*You should carefully consider all of the information in this document, including, but not limited to, the risks and uncertainties described in the following risk factors before making an **[REDACTED]** in our Shares. Our business, financial condition and results of operations could be adversely affected by any of the risks and uncertainties described below. The **[REDACTED]** of our Shares may decline due to any of the risks and uncertainties, and you may lose all or part of your investment.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are subject to risks associated with changes in regulations, policies and planning for water supply services in the regions we operate

We operate within an industry where regulatory standards play a critical role in influencing the demand for our services and our investment return in our operations. Any changes in legislative, regulatory or industrial requirements may render certain of our water supply facilities obsolete.

While the PRC government has adopted a favorable regulatory policy to the water supply industry and has stated its intention to increase spending and investment in the construction of water supply infrastructures, we cannot assure you that such spending plan will indeed be executed, nor could we predict the precise impact on the water supply industries arising from such spending plan. In addition, if such favorable policy to the water supply industry is changed in the future, our business, results of operations, financial conditions, growth and prospects could be materially and adversely affected. Local government spending on infrastructure and other construction projects has historically been cyclical in nature and vulnerable to fluctuations in the PRC economy and changes in regulations and policies. Any changes in governmental planning and policies relating to our water supply businesses, especially those under planning, could result in delays in project commencement and completion or obstacles in project operations which would have an adverse impact on our business and results of operations.

In addition, as set forth by relevant rules and regulations, our water supply should meet the applicable national standards. Any changes in these regulations or standards for water supply such as water quality or non-revenue water ratio may make it necessary for us to adopt new technologies or to improve our existing technologies. We may need to incur additional cost or direct more human or other resources to upgrade our technologies and/or facilities in order to meet the standards imposed by the relevant regulatory authorities. In the event that we are unable to develop or source new and enhanced water supply solutions to keep up with such technological changes or new regulatory requirements in a timely manner or at reasonable costs, we may not be able to maintain our competitive edge and our business, financial condition and results of operations could be materially and adversely affected.

The tariffs charged for our water supply services and the procurement prices of raw water are controlled and adjusted from time to time by the competent local government authorities and we do not have absolute control over such prices or adjustments

According to the PRC Pricing Law, the PRC government may direct, guide or fix the prices of public utilities. The NDRC sets the guidelines relating to tariffs charged for our raw water and tap water supplied, and makes adjustments to such prices from time to time. In addition, the unit procurement prices for raw water are also set by the relevant local government authorities. For more details, see the sections headed "Regulatory Overview," "Business — City Water Supply — City Water Supply Operations and Construction Services" and "Business — Customers and Sales."

According to the latest water tariff reform policy of the PRC government, our water tariffs of raw water and tap water supply operations will be determined by approved costs plus reasonable profit margin, and adjusted upon application in the case of raw water or via public hearing (聽證會) in the case of tap water. Our revenue and gross profit margin of our water supply operations are directly impacted by the tariffs charged for our tap water and raw water supplied and the unit procurement prices for raw water, over which we do not have control. However, we cannot assure you that our water tariffs would be adjusted by the relevant competent local authorities in a timely manner, or at all, to fully reflect the increase in our costs of operations for our city water supply services. In the event that we incur significantly higher operating costs and the relevant local government authorities do not approve our price adjustment application, we will not be able to pass on the increase in cost to the end-users and we may not be able to sustain our profitability, which in turn may adversely affect our financial condition and results of operations.

The growth and development of our pipeline direct drinking water supply business may not be as successful as we expected

We started our pipeline direct drinking water business in 2015 and only started expanding it in 2019 when we established a joint venture, Yinli Equipment, with partners including Toray Industrial Inc. to further develop our core technology. We further expanded our pipeline direct drinking water business in 2021 through various acquisitions. Our pipeline direct drinking water business experienced rapid growth and development during the Track Record Period. Revenue from our pipeline direct drinking water business increased from HK$144.6 million for the year ended March 31, 2021 to HK$700.4 million for the year ended March 31, 2022 and further to HK$1,316.8 million for the year ended March 31, 2023, at a CAGR of 201.8%. The revenue contribution from our pipeline direct drinking water business amounted to approximately 1.7%, 6.9% and 12.8% for the years ended March 31, 2021, 2022 and 2023, respectively.

The pipeline direct drinking water supply market is an emerging and growing market as a result of higher living standards and increased spending power of the Chinese population; however, our assumptions, experience and judgments relating to the pipeline direct drinking water supply business including the costs of researching and developing our core technology, cost of operations of our pipeline direct drinking water supply services and cost of manufacturing and sales of relevant equipment may be incorrect or not as beneficial as we expected. We also face risks of cost fluctuation with respect to the materials specifically needed for manufacturing and sales of pipeline direct drinking water equipment. Moreover, the continue growth and development of our pipeline direct drinking water supply business may strain our managerial, operational, human and financial resources. Our historical results of operations and financial performance may not be indicative of our future performance, and we cannot assure you that our pipeline direct drinking water supply business will be able to maintain the growth rate we achieved in the past. We cannot assure you that long-established consumer behavior, or perception, of the population in China regarding the necessity of boiling tap water before drinking will be modified or changed to drink water directly from filtered sources, and if it will not, we may not be able to realize returns on our investment in our direct drinking water supply business, and our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our water supply businesses are subject to construction and operational risks, including any accidents, disruptions or delays which may occur during the construction and operation periods

During the Track Record Period, majority of the revenue was derived from our city water supply projects and pipeline direct drinking water supply projects, which included relevant water supply operations and construction services. Returns on our initial investment in each of our water supply projects are generated from the proceeds from our operation of the facilities over a period. During the construction (if applicable) and operation period of our water supply projects, or installation and maintenance projects, risks that can neither be accurately predicted nor evaluated at the beginning of the projects may later emerge and cause our actual revenue, construction costs and operational costs to deviate significantly from our initial projections. The construction and operation of our projects, including any new project that we undertake, could be adversely affected by a number of factors, including, but not limited to:

- the failure or malfunction of the equipment installed in our water supply projects could result in our failure to treat raw water or provide direct drinking water to the applicable standards, which could in turn result in environmental risks or risks of default under the relevant agreements;

- the local governments or the Independent Third Parties may refuse to accept, or may delay the acceptance of, our constructed facilities due to disputes with us with respect to the quality of the constructed facilities;

- the design institutes and/or sub-contractors hired by us may not be able to complete the design, construction or installation work for our projects on time, within budget or to the specifications or standards and quality set out in our contracts with them;

- changes in laws and regulations, or in the interpretation or enforcement of laws or regulations, applicable to our projects;

- governmental or other statutory approvals or other approvals that are required for construction, expansion or operation of our projects may be delayed or denied;

- shortages of, and price increases in, raw materials and equipment;
- labor shortages or disputes, and increases in labor costs;
- industrial accidents during the construction or operation of our water supply facilities;
- delays due to factors such as outbreak, epidemic and/or pandemic of infections or contagious diseases, extreme adverse weather conditions or natural disasters which are out of our control; and
- other unanticipated circumstances or cost increases.

If we are not able to reach an agreement with the local governments or Independent Third Parties to obtain sufficient compensation for our losses or are not able to timely mitigate the influences of these factors on our business, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Failure to supply tap water or pipeline direct drinking water meeting the relevant processing and treatment standards may adversely affect our results of operations and reputation

Our tap water supply facilities are built to treat raw water to specified quality standards and our pipeline direct drinking water facilities are constructed to provide high-quality pipeline direct drinking water in accordance with the National Drinking Water Standard (GB 5749-2022) and Water Quality Standards for Fine Drinking Water (CJ 94-2005). The quality of our supplied tap water and pipeline direct drinking water depends on the normal operation of our facilities. We are subject to risks of unknown or undiscovered defects or compatibility problems with our equipment. We cannot assure you that our staff will always be able to timely discover and repair malfunctioning equipment or any other problems with our treatment process or facilities. In these instances, our tap water treatment plants may not be able to treat raw water and our pipeline direct drinking water facilities may not be able to process the incoming tap water in compliance with the relevant regulatory and/or contractual standards, which could result in us being subject to claims from governmental sanctions and/or customer complaints, and could lead to fines, suspension of our operations pending rectification as well as reputational damage. Any excessive pollution could also damage or accelerate the deterioration of our water supply facilities. The occurrence of any of the foregoing could have a material and adverse effect on our business, financial condition, results of operations and prospects.

In addition, the incoming raw water to be treated by our water treatment facilities may contain pollutants exceeding the types and quantity we contemplated during the design and construction of the facilities, due to, among other things, excessive discharge of pollutants, oil spills or other events beyond our control. Any excessive pollution levels of the raw water coming into our facilities may adversely affect the operating costs and earnings of such facilities due to the higher costs of treating the raw water to meet the quality standards specified in relevant regulatory and/or contractual standards. There may also be disagreements as to the extent to which the incoming raw water is considered to include levels of pollutants exceeding those set out in our agreements.

Moreover, should the types or amounts of pollutants in the raw water or tap water increase significantly, we could be held liable for exposing end-users to dangerous substances or other environmental damage. Any of the foregoing could subject us to liability and damage our reputation, which could materially and adversely affect our business, financial condition, results of operations and prospects.

