
SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in “Risk Factors” in this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

BUSINESS OVERVIEW

We are one of the leading wastewater treatment service providers in Anhui Province, China. Since our inception in 2011, we have committed to a core value of “beautifying nature” (美自然) with a mission to provide premium wastewater treatment services to our customers. Over the past decade, we have expanded our business to four cities in Anhui Province and Hebei Province, covering both industrial and municipal wastewater treatment services. We endeavour to support our customers across the water resource-related value chains and become their partner of choice for wastewater treatment services. We believe our continuous efforts guided by our core value of “beautifying nature” (美自然) will help contribute to an optimal environment of natural beauty (自然美).

We possess solid capabilities in providing both industrial and municipal wastewater treatment services. According to Frost & Sullivan, we are one of the established wastewater treatment service providers in the PRC with capabilities covering the full life cycle of industrial wastewater treatment business from R&D, equipment production to project construction and operation, offering one-stop comprehensive wastewater treatment services to enterprises in industrial parks that specialise in different industries. We have also accumulated extensive experience in the provision of municipal wastewater treatment services, in particular at small-and medium-sized county level. Leveraging our expertise in both industrial and municipal wastewater treatment, we are seeking to expand our business to cover regional comprehensive water environment treatment services.

As at the Latest Practicable Date, we were providing industrial wastewater treatment services in two leading large-scale specialised industrial parks in Anhui Province, being Meiyang Industry Park and Jiasheng Industrial Park. We also had 13 municipal wastewater treatment projects in Anhui Province and Hebei Province as at the Latest Practicable Date. Additionally, we completed the design and construction of 22 municipal wastewater treatment projects during the Track Record Period.

As at 31 December 2022, we had a daily industrial wastewater treatment designed capacity of approximately 55,000 tonnes, ranking seventh in Anhui Province. We were the second largest non-state-owned industrial wastewater treatment service provider in Anhui Province in terms of daily designed treatment capacity in 2022, according to Frost & Sullivan. Our daily municipal wastewater treatment designed capacity as at 31 December 2022 was approximately 11,500 tonnes, ranking tenth in terms of rural municipal wastewater designed treatment capacity in Anhui Province, according to Frost & Sullivan.

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Our solid in-house capabilities in wastewater treatment process development and process improvement as well as equipment production enable us to improve our efficiency and optimise our services, thereby laying a solid foundation for our success in the wastewater treatment industry. In the future, it is our goal to solidify our position in the municipal wastewater treatment industry by fully utilising our existing concession rights, and to strategically focus on strengthening our business in the industrial wastewater treatment industry, which is expected to benefit from the favourable policies and industry trend that support the construction and development of large-scale specialised industrial parks in Anhui Province.

We achieved a substantial growth in revenue and profit during the Track Record Period. For the years ended 31 December 2020, 2021 and 2022, our total revenue was RMB158.9 million, RMB159.5 million and RMB288.8 million, respectively, representing a CAGR of 34.8% during the period. For the years ended 31 December 2020, 2021 and 2022, our net profit was RMB38.8 million, RMB46.1 million and RMB104.5 million, respectively, representing a CAGR of 64.1% during the period.

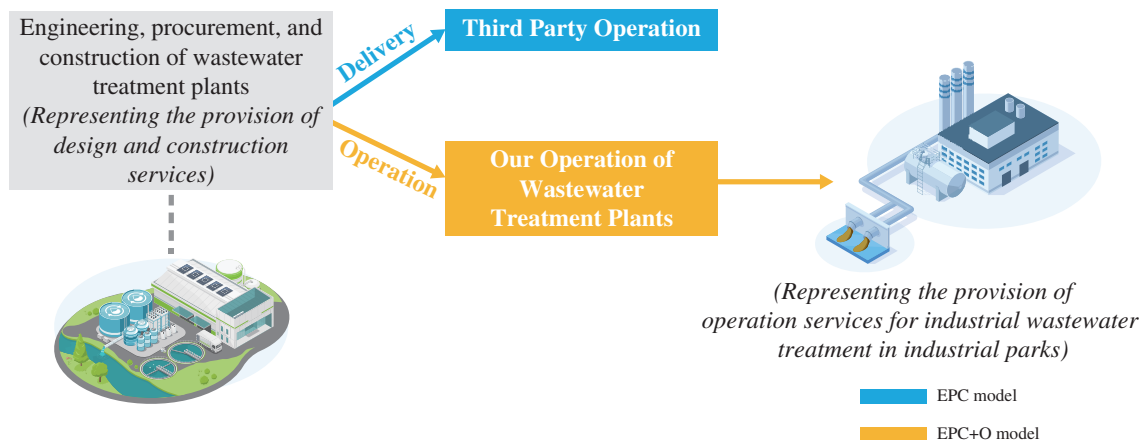
BUSINESS MODEL

During the Track Record Period, we generated our revenue from the provision of wastewater treatment services (comprising industrial wastewater treatment services and municipal wastewater treatment services) and other environment treatment services. Wastewater treatment service is our principal business. For the years ended 31 December 2020, 2021 and 2022, revenue generated from our wastewater treatment services amounted to RMB158.3 million, RMB159.0 million and RMB288.7 million, respectively, representing a CAGR of 35.0% during the period, and accounting for 99.6%, 99.7% and 100.0% of our total revenue, respectively.

Wastewater Treatment Services

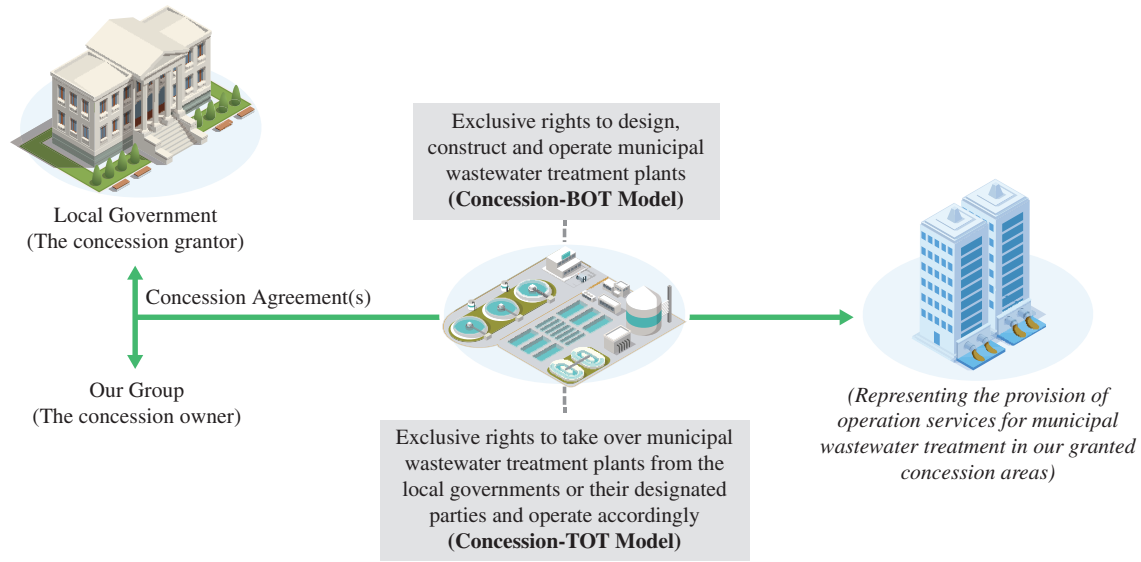
We conduct our wastewater treatment projects under EPC/EPC+O model and concession model. Our project models are illustrated by the following diagrams.

- EPC/EPC+O Model



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- Concession Model



(i) Industrial Wastewater Treatment Services

We focus on providing industrial wastewater treatment services in large-scale specialised industrial parks under EPC/EPC+O model. EPC represents “engineering, procurement and construction”, which is a particular form of contracting arrangement where we are engaged as the main contractor and responsible for all wastewater treatment project works covering engineering design, procurement of all the wastewater treatment equipment, materials, components and relevant parts, construction of wastewater treatment facilities, test-runs and delivery of functioning facilities to our customers. The industrial wastewater treatment facilities constructed and installed in these industrial parks will treat and discharge industrial wastewater from the operation of the enterprises located in the industrial parks. EPC+O represents “engineering, procurement, construction and operation”, in which we have an added responsibility of operating the wastewater treatment facilities after the completion of its construction under EPC model. Under this circumstance, we further charge our customers, who are enterprises located in the industrial parks, for the provision of our operation services for industrial wastewater treatment projects in accordance with the terms as stipulated in our operation agreements. See “Business – Wastewater Treatment Services – EPC/EPC+O Model – Key terms of our operation agreements” in this document for key terms of our operation agreements with our customers.

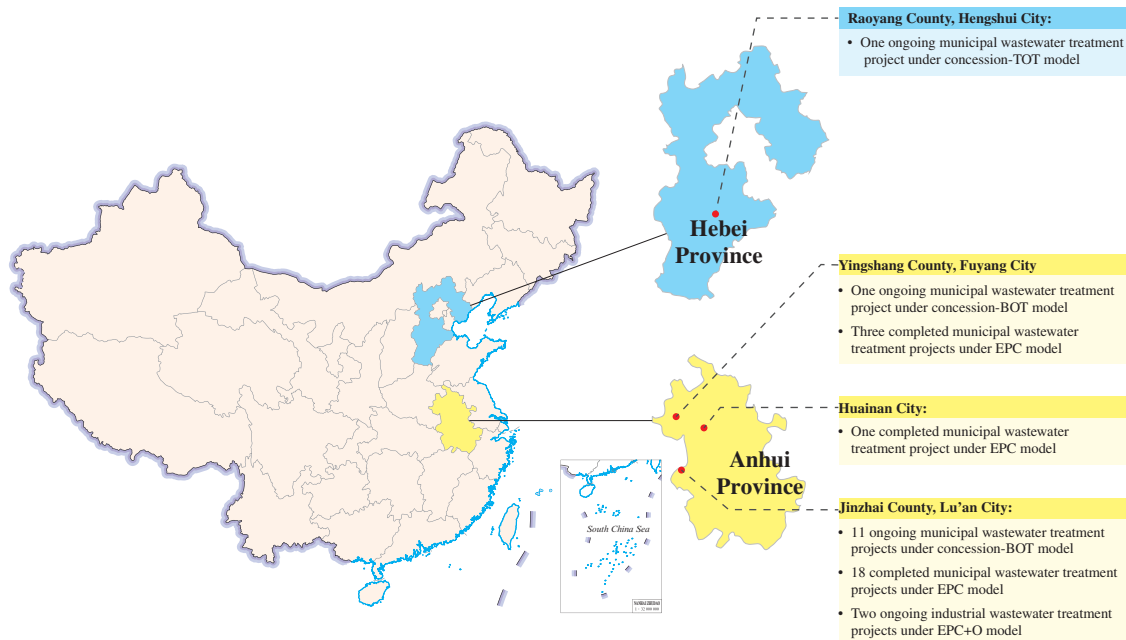
(ii) Municipal Wastewater Treatment Services

We provide municipal wastewater treatment services with a primary focus on projects at small- and medium-sized county level. We are currently engaged in the design, construction and operation of wastewater treatment plants under concession model for municipal wastewater treatment services. Concession model is a project model in which there is a cooperative arrangement between public and private sector entities in terms of project management, project financing and operation, typically of a long-term nature. Concession agreements grant us exclusive rights to conduct our municipal wastewater treatment business in specified concession areas. See “Business – Business Model – Wastewater Treatment Services – Concession Model – Key terms of our concession agreements” in this document for details. During the Track Record Period, we were also engaged in the design and construction of wastewater treatment plants under EPC model to provide municipal wastewater treatment services.

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During the Track Record Period, we completed the design and construction of 22 municipal wastewater treatment projects conducted under EPC model in three cities in Anhui Province. As at the Latest Practicable Date, we were conducting 13 municipal wastewater treatment projects conducted under concession model in Anhui Province and Hebei Province.

The map below illustrates the location of cities in which we had wastewater treatment projects.



Other Environment Treatment Services

We are also expanding our business by providing other environment treatment services, including regional comprehensive water environment treatment services. Such services that we provided during the Track Record Period included soil testing services.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

During the Track Record Period, our top five customers included (i) the owners of wastewater treatment facilities in two large-scale specialised industrial parks (Meiyang Industrial Park and Jiasheng Industrial Park), in which we conducted our industrial wastewater treatment projects; and (ii) government customers in connection with our 13 concession rights for municipal wastewater treatment services. The owner of the wastewater treatment facilities in Jiasheng Industrial Park, being Jinzhai Jiasheng, is a connected person of our Company. Save as the above, our Directors confirm that none of our Directors, their respective associates or any Shareholder (who to the knowledge of our Directors owned 5% or more of our Shares) held any interest in any of our top five customers during the Track Record Period.

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During the Track Record Period, our top five suppliers included suppliers of equipment and materials and subcontractors who carried out engineering construction works to support our wastewater treatment services. Anhui Ruiliang, which was our subcontractor during the Track Record Period, was a connected person of our Company prior to an equity transfer that was effective on 28 March 2023. As at the Latest Practicable Date, Anhui Ruiliang was an independent third party. Save as the above, our Directors confirm that none of our Directors, their respective associates or any Shareholder (who to the knowledge of our Directors owned 5% or more of our Shares) held any interest in any of our top five suppliers during the Track Record Period.

We have strategically focused our industrial wastewater treatment services on large-scale specialised industrial parks, and it is our strategy to increase our market share in this sector. Because our wastewater treatment projects for industrial parks are large in scale, we generate our revenue from a limited number of projects, each with a relatively high contract value. In terms of municipal wastewater treatment, we sourced our projects from government concession grantors, with whom we have maintained strong and stable relationships. For ease of management and quality control, we elected to engage a small number of local suppliers with whom we have established relationships, based on the location of our projects.

We had a concentration of customers and suppliers during the Track Record Period. As confirmed by Frost & Sullivan, it is not uncommon for companies engaged in the provision of wastewater treatment services to have a concentration of customers and suppliers. See “Business – Our Customers – Our Top Five Customers”, “Business – Our Suppliers – Our Top Five Suppliers”, “Risk Factors – Risks Relating to Our Business and Industry – We have a concentration of customers during the Track Record Period” and “Risk Factors – Risks Relating to Our Business and Industry – We had a high concentration of suppliers during the Track Record Period” for details.

OUR COMPETITIVE STRENGTHS

We believe that we possess the following competitive strengths: (i) we are one of the leading wastewater treatment service providers in Anhui Province, China, with capabilities of providing one-stop wastewater treatment services in large-scale specialised industrial parks; (ii) we benefit from favourable government policies and industry trend relating to environmental protection; (iii) our solid in-house capabilities in wastewater treatment process development and process improvement as well as equipment production, coupled with established collaboration with reputable universities and research centres, enable us to improve the efficiency and quality of our services; (iv) we have established strong and stable relationships with our customers, which help us maintain a strong project pipeline; (v) we have an intelligent and efficient automated control system to support our wastewater treatment business; and (vi) we have an experienced and committed management team. See “Business – Our Competitive Strengths” in this document for details.

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OUR STRATEGIES

We intend to (i) increase our market share in the industrial wastewater treatment sector in large-scale specialised industrial parks and solidify our market position in the rural municipal wastewater treatment market; (ii) continue to strengthen our R&D capabilities to enhance our technological competitiveness; (iii) enhance the intelligence level of our control system for our wastewater treatment business to optimise our operational efficiency; (iv) diversify our project portfolio to include regional comprehensive water environment treatment projects and expand our business presence in the broader environment remediation industry; and (v) retain and recruit talented professionals for sustainable long-term development.

OUR CONTROLLING SHAREHOLDERS

Each of Mr. Zhou, Ms. Li Weihua (李偉華), Ecobeauty Holding and Lvyuan Ecology is a Controlling Shareholder of our Company. As at the Latest Practicable Date, our Controlling Shareholders held in aggregate approximately 90.18% of the issued share capital of our Company. Immediately following completion of the [REDACTED] and the [REDACTED], assuming that the [REDACTED] is not exercised, Mr. Zhou, Ecobeauty Holding, Ms. Li Weihua and Lvyuan Ecology will be interested in and control an aggregate of approximately [REDACTED]% of the issued share capital of our Company and will remain as our Controlling Shareholders under the Listing Rules. See “Relationship with Controlling Shareholders – Our Controlling Shareholders” in this document for details with respect to the identification of our Controlling Shareholders.

Apart from our principal business, our Controlling Shareholders are engaged in other businesses, which are not, and will not, directly or indirectly, compete with our business as confirmed by our Directors. See “Relationship with Controlling Shareholders” in this document for details.

[REDACTED] Investment

Ms. Cui Yu made an investment in Shares of our Company as a [REDACTED] Investor. See “History, Reorganisation and Corporate Structure – [REDACTED] Investment” in this document for details.

COMPETITION

We operate in a highly competitive industry. The industrial wastewater treatment market in Anhui Province is highly fragmented with more than 100 industry participants in 2022. According to Frost & Sullivan, in terms of total designed treatment capacity of industrial wastewater treatment facilities in operation in 2022, the top 10 industry participants accounted for 9.6% of the