Shares and ES Unsold Rights Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders.

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The Board is of the view that the above Compensatory Arrangements are fair and reasonable and are in the best interests of the Shareholders as a whole:

- (i) the arrangements are in compliance with the requirements under Rule 7.21(1)(b) of the Listing Rules under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) because under the arrangements, the Unsubscribed Rights Shares and ES Unsold Rights Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company;
- (ii) the Compensatory Arrangements (including the determination of the placing price) will be managed by the licensed placing agent which is subject to the stringent code of conduct over, among others, pricing and allocation of the placing Shares. The terms and the conditions of the Placing Agreement (including the placing commission) are normal commercial terms or better, are in the best interest of the Company and the Shareholders as a whole; and
- (iii) the Compensatory Arrangements will not only provide an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Excluded Shareholders, it also provides a distribution channel of the Unsubscribed Rights Shares and ES Unsold Rights Shares to the Company.

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. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the new board lot size of 4,000 Rights Shares.

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.

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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 HKSCC and HKSCC Operational Procedures in effect from time to time.

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 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. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of any person resulting from the purchase, holding or disposal of, or dealing in, the Rights Share in both their nil-paid and fully-paid forms.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

- (i) the passing of all the necessary resolution(s) at the EGM to be convened to consider and, approve, among others, the Share Consolidation, the Rights Issue and the respective transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by the Shareholders (other than those who are required to abstain from voting according to the Listing Rules or other applicable laws and regulations if necessary);
- (ii) the Share Consolidation and the Change in Board Lot Size having become effective;
- (iii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of the Prospectus Documents each duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolutions of the Directors (and all other documents required to be attached hereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) not later than the Prospectus Posting Date;

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- (iv) the Prospectus Documents are made available to the Qualifying Shareholders and the Prospectus and a letter in the agreed form are made available to the Excluded Shareholders, if any, for information purpose explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (v) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares in their nil-paid and fully-paid forms;
- (vi) the Placing Agreement not having been terminated in accordance with the provisions thereof, including force majeure events; and
- (vii) compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

None of the above conditions can be waived. If any of the conditions referred to above is not fulfilled by the Latest Time for Termination, the Rights Issue will not proceed. As at the Latest Practicable Date, save for the above condition (i), other conditions have not been fulfilled.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and is subject to the fulfilment of the conditions of the Rights Issue set forth above. In the event that the Rights Issue is not fully subscribed and provided the Placing Agreement has not been terminated in accordance with the provisions thereof, any Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid Rights Shares together with the ES Unsold Rights Shares will be placed to independent placees on a best effort basis under the Compensatory Arrangements. In the event of any Unsubscribed Rights Shares or ES Unsold Rights Shares which are not placed under the Compensatory Arrangements, the Rights Issue will continue to proceed but such Unsubscribed Rights Shares or ES Unsold Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Meanwhile, in the event that the Rights Issue is not fully subscribed and the Placing Agreement is terminated for whatever reasons, the Rights Issue will not proceed.

For the avoidance of doubt, given the Placing will be proceeded on a best effort basis, there is no guarantee that all the Unsubscribed Rights Shares or ES Unsold Rights Shares could eventually be successfully placed by the Placing Agent.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The principal activity of the Company is investment holding. The Group is principally engaged in (i) provision of sewage treatment service; (ii) exploitation and sale of renewable energy in the PRC; and (iii) property investment and development.

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Assuming full subscription under the Rights Issue, the gross proceeds from the Rights Issue will be approximately HK\$93.68 million and the relevant expenses would be approximately HK\$3.58 million. The net subscription price per Rights Share is expected to be approximately HK\$0.3135. Accordingly, the maximum net proceeds (after deducting the estimated expenses) of the Rights Issue are estimated to be approximately HK\$90.10 million.

The Company intends to use the net proceeds from the Rights Issue for the following purposes: (i) approximately 75% (or approximately HK\$68.00 million), will be used for the repayment of debts; and (ii) approximately 17% (or approximately HK\$15.00 million) will be for the investment in biomass gas project; and (iii) approximately 8% (or approximately HK\$7.10 million) will be for used as the general working capital of the Group (including but not limited to the payment of salaries, rental expenses, professional fees and/or other corporate expenses).

In the event that there is an undersubscription of the Rights Issue, the use of proceeds raised from the Rights Issue will be allocated on a pro-rata basis for the purposes disclosed above, i.e. (i) approximately 75% of the net proceeds from the Rights Issue will be used for the repayment of debts; and (ii) approximately 17% of the net proceeds from the Rights Issue will be used the investment in biomass gas project; and (iii) approximately 8% will be for used as the general working capital of the Group. Further details of the use of proceeds will be disclosed by the Company in the announcement of results of the Rights Issue.

Accelerated development of the environmental-friendly new energy sector as the core business of the Group

The Group put forward its strategic positioning and plan as a biomass and fuel gas service provider in the PRC and will focus on the development of five major business segments, namely (i) the biogas resource utilisation, (ii) the comprehensive livestock and poultry manure resource utilisation, (iii) the high concentration organic wastewater deep treatment, (iv) the operation, ancillary engineering services, closure and rectification of landfill sites and (v) the ecological restoration and resources development. In addition, the Group is committed to promoting environmental protection and has been continuing to develop and expand its recycling business in Hong Kong. On 1 February 2024, the Group has awarded a 39-month service contract by the Environmental Protection Department of the Government of the Hong Kong Special Administrative Region for a contract sum of approximately HK\$87 million. With Hong Kong's recycling market expanding significantly, the Group will seize market opportunities by increasing its participation in and development of this green business.

Funding needs of the Group

According to the Company's interim report for the six months ended 30 June 2024, the Group's bank balances and cash decreased by approximately 56.83% from approximately HK\$132.16 million as at 31 December 2023 to approximately HK\$57.05 million as at 30 June 2024. The decrease of bank balance and cash by HK\$71.25 million was mainly due to the repayment of debts, the construction of the water quality monitoring and control building and the decrease in income arising from water supply construction contracts and renewable energy business. In addition, the Group's gearing ratio stood at approximately 52.54% as at 30 June 2024, which was at a similar level of approximately 51.31% as at 31 December 2023. As

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disclosed in the circular of the Company dated 23 August 2024 in relation to, among others, the disposal (the “**Disposal**”) of 51% equity interests in Yichun Water Industry Group Co., Limited* (宜春水務集團有限公司), the net proceeds of the Disposal will amount to approximately HK\$195.60 million, of which approximately HK\$156.48 million is intended to be applied for repayment of debts. As at the Latest Practicable Date, the HK\$156.48 millions has been fully utilised for settlement of (i) lease liabilities of approximately HK\$46.18 million; (ii) other borrowings of approximately HK\$1.76 million; and (iii) other payables (including but not limited to professional fees, salaries, rental expenses, interest expenses and return of deposit) of approximately HK\$108.54 million.

As at the Latest Practicable Date, the Group had debt liabilities of approximately HK\$137.73 million (the “**Debts**”) which were due for repayment on demand or within three months from the Latest Practicable Date, details of which are set out below:

Type of debts	Payment schedule	Interest rate	Outstanding amount HK\$'million	Settlement by the use of proceeds from the Rights Issue HK\$'million	Potential ways for the settlement
Bank borrowings	Payable on or before end of January 2025	3.45%–7.84%	11.64	1.75	To extend the maturity date and/or to settle the outstanding Debts by (i) operating cash flows; (ii) trade receivables to be received by the Group; and (iii) proceeds from other potential fund raising activities, such as placing of new Shares under general mandate and debt financing.
Other borrowings	Payable on or before end of January 2025	10%–18%	57.90	—	
Lease liabilities	Payable on or before end of January 2025	5.04%–8.64%	68.19	66.25	
			<u>137.73</u>	<u>68.00</u>	

As at the Latest Practicable Date, the Group was negotiating with the creditors regarding the repayment schedule of the Overdue Debts. In addition, the Company is actively exploring various ways (including but not limited to other potential fund raising activities) to raise funds and/or settle the liabilities. As at the Latest Practicable Date, the Company is discussing with the financier for the debt financing but no concrete plan is identified.

As aforementioned, it is part of the Group’s business strategies to expand its biomass gas business. However, it is urgent for the Group to repay the outstanding liabilities. In view of the Group’s bank balance and cash of approximately HK\$36.66 million as at the Last Practicable Date and the Debts as at the Latest Practicable Date, the Directors considered that there was limited room for the Group to finance the debts liabilities and the development of existing business with its existing internal resources. Further, debt financing is not a preferred alternative as it will further increase the indebtedness and interest burden of the Group.

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Rights Issue as the preferred fund raising activity of the Group

The Board has considered various ways of raising funds and believes that the Rights Issue is the most efficient way in terms of time and costs for the Company. The Board considers it is prudent to finance the Group's long term growth by long term financing, preferably in the form of equity which will not increase the Group's finance costs.

The Board has considered other fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, given the weak financial fundamentals of the Group, among others, the loss making position and high gearing ratio, debt financing may not be achievable on favourable terms in a timely manner. As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. As for open offer, while it is similar to a rights issue and offer Qualifying Shareholders to participate, it does not allow free trading of rights entitlements in the open market. On the other hand, the Board considers that the Rights Issue, being pre-emptive in nature, would allow all Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights entitlements in the open market (subject to availability).