We require substantial funding for our current and future projects. Any failure to obtain adequate funding or refinance our existing debt at reasonable rates, or at all, could adversely affect our financial condition and results of operations and could prevent us from fulfilling our financial obligations and business objectives

The operation of our water supply businesses requires us to incur significant capital expenditures. For the years ended March 31, 2021, 2022 and 2023, we made payments of HK$3,494.0 million, HK$4,104.9 million and HK$4,467.1 million, respectively, for purchasing of property, plant and equipment, right-of-use assets and other intangible assets as well as acquisition of subsidiaries and capital injection in associates. We will also incur significant capital expenditures for our current projects under expansion and future projects that are currently at the planning stage. We currently expect to incur capital expenditures of approximately HK$4,117.8 million for the year ending March 31, 2024. For more details, see the section headed "Financial Information — Capital Expenditures."

During the Track Record Period, we relied in part on external sources of funding, including bank and other borrowings, and government and shareholder's loans, to fund the construction and operation of our water supply projects and the construction works. As of March 31, 2021, 2022 and 2023, our outstanding indebtedness including bank and other borrowings, government loans, lease liabilities and amounts due to non-controlling equity holders of subsidiaries and the ultimate holding company were HK$10,568.5 million, HK$11,742.3 million and HK$15,975.8 million, respectively, and our gearing ratio was 36.4%, 31.5% and 42.8%, respectively. For more details, see the section headed "Financial Information — Indebtedness."

Our ability to obtain external funding depends on many factors, including but not limited to, general economic and capital market conditions, general conditions in the water supply industry, economic conditions in the geographic areas of our proposed projects, government policies, the availability of credit from banks and other lenders and the performance of our operational projects. We cannot assure you that such external funding will be available to us on acceptable terms, or at all. Failure to obtain sufficient funding for our projects may delay the implementation of our projects, expose us to potential penalties under the relevant agreements and delay the completion of construction or commencement of operation, any of which could adversely affect our business, financial condition, results of operations and prospects.

We may not be able to acquire, secure, develop and execute new projects to grow our business

We derive a substantial portion of our revenue from our city water supply projects and increasing from our pipeline direct drinking water supply projects. For the years ended March 31, 2021, 2022 and 2023, the revenue from such city water supply projects, including city water supply operations and construction services, accounted for approximately 75.2%, 71.9% and 66.9% of our total revenue, respectively, and the revenue from our pipeline direct drinking water supply projects, including pipeline direct drinking water operations and construction services, accounted for approximately 1.4%, 5.9% and 11.7% of our total revenue for the respective periods. Our future growth largely depends on our ability to acquire, secure, develop and execute new city water supply projects as well as pipeline direct drinking water projects. Our ability to acquire, secure, develop and execute such new projects is dependent on a number of factors, many of which are beyond our control, including:

- global, national and local economic conditions;
- the development of our target markets, including the development of local economies and local population growth and the resulting demand for water supply services;
- our ability to identify feasible and attractive projects and successfully win bids or competitive negotiations or complete commercial negotiations for such projects;
- our ability to collaborate with local governments to execute the construction and operation, as applicable, of water supply projects;
- competition in the water supply industry in China;
- the availability and cost of suitable land, infrastructure, equipment and raw materials necessary for the development and operation of water supply facilities; and
- the availability and cost of financing.

In addition, we may have limited knowledge of the local conditions of the new markets we enter. We cannot assure you that we will be able to successfully leverage our experience to expand into other parts of China or overseas. If we fail to acquire, secure and execute new projects on terms and in a manner sufficient to support our anticipated growth, our business, results of operations, financial condition and prospects could be materially and adversely affected.

Our further expansion may place strain on our resources

Our future success will largely depend on our ability to grow our business by expanding our geographic footprint. Expansion may place substantial strain on our managerial, operational, human and financial resources. When we enter into a new market, we usually need to recruit local workforce to join the project company and operate the facilities. With our continuous expansion into other regions in China and potentially overseas, our management may not be able to manage and control our business activities as efficiently as they did in the past and we may need to recruit and allocate more senior management members to support our business expansion. We cannot assure you that we will be able to recruit sufficient and competent local workforce or senior management members in a timely manner, or at all. In addition, we may not have sufficient working capital or financing to take up new business opportunities and may not be able to recover the costs incurred in developing our new projects or realize their projected benefits. The lack of sufficient managerial, operational, human and financial resources could jeopardize our growth plan which in turn could materially and adversely affect our business and prospects.

Changes in the relevant accounting standards on the Concession Arrangements and changes in our judgments and assumptions in applying these accounting standards may have material impacts on the Group's results of operation and financial position

We applied HK(IFRIC) 12 and other relevant accounting standards on the Concession Arrangements of our tap water supply and related projects. These standards may be changed or amended in the future from time to time. Any changes in these accounting standards may result in changes in recognition, measurement and/or classification of our revenue, expenses as well as our assets that could have material impacts on our results of operations and financial position. Besides, in the application of these accounting standards, we are required to apply our judgment and make estimates and assumptions based on a number of factors, which include, inter alia, fair value of the construction services, expected future income generated from these infrastructures over the contract period, and we have to choose a suitable construction margin for construction and upgrade services in relation to water supply infrastructure. These estimates and assumptions are not readily apparent from other sources and are based on historical experience, assessment of current and future market conditions and other factors that are considered to be relevant. Should actual results be different from these estimates and assumptions, we may change these estimates and assumptions that would materially affect our results of operation and financial position.

We recognize revenue during the construction phase of our city water supply projects and pipeline direct drinking water supply projects, but typically do not receive any cash inflow until such infrastructure is put into operation which may result in a mismatch of revenue and cash inflow during a financial period

We recognize revenue relating to our water supply construction services for our city water supply projects and pipeline direct drinking water supply projects during the construction phase and recognize revenue relating to our city water supply operations or pipeline direct drinking water supply operations when we provide the relevant services to customers under the operational phase. For more details, see the section headed "Financial Information — Critical Accounting Policies, Estimates and Judgments — Concession Arrangements." For the years ended March 31, 2021, 2022 and 2023, revenue recognized from city water supply construction services accounted for 42.2%, 38.8% and 34.2% of our total revenue for the years ended March 31, 2021, 2022 and 2023, respectively, while revenue recognized from pipeline direct drinking water supply construction services accounted for 1.1%, 4.9% and 10.0% of our total revenue for the respective periods. However, we typically do not receive payments during the construction of our infrastructure for these projects. We may only receive cash inflow in the form of water tariff payments according to the relevant agreements after the relevant water supply project is put into operation. As a result, an increase in our revenue and profit for a financial period may not be matched by a corresponding increase in our cash inflow generated from operating activities, which may result in a liquidity gap requiring us to resort to further bank borrowings to fund the investment cost of our project development and cash flow for business operations, which could negatively impact our financial position.

The revenue recognized from city water supply construction services and certain pipeline direct drinking water supply construction services of the existing or new infrastructure of our projects during the construction phase is included in our intangible assets. The recoverability of our intangible assets depends on the cash inflows from operation of the relevant infrastructure at the end of the contract period and consideration received upon transfer should we fail to extend our Concession Arrangement, which will be based on the appraisal of the then asset value by a third-party appraisal company. There is no guarantee that the intangible assets would be fully recoverable before the expiration of the relevant contract period, which may cause an impairment of our intangible assets and adversely affect our results of operations and financial position.

Our city water supply projects require us to make significant investments and expose us to, among other risks, the risks of inaccurate estimates or forecasts of the percentage of completion and costs of construction, maintenance and repair of the projects and the revenue to be derived from their operation

We are subject to the risk of cost overruns during the construction phase of our city water supply projects. Many of the factors causing cost overruns are beyond our control, such as increases in raw material prices or the failure of equipment suppliers to perform their contractual obligations. If the actual costs are significantly higher than our estimates and if we are not able to receive sufficient water tariffs from customers to offset the cost overruns, our business, financial performance and prospects could be materially and adversely affected.

In addition, we make our decision to undertake city water supply projects in part based on our estimates of the demand for city water supply services in the regions where our projects are located and the utilization rates of our water treatment facilities. However, we cannot guarantee that the actual demand for city water supply services or the utilization rates of our water treatment facilities will always be in line with our estimates due to factors beyond our control such as population growth rate and water consumption habit of the citizens.

Moreover, our city water supply projects are subject to operational risks given their long contract terms. For our city water supply projects, we are generally responsible for all repairs and maintenance of the water treatment and supply facilities. However, if our water treatment and supply facilities fail to function as long or as efficiently as we have estimated, we may need to pay more for replacement parts or repairs and maintenance of the relevant facilities or may experience longer shut-down periods than we originally anticipated. As a result, we may experience reduced profitability or losses. In addition, an increase in our cost of operation such as raw water price and utilities charges may also adversely affect our profitability and results of operations.

Any subsidy currently or previously available to us could be reduced or discontinued

During the Track Record Period, we received unconditional subsidies granted by the local governments as financial incentives to encourage our development and investment in the PRC water supply industries. For the years ended March 31, 2021, 2022 and 2023, we recognized government grants of approximately HK$93.6 million, HK$133.1 million and HK$166.1 million, respectively, as other income. However, we cannot predict or guarantee the amount of subsidies to be granted for any specific project. If the relevant governments reduce or even cancel the current subsidies or refuse to grant any subsidies for any future projects, our profitability and liquidity could be adversely affected.

The preferential tax treatment we currently enjoy may be unfavorably changed or discontinued

Our results of operations and profitability are affected by changes in tax rates and the relevant preferential tax treatments in the PRC. During the Track Record Period, certain of our subsidiaries were entitled to a preferential EIT rate ranging from 5% to 15%. See the section headed "Financial Information — Description of Selected Combined Income Statements Line Items — Income Tax Expense" for details. For the years ended March 31, 2021, 2022 and 2023, our effective tax rates, calculated as income tax expenses divided by profit before income tax, were approximately 23.3%, 23.5% and 23.5%, respectively. Our effective tax rates may change from year to year due to the existence or expiration of any preferential tax treatment.

We cannot assure you that the PRC policies with respect to the preferential tax treatments we currently enjoy will not be unfavorably changed or discontinued, or that the approval for such preferential tax treatments will be granted to us in a timely manner, or at all. The termination or expiration of our preferential tax treatments or the imposition of additional taxes on us may lead to an increase in our expenses and may have an adverse effect on our business, financial condition, results of operations and prospects.

Failure to obtain or renew approvals, permits, licenses and certificates or complete the relevant environmental related procedures required for the construction and operation of our water supply projects could result in fines and penalties as well as disruption to our operations and growth plan

We are required to obtain certain approvals, permits, licenses and certificates from various competent government authorities and complete the relevant environmental related procedures in order to develop and operate each of our water supply projects. For details of the approvals, permits, licenses and certificates we are required to obtain or maintain, see the sections headed "Regulatory Overview" and "Business — Regulatory Compliance." We cannot assure you that all of these required approvals, licenses, permits and certificates can be obtained or completed in a timely manner or at all.

In addition, some of these approvals, licenses, permits and certificates are subject to periodic review and renewal by the competent government authorities and the standards for compliance required in relation thereto may, from time to time, be subject to change. Any changes in the existing policies by the competent government authorities which result in the imposition of more burdensome requirements may result in our failure to obtain or maintain such approvals, permits, licenses and certificates. Any such failure could subject us to fines and other penalties, including the suspension or shut down of our operations, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We did not enter into a concession agreement for certain Concession Arrangements with local governments

According to Article 18 of the Measures for the Administration of Infrastructure and Public Utilities Concessions (《基礎設施和公用事業特許經營管理辦法》) (the "**Concession Measures**"), the local government grantor shall sign a concession agreement with the concession grantee for the operation of all tap water supply projects. As of the Latest Practicable Date, certain of our tap water supply project companies had only entered into a joint venture agreement and/or other related agreement(s) with the local state-owned entity in connection with the operation of the relevant tap water supply project and did not separately enter into a concession agreement. It is uncertain whether such agreements alone satisfy the provision for the signing of a concession agreement. As advised by our PRC Legal Advisors, the Concession Measures and related provisions do not provide for penalties for operating a tap water supply project without a concession agreement and there are no other explicit rules and regulations regarding the legal consequences in relation to the lack of a concession agreement.

Our Directors confirm that during the Track Record Period all of our water supply project companies (i) were able to collect water tariffs directly from users since the relevant tap water supply projects commenced operations; and (ii) were engaged by the local governments to collect sewage treatment fees, waste disposal fees and city construction fees on behalf of the government authorities. Our Directors further confirm that we have never been penalized by any competent government authorities for not entering into a concession agreement. As of the Latest Practicable Date, we had obtained confirmation from the relevant competent authorities that those water supply project companies without a concession agreement can continue to operate the relevant tap water supply project and provide tap water supply services. Based on the above, our PRC Legal advisors are of the view that those water supply project companies without a concession agreement have the right to operate the relevant tap water supply project and provide tap water supply services under the Concession Arrangements and operating the relevant tap water supply projects without a concession agreement would not have any material adverse impact on our business operations. However, we cannot assure you that the PRC laws and regulations in relation to concession agreements will not change and our right to operate a tap water supply project without a concession agreement will not be deemed invalid or our right to operate a tap water supply project will not be terminated by any competent authority in the future on the basis that we had obtained such right without entering into a concession agreement or that no penalties will be imposed on us. Furthermore, we cannot assure you that future actions or interpretation of the Concession Measures by any PRC regulatory authority will not pose a material risk to the operation of our tap water supply projects without a concession agreement. If any of these events occurs, our business, financial condition and results of operations will be materially and adversely affected.

We do not possess valid land use rights and building ownership certificates to certain properties

As of the Latest Practicable Date, we occupied certain land and buildings under certain joint venture agreements, pursuant to which the relevant land use right certificates or building ownership certificates are expected to be transferred by the relevant shareholders who had not yet obtained or transferred such certificates. As of the Latest Practicable Date, we are also in the process of applying certain land use right certificates and building ownership certificates with relevant government authorities for two parcels of land and two buildings. Our Directors confirm that the failure to transfer the land parcel or building ownership by the relevant shareholder to the relevant water supply project companies was not caused by reasons attributable to the Group. As advised by our PRC Legal Advisors, such failure did not constitute any breach of contract by the Group or constitute any form of default on the part of the Group. The PRC Legal Advisors further confirmed that we can continue to occupy and use the relevant land parcels and buildings for our operational activities. For details, see the section headed "Business — Properties." Nevertheless, we cannot assure you that the lack of land use rights certificate or building ownership certificates will not subject us to actions by the relevant PRC government authorities, including but not limited to, returning the land we occupy, ceasing the construction work on such land, confiscation of the buildings and structures on such land as stipulated under relevant PRC laws and regulations. As a result, our business, financial condition and results of operations may be materially and adversely affected. In addition, should we suffer any losses or damages due to lack of land use right certificates or building ownership certificates under our Concession Arrangements, we cannot assure you that any legal proceedings that we bring against the shareholders will reach a favorable outcome for us.

Some landlords may not have provided to us relevant title certificates with respect to some of our leased properties in the PRC and our certain lease agreements were not registered with the relevant government authorities

As of the Latest Practicable Date, some of our landlords failed to provide valid title certificates with respect to some of our leased properties in the PRC mainly for office and research and development purposes. For details, see the section headed "Business – Properties." If our landlords are not the owner or not authorized by the real owner to lease the properties to us, we might need to seek alternative properties and incur additional costs relating to such relocation. Any dispute or claim in relation to the rights to use or lease of the properties occupied by us, including any litigation involved allegations of illegal or unauthorized use of these properties, may require us to relocate our business premises. If any of our leases were terminated as a result of any challenge by third-parties or any failures of our landlords to renew the leases or obtain their legal titles or the requisite government approval or consent to lease the relevant properties, we may need to seek alternatives premises and incur additional costs for relocation.

As of the Latest Practicable Date, 12 of the lease agreements entered into by us were not registered with the relevant government authorities. For details, see the section headed "Business – Properties." We may be subject to fines for the failure to register the lease agreements if we fail to complete the registration of the lease agreements within the prescribed timeframe ordered by the competent housing authorities, which could disrupt our financial conditions and results of operations.

We depend on third parties for the supply of raw water, electricity, equipment and raw materials and the provision of design, construction, installation, testing and other services

Our business significantly relies on the steady supply of various goods and services from our suppliers, such as the supply of raw water, electricity, equipment and raw materials, as well as the provision of design, construction, installation, testing, transportation and other services that are essential to our operations. We currently cooperate with the local governments and suppliers in the PRC. For the years ended March 31, 2021, 2022 and 2023, purchases from our five largest suppliers amounted to HK$1,760.9 million, HK$1,851.6 million and HK$1,993.7 million, respectively, representing 33.9%, 28.7% and 30.7% of our total purchases, respectively. In particular, the costs of raw water, raw materials, electricity costs, labor costs and other costs have been increasing in recent years. In addition, in the event of raw water shortages, we may incur additional costs to provide emergency reinforcement of water supply in areas of shortages. Moreover, if any of our key suppliers or sub-contractors for a particular project is unable to continue providing the products or services we need at prices and on terms and conditions we consider acceptable, we may need to obtain these items from other suppliers or obtain these services from other sub-contractors. We cannot assure you that we will be able to increase water tariffs to offset rising costs, locate replacements or find new qualified suppliers in a timely manner or at all. Failure to pass on incremental costs or to find suitable replacements could jeopardize or cause a delay in the delivery of our supplies, which could materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, our business is significantly affected by the availability, cost and quality of the equipment and raw materials used to construct, install, operate and maintain our water supply facilities and also used in our water supply construction services and installation and maintenance services. If for any reason our primary suppliers of equipment or raw materials reduce or discontinue their delivery of such equipment or materials to us in the quantities we need or provide us with equipment or raw materials that do not meet our specifications or are on unacceptable terms, we may not be able to meet our equipment or raw material requirements and may face disruptions to our construction schedules and operations, which could materially and adversely impact our business, financial condition, results of operations and prospects.

Moreover, the operation of our water supply facilities also depends on the adequate, timely and continuous supply of electricity. We currently obtain most of our electricity from public electricity networks. Should any of the regional grids do not have sufficient power-generating capacity to fully satisfy the increased demand for electricity driven by continued economic growth and caused serious power shortages in cities and provinces where we operate, we may suffer from the interruption to the power supply to our facilities which could hamper our ability to adequately treat incoming raw water. As a consequence, our business, financial condition, results of operations, prospects and reputation could be materially and adversely affected.

Furthermore, we depend in part on the availability of qualified design institutes and independent sub-contractors for the design, construction, installation and testing of our water supply facilities and of other city water-related services for our customers. We do not have any direct control over the timing or quality of services or supplies provided by these institutes and sub-contractors. We cannot assure you that such skilled institutes and sub-contractors will continue to be available at reasonable rates in the areas in which we conduct our operations, or at all, and we may be exposed to risks relating to the quality of their services and supplies. An institute or contractor who has performed satisfactorily in one area may not be able to perform in the same manner in another area. If we are unable to find qualified design institutes and independent contractors to undertake the design and construction work for our projects, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our business, results of operations and financial condition may be adversely affected if there is any significant downtime or decrease in utilization of our city water supply facilities or if our city water supply facilities fail to achieve the expected levels of utilization due to insufficient incoming raw water or demand for our water supplied

Our city water supply facilities are subject to normal wear and tear in the course of construction and operation. As a result, our facilities may require extended downtime for repairs and maintenance. However, if the time and cost required for such repairs and maintenance exceeds our expectations, our operations may be affected for a period longer than anticipated and our revenue from the relevant city water supply project may be less than the original estimate. In addition, if any extraordinary or extensive repairs to our facilities or equipment are required due to any significant or catastrophic event or otherwise, or due to construction activities by third parties beyond our control, our facilities could require significant downtime during which they would not be able to process or supply raw or tap water as required under our Concession Arrangements. Any significant downtime of our facilities may also have far-reaching consequences to the communities and industries around them, which in turn, could cause our customers to terminate their agreements with us or subject us to claims for damages.

In addition, each of our city water supply projects has been or will be built to a specified designed capacity in accordance with the terms of the relevant agreements. For the years ended March 31, 2021, 2022 and 2023, the average utilization rate of the raw water supply facilities for our raw water supply projects was 62.5%, 67.5% and 68.1%, respectively, and the average utilization rate of our operating tap water treatment plants was 55.9%, 64.4% and 66.1%, respectively. The utilization rates of our raw water supply facilities and tap water treatment plants depend on a number of factors, including the local population size, the level of urbanization, the demand for raw or tap water, access to a pipeline network and the general social and economic conditions in the areas serviced by the relevant facilities. Our decision to enter into a Concession Arrangement may depend on our expectation of future increases in the quantity of raw water or tap water to be supplied, which may not be realized. We cannot assure you that there will not be any significant reduction in demand for our services or incoming raw water. Any reduction in the amount of incoming raw water or demand for our services could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our future acquisitions or participation in joint ventures or other strategic alliances may not be successful and may have a material adverse effect on our business

Our strategy includes plans to grow both organically and through acquisitions, participation in joint ventures or other strategic alliances with suppliers or other companies in China in the water supply industry. As such, we intend to pursue a targeted acquisition strategy to strengthen our market position and enhance our competitiveness in the water supply industry in China. The implementation of our acquisition strategy is subject to a number of risks, including (i) a failure to identify suitable acquisition targets; (ii) a failure to identify certain defects or risks in the acquired business during the due diligence process such as hidden liabilities, including exposure to lawsuits associated with newly acquired companies; (iii) a failure to integrate the acquired business and its personnel into our existing business; (iv) higher costs of integration than we may anticipate; (v) any delay or failure to realize the expected benefits of the acquired business or its products or services; (vi) any failure to obtain the necessary financing, (vii) difficulties in obtaining government and other regulatory approvals; (viii) changes in market circumstances and demands; and (ix) diversion of our management's time and attention from other business concerns. As of the Latest Practicable Date, we had not entered into any letter of intent or agreement for any future acquisition and had not identified any definitive acquisition target for expansion purposes.

We cannot assure you that we will be able to implement our acquisition strategy successfully or that we will be able to make acquisitions or investments on terms favorable to us or within a desired time frame. Even if we are able to successfully acquire suitable businesses, we cannot assure you that we will achieve our expected returns on such acquisitions. If we fail to acquire suitable businesses or if we fail to achieve our expected returns on such acquisitions, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our inability to maintain our competitiveness could adversely affect our financial performance

The industries of city water supply as well as pipeline direct drinking water supply services in the PRC are highly fragmented and competitive, with a large number of service providers throughout the country. We compete primarily with existing water supply companies in the PRC and new entrants to the market, some of which may have a lower cost structure, such as lower capital expenditures or financing costs, or greater access to customers. They may also possess more advanced water treatment techniques than us or have stronger access to capital than we do. We cannot assure you that we will be able to compete successfully with our competitors in our existing markets.

In addition, when we enter into a new geographic market, we may face intense competition from other city water supply operators or other water supply companies providing direct drinking water with an established presence in the relevant geographical areas and from other operators or companies with similar expansion targets. We cannot assure you that we will be able to successfully compete to expand into other parts of the PRC or overseas. Failure to maintain our competitiveness and any increase in competition may materially and adversely affect our business, financial condition, results of operations and prospects.

We are exposed to credit and liquidity risks with respect to the payment structure under our project agreements, and payment delays or defaults by our customers may negatively affect our business, financial condition, results of operations and prospects

We are subject to the credit risks of our customers and our profitability and cash flow are dependent on timely payments by our customers for the products and services we provide to them. In general, we specify a credit period of up to 90 days to our customers. Our trade and bill receivables turnover days for the years ended March 31, 2021, 2022 and 2023 were 51 days, 40 days and 47 days, respectively. As of March 31, 2021, 2022 and 2023, HK$351.1 million, HK$352.2 million and HK$469.8 million of our trade and bill receivables were aged over 90 days but not impaired, respectively. For details, see the section headed "Financial information — Description of Selected Combined Statements of Financial Position Items — Trade and bill receivables."

We cannot assure you that we will be able to collect all or any of our trade and bill receivables within the period prescribed in our project agreements or purchase agreements. If any of our customers face unexpected situations, including, but not limited to, financial difficulties caused by any economic downturn or fiscal constraints, we may not be able to receive full or any payment of uncollected sums or enforce any judgment debts against such customers and we may need to make greater provisions for receivables, which could materially and adversely affect our business, liquidity, financial condition, results of operations and prospects.

Our customers for our other construction services and installation and maintenance services may not have sufficient funds to settle our fees

For the years ended March 31, 2021, 2022 and 2023, our trade and bill receivables aged over 180 days were HK$289.9 million, HK$274.2 million and HK$367.1 million, respectively. See the section headed "Financial Information — Description of Selected Combined Statements of Financial Position Items — Trade and bill receivables." During the Track Record Period, the majority of our trade receivables aged over 180 days was related to our other construction services and installation and maintenance services. During the Track Record Period, such customers usually settled our fees for other construction services and installation and maintenance services in installments based on the progress of project construction.

If we are engaged by the local governments to conduct the relevant construction works, the settlement of our fees may be indirectly affected by the financial resources of such local governments. The settlement for our other construction services and installation and maintenance services may delay if such local governments encounter financial difficulties in settling the construction fees. We cannot assure you that such local governments will always have sufficient funds for payment to us, and any delay in the settlement of our fees could materially and adversely affect our business, financial condition, results of operations and prospects.

We are subject to risks associated with certain covenants or restrictions under our financing arrangements such as bank and other borrowings and bonds issuance by CWA as well as guarantee provided for certain of these financing arrangements

During the Track Record Period, we partially relied on bank borrowings to finance the acquisition and construction of our water supply projects. We are subject to certain restrictive covenants in the loan agreements between us and certain banks and other financial institutions. Pursuant to our loan agreements, we are subject to the fulfillment of covenants relating to certain of our financial performance indicator. In addition, we may be required to seek the consent of relevant banks and financial institutions in order to carry out any mergers, restructurings, spin-offs, reductions in registered share capital, material asset transfers, liquidations, changes in shareholding or management structures or the establishment of any joint ventures, guarantees to third parties or other relevant behaviors that may adversely affect our ability to repay loans or affect banks' interests. Our loan agreements with certain banks may contain cross-default clauses. If any cross-default occurs, such banks are entitled under these agreements to accelerate the repayment of all or part of the relevant loans and to recover against the security for such indebtedness. Should we fail to abide by these provisions, our lenders may be entitled to accelerate repayment of the relevant loans, in which case our business, financial condition and results of operations could be materially and adversely affected.

In addition, CWA issued US$200.0 million guaranteed senior notes in May 2021 and additional notes of US$150.0 million in January 2022 (together, the "**Notes**"), which bear an interest rate of 4.85% per annum and are due in May 2026. According to the indentures governing the Notes (the "**Indentures**"), CWA and all of its existing and future restricted subsidiaries, including the Company and our subsidiaries, are subject to customary high-yield covenants and other terms in the Indentures. For details of those covenants, see the section headed "Financial Information — Liquidity and Capital Resources — Financing arrangements."

We cannot assure you that we will be able to obtain the lending banks' or the noteholders' consent for any of the restricted activities. If we engage in such activities and fail to obtain such consent, our business may be impeded. In addition, if we breach the restrictive covenants, make any misrepresentations or commit any other violation under our financing agreements or relevant notes instruments, we may trigger an event of default, which in turn could lead to an acceleration of our indebtedness or require us to compensate the lending banks and noteholders for their losses, and as a consequence, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Moreover, we provided guarantee for payment obligations of the Notes and a long-term bank loan borrowed by CWA amounting to HK$3,181.0 million as of March 31, 2023. For details, see the section headed "Financial Information — Commitments and Guarantee — Guarantee." If CWA defaults on payment of any of these Notes or loan for any reason before the guarantee is released, the holders of the Notes or the relevant bank may require us to repay such amounts due from CWA immediately pursuant to the guarantee. Should any event of default occur resulting in acceleration of repayment and if we were called upon to honor our guarantees, our financial condition and results of operations could be adversely affected.

We recorded net current liabilities as of March 31, 2021, 2022 and 2023 and we cannot assure you that we will not be in a net current liabilities position in the future

We recorded net current liabilities of approximately HK$2,965.1 million, HK$5,012.0 million and HK$321.8 million as of March 31, 2021, 2022 and 2023, respectively, mainly due to certain long-term bank loans incurred by the Group that were due in one year and the capital expenditure of the Group which was classified as non-current assets. During the Track Record Period, we used part of our self-generated capital to fund the construction and expansion of our water supply projects, which in turn made it necessary to use short-term bank borrowings as a supplemental source for working capital. As of April 30, 2023, we recorded net current assets of HK$349.5 million. For more details, see the section headed "Financial Information — Liquidity and Capital Resources."

There can be no assurance that we will not record net current liabilities or net liabilities in the future. We may not have sufficient working capital to meet our current liabilities or expand our operations as anticipated. In such circumstances, our liquidity, business operations, financial condition and prospects may be materially and adversely affected.

An increase in interest rates may increase our finance costs and compromise our profitability

We are required to make substantial capital investments during the initial phases of our water supply projects and we have relied on bank loans, bond issuances by and advances from CWA as well as advances from fellow subsidiaries, associates and non-controlling equity holders of subsidiaries to finance a portion of such investments during the Track Record Period. For the years ended March 31, 2021, 2022 and 2023, our net finance costs were HK$168.1 million, HK$214.0 million and HK$300.4 million, respectively. As of March 31, 2021, 2022 and 2023, our gearing ratio was 36.4%, 31.5%, and 42.8%, respectively.

We expect to continue to utilize bank loans to finance a portion of our investments in our water supply projects. As our onshore bank loans are principally denominated in Renminbi and our offshore bank loans and CWA's bonds are mainly denominated in U.S. Dollars, the interest rates on our loans are primarily based on the benchmark interest rates set by the PBOC and the U.S. Federal Reserve. We may not be able to secure bank loans at the existing interest level if there is any raise in the benchmark interest rates. We cannot assure you that the U.S. Federal Reserve or PBOC will not increase interest rates, lending rates or reserve requirement ratios in the future, which may increase our finance costs and thereby materially and adversely affect our business, financial condition, results of operations and prospects.

We may fail to adequately protect our intellectual property rights or could face claims for infringement of the intellectual property rights of others

We rely on patents and trademarks to protect our proprietary rights. As of the Latest Practicable Date, we had more than 110 registered patents, 45 registered trademarks, 30 software copyrights and 30 registered domain names in China. For further details of certain intellectual property rights which are material in relation to our business, see the section headed "Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of the Group" in Appendix IV to this document. Monitoring unauthorized use of our intellectual property is difficult, and we cannot be certain that the steps we have taken will prevent unauthorized use of our technologies. We have only entered into confidentiality agreements with our senior management and key staff to protect our intellectual property rights. If we fail to protect our intellectual property rights adequately, our competitors may gain access to our technologies.

Additionally, applicable laws may not fully protect our intellectual property rights. Any claims or litigation that we may initiate in the future to protect our intellectual property rights could be time consuming and expensive and could divert resources from our business regardless of whether or not the disputes are decided in our favor. Moreover, any significant infringement upon our technologies and techniques could weaken our competitive position, increase our operating costs and have an adverse effect on our operations.

Moreover, as we expand our business and increase our geographical coverage, third parties may assert that our technologies or techniques infringe upon their intellectual property rights. We cannot assure you that we will not face any claims or litigation for infringement of the intellectual property rights of others. These claims or litigation could adversely affect our relationships with current or future customers, divert management attention and resources and result in substantial expenses, thereby adversely affecting our business, financial condition, results of operations and prospects.

We are exposed to default risk by our subcontractors under the relevant subcontracts

Depends on the availability of our construction subsidiaries, we sometimes subcontract third party contractors primarily to conduct construction work of our city water supply projects and pipeline direct drinking water supply projects. While we have provided certain provisions in our standard subcontract form to mitigate the risk of default by our subcontractors, there is no assurance that our subcontractors would perform all of their obligations pursuant to the relevant subcontracts. If any of our subcontractors defaults under the relevant subcontract, we may not be able to complete our construction work for our city water supply projects and pipeline direct drinking water supply projects on time, which could materially and adversely affect our water supply businesses.

We may be subject to legal proceedings in the ordinary course of our business. If the outcomes of these proceedings are against us, it could have a material adverse effect on our business, results of operations and financial condition

We may be subject to legal proceedings from time to time in the ordinary course of our business, which could have a material adverse effect on our business, results of operations and financial condition. Claims arising out of actual or alleged violations of law could be asserted against us by business partners, competitors or governmental entities in civil or criminal investigations and proceedings or by other entities. These claims could be asserted under a variety of laws and regulations, including but not limited to environmental protection laws, water laws, intellectual property laws, unfair competition laws, labor and employment laws, tort laws, contract laws and property laws. There is no guarantee that we will be successful in defending ourselves in legal and administrative actions or in asserting our rights under various laws. Even if we are successful in our attempt to defend ourselves in legal and administrative actions or to assert our rights under various laws, enforcing our rights against various parties involved may be expensive, time-consuming and ultimately futile. These actions could expose us to negative publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business.

Our variety of accepted payment methods subjects us to third-party payment processing-related risk

We accept payments using a variety of methods, including payments with credit cards and debit cards, payment through third-party online payment platforms such as WeChat Pay and Alipay. We generally engage payment gateway companies to process transactions between us and customers. Our business may be disrupted if the payment gateway companies become unwilling or unable to provide these services to us. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower our profitability. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer, including online payment options. We are also subject to various rules, regulations and requirements, regulatory or otherwise, governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply with. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept customers' payments, process electronic funds transfers or facilitate other types of online payments, and our business, financial condition and results of operations could be materially and adversely affected.

Any negative publicity with respect to us, our industries in general or our suppliers may materially and adversely affect our reputation, business and results of operations. Any harm to our brand or failure to maintain our reputation may materially and adversely affect our business and growth prospects

Complaints, disputes, litigations, regulatory actions or other negative publicity that arise about our industries in general or us in particular, including on the quality, reliability of our products or services, even if groundless, could adversely affect our reputation and the trust and confidence customers, local governments and other business partners have in us. Damage to our reputation and relationships with customers, local governments and other business partners can also arise for many other reasons, including employee misconduct, misconduct of whom we partner with or other counterparties, failure by these persons or entities to meet relevant quality standards or otherwise fulfill their contractual obligations or to comply with applicable laws and regulations. Additionally, negative publicity with respect to our suppliers could also affect our business and operations. Moreover, we are vulnerable to adverse market perception as we operate in an industry where integrity, customer trust, and confidence are critical. Litigation and disputes, misconduct of our personnel, changes in senior personnel, complaints, and outcome of regulatory investigations or penalties on us may harm our reputation. Any damage to our reputation may have a material adverse impact on our business, results of operations, financial condition and prospects. We believe that the recognition and reputation of our brand among customers and local governments have significantly contributed to the growth of our business. If we are unable to maintain our reputation, enhance our brand recognition or increase positive awareness of our services, our business and growth prospects may be materially and adversely affected.

Our insurance coverage may not adequately cover the risks related to our business and operations

We maintain various insurance policies covering fixed assets, third-party liabilities, loss and damage to construction equipment and machinery, loss of construction materials and business interruption, as well as insurance for our employees including social insurance and insurance covering accident claims arising during the course of the construction and operation of our water supply projects. Insurance covering accident claims arising during the course of the construction and operation of our projects. Our Directors believe that the type and amount of insurance are in line with the industry norm. During the Track Record Period and up to the Latest Practicable Date, no material workers' compensation claims, third party liability claims, accident compensation claims or other kinds of claims had been filed against us. However, we cannot assure you that such claims will not be brought against us in the future.

In addition, we cannot predict the continued availability of insurance at acceptable premium levels or at all, and as such, our insurance policies may not continue to be available at economically acceptable premiums. Moreover, we may not be able to obtain certain types of insurance at a reasonable cost or at all, such as insurance covering losses from acts of war, terrorism or natural catastrophes, which may be unavailable and/or cost prohibitive.

Furthermore, we cannot assure you that our insurance policies will be sufficient to cover all risks associated with our business and operations. We may be subject to liabilities against which we are not insured adequately or at all or liabilities against which we cannot insure. Should significant property damage or personal injury occur to our water supply facilities or to our employees due to accidents, natural disasters or other events, our insurance policies may not adequately cover the losses that we incur, potentially leading to a loss of assets, lawsuits, employee compensation obligations or other forms of economic loss, which may have a material adverse effect on our business, financial condition and results of operations.

We are subject to anti-bribery, anti-corruption and anti-money laundering laws and non-compliance with such laws can subject us to criminal penalties or significant fines and harm our business and reputation

We are subject to anti-bribery, anti-corruption and anti-money laundering laws. Anti-bribery and anti-corruption laws have been enforced with great rigor in recent years and are interpreted broadly and prohibit companies and their employees and agents from making or offering improper payments or other benefits to government officials and others in the private sector. Non-compliance with these laws could subject us to investigations, sanctions, settlements, prosecution, and disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension and/or debarment from contracting with specified persons, reputational harm, negative publicity and other collateral consequences. Any investigations, actions and/or sanctions could have a material negative impact on our business, results of operations and financial condition.

Moreover, we are required to comply with applicable anti-money laundering, antiterrorism laws and regulations or sanction laws. These laws and regulations require us to establish sound internal control policies and procedures with respect to anti-money laundering monitoring, reporting and other obligations. In the event that we fail to fully comply with applicable laws and regulations, the relevant government agencies may impose fines or other penalties on us. There can be no assurance that there will not be failures in detecting money laundering or other illegal or improper activities which may adversely affect our reputation, financial condition and results of operations.

Our risk management and internal control systems may not be adequate or effective in all respects, which may materially and adversely affect our business and results of operations

We seek to establish and continuously improve risk management and internal control systems consisting of policies and procedures that we consider appropriate for our business operations. For further details, see the section headed "Business — Internal Control and Risk Management." Due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure you that our risk management and internal control systems will be able to identify, prevent and manage all risks in a timely manner, or at all. It is not always possible to timely detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective.

Our risk management and internal controls also depend on the effective implementation by our employees. However, we cannot assure you that such implementation will not be subject to any human errors or mistakes, which may materially and adversely affect our business and results of operations. As we are likely to offer products and services covering a broader area in the future, it will require us to continue to enhance our risk management and internal control capabilities. If we fail to timely adapt our risk management and internal control policies and procedures to our business development, our business, results of operations and financial condition could be materially and adversely affected.

Misconduct of our personnel could harm our reputation and business

Misconduct of our personnel could result in violation of laws by us, regulatory sanctions against us, and material reputational or financial damage. Such misconduct includes conducting unauthorized or unsuccessful activities resulting in unknown and unmanaged risks or losses, improperly using or disclosing confidential information, engaging in fraudulent acts, or otherwise not complying with laws or our internal control procedures. We cannot assure you that there will not be any misconduct of our personnel, and the precautions we take to prevent and to detect such activity may not be effective in all cases. Our risk management and internal controls also depend on their effective implementation by our employees. We cannot assure you that such implementation will not involve any human errors or mistakes. We could also suffer from adverse publicity, reputational damage, or litigation losses that may arise from the misconduct by our personnel, which may have a material adverse effect on our business, financial condition, and results of operations.

We are dependent on the experience and efforts of our key management team and qualified personnel

The extensive industry knowledge and operational expertise of our management team have contributed to our results-driven culture which emphasizes quality, efficiency and market responsiveness. Our continued success is therefore dependent to a large extent on our ability to retain the services of these key management personnel. The loss of their services without timely and suitable replacements could adversely affect our operations and as a result, our revenue and profit.

Due to the specialized nature of our work, there is a limited supply of adequately qualified technical specialists, including engineers and researchers. Our continued success and the implementation of our expansion plans depend largely on our ability to attract and retain high quality personnel, including executive officers, business development personnel, project managers who have the necessary and required experience and expertise to conduct our business, and industry experts in developing new technologies to be applied in our business operation. If we are unable to attract and retain a sufficient number of suitably skilled and qualified specialists and personnel, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Any future occurrence of outbreaks or pandemics of contagious diseases or natural disasters may have a material and adverse effect on our business operations, financial condition, results of operations and prospects

The outbreak, epidemic and/or pandemic of (or the escalation and/or intensification of any outbreak, epidemic and/or pandemic of) infectious or contagious diseases and/or other adverse public health developments in China or elsewhere, such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu, severe acute respiratory syndrome (SARS) or the COVID-19 pandemic, if uncontrolled, could have an adverse effect on the overall business sentiment and environment in China or globally, which in turn may have an adverse impact on domestic and global supply chain, consumption incentive and stability of the economic, financial and exchange markets in China or globally, which in turn may have a material adverse effect our business, results of operation, financial conditions and prospects.

For example, as a result of the outbreak of the COVID-19 pandemic in China in early 2020 and the resurgence of the COVID-19 in 2022, most of the cities in China, including but not limited to Hubei Province, Hunan Province and Guangdong Province, where some of our city water supply projects are located, imposed various control measures which resulted in the temporary restrictions on business activities. In addition, if our employees are affected by infectious or contagious diseases such as the COVID-19, we may be required to institute measures to prevent the spread of the disease. The spread of any infectious or contagious diseases may also affect the operations of our suppliers and subcontractors, which in turn may affect our business and operations. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics, or the measures taken by the PRC government or other countries in response to such disasters and epidemics, will not seriously disrupt our operations or those of our suppliers or other business partners, which may have an adverse effect on our business, financial condition, results of operations and prospects.

Moreover, China has experienced natural disasters, including earthquakes, floods, landslides and droughts in the past, resulting in deaths of people, significant economic losses and significant and extensive damage to factories, power lines and other properties, as well as blackouts, transportation and communications disruptions and other losses in the affected areas. Any future natural disasters or outbreaks of contagious diseases may, among other things, materially and adversely affect or disrupt our operations. Furthermore, such natural disasters or outbreaks of contagious diseases may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business, results of operations and prospects.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in the economic, political and social conditions and government policies in China may have an adverse effect on our business

Given that our business operations are conducted in the PRC, our business and results of operations are subject to the economic, political and social policies and conditions of the PRC.

The development of the economy in China is unique in many respects, including its structure, level of development, and growth rate. Despite the increasing utilization of market forces in the development of the Chinese economy, the PRC government continues to play a significant role in regulating industries by imposing industrial policies. There is no assurance that the economic, foreign currency, political or legal systems of China will not develop in a way that is detrimental to our business operations. Our results of operations, financial condition and prospects may also be adversely affected by changes in foreign currency, social policies and conditions in the PRC.

In addition, the PRC government has undergone various economic reforms in the last few decades, and many of such reforms are expected to be refined, adjusted and modified from time to time based on economic and social conditions. In addition, the scope, application and interpretation of the laws and regulations relating to such reforms may not be entirely clear. Such refinement, adjustment or modification may impact our business operations in ways that we cannot predict, and any uncertainty in the scope, application and interpretation of the relevant laws and regulations may materially and adversely affect our results of operations and financial condition.

Governmental regulation of currency conversion may limit our ability to raise capital effectively

The PRC government, in certain cases, imposes regulation on the convertibility of Renminbi into foreign currencies and the remittance of currency out of China. See the section headed "Regulatory Overview — Laws and Regulations Relating to Foreign Exchange." We receive substantially all our revenue in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or make other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

Under existing PRC foreign exchange regulations, payments of certain current account items and capital account items can be made in foreign currencies without prior approval from the local branch of the SAFE by complying with certain procedural requirements. However, registration with appropriate government authorities is required before Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies according to Administrative Measures for the Examination and Registration of Medium and Long-term Foreign Debts of Enterprises (《企業中長期外債審核登記管理辦法》) which became effective since February 10, 2023. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us.

Fluctuation in the value of the Renminbi may have a material adverse effect on our business

We conduct substantially all our business in Renminbi. However, the presentation currency of our financial statements is Hong Kong dollars and any exchange rate fluctuation between Renminbi and Hong Kong dollars will have a direct impact to our results of operation and financial position. During the Track Record Period, we recognized foreign exchange differences arising from translation from functional currency to presentation currency. Under our combined statements of comprehensive income, we recognized currency translation gains of HK$580.0 million and HK$1,041.8 million for the years ended March 31, 2021 and 2022, respectively, and currency translation losses of HK$802.4 million for the year ended March 31, 2023. These gains and losses were primarily due to the resulting exchange differences arising from translating the results of our operating entities in the PRC from their functional currency, into our presentation currency, which significantly affected our other comprehensive income during the Track Record Period.

In addition, following the **[REDACTED]** and the **[REDACTED]**, we may also maintain a significant portion of the proceeds from the **[REDACTED]** in Hong Kong dollars before they are used in our PRC operations. The value of the Renminbi against the US dollar, Hong Kong dollar and other currencies may be affected by changes in the PRC's policies and international economic and political developments. As a result of these and any future changes in currency policy, the exchange rate may become volatile, the Renminbi may be revalued further against the US dollar or other currencies or the Renminbi may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the US dollar or other currencies. Fluctuations in exchange rates may adversely affect the value, translated or converted into US dollars or Hong Kong dollars (which are pegged to the US dollar), of our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. For example, an appreciation of the Renminbi against the US dollar or the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert US dollars or Hong Kong dollars into Renminbi for such purposes.

Our ability to access credit and capital markets in the future may be adversely affected by factors beyond our control

Interest rate increases by the PBOC or market disruptions may increase our cost of borrowing or adversely affect our ability to access sources of liquidity upon which we may rely to finance our operations and satisfy our obligations as they become due. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges. There can be no assurance that the anticipated cash flow from our operations will be sufficient to meet all of our cash requirements, or that we will be able to secure external financing at competitive rates, or at all. Any such failure may adversely affect our ability to finance our operations, meet our obligations or implement our growth strategy.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries

In utilizing the proceeds from the **[REDACTED]** or any further **[REDACTED]**, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans provided by us to our PRC subsidiaries are subject to the PRC regulations. For example, loans by us to our PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered or filed on record. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be filed to MOFCOM through the National Enterprise Credit Information Publicity System. We cannot assure you that we will be able to obtain these government registrations or to complete filing procedures on a timely basis, or at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to complete such registrations or filing procedures, our ability to use the proceeds of the **[REDACTED]** and to capitalize our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

We rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business

We conduct all of our business through our subsidiaries incorporated in the PRC. We rely on dividends paid by these subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our Shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in the PRC is subject to limitations. Payment of dividends is permitted only out of accumulated profits as determined in accordance with accounting standards and regulations in the PRC. Each of our PRC subsidiaries is also required to set aside at least 10% of its after-tax profit based on PRC laws and regulations each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. Our statutory reserves are not distributable as loans, advances or cash dividends. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. In addition, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

In addition, under the PRC Enterprise Income Tax Law, or EIT Law, the EIT Implementation Rules, the Notice of the State Administration of Taxation on Negotiated Reduction of Dividends and Interest Rates, or Notice 112, which was issued on January 29, 2008, the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the "**Double Tax Avoidance Arrangement**"), which became effective on 8 December 2006, and the Announcement of the State Administration of Taxation on the Determination of "Beneficial Owners" in the Tax Treaties, or Notice 9, which became effective on April 1, 2018, dividends from our PRC subsidiaries paid to us through our Hong Kong subsidiary may be subject to a withholding tax at a rate of 10%, or at a rate of 5% if our Hong Kong subsidiary is considered as a "beneficial owner" that is generally engaged in substantial business activities and entitled to treaty benefits under the Double Tax Avoidance Arrangement. Furthermore, the ultimate tax rate will be determined by treaty between the PRC and the tax residence of the holder of the PRC subsidiary. We are actively monitoring the withholding tax and are evaluating appropriate organizational changes to minimize the corresponding tax impact.

We may be considered a "PRC resident enterprise" under the EIT Law and income tax on the dividends that we receive from our PRC operating subsidiaries may increase

Our Company was incorporated in Bermuda. We conduct our business through operating subsidiaries in the PRC. Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose "de facto management bodies" are located within the PRC are considered "PRC resident enterprises" and thus will generally be subject to enterprise income tax at the rate of 25% on their global income. SAT released the Notice Regarding the Determination of Chinese-Controlled offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) ("**Circular 82**") on April 22, 2009 (which was amended on 29 December 2017) which defines the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprise." According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resources matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

If we were considered a PRC resident enterprise, we would be subject to enterprise income tax at the rate of 25% on our global income and the filing obligations of such enterprise income tax to the relevant PRC authorities, and any dividend or gain on the sale of our Shares received by our non-resident enterprise shareholders may be subject to a withholding tax at a rate of up to 10%. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC operating subsidiaries to us would meet such qualification requirements if we were considered a PRC resident enterprise for this purpose. If our global income were to be taxed under the EIT Law, our financial position and results of operations would be materially and adversely affected.

Under the EIT Law and its implementing rules, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with China and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. We invest in our PRC operating subsidiaries through our subsidiary incorporated in Hong Kong. Pursuant to the Double Tax Avoidance Arrangement, our Hong Kong subsidiary will be subject to a withholding tax at a rate of 5% on dividends received from our PRC operating subsidiaries. However, the SAT promulgated the Announcement of the STA on Issues Relating to "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中「受益所有人」有

關問題的公告》) ("**Circular 9**") on February 3, 2018, which came into effect on April 1, 2018 and provided that the "beneficial owner" shall mean a person who has the ownership and control over the income and the rights and property from which the income is derived. When an individual who is a resident of the treaty counter party derive dividend income from the PRC, the individual may be determined as a "beneficial owner." It is unclear whether Circular 9 applies to dividends from our PRC operating subsidiaries paid to us through our Hong Kong subsidiary. It is possible, however, that under Circular 9, our Hong Kong subsidiary would not be considered the "beneficial owner" of any such dividends, and that such dividends would as a result be subject to income tax withholding at the rate of 10% rather than the favorable 5% rate applicable under the Double Tax Avoidance Arrangement. In that case, our financial position and results of operations would be materially and adversely affected.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under the PRC tax laws

Under the EIT Law and its implementation rules, our foreign corporate Shareholders may be subject to a 10% income tax upon any gains realized from the transfer of their Shares and dividend distributable to such foreign corporate Shareholder, if such income is regarded as income from "sources within the PRC." According to the EIT Implementation Rules, whether income generated from transferring equity investments is to be regarded as sources within the PRC or from foreign territory shall depend upon the locations in which the enterprises accepting the equity investment are located. However, it is unclear whether income received by our Shareholders will be deemed to be income from sources within the PRC and whether there will be any exemption or reduction in taxation for our foreign corporate Shareholders due to the promulgation of the EIT Law. If our foreign corporate Shareholders are required to pay PRC income tax on the transfers of our Shares that they hold or on the gains on the sale of our Shares by them, the value of our foreign corporate Shareholders' investments in our Shares may be materially and adversely affected.

The PRC laws and regulations concerning cybersecurity and data protection are subject to changes and updates from time to time. Failure to comply with all applicable laws and regulations could harm our reputation, business, financial condition and results of operations and our [REDACTED] and [REDACTED] may be impeded

On November 14, 2021, the CAC promulgated the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Data Security Regulations**"). The Draft Data Security Regulations had not come into force as of the Latest Practicable Date and is subject to further official guidance and implementation rules. On December 28, 2021, the CAC jointly with other 12 governmental authorities promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**MCR**"), which became effective on February 15, 2022. According to the MCR, the procurement of network products and services by critical information infrastructure operators and the data processing activities conducted by network platform operators, which affect or may affect national security, shall be subject to cybersecurity review. In particular, if critical information infrastructure operators anticipate that their procurement of network products and services affect or may affect national security after such network products and services are put into use, they shall apply for cybersecurity review to the Cybersecurity Review Office. The MCR also provides that network platform operators that possess personal information of over one million users shall apply for cybersecurity review before **[REDACTED]** in a foreign country. A **[REDACTED]** in Hong Kong is not treated as a **[REDACTED]** in a foreign country within the meaning of the MCR. In addition, the relevant government authorities may initiate the cybersecurity review against the relevant operators if the authorities believe that the network products or services or data processing activities of such operators affect or may affect national security.

As of the Latest Practicable Date, we had not been involved in any service, product or data processing activities that might give rise to national security risks based on the factors set out in the MCR and have not been inquired, investigated, warned or penalized by any PRC authorities in this respect. However, as of the Latest Practicable Date, the Draft Data Security Regulations had not been formally adopted. Substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation. We cannot completely exclude the risks of being subject to cybersecurity review in consideration of the provisions of Article 16 of the MCR which stipulates that relevant authorities may initiate cybersecurity review against relevant operators if the authorities believe that the network products or services or data processing activities of such operators affect or may affect national security. In addition, we cannot assure you that relevant government authorities will not promulgate or interpret the laws and regulations in ways that may adversely affect us. If our **[REDACTED]** and **[REDACTED]** or business activities are deemed to "affect or may affect national security," we may be subject to cybersecurity review and there can be no assurance that we will be able to obtain approval from the regulatory authorities in a timely manner, or at all.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Outbound Data Transfer (《數據出境安全評估辦法》), which took effect on September 1, 2022 and requires data processor providing data overseas and falling under certain circumstances apply for security assessment of outbound data transfer with the national cybersecurity authority through its local counterpart at the provincial level. On February 22, 2023, the CAC issued the Measures for the Standard Contract for Outbound Transfer of Personal Information (《個人信息出境標準合同辦法》) (the "**Standard Contract Measures**"), which came into effect on June 1, 2023. Any violation of the Standard Contract Measures shall be punished in accordance with the Personal Information Protection Law and other laws and regulations. As of the Latest Practicable Date, we had not involved in any outbound transfer of personal information or identified important data during our daily business operations, therefore we do not expect these measures to have material adverse impact on our daily operations in respect of the outbound data transfer. However, since these measures are newly promulgated, there are uncertainties as to the relevant interpretation and application, we cannot assure you that relevant regulatory authorities will take the same view as ours. In the event the regulatory authority deems that these measures apply to us, we will be subject to the relevant requirements. Furthermore, the evolving regulations regarding cybersecurity and data protection may in the future impose restrictions on us in a manner materially adverse to our business, or lead to stricter requirements or establishment of new regulatory agencies. We may therefore be subject to more legal responsibilities and compliance costs, which may have an adverse effect on our business and results of operations. If we fail to comply with such laws and regulations, we may face legal liability under the Personal Information Protection Law, Cybersecurity Law, Data Security Law and other related laws and regulations, including being ordered to make corrections, given a warning, fines, or confiscation of illegally obtained gains, suspension of business and other penalties, which could materially and adversely affect our business, financial condition and results of operations.

The development of the PRC legal system and changes in the interpretation and enforcement of PRC laws, regulations and policies in China could adversely affect us and may limit the legal protection available to you

Our operations and assets in the PRC are governed by the PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions may be cited as reference. Additionally, written statutes in the PRC are often principle-oriented and require detaailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, the interpretation and enforcement of PRC laws and regulations involve uncertainties. Therefore, the enforcement of existing laws or contracts based on existing laws may be uncertain. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after such violation. Finally, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management's attention. The materialization of all or any of these uncertainties could have a material adverse effect on our financial position and results of operations.

It may be difficult to effect service of process on our Directors or executive officers who reside in the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts

Certain of our Directors and senior management members reside in the PRC and substantially all of the assets of those people and of our Company are located in the PRC. Therefore, it may be difficult for **[REDACTED]** to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with Bermuda, the United States, the United Kingdom, Japan and many other developed countries and regions. Therefore, recognition and enforcement in China of judgements of a court in any of these jurisdictions may be difficult or even impossible.

RISKS RELATING TO THE [REDACTED] AND THE [REDACTED]

[REDACTED] of Shares in the [REDACTED] will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The **[REDACTED]** of our Shares is expected to be higher than the net tangible assets per Share immediately prior to the **[REDACTED]**. Therefore, **[REDACTED]** of our Shares in the **[REDACTED]** will experience an immediate dilution in net tangible asset value per Share. In addition, in order to expand our business, we may consider **[REDACTED]** and **[REDACTED]** additional **[REDACTED]** in the future. Purchasers of our Shares may experience dilution in the net tangible asset value per Share of their investments in Shares if we issue additional securities in the future at a price which is lower than the net tangible asset value per Share prior to the issuance of such additional securities.

There is no prior public market for our Shares and an active trading market may not develop

Prior to the **[REDACTED]**, there was no public market for our Shares. An active public market may not develop or be sustained after the **[REDACTED]**. The initial **[REDACTED]** range for our Shares was the result of, and the **[REDACTED]** will be the result of, negotiations among us and the Joint Representatives on behalf of the **[REDACTED]** and may not be indicative of prices that will prevail in the trading market after the **[REDACTED]**.

We have applied for the **[REDACTED]** of, and **[REDACTED]** in, our Shares on the Stock Exchange. However, even if approved, being **[REDACTED]** on the Stock Exchange does not guarantee that an active trading market for our Shares will develop or be sustained. If an active market for our Shares does not develop after the **[REDACTED]**, the market price and liquidity of our Shares may be adversely affected. As a result, you may not be able to resell your Shares at prices equal to or greater than the price paid for the Shares in the **[REDACTED]**.

The liquidity and market price of our Shares may be volatile, which may result in substantial losses for [REDACTED] purchasing our Shares pursuant to the [REDACTED]

The **[REDACTED]** and **[REDACTED]** of our Shares may be volatile as a result of the following factors, as well as others, which are discussed in this "Risk Factors" section or elsewhere in this document, some of which are beyond our control:

- actual or anticipated fluctuations in our results of operations (including variations arising from foreign exchange rate fluctuations);
- news regarding loss of key personnel by us or recruitment of key personnel by our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;

- changes in earnings estimates or recommendations by financial analysts; potential litigation or regulatory investigations;
- changes in regulatory environment, general economic conditions or other developments affecting us or our industry;
- price movements on international stock markets, the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of any lock-up or other transfer restrictions on the outstanding Shares or sales or perceived sales of additional Shares by our Company or other Shareholders.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related or disproportionate to the operating performance of particular companies. This may include a general global economic downturn, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. While it is difficult to predict how long these conditions will last, they could continue to present risks for an extended period of time. If we experience such fluctuations, results of operations and financial position could be materially and adversely affected. Moreover, market fluctuations may also materially and adversely affect the market price of our Shares.

The market price of our Shares when [REDACTED] begins could be lower than the [REDACTED] as a result of, among other things, adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins

The **[REDACTED]** will be determined on the **[REDACTED]**. However, the **[REDACTED]** will not commence trading on the Stock Exchange until they are delivered, which is expected to be on the fifth business day after the **[REDACTED]**. As a result, **[REDACTED]** may not be able to sell or otherwise deal in the **[REDACTED]** during that period. Accordingly, holders of the **[REDACTED]** are subject to the risk that the price of the **[REDACTED]** when trading begins could be lower than the **[REDACTED]** as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Future or perceived sales of substantial amounts of our Shares could affect their market price and our ability to raise future capital

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other related securities, or the perception that such sales may occur. Our ability to raise future capital at favorable times and prices may also be materially and adversely affected. Our Shares held by the Controlling Shareholder are currently subject to certain lock-up undertakings. For details, please see the section headed "**[REDACTED]** — **[REDACTED]** Arrangements and Expenses." However, there is no assurance that following the expiration of the lock-up periods, these Shareholders will not dispose of any Shares. We cannot predict the effect of any future sales of the Shares by any of our Shareholders on the market price of our Shares.

Our Controlling Shareholder has substantial control over our Company and its interests may not be aligned with the interests of the other Shareholders

Prior to and immediately following the completion of the **[REDACTED]** and the **[REDACTED]**, our Controlling Shareholder will remain having substantial control over its interests in the issued share capital of our Company. Subject to, among others, the Bye-laws and the Listing Rules, the Controlling Shareholder by virtue of their controlling beneficial ownership of the share capital of the Company, will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of the Controlling Shareholder may differ from the interests of other Shareholders and the Shareholders are free to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholder conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

[REDACTED] may experience difficulties in enforcing their Shareholder rights because we are incorporated in Bermuda, the laws of Bermuda relating to the protection of the interests of minority shareholders may differ from the laws of Hong Kong and other jurisdictions

Our corporate affairs are governed by, among other things, our Memorandum of Association and Bye-laws, the Bermuda Companies Act, and the common law of the Bermuda. The rights of our Shareholders to take action against our Directors, the rights of minority shareholders to instigate actions and the fiduciary responsibilities of our Directors to us under Bermuda law are to a large extent governed by the common law of Bermuda. The common law of Bermuda is derived in part from comparatively limited judicial precedent in Bermuda as well as from English common law, which has persuasive, but not binding, authority on a court in Bermuda. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Bermuda law may not be the same as they would be under statutes or judicial precedent in Hong Kong or other jurisdictions. In particular, Bermuda have different securities laws as compared to Hong Kong and may not provide the same protection to **[REDACTED]**. Furthermore, shareholders of Bermuda companies may not have standing to initiate a shareholder derivative action in a Hong Kong court.

Legislation enacted in Bermuda as to economic substance may affect our operations

Pursuant to the Economic Substance Act 2018 (as amended) of Bermuda (the "**ES Act**") that came into force on January 1, 2019, a registered entity other than an entity which is resident for tax purposes in certain jurisdictions outside Bermuda ("**non-resident entity**") that carries on as a business any one or more of the "relevant activities" referred to in the ES Act must comply with economic substance requirements. The ES Act may require in-scope Bermuda entities which are engaged in such "relevant activities" to be directed and managed in Bermuda, have an adequate level of qualified employees in Bermuda, incur an adequate level of annual expenditure in Bermuda, maintain physical offices and premises in Bermuda or perform core income-generating activities in Bermuda. The list of "relevant activities" includes carrying on any one or more of: banking, insurance, fund management, financing, leasing, headquarters, shipping, distribution and service center, intellectual property and holding entities.

Based on the ES Act currently, for so long as the Company is a non-resident entity, it is not required to satisfy any such economic substance requirements other than providing the Bermuda Registrar of Companies annually information on the jurisdiction in which it claims to be resident for tax purposes together with sufficient evidence to support that tax residence. Since the legislation is new and remains subject to further clarification and interpretation by the relevant competent authorities, it is uncertain as to how the relevant competent authorities will interpret the legislation and there is no assurance that such legislation will not have a material adverse effect on our business operations, results of operation and financial conditions in the future.

Our dividend distribution is subject to the discretion of our Directors and we may not declare dividends on our Shares in the future

During the Track Record Period, our subsidiaries made distributions to the Remaining CWA Group in the amounts of HK$1,052.9 million, HK$840.8 million and HK$105.7 million for the years ended March 31, 2021, 2022 and 2023, respectively. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial position, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. There is no assurance that dividends of any amount will be declared or distributed in any year in the future. For further details, see the section headed "Financial Information — Dividends and Dividend Policy."

Facts and statistics in this document should not be unduly relied upon

Certain facts and other statistics in this document that do not relate directly to our operations, including those relating to the PRC, the PRC economy and the PRC water supply industry as well as those relating to CWA and other companies other than our Group, have been derived from various official government publications, the market research report and data from Frost & Sullivan and publicly available or other third-party sources. However, we cannot guarantee the quality or reliability of these sources. They have not been prepared or independently verified by our Company, the Joint Sponsors, the **[REDACTED]** or any of their respective directors, officers, affiliates, advisors or representatives, or any other parties involved in the **[REDACTED]** and the **[REDACTED]**, and such information may not be consistent with other publicly available information.

Our Company, the Joint Sponsors, the **[REDACTED]**, the **[REDACTED]** or any of their respective directors, officers, affiliates, advisers or representatives, or any other parties involved in the **[REDACTED]** and the **[REDACTED]** make no representation as to the completeness or accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other publications or jurisdictions. Therefore, you should not rely unduly upon such facts and statistics contained in this document.

The entire document should be read carefully and any information contained in press articles, media and/or research reports regarding our Company, our business, our industry, the [REDACTED] or the [REDACTED] not contained in this document should not be relied upon

There may be certain coverage in the press and/or media regarding our Company, our business, our industry, the **[REDACTED]** and the **[REDACTED]**. There had been, prior to the publication of this document, and there may be, subsequent to the date of this document but prior to the completion of the **[REDACTED]**, press and/or media coverage regarding our Company, our business, our industry, the **[REDACTED]** and the **[REDACTED]** containing, among other matters, certain financial information, projections, valuations and other forward-looking information about us and the **[REDACTED]**. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information disseminated in the articles or media and that such information was not sourced from or authorized by our Company.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, publication or underlying assumptions. To the extent that any of the information in the media or publications other than this document is inconsistent or conflicts with the information contained in this document, we disclaim it. Accordingly, you should read the entire document carefully and should make investment decisions about us on the basis of the information contained in this document only and should not rely on any other information.

Forward-looking statements contained in this document are subject to risks and uncertainties

This document contains certain statements that are "forward-looking" and indicated by the use of forward-looking terms such as "aim," "anticipate," "believe," "could," "estimate," "expect," "going forward," "intend," "may," "plan," "potential," "project," "seek," "should," "will" or "would" or similar expressions. You are cautioned that any forward-looking statement involves risks and uncertainties and any or all of the assumptions relating to the forward-looking statements could prove to be inaccurate. As a result, the forward-looking statement could be incorrect. The inclusion of forward-looking statements in this document should not be regarded as a representation by us that the plans and objectives will be achieved, and you should not place undue reliance on such statements.