The Board considers that the terms of the Rights Issue are fair and reasonable and raising funds through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

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CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders; and (iii) immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholders and the Unsubscribed Rights Shares and the ES Unsold Rights Shares have been placed by the Placing Agent, for illustration purposes only:

	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders		Immediately upon completion of the Rights Issue assuming no acceptance by all Qualifying Shareholders and the Unsubscribed Rights Shares and the ES Unsold Rights Shares have been placed by the Placing Agent	
	<i>No. of issued Shares</i>	<i>%</i>	<i>No. of issued Shares</i>	<i>%</i>	<i>No. of issued Shares</i>	<i>%</i>
Substantial Shareholder						
Step Wide Investment Limited (Note 1)	70,782,101	24.63	141,564,202	24.63	70,782,101	12.32
Director						
Ms. Chu Yin Yin Georgianna	111,200	0.04	222,400	0.04	111,200	0.02
Independent Placees	—	—	—	—	287,360,964	50.00
Other public shareholders	<u>216,467,663</u>	<u>75.33</u>	<u>432,935,326</u>	<u>75.33</u>	<u>216,467,663</u>	<u>37.66</u>
Total	<u>287,360,964</u>	<u>100.00</u>	<u>574,721,928</u>	<u>100.00</u>	<u>574,721,928</u>	<u>100.00</u>

Notes:

1. Step Wide Investment Limited is ultimately controlled by Mrs. Chu Yuet Wah, who is also the ultimate controller of the Placing Agent.
2. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

FUND RAISING EXERCISE IN THE PAST 12 MONTHS

Save for the proposed rights issue on the basis of one (1) rights share for every one (1) consolidated share held by the qualifying shareholders on the record date at the subscription price of HK\$0.45 per rights share under the previous rights issue which had been terminated on 6 November 2024, the Company had not conducted any other equity fund-raising activities in the past twelve months immediately prior to the Latest Practicable Date.

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

Dealings in the Rights Shares in nil-paid form in the board lot size of 4,000 Rights Shares are expected to take place from Friday, 27 December 2024 to Tuesday, 7 January 2025 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Please refer to the section headed “Conditions of the Rights Issue” in this Prospectus above.

Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any Shareholder or other person dealings in the Shares and/or the nil-paid Rights Shares up to the time at which the Rights Issue becomes unconditional will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

ADDITIONAL INFORMATION

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

For and on behalf of
China Water Industry Group Limited
Mr. Zhu Yongjun
Chairman and Executive Director

A. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2021, 2022 and 2023 and the financial information of the Group for the six months ended 30 June 2024 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<https://www.hkexnews.hk/>) and the Company (<https://www.chinawaterind.com/>), respectively:

- (i) 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>);
- (ii) annual report of the Company for the year ended 31 December 2022 from pages 149 to 300 published on the website of the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042703635.pdf>);
- (iii) annual report of the Company for the year ended 31 December 2023 from pages 139 to 292 published on the website of the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042601136.pdf>); and
- (iv) interim report of the Company for the six months ended 30 June 2024 from pages 5 to 36 published on the website of the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0926/2024092601634.pdf>).

B. STATEMENT OF INDEBTEDNESS

At the close of business on 31 October 2024, being the latest practicable date for the purpose of ascertaining this indebtedness statement prior to the date of this Prospectus, the Group had total borrowings of approximately HK\$825,133,000, which comprised the following:

	As at 31 October 2024 HK\$'000
Loans from unrelated parties (<i>Note a-i</i>)	
— unsecured and unguaranteed	60,241
— unsecured and guaranteed	34,242
— secured and unguaranteed	1,091
Loans from related parties (<i>Note a-ii</i>)	52,000
Fixed coupon bonds (<i>Note a-iii</i>)	18,339
Bank borrowings (<i>Note b</i>)	
— secured and guaranteed	359,496
— unsecured and guaranteed	46,807
Lease liabilities (<i>Note c</i>)	
— secured and guaranteed	205,939
— secured and unguaranteed	28,866
— under HKFRS 16	18,112
	<u>825,133</u>

Note a-i:

The loans from unrelated parties, totaling approximately HK\$95,574,000, bear interest rates ranging from 0% to 18% per annum. Among these, the loans with an aggregate principal amount of approximately HK\$60,241,000 are unsecured and unguaranteed; approximately HK\$34,242,000 are unsecured and guaranteed by the Company and/or an executive director of the Company; and approximately HK\$1,091,000 are secured by certain right-of-use assets of the group, which have a net carrying value of approximately HK\$2,516,694. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, these unrelated parties included 3 corporations and 8 individuals that are third parties independent of and not connected with the Company and any of its connected persons.

Note a-ii:

The loans from related parties comprised two loans from Kingston Finance Limited in the principal amount of approximately HK\$50,000,000 (“**Loan I**”) and HK\$2,000,000 (“**Loan II**”), which bears interest at a rate of 15% and 12% per annum respectively and Loan I is secured by the shares of two subsidiaries, with a corporate guarantee provided by the Company and Loan II is unsecured and guaranteed. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, Kingston Finance Limited is indirectly wholly-owned by Mrs. Chu Yuet Wah, who is a substantial Shareholder.

Note a-iii:

On 18 January 2018, the Company entered into the placing agreement with placing agent, for the purpose of arranging independent places to subscribe for the bonds up to aggregate principal amount of HK\$100,000,000 within the placing period. On 17 January 2019, the Company entered into the supplemental agreement with the placing agent to extend the placing period from 365 days to 730 days. The bonds in the aggregate principal amount of HK\$20,000,000 were issued during the placing period. The bonds will mature in 7.5 years from the date of issuance. The interest rate is 6% per annum. As at 31 October 2024, the carrying value of the bonds are approximately of HK\$18,339,000 which are unsecured and unguaranteed.

Note b:

Total bank borrowings of approximately HK\$406,303,000, which includes secured and guaranteed bank borrowings of approximately of HK\$359,496,000 and unsecured and guaranteed bank borrowings of approximately HK\$46,807,000, bear interest rates ranging from 3.45% to 7.84% per annum and are secured and/or guaranteed by the following:

Securities:

- (i) Group’s certain property, plant and equipment with net carrying value of approximately HK\$188,900,000;
- (ii) Group’s certain right-of-use assets with net carrying value of approximately HK\$29,105,000;
- (iii) Group’s certain investment properties with net carrying value of approximately HK\$173,175,000;
- (iv) equity interests of certain subsidiaries of the Group; and
- (v) contractual rights to receive the revenue generated by certain subsidiaries of the Group.

Guarantees:

- (i) corporate guarantees by the Company, certain subsidiaries of the Group and non-controlling shareholders of a subsidiary of the Group; and
- (ii) personal guarantees from an executive Director and management personnel of certain subsidiaries of the Group.

Note c:

The lease liabilities of approximately HK\$234,805,000, which includes secured and guaranteed lease liabilities of approximately HK\$205,939,000 and secured and unguaranteed lease liabilities of approximately HK\$28,866,000, bear interest rates ranging from 5.04% to 8.64% per annum and are secured and/or guaranteed by the following:

Securities:

- (i) Group's certain right-of-use assets with net carrying value of approximately HK\$216,653,000;
- (ii) contractual rights to receive the revenue generated by certain subsidiaries of the Group; and equity interests of certain subsidiaries of the Group.

Guarantees:

- (i) corporate guarantees by the Company and certain subsidiaries of the Group; and
- (ii) personal guarantee from an executive Director.

The remaining balance of lease liabilities of approximately HK\$18,112,000 represents the liabilities for leases of office premises located in Hong Kong and the PRC and are recognised as right-of-use assets and lease liabilities for these leases.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as of 31 October 2024, 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 authorized or otherwise created but unissued debt securities.

C. WORKING CAPITAL STATEMENT

The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseeable circumstances, taking into consideration the estimated net proceeds from the Rights Issue and the financial resources available to the Group including internally generated funds, bank and other facilities, the Group will have sufficient working capital for its operation for at least twelve months from the date of this Prospectus.

As at the Latest Practicable Date, the Company has obtained the relevant confirmations as required under the Listing Rules.

D. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

E. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

For the financial year ended 31 December 2023 (“FY2023”), the Group’s revenue decreased by HK\$485.35 million, dropping from HK\$1,219.14 million for the year ended 31 December 2022 (“FY2022”) to HK\$733.79 million in FY2023. Additionally, the net loss attributable to owners of the Company increased by HK\$154.25 million, rising from HK\$89.20 million in FY2022 to HK\$243.45 million in FY2023. The increase in net loss was mainly attributable to, among others, net impact of the following factors: (i) a decline in revenue and gross profit from the renewable energy business due to a substantial reduction in on-grid electricity volume caused by the development of local incineration projects and the closure of certain landfill sites, resulting in fewer garbage deliveries to the landfills; (ii) a decrease in revenue and gross profit from the water supply related installation, construction and infrastructure business due to fewer engineering and construction contracts awarded; (iii) the absence of contribution from the sales of properties in FY2023 as compared to FY2022; (iv) the absence of contribution from the completion of disposal of Linyi Fenghuang Water Industry Co., Ltd in the second half of FY2022; (v) a decrease in income from the sales of carbon-credit assets; and (vi) a fair value loss on investment property due to the continued downturn in the real estate market in China. However, these effects were partially offset by (i) a decrease in the provision of expected credit loss on trade and other receivables; (ii) a decrease in finance costs resulting from a lower average borrowing interest rate; and (iii) a decrease in income tax due to the decline in taxable profit generated in FY2023.

Despite acute challenges of global economic development in FY2023, the Group made steady progress, actively seizing new opportunities for industry development and pursuing stable transformation. The Group entered into the equity transfer agreement for the disposal of 51% equity interests in the Yichun Water Industry Group Co., Ltd* (宜春水務集團有限公司) (“Yichun Water”) and its subsidiaries (the “Yichun Water Group”) (the “Disposal”) on 26 July 2024. Yichun Water Group was the main revenue and gross profit contributor to the Group and was mainly engaged in the provision of water supply services, sewage treatment services and the related installation and construction services. Yichun Water Group contributed HK\$152.84 million and HK\$43.40 million of revenue and gross profit respectively for the six months ended 30 June 2024, representing 52.31% and 86.95% to the total revenue and total gross profit respectively. The disposal of Yichun Water was approved by the shareholders by way of poll at the extraordinary general meeting on 9 September 2024. Following the Disposal, Yichun Water will cease to be a subsidiary of the Company and the financial performance of the Yichun Water Group will not be consolidated into the Group. The business segments relating to Yichun Water Group’s water supply services, sewage treatment services and related construction services will be discontinued, but the Group has continued to carry out its existing businesses.

Over the past few years, the PRC government has been actively promoting the implementation of environmental protection policies to improve the national ecological environment and facilitate sustainable development. However, the changing economic situation has led to increasing financial pressure on the government, directly impacting the environmental protection sector. The Group has consistently adapted to these environmental changes and overcome new challenges to achieve its own development and progress. In response to the ever-changing market environment, the Group will continue to position itself as a “biomass gas operator in China” and focus on resource utilisation of biomass gas (such as landfill gas, agricultural and industrial biogas), integrated water treatment, overseas business development, landfill closure ecological restoration and resources reuse, landfill maintenance and engineering support services, and constantly explore and expand new business models and market potential.

In the coming year, the Group will intensify efforts in expanding Hong Kong’s environmental protection segment and overseas environmental protection business, aiming for innovative iteration, high-speed, and high-quality development. With a technology-driven, market-oriented, customer-centric, and efficiency-oriented approach, the Group will actively promote sustainable development. The Disposal forms part of the Group’s strategic adjustment to divest from traditional municipal water services, with a view to focusing on its core business areas and market positioning. Indeed, the Group has transformed from a traditional water service company to a technology-based water treatment company, enhancing sewage treatment efficiency and significantly reducing operating costs. The Group has also maintained and upgraded key corporate qualifications in order to secure major construction projects in the PRC.

The property investment and development business of the Group remains to be an important business segment of the Group in coming year. In the first half of the year, the segment progressed in an orderly manner with notable improvement. In particular, the project in Nanjing Space Big Data Industrial Park has successfully attracted significant number of enterprises to settle in. The Group will closely monitor the market needs and adjust its investment strategy as and when necessary.

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

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.

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 Share Consolidation and Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as if the Share Consolidation and Rights Issue had been completed on 30 June 2024.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only, based on the judgements and assumptions of the Directors of the Company and because of its hypothetical nature, it may not give a true picture of the unaudited consolidated net tangible assets of the Group as at 30 June 2024 or to any future dates after completion of the Share Consolidation and Rights Issue.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net tangible assets of the Group attributable to the owners of Company as at 30 June 2024 as derived from the Group's unaudited consolidated financial statements for the period ended 30 June 2024 set out in the published interim report of the Company and is adjusted for the effect of the Share Consolidation and Rights Issue as if the Share Consolidation and Rights Issue had been completed on 30 June 2024.

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2024 HK\$ (Note 1)	Estimated net proceeds from the Right Issue HK\$ (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company upon completion of the Rights Issue HK\$	Unaudited pro forma consolidated net tangible assets of the Group per share attributable to owners of the Company as at 30 June 2024 prior to the completion of the Rights Issue HK\$ (Note 3)	Unaudited pro forma consolidated net tangible assets of the Group per share attributable to owners of the Company as at 30 June 2024 after the completion of the Rights Issues HK\$ (Note 4)
Based on 287,360,964 Right Shares to be issued at Subscription price of HK\$0.326 per Right Share	<u>908,812,000</u>	<u>90,100,000</u>	<u>998,912,000</u>	<u>3.16</u>	<u>1.74</u>

Notes:

1. The amount of unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2024 is based on unaudited consolidated net assets of the Group attributed to the owners of the Company of HK\$1,039,618,000 as adjusted by exclusion of other intangible assets of HK\$124,673,000 and deferred tax assets of HK\$6,133,000 as shown on the Group's unaudited consolidated financial statements for the period ended 30 June 2024 that has been extracted from the published interim report of the Company for the period ended 30 June 2024 dated 26 September 2024.
2. The estimated net proceeds from the Rights Issue of approximately HK\$90,100,000 is calculated based on the 287,360,964 Rights Shares to be issued at the subscription price of HK\$0.326 each, and deducting the estimated relevant expenses of approximately HK\$3,580,000.
3. 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 30 June 2024 of HK\$908,812,000 divided by 287,360,964 Shares, as if the Share Consolidation has been completed on 30 June 2024.
4. 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 30 June 2024 of HK\$998,912,000 divided by 574,721,928 Shares, assuming the Rights Shares have been fully subscribed by the Qualifying Shareholders and as if the Share Consolidation and the Rights Issue has been completed on 30 June 2024.
5. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2024.

**B. INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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

The Board of Directors
China Water Industry Group Limited
Office H, 8/F
Kingston International Centre
19 Wang Chiu Road
Kowloon Bay
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 as at 30 June 2024, and the related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus dated 23 December 2024 relating to the proposed rights issue (the “**Prospectus**”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the rights issue immediately after the completion of the share consolidation on the unaudited consolidated net tangible assets of the Group as at 30 June 2024 as if the share consolidation and rights issue had taken place on 30 June 2024. As part of this process, information about the Group’s unaudited consolidated net tangible assets has been extracted by the Directors from the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2024, on which no review 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 29 of Chapter 4 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 7 (“**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.

The firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by HKICPA, and accordingly maintains a comprehensive system of quality management including documented policies or 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 29(7) of Chapter 4 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 29 of Chapter 4 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 the share consolidation and rights issue on unadjusted financial information of the Group as if the share consolidation and rights issue occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the share consolidation and rights issue at 30 June 2024 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 share consolidation and rights issue, 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 share consolidation and rights issue 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 29(1) of Chapter 4 of the Listing Rules.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 23 December 2024

Sze Chor Chun, Yvonne
Practising Certificate Number P05049

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

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after completion of the Rights Issue (assuming no other change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders) are set out as follows:

(a) As at the Latest Practicable Date

<i>Authorised:</i>	<i>HK\$</i>
20,000,000,000 Shares	2,000,000,000
<u>200,000,000</u> Preference shares	<u>200,000,000</u>
	<u>2,200,000,000</u>
<i>Issued and fully paid:</i>	
<u>287,360,964</u> Shares	<u>28,736,096</u>

(b) Immediately upon completion of the Rights Issue (assuming no other change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders)

<i>Authorised:</i>		<i>HK\$</i>
20,000,000,000	Shares	2,000,000,000
<u>200,000,000</u>	Preference shares	<u>200,000,000</u>
		<u><u>2,200,000,000</u></u>
 <i>Issued and fully paid:</i>		
287,360,964	Shares	28,736,096
<u>287,360,964</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>28,736,096</u>
<u><u>574,721,928</u></u>	Shares in issue immediately upon completion of the Rights Issue	<u><u>57,472,192</u></u>

The Rights Shares, when allotted, issued and fully-paid, shall rank *pari passu* in all respects with the Shares then in issue. Holder of the Rights Shares in their fully-paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the fully-paid 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. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

As at the Latest Practicable Date, the Company had no outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”) were as follows:

Interest in Shares

Name of Director/ Chief Executive	Nature of interest	Number of Shares interested	Approximate percentage of issued share capital of the Company (Note 1)
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Ms. Chu Yin Yin, Georgiana	Beneficial owner	111,200 (L)	0.04%
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Notes:

1. The shareholding percentage in the Company is calculated on the basis of 287,360,964 Shares in issue as at the Latest Practicable Date.
2. The letter “L” denotes a long position in the Shares.

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

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

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

Interest in Shares

Name of Shareholder	Nature of interest	Number of Shares interested	Approximate percentage of issued share capital of the Company (Note 1)
Step Wide Investment Limited (Note 2)	Beneficial owner	70,782,101 (L)	24.63%

Notes:

1. The shareholding percentage in the Company is calculated on the basis of 287,360,964 Shares in issue as at the Latest Practicable Date.
2. These shares are held by Step Wide Investment Limited (“**Step Wide**”) of which Mrs. Chu Yuet Wah (“**Mrs. Chu**”) is the beneficial owner. Mrs. Chu is deemed to be interested in the Shares held by Step Wide by virtue of the SFO.
3. The letter “L” denotes a long position in the Shares.

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

4. DIRECTORS' INTERESTS IN CONTRACT AND ASSET

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023, the date to which the latest published audited accounts of the Group were made up.

There was no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant in relation to the business of the Group as a whole.

5. DIRECTORS' SERVICE CONTRACTS

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

6. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Zhu Yongjun (“**Mr. Zhu**”) being the chairman, and executive Director of the Company, was interested in approximately 5.40% of the issued share capital of New Concepts Holdings Limited (stock code: 2221) (“**New Concepts**”), the issued shares of which are listed on the Main Board of the Stock Exchange and New Concepts is engaged in environmental protection businesses including the provision of kitchen waste treatment related business in the PRC. Mr. Zhu also served as the chairman and executive director of New Concepts. In February 2024, upon the entering into of the service contract between an indirect wholly-owned subsidiary of the Company and the Environmental Protection Department of the Government of Hong Kong, the Group has commenced the business in the provision of food waste collection services.

Notwithstanding the fact that the Group and New Concepts are both engaged in the provision of food waste related services, the Company considers that there has not been competition between the Company and New Concepts as there is clear geographical delineation among the food waste related services of the Group and that of New Concepts.

As the Board is independent from the board of New Concepts and Mr. Zhu does not personally control the Board, the Group is capable of carrying its businesses independently of, and at arm's length from the businesses of New Concepts.

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

7. LITIGATION

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

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

In 2016, the Company instructed the legal counsel to institute arbitral proceedings against the Borrowers and their respective guarantors by filing the notices of Arbitration to Hong Kong International Arbitration Centre (“**HKIAC**”). As the major assets owned by the subsidiaries of Top Vision are located in Guangdong Province, the PRC, the Company had undertaken recovery actions including but not limited to legal actions taken in PRC to collect the Remaining Loan Receivables. On 28 June 2019, Sihui City People’s Court adjudged the final judgment to execute in Mainland China for the recovering the outstanding balance and the underlying interest from Top Vision and to freeze the entire equity interest held by Top Vision on Sihui Sewage till July 2022. On 16 March 2020 the arbitrator of HKIAC made an arbitration award that each guarantor should bear joint and several liabilities to repay the principal amount of HK\$17.31 million together with interest accrued thereon to Swift Surplus. On 30 November 2021, Swift Surplus had submitted the application to

the Sihui City People's Court for the resumption of civil enforcement on Top Vision. In January 2022, Swift Surplus resubmitted the application to the Sihui City People's Court again for the resumption of execution of the final judgement granted in July 2015 to continue to freeze the entire equity interest on Sihui Sewage for another 3 years till July 2025. In January 2022, the Lenders petitioned to the Shenzhen Intermediate People's Court and the Zhaoqing Intermediate People's Court for recognition and enforcement of Hong Kong awarded arbitrations in order to collect the debt from the guarantors. In June 2022, Sihui City People's Court accepted the application and adjudged to freeze the entire equity interest held by Top Vision on Sihui Sewage for addition 2 years from June 2022 to June 2024. On 22 May 2023, the Zhaoqing Intermediate People's Court and the Guangdong Provincial Higher People's Court recognised the arbitration decision and upheld the judgement against the execution guarantor, Sihui South China Water Development Co., Ltd.* (四會市華南水務發展有限公司) ("**Sihui Water**"), in the PRC. The Guangdong Province Higher People's Court issued a judgement efficacy certificate on 8 August 2023, allowing the Company to enforce Sihui Water in the PRC. The Zhaoqing Intermediate People's Court acknowledged the enforcement of Sihui Water in the PRC on 11 August 2023. In March 2024, Swift Surplus had submitted the application to Sihui City People's Court again for the purpose of continuing to freeze all equity interests in Sihui Sewage. The Sihui City People's Court ruled to freeze all equity interest in Sihui Sewage for an additional two years for the period from June 2024 to June 2026. On 6 September 2024, the Shenzhen Intermediate People's Court recognised and certified the arbitration award to Yang Weihua and Yang Weiguang, the execution guarantors in China. On 17 October 2024, the Shenzhen Intermediate People's Court issued the arbitration award to the guarantors Yang Weihua and Yang Weiguang. The PRC legal proceeding is still in progress.

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

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

13 August 2019, Yunnan Chaoyue Gas and Guarantors failed to fulfil the settlement agreement, Kunming Court accepted the application relating to the resumption of civil enforcement which submitted by Guangzhou Hyde. On 20 November 2019, the Kunming Court adjudged the Guarantors to repay the arbitration fee, the principal together with the underlying interest to Guangzhou Hyde within 10 days. On 8 January 2021, the Kunming Court failed to locate any assets from Yunnan Chaoyue Gas and the guarantors even taken exhaustive enforcement measures, and ruled to terminate this execution. The Kunming Court will resume the execution of this case in accordance with the law once any assets available for execution being found. On 21 June 2023, the Kunming Municipal Court held a hearing on the bankruptcy liquidation of Yunnan Chaoyue Gas upon the application of Guangzhou Hyde. As at the Latest Practicable Date, Yunnan Chaoyue Gas and the guarantors had not performed court judgement and no significant progress on this legal proceeding.

(iii) New China Water (Nanjing) Energy Company Limited* (新中水(南京)能源有限公司), an indirect non-wholly owned subsidiary of the Company

In October 2018, New China Water (Nanjing) Energy Company Limited* (“**New China Water Energy**”), New China Water (Nanjing) Carbon Company Limited* (“**New China Water Carbon**”) and Jinling Construction Group of Jiangsu Province Co. Ltd.* (江蘇省金陵建工集團有限公司) (“**Jinling Construction**”) entered into the construction contract for construction works, pursuant to which Jinling Construction became the construction contractor for Nanjing Space Big Data Industry Base which was developed by New China Water Energy and New China Water Carbon. On 26 January 2022, Jinling Construction filed a lawsuit to Nanjing City Jiangning District People’s Court* (南京市江寧區人民法院) (the “**Jiangning Court**”) regarding the allegedly unsettled payment of construction fee by New China Water Energy and New China Water Carbon as codefendants to Jinling Construction in the sum of approximately RMB151.59 million. The disposal of New China Water Carbon was completed in June 2023.

On 21 March 2022, Jiangning Court decided to refer the case to the People’s Court of Xuanwu District, Nanjing City, Jiangsu Province* (江蘇省南京市玄武區人民法院) (“**Xuanwu People’s Court**”) for trial.

In August 2022, the involved parties signed the settlement agreement (the “**Settlement Agreement**”) that affirmed the unpaid construction debts of RMB99.91 million and the repayment plan. New China Water Energy and New China Water Carbon had fulfilled a portion of their contractual responsibilities in accordance with the Settlement Agreement. According to the Settlement Agreement, Xuanwu People’s Court issued a civil mediation letter (the “**Civil Mediation Letter**”) confirming that New China Water Energy and New China Water Carbon should jointly and severally pay the outstanding construction debts in the amount of RMB89.91 million including a default claim of RMB8 million.

In June 2023, the parties involved signed Settlement Agreement 1 (the “**Settlement Agreement 1**”) and fulfilled their obligations. The relevant parties signed Settlement Agreement 2 (the “**Settlement Agreement 2**”) in August 2023, and then Jinling Construction has petitioned the Xuanwu People’s Court to withdraw enforcement against New China Water Energy. As at the Latest Practicable Date, New China Water Energy has not fully satisfied its obligations under the Civil Mediation Letter, but partial payments have been made. The Settlement Agreement 2 is currently undergoing implementation, and the PRC legal proceeding is still ongoing.

(iv) **Huizhou Swan Heng Chang Property Development Company Limited*** (惠州鴻鵠恒昌置業有限公司) and **Swan (Huizhou) Investment Company Limited*** (鴻鵠(惠州)投資有限公司), **indirect wholly-owned subsidiaries of the Company**

- (a) In January 2018, Huizhou Swan Heng Chang Property Development Company Limited* (惠州鴻鵠恒昌置業有限公司) (“**Swan Heng Chang**”) entered into the construction contract for construction works (the “**Construction Contract I**”) with China Minsheng Drawin Construction Technology Group Company Limited (formerly known as China Minsheng Drawin Construction Co., Ltd) (“**CMDC**”), under which CMDC shall act as the construction contractor of the construction project of Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場) (“**Honghu Square**”) developed by Swan Heng Chang. To further clarify the rights and obligations of both parties, both parties signed a supplemental agreement in January 2018 to further define the payment terms and other rights and obligations, and the contract price was agreed to be subject to actual settlement based on the actual quantities of work.

On 14 May 2019, Swan Heng Chang entered into the contract termination agreement with CMDC, under which the Construction Contract I and the supplemental agreement were terminated. On 1 August 2019, both parties signed the settlement agreement, which determined the final settlement amount of RMB82.51 million. In September 2020, CMDC filed a lawsuit with the Huicheng District People’s Court of Huizhou City (“**Huicheng People’s Court**”) against Swan Heng Chang and its shareholder, Swan (Huizhou) Investment Company Limited* (鴻鵠(惠州)投資有限公司) (“**Swan Investment**”) as codefendants, requesting Swan Heng Chang to settle the construction payment and demand Swan Investment to bear joint and several liabilities. On 14 April 2021, under the mediation of Huicheng People’s Court, Swan Heng Chang reached a settlement agreement with CMDC, under which Huicheng People’s Court issued a civil mediation order, which confirmed that the total amount payable by Swan Heng Chang to CMDC was RMB28.42 million and that Swan Investment was jointly and severally liable for the settlement of the debt. On 3 December 2021, Swan Heng Chang and Swan Investment were served by Huicheng People’s Court as defendants subject to enforcement for failing to fulfill their obligations under the civil mediation order. On 10 March 2022, upon application by CMDC, the land use right legally owned by Swan Heng Chang was seized by Huicheng People’s Court for

the period from 10 March 2022 to 9 March 2025. As at the Latest Practicable Date, the parties are negotiating the settlement agreement and the relevant legal proceeding is still in process.

- (b) In July 2021, Swan Heng Chang entered into a construction contract for construction works (the “**Construction Contract II**”) with Shenzhen Zhongrongyu Construction Engineering Limited* (深圳市中榮煜建築工程有限公司) (“**Zhongrongyu Construction**”), pursuant to which Zhongrongyu Construction shall act as the construction contractor of the construction project of Honghu Square developed by Swan Heng Chang.

Zhongrongyu Construction and Swan Heng Chang are recently in dispute of certain construction payments in respect of the Construction Contract II and Zhongrongyu Construction has filed a lawsuit with the Huizhou People’s Court against Swan Heng Chang and Swan Investment as co-defendants, claiming for the settlement of the construction payments and liquidated damages in the aggregate sum of approximately RMB31.60 million, and demand Swan Investment to bear joint and several liabilities. As at the Latest Practicable Date, the PRC legal proceedings is still ongoing.

- (c) In March 2019, Swan Heng Chang signed a loan agreement and a mortgage guarantee agreement with Huizhou Rural Commercial Bank Co., Ltd. Huicheng Branch (“**Huicheng Branch**”), pursuant to which Swan Heng Chang borrowed RMB45 million (the “**Loan**”) from Huicheng Branch. To guarantee the above Loan, Swan Investment signed an equity pledge contract with Huicheng Branch, and Swan Investment, China Ace Investment Limited (“**China Ace**”), the Company and Ms. Deng Xiaoting (“**Ms. Deng**”) signed a guarantee contract with Huicheng Branch. Recently, Huicheng Branch filed a lawsuit with the People’s Court of Huicheng District, Huizhou City (“**Huicheng People’s Court**”), against Swan Hengchang, Swan Investment, China Ace, the Company and Ms. Deng (collectively known as “**Co-defendants**”), requesting repayment of the outstanding balance of loan of approximately RMB36.08 million and the underlying interests. As at the Latest Practicable Date, the PRC legal proceedings were still ongoing.

- (v) **China Water Industry Group Limited (中國水業集團有限公司), the Company, and Onfar International Limited (安發國際有限公司), an indirect wholly-owned subsidiary of the Company**

On 25 March 2024, 海天水務集團股份有限公司 (for transliteration purpose only, Haitian Water Group Company Limited*) (“**Haitian Water**”), as purchaser, Billion City Investments Limited (“**Billion City**”), as vendor and the Company entered into an equity transfer agreement in relation to the proposed disposal (the “**Previous Proposed Disposal**”) of the entire equity interests in Onfar International Limited (“**Onfar International**”).

宜春市市政發展有限公司 (for transliteration purpose only, Yichun Municipal Development Co., Ltd.*) (“**Yichun Municipal Development**”) has subsequently applied to Yichun City Yuanzhou District People’s Court of Jiangxi Province for a property attachment (the “**Property Attachment**”), which aims to freeze Billion City’s 51% equity interests in 宜春水務集團有限公司 (for transliteration purpose only, Yichun Water Industry Group Co., Ltd.*) (“**Yichun Water**”). The application for the Property Attachment has been accepted by the said court.

As disclosed in the announcement of the Company dated 17 June 2024, the Company has received a statement of claim (民事起訴狀) from Yichun City Yuanzhou District People’s Court of Jiangxi Province regarding a claim (the “**Civil Claim**”) by Yichun Municipal Development against (i) the Company, as 1st defendant; (ii) Haitian Water, as 2nd defendant; (iii) Onfar International, as 3rd defendant; and (iv) Yichun Water, as third party, in respect of the Previous Proposed Disposal.

On 26 July 2024, Yichun Municipal Development has given an undertaking in favour of Onfar International that it will, following, among others, the execution of the equity transfer agreement in relation to the disposal of 51% equity interests in Yichun Water, file with the Intermediate People’s Court of Yichun City to withdraw the Civil Claim and discharge the Property Attachment.

The Company has recently received a civil judgement (民事裁定書) from the Intermediate People’s Court of Yichun City approving to discharge the Property Attachment. For details, please refer to the announcement of the Company dated 16 September 2024.

(vi) **China Water Industry Group Limited (中國水業集團有限公司) and China Water Industry (HK) Limited (中國水業(香港)有限公司), an indirect wholly-owned subsidiary of the Company**

In December 2019, the Company, China Water Industry (HK) Limited (the “**China Water (HK)**”), New China Water (Nanjing) Renewable Resources Investment Company Limited* (the “**New China Water Nanjing**”), SZQH Energy-saving Environmental Protection Investment Fund Management Company Limited* (深圳前海粵財節能環保投資基金管理有限公司) (“**SZQH**”) entered into an investment agreement, pursuant to which SZQH agreed to invest RMB60 million for 3.8462% of equity interests in New China Water Nanjing. SZQH has subsequently assigned all its rights and obligations under the investment agreement to Guangdong Yuecai Small and Medium-sized Enterprises Equity Investment Fund Partnership (Limited Partnership)* (廣東粵財中小企業股權投資基金合夥企業(有限合夥)) (“**Guangdong Yuecai**”), being an associate of SZQH. For details, please refer to the announcements of the Company dated 27 December 2019 and 1 March 2023.

In March 2020, the Company, China Water Industry (HK), New China Water Nanjing, and Zhuhai Hengqin Yixingbanyue Investment Partnership (Limited Partnership)* (珠海橫琴依星伴月投資合夥企業(有限合夥)) (“**Zhuhai Hengqin**”,

together with Guangdong Yuecai, the “**Investors**”) entered into an investment agreement, pursuant to which Zhuhai Hengqin agreed to invest RMB0.42 million for 0.0269% of equity interests in New China Water Nanjing.

In March 2023, the Company received the repurchase notice from the Investors, requiring China Water (HK) and the Company (collectively, the “**Purchasers**”) to repurchase an aggregate of 3.872% equity interests (the “**Aggregate Sale Capital**”) of New China Water Nanjing. On the same date, the Purchasers and Investors entered into the equity transfer agreement, pursuant to which the Investors have agreed to sell, and the Purchasers have agreed to purchase, the Aggregate Sale Capital, at a total consideration of RMB81.76 million (the “**Repurchase Equity Consideration**”). For the details, please refer to the announcement of the Company dated 1 March 2023.

Each of the Investors have filed a lawsuit with the Shenzhen Qianhai Cooperation District People’s Court against the Company and China Water (HK) as co-defendants, claiming for the repayment of the outstanding balance of the Repurchase Equity Consideration in the aggregate sum of approximately RMB22.90 million and the underlying interest. As at the Latest Practicable Date, the PRC legal proceedings is still ongoing.

(vii) Changsha New China Water Environmental Technology Company Limited, Qingyuan City Greenspring Environmental Technology Company Limited, Shenzhen City New China Water Environmental Technology Company Limited and Hainan Camda New Energy Company Limited, all being indirect non-wholly owned subsidiaries of the Company

In February 2023, each of Changsha New China Water Environmental Technology Company Limited* (長沙新中水環保科技有限公司) (“**Changsha New China Water**”), Qingyuan City Greenspring Environmental Technology Company Limited* (清遠市青泓環保科技有限公司) (the “**Qingyuan City Greenspring**”), Shenzhen City New China Water Environmental Technology Company Limited* (深圳市新中水環保科技有限公司) (“**Shenzhen City New China Water**”), all being indirect non-wholly owned subsidiaries of the Company, entered into a finance lease agreement with Sinopharm Holding (China) Finance Leasing Co., Ltd. (國藥控股(中國)融資租賃有限公司) (“**Sinopharm Leasing**”), pursuant to which (i) Sinopharm Leasing shall purchase the respective landfill gas power generating facilities from Changsha New China Water, Qingyuan City Greenspring and Shenzhen City New China Water for the purchase price of RMB30 million, RMB14 million and RMB29 million respectively; and (ii) Sinopharm Leasing shall lease back the same to Changsha New China Water, Qingyuan City Greenspring and Shenzhen City New China Water respectively. In March 2023, Hainan Camda New Energy Company Limited* (海南康達新能源有限公司) (“**Hainan Camda**”), being an indirect non-wholly owned subsidiary of the Company, entered into the finance lease agreement with Sinopharm Leasing, pursuant to which (i) Sinopharm Leasing shall purchase

landfill gas power generating facilities for the purchase price of RMB7 million and then lease back the same to Hainan Camda. For details, please refer to the announcements of the Company dated 24 February 2023 and 8 March 2023.

In August 2024, Changsha New China Water, Qingyuan City Greenspring, Shenzhen City New China Water and Hainan Camda (collectively known as “**Lessees**”) together with the relevant guarantors (the “**Guarantors**”) under the respective finance lease agreements had reached settlement agreements with Sinopharm Leasing through the mediation by the Shanghai Pudong New Area People’s Court (the “**Pudong Court**”). The Pudong Court issued civil mediation agreements (the “**Civil Mediation Agreements**”), which required Changsha New China Water, Qingyuan City Greenspring, Shenzhen City New China Water and Hainan Camda shall repay Sinopharm Leasing the outstanding balance of lease consideration of RMB18.70 million, RMB8.73 million, RMB18.08 million and RMB4.37 million respectively. In November 2024, as the Lessees and the Guarantors failed to repay the outstanding sums in accordance with the Civil Mediation Agreements, Sinopharm Leasing had applied to Pudong Court for the enforcement of the Civil Mediation Agreements. As at the Latest Practicable Date, the Lessees and the Guarantors are in the course of negotiating with Sinopharm Leasing in respect of the settlement of the outstanding sums and the relevant legal proceedings are still ongoing.

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

8. MATERIAL CONTRACTS

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

- (i) the capital injection agreement dated 5 January 2023 and entered into among 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*) (“**New China Water Nanjing**”), 北京振徽節能環保科技有限公司 (for transliteration purpose only, Beijing Zhenhui Energy Saving and Environmental Protection Technology Co., Ltd.*) and 勃利縣中水皖龍可再生能源科技有限公司 (for transliteration purpose only, Boli County Zhongshui Wanlong Renewable Energy Technology Co., Ltd.*) (as target company) (“**Boli Zhongshui**”), pursuant to which New China Water Nanjing shall contribute RMB18,000,000 (equivalent to approximately HK\$20,540,000) to the registered capital of Boli Zhongshui;
- (ii) the finance lease agreement dated 24 February 2023 and entered into between 長沙新中水環保科技有限公司 (for transliteration purpose only, Changsha New China Water Environment Technology Company Limited*), an indirect non-wholly owned subsidiary of the Company (as lessee), and Sinopharm Holding (China) Finance Leasing Co., Ltd. (國藥控股(中國)融資租賃有限公司) (“**Sinopharm Leasing**”) (as

- lessor) in relation to the transfer of ownership and leaseback of leased assets, which mainly comprised of landfill gas power generating facilities situated in Changsha City, the PRC, at the consideration of RMB30,000,000 (equivalent to approximately HK\$34,047,000) for a term of 36 months;
- (iii) the finance lease agreement dated 24 February 2023 and entered into between 清遠市青泓環保科技有限公司 (for transliteration purpose only, Qingyuan City Greenspring Environmental Technology Limited*), an indirect non-wholly owned subsidiary of the Company (as lessee), and Sinopharm Leasing (as lessor) in relation to the transfer of ownership and leaseback of leased assets, which mainly comprised of landfill gas power generating facilities situated in Qingyuan City, the PRC, at the consideration of RMB14,000,000 (equivalent to approximately HK\$15,889,000) for a term of 36 months;
- (iv) the finance lease agreement dated 24 February 2023 and 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 lessee), and Sinopharm Leasing (as lessor) in relation to the transfer of ownership and leaseback of leased assets, which mainly comprised of landfill gas power generating facilities situated in Shenzhen City, the PRC, at the consideration of RMB29,000,000 (equivalent to approximately HK\$32,912,000) for a term of 36 months;
- (v) the equity transfer agreement dated 1 March 2023 and entered into among China Water (HK) (as purchaser), the Company (as purchaser), 廣東粵財中小企業股權投資基金合夥企業(有限合夥) (for transliteration purpose only, Guangdong Yuecai Small and Medium-sized Enterprises Equity Investment Fund Partnership (Limited Partnership*)) (“**Guangdong Yuecai**”) (as vendor) and 珠海橫琴依星伴月投資合夥企業(有限合夥) (for transliteration purpose only, Zhuhai Hengqin Yixingbanyue Investment Partnership (Limited Partnership*)) (“**Zhuhai Hengqin**”) (as vendor) pursuant to which Guangdong Yuecai has agreed to transfer 3.8451% of the equity interest in New China Water Nanjing to China Water HK at a consideration of RMB60,000,000 (equivalent to approximately HK\$68,286,000) plus 10% simple interest per annum and Zhuhai Hengqin has agreed to transfer 0.0269% of the equity interest in New China Water Nanjing to China Water HK at a consideration of RMB420,000 (equivalent to approximately HK\$478,000) plus 10% simple interest per annum;
- (vi) the finance lease agreement dated 8 March 2023 and entered into between Hainan Camda New Energy Co., Ltd. (海南康達新能源有限公司), an indirect non-wholly owned subsidiary of the Company (as lessee), and Sinopharm Leasing (as lessor) in relation to the transfer of ownership and leaseback of leased assets, which mainly comprised of landfill gas power generating facilities situated in Haikou City, the PRC, at the consideration of RMB7,000,000 (equivalent to approximately HK\$7,923,000) for a term of 36 months;

- (vii) the transfer agreement and finance lease agreement both dated 23 March 2023 and entered into between 濟寧市海晟水務有限公司 (for transliteration purpose only, Jining City Haisheng Water Treatment Company Limited*) (“**Haisheng Water**”), an indirect non-wholly owned subsidiary of the Company (as lessee), and 廣東綠金融資租賃有限公司 (for transliteration purpose only, Canton Greengold Financial Leasing Ltd.*) (“**Greengold Leasing**”) (as lessor) in relation to the transfer of ownership and leaseback of leased assets, which mainly comprised of sewage treatment equipment situated at Jining City, Shangdong Province, the PRC, at the consideration of RMB30,000,000 (equivalent to approximately HK\$34,260,000) for a term of 60 months;
- (viii) the transfer agreement and finance lease agreement both dated 8 June 2023 and entered into between 霍邱徽沼可再生能源科技有限公司 (for transliteration purpose only, Huoqiu Huizhao Renewable Energy Technology Co., Ltd.*), an indirect non-wholly owned subsidiary of the Company (as lessee), and Jiangsu Leasing (as lessor) in relation to the transfer of ownership and leaseback of leased assets, which mainly comprised of a power generating facility and fertiliser granulation equipment situated in Lu’An City, Anhui Province, the PRC, at the consideration of RMB8,200,000 (equivalent to approximately HK\$9,046,000) for a lease period commencing from 9 June 2023 to 9 June 2026;
- (ix) the equipment purchase agreement I dated 14 July 2023 and entered into between New China Water Nanjing, an indirect non-wholly-owned subsidiary of the Company, as purchaser, and Beijing Yisheng Environmental Technology Limited* (北京宜升環保能源科技有限公司), as vendor, in relation to purchase the six (6) set of biogas generators for a total consideration of RMB27.60 million (equivalent to approximately HK\$30.37 million) for the operation of the Group’s principal business in renewable energy business segment;
- (x) the equipment purchase agreement II dated 18 July 2023 and entered into between New China Water Nanjing, an indirect non-wholly-owned subsidiary of the Company, as purchaser, and Beijing Aijian Tongyi Economic and Trade Development Co., Ltd* (北京愛建同益經貿發展有限責任公司), as vendor, in relation to purchase the five (5) set of biogas generators for a total consideration of RMB23.00 million (equivalent to approximately HK\$25.20 million) for the operation of the Group’s principal business in renewable energy business segment;
- (xi) the equipment purchase agreement III dated 19 July 2023 and entered into between New China Water Nanjing, an indirect non-wholly-owned subsidiary of the Company, as purchaser, and Shanghai Shuichungli Environmental Technology Co., Ltd* (上海水創利環境技術有限公司), as vendor, in relation to purchase the fifteen (15) set of biogas generators for a total consideration of RMB69.00 million (equivalent to approximately HK\$75.21 million) for the operation of the Group’s principal business in renewable energy business segment;

- (xii) the finance lease agreement dated 2 August 2023 and entered into between 安丘市新中水環保科技有限公司 (for transliteration purpose only, Anqiu City New China Water Environmental Technology Limited*), an indirect non-wholly owned subsidiary of the Company (as lessee), and Haitong Unitrust International Financial Leasing Co., Limited (海通恒信國際融資租賃股份有限公司) (“**Haitong Leasing**”) (as lessor) in relation to the transfer of ownership and leaseback of leased assets, which mainly comprised of biogas and landfill gas power generating facilities situated in Anqiu City, the PRC, at the consideration of RMB20,000,000 (equivalent to approximately HK\$21,832,000) for a term of 36 months;
- (xiii) the finance lease agreement dated 2 August 2023 and entered into between 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*), an indirect non-wholly owned subsidiary of the Company (as lessee), and Haitong Leasing (as lessor) in relation to the transfer of ownership and leaseback of leased assets, which mainly comprised of biogas and landfill gas power generating facilities situated in Xiangtan City, the PRC, at the consideration of RMB20,000,000 (equivalent to approximately HK\$21,832,000) for a term of 36 months;
- (xiv) the finance lease agreement dated 2 August 2023 and entered into between 大唐華銀衡陽環保發電有限公司 (for transliteration purpose only, Datang Huayin Heng Yang Environmental Power Company Limited*), an indirect non-wholly owned subsidiary of the Company (as lessee), and Haitong Leasing (as lessor) in relation to the transfer of ownership and leaseback of leased assets, which mainly comprised of biogas and landfill gas treatment and power generating facilities situated in Hengyang County, the PRC, at the consideration of RMB15,000,000 (equivalent to approximately HK\$16,374,000) for a term of 36 months;
- (xv) the finance lease agreement dated 2 August 2023 and entered into between 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*), an indirect non-wholly owned subsidiary of the Company (as lessee), and Haitong Leasing (as lessor) in relation to the transfer of ownership and leaseback of leased assets, which mainly comprised of waste and landfill gas treatment and power generating facilities situated in Baoji City, the PRC, at the consideration of RMB15,000,000 (equivalent to approximately HK\$16,374,000) for a term of 36 months;
- (xvi) the finance lease agreement dated 2 August 2023 and entered into between 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*), an indirect non-wholly owned subsidiary of the Company (as lessee), and Haitong Leasing (as lessor) in relation to the transfer of ownership and leaseback of leased assets, which mainly comprised of biogas and landfill gas treatment and power generating facilities situated in Wuzhou City, the PRC, at the consideration of RMB10,000,000 (equivalent to approximately HK\$10,916,000) for a term of 36 months;

- (xvii) the finance lease agreement dated 2 August 2023 and entered into between 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*), an indirect non-wholly owned subsidiary of the Company (as lessee), and Haitong Leasing (as lessor) in relation to the transfer of ownership and leaseback of leased assets, which mainly comprised of biogas and landfill gas treatment and power generating facilities situated in Liuyang City, the PRC, at the consideration of RMB10,000,000 (equivalent to approximately HK\$10,916,000) for a term of 36 months;
- (xviii) the upgrading and modification contract dated 24 August 2023 and entered into between Haisheng Water (as principal) and 江蘇萬融工程科技有限公司 (for transliteration purpose only, Jiangsu Wanrong Construction Technology Company Limited*) (“**Wanrong Construction**”) (as contractor) in relation to the carrying out of the upgrading and modification work on the sewage treatment plant located in Jinxiang County, the PRC, which is owned and operated by Haisheng Water at the contract price of approximately RMB24.5 million (equivalent to approximately HK\$26.5 million);
- (xix) the investment cooperation agreement dated 25 August 2023 and entered into between the People’s Government of Boli County, Qitaihe City and Boli Zhongshui pursuant to which (i) Boli Zhongshui agreed to invest in the project (the “**Boli Project**”) on the investment, development, construction and operation of the centralised comprehensive treatment center for agricultural waste with an investment amount of RMB100 million (equivalent to approximately HK\$108.3 million); and (ii) Boli Government agreed to assist Boli Zhongshui to implement the Boli Project, including, amongst other things, to assist Boli Zhongshui to acquire the relevant land and obtain other relevant government consents, approvals, permits and/or government subsidies;
- (xx) the upgrading and modification contract dated 12 September 2023 and entered into between 濟寧市海源水務有限公司 (for transliteration purpose only, Jining City Haiyuan Water Treatment Company Limited*), an indirect non-wholly owned subsidiary of the Company (as principal) and Wanrong Construction (as contractor) in relation to the carrying out of the upgrading and modification work on the sewage treatment plant located in Jinxiang County, the PRC at the contract price of approximately RMB32.3 million (equivalent to approximately HK\$34.8 million);
- (xxi) the transfer agreement and finance lease agreement both dated 21 September 2023 and entered into between Haisheng Water (as lessee), and Greengold Leasing (as lessor) in relation to the transfer of ownership and leaseback of leased assets, which mainly comprised of certain designated equipment and facilities for sewage treatment systems situated in Jining City, Shandong Province, the PRC, at the consideration of RMB15,000,000 (equivalent to approximately HK\$16,146,000) for a term of 60 months;

- (xxii) the construction agreement dated 28 September 2023 and entered into between 宜春水務集團有限公司 (for transliteration purpose only, Yichun Water Industry Group Co., Ltd*) (as principal) and 天工建設工程有限公司 (for transliteration purpose only, Tiangong Construction Engineering Co. Limited*) (as contractor) in relation to the carrying out of the construction of a water quality monitoring and control building at the contract price of approximately RMB106.7 million (equivalent to approximately HK\$114.9 million);
- (xxiii) the agreement dated 27 November 2023 and entered into between the People's Government of Zhangwu County of the PRC (“**Zhangwu Government**”) and Victory Strategy Investment Limited (勝策投資有限公司) (“**Victory Strategy**”), an indirect wholly-owned subsidiary of the Company pursuant to which (i) Victory Strategy agreed to invest in the project (the “**Zhangwu Project**”) on the collection, neutralisation and utilisation of the landfill gas produced at the Zhangwu Landfill for power generation with an aggregate investment amount of up to RMB51.6 million (equivalent to approximately HK\$56.5 million), and establish and operate a project company in the PRC for the purpose of implementing the Zhangwu Project; and (ii) Zhangwu Government agreed to assist the project company to implement the Zhangwu Project;
- (xxiv) the equity transfer agreement dated 25 March 2024 and entered into between Billion City Investments Limited, a direct wholly-owned subsidiary of the Company, as vendor, Haitian Water, as purchaser, and the Company, in relation to the sale and purchase of the entire equity interests in Onfar International Limited for a total consideration of RMB270,000,000 (equivalent to approximately HK\$293,517,000);
- (xxv) the transfer agreement and finance lease agreement both dated 5 July 2024 and entered into between 佛山市高明區華信污水處理有限公司 (for transliteration purpose only, Foshan City Gaoming District Huaxin Sewage Treatment Company Limited*) (as lessee), and Greengold Leasing (as lessor) in relation to the transfer of ownership and leaseback of leased assets, which mainly comprised of sewage treatment equipment situated at Foshan City, Guangdong Province, the PRC, at the consideration of RMB6,000,000 (equivalent to approximately HK\$6,467,000) for a term of 60 months;
- (xxvi) the equity transfer agreement dated 26 July 2024 and entered into between 宜春市市政發展有限公司 (for transliteration purpose only, Yichun Municipal Development Co., Ltd.*), as purchaser and Onfar International Limited, an indirect wholly-owned subsidiary of the Company, as vendor, in relation to the sale and purchase of 51% equity interests in 宜春水務集團有限公司 (for transliteration purpose only, Yichun Water Industry Group Co., Limited*) for a total consideration of RMB195,000,000 (equivalent to approximately HK\$211,185,000); and
- (xxvii) the Placing Agreement.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this Prospectus or has given opinion, letters or advice contained in this Prospectus:

Name	Qualification
Crowe (HK) CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, the above expert has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its letters and the reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023, being the date to which the latest published audited accounts of the Company were made up.

10. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming the Rights Issue is not fully-subscribed and any Unsubscribed Rights Shares and ES Unsold Rights Shares are placed by the Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be up to approximately HK\$3.58 million, which are payable by the Company.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Board of Directors

Executive Directors

Mr. Zhu Yongjun (*Chairman*)

Ms. Chu Yin Yin, Georgiana

Independent Non-executive Directors

Mr. Wong Siu Keung, Joe

Mr. Lam Cheung Shing, Richard

Mr. Mak Ka Wing, Patrick

Audit committee

Mr. Wong Siu Keung, Joe (*Chairman*)

Mr. Lam Cheung Shing, Richard

Mr. Mak Ka Wing, Patrick

Nomination committee

Mr. Zhu Yongjun (*Chairman*)

Mr. Wong Siu Keung, Joe

Mr. Lam Cheung Shing, Richard

Remuneration committee

Mr. Wong Siu Keung, Joe (*Chairman*)

Mr. Zhu Yongjun

Mr. Lam Cheung Shing, Richard

Investment committee

Mr. Zhu Yongjun (*Chairman*)

Ms. Chu Yin Yin, Georgiana

Registered office

Cricket Square Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Headquarter and principal place of business in Hong Kong

Office H, 8/F

Kingston International Centre

19 Wang Chiu Road

Kowloon Bay

Hong Kong

Authorised representatives

Mr. Zhu Yongjun

Ms. Chu Yin Yin, Georgiana

Business address of all Directors and authorised representatives

Office H, 8/F

Kingston International Centre

19 Wang Chiu Road

Kowloon Bay

Hong Kong

Company secretary	Ms. Chu Yin Yin, Georgiana <i>(FHKICPA, FACCA, FCA, HKFCG, FCG)</i>
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
Principal banker	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Central, Hong Kong
Auditor	Crowe (HK) CPA Limited 9/F Leighton Centre 77 Leighton Road Causeway Bay, Hong Kong <i>(Certified Public Accountants and Registered Public Interest Entity Auditor)</i>
Legal adviser to the Company as to Hong Kong laws	Michael Li & Co. Rooms 1901A, 1902 & 1902A, 19/F New World Tower I 16–18 Queen’s Road Central Central, Hong Kong
Placing Agent	Kingston Securities Limited 72/F., The Center 99 Queen’s Road Central Central, Hong Kong

12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Zhu Yongjun (“**Mr. Zhu**”), aged 57, 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 both of the Nomination Committee and the Investment Committee in 8 February 2021. He is the director of various subsidiaries of the Company. 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. With effect from 9 September 2022, Mr. Zhu was appointed as a non-executive Director, a member of the Nomination Committee and a member of the Remuneration Committee of the Affluent Partners Holdings Limited (Stock code: 1466) which is listed on the Main Board of the Stock

Exchange. 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.

Ms. Chu Yin Yin, Georgiana (“Ms. Chu”), aged 54, 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. She is the director of various subsidiaries of the Company. With effect from 1 March 2024, Ms. Chu has been appointed as a non-executive Director of DeTai New Energy Group Limited (Stock code: 559) which is listed on the Main Board of the Stock Exchange. 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 and The Chartered Governance Institute. 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 (the “INED”) 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 INED, 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 Latest Practicable Date, Ms. Chu was interested in 111,200 Shares, representing approximately 0.04% of the issued share capital of the Company.

Independent non-executive Directors

Mr. Wong Siu Keung, Joe (“Mr. Wong”), aged 60, was appointed as an INED of the Company in October 2012. Mr. Wong is a Chairman of both of the Audit Committee and Remuneration Committee and a member of the Nomination Committee. With effect from 16 June 2023, Mr. Wong, resigned as independent non-executive director of Worldgate Global Logistics Ltd (Stock code: 8292) which is listed on the Growth Enterprise Market (GEM) Board of the Stock Exchange. With effect from 31 January 2024, Mr. Wong has been appointed as an independent non-executive Director, the chairman of the audit committee, and a member of the nomination committee and the

remuneration committee of Yuk Wing Group Holdings Limited (Stock code: 1536) which is listed on the Main Board of the Stock Exchange. With effect from 14 January 2022, Mr. Wong was appointed as an INED, the Chairman of the Nomination Committee, a member of both of the Audit Committee and the Remuneration Committee of the Affluent Partners Holdings Limited (Stock code: 1466) which is listed on the Main Board of the Stock Exchange. With effect from 25 March 2022, Mr. Wong was appointed as an executive Director of the DeTai New Energy Group Limited (the “**DeTai New Energy**”) (Stock code: 559) which is listed on the Main Board of the Stock Exchange. Mr. Wong was appointed as the Company Secretary, the Authorised Representative and the Chief Financial Officer of the DeTai New Energy. With effect from 10 January 2022. Mr. Wong is currently an INED of Interactive Entertainment China Cultural Technology Investments Limited (Stock code: 8081), which is 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.

Mr. Lam Cheung Shing, Richard (“Mr. Lam”), aged 66, was appointed as an INED of the Company in August 2019. Mr. Lam has been appointed as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee 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. With effect from 1 November 2023, Mr. Lam has resigned as an executive Director of EverChina Int’l Holdings Company Limited (Stock code: 202) which is listed on the Main Board of the Stock Exchange, and also ceased to be the chief executive officer, a member of the remuneration committee and the nomination committees as well as the authorised representative of that company. With effect from 17 November 2023, Mr. Lam has been appointed as an independent non-executive Director, the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee of the Far East Holdings International Limited (Stock code: 36) which is listed on the Main Board of the Stock Exchange. 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 INED 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 INED 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

redesignated 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.

Mr. Mak Ka Wing, Patrick (“**Mr. Mak**”), aged 59, is a registered solicitor of the High Court of Hong Kong and the Managing Partner of Patrick Mak & Tse, Solicitors. Mr. Mak has over 20 years’ legal experience in the legal field. He was awarded the Common Professional Examination Certificate in Laws by the University of Hong Kong in 1995 and was awarded his Postgraduate Certificate in Laws (P.C.LL) by the University of Hong Kong in 1998. Since July 2017, Mr. Mak has been appointed as an independent non-executive director of Far East Holdings International Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock code: 0036), and since March 2022, Mr. Mak has also been appointed as an independent non-executive director of Macau Legend Development Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1680). He had been an independent non-executive director of Fresh Express Delivery Holdings Group Co., Limited, being a company previously listed on the Main Board of the Stock Exchange (Stock code: 1175), and the listing of which was canceled on 9 February 2023, from July 2013 to December 2021.

Senior management

Mr. Pan Yimin (“**Mr. Pan**”), aged 48, graduated from Jiangxi University of Finance and Economics with a bachelor’s degree in Economics. He was appointed as the Vice President of the Company in March 2021 and is in charge of the financial department, general department and risk control department of the Company. In September 2021, he was appointed as a member of the Investment Committee of the Company. Mr. Pan currently is an executive Director of the New Concepts Holdings Limited (the “**New Concepts**”) (Stock code: 2221) which is listed on the Main Board of the Stock Exchange. He was the president of Tianjin Dongfang Mingrui Investment Management Co., Ltd* since 2013 prior to joining to the Company. Mr. Pan was the Vice President of Interchina (Tianjin) Water Treatment Co., Ltd.* from April 2011 to March 2013, and a deputy manager of Heilongjiang Interchina Water Treatment from April 2009 to March 2011. Before joining the Company, Mr. Pan worked at a number of reputable domestic investment companies and water companies. For over a decade in the industry, Mr. Pan possesses rich experience in corporate management, financial management, and project and financial investments.

Mr. Tang Po Shing (“**Mr. Tang**”), aged 32, graduated from School of Economics and Management of Wuhan University in July 2015 with a bachelor’s degree in marketing. He obtained a master’s degree in entrepreneurship and innovation management from Loughborough University in October 2017. Mr. Tang joined the Group in November 2017. He previously served as an assistant to the general manager of Shenzhen City Li Sai Industrial Development Limited* (深圳市利賽實業發展有限公司), the deputy general manager of the Investment and Financing Department of the Company, the vice chairman

of New China Water (Nanjing) Renewable Resources Investment Company Limited* (新中水(南京)再生資源投資有限公司). Mr. Tang was appointed as the Vice President of Company in January 2019 and currently act as the chairman of New China Water (Nanjing) Renewable Resources Investment Company Limited (新中水(南京)再生資源投資有限公司) and a member of Investment Committee.

Mr. Zhong Wei Guang (“**Mr. Zhong**”), aged 57, was appointed as the Vice President of Company in May 2022. He is a member of the Investment Committee and a director of Swan (Huizhou) Investment Company Limited, a subsidiary of the Group. Currently, he serves as a general manager and deputy general manager in Huizhou Junfeng Investments Limited* (惠州俊峰投資有限公司) and Huizhou City Huixinfu Investment Co., Limited* (惠州市惠新福投資有限公司) respectively. Mr. Zhong was a committee member of 9th, 10th and 11th session of the Huizhou City Political Consultative Conference. He has over 20 years of experience in corporate management in PRC.

13. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Company (the “**Audit Committee**”) comprised all of the independent non-executive Directors, namely Mr. Wong Siu Keung, Joe (the chairman of the Audit Committee), Mr. Lam Cheung Shing, Richard and Mr. Mak Ka Wing, Patrick. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the section headed “12. Particulars of the Directors and senior management” in this appendix. The primary duties of the Audit Committee include, among other things, reviewing and supervising the financial reporting process and internal control systems, as well as the overall risk management of the Group, reviewing the consolidated financial statements and the interim and annual reports of the Group, reviewing the terms of engagement and scope of audit work of the external auditor, and performing the corporate governance function.

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 hereof, 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 DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of each of the Prospectus Documents and the written consent as referred to in the paragraph headed “9. Expert and Consent” in this appendix, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

16. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk/>) and the Company (www.chinawaterind.com/) during the period of 14 days from the date of this Prospectus:

- (i) the Placing Agreement;
- (ii) the letter from the Board, the text of which is set out on pages 9 to 35 of this Prospectus;
- (iii) the accountant's report on the unaudited pro forma financial information of the Group issued by Crowe (HK) CPA Limited, the text of which is set out in Appendix II to this Prospectus;
- (iv) the material contracts referred to in the paragraph headed "8. Material contracts" of this appendix;
- (v) the written consent referred to in paragraph headed "9. Expert and consent" of this appendix; and
- (vi) the Prospectus Documents.

17. MISCELLANEOUS

- (i) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (ii) As at the Latest Practicable Date, there was no contract for the hire or hire purchase of plant to or by any member of the Group for a period of over one year which are substantial in relation to the Group's business.
- (iii) As at the Latest Practicable Date, the Group had no exposure to foreign exchange Liabilities.
- (iv) In the event of any inconsistency, the English texts of this Prospectus and the PAL shall prevail over their respective Chinese texts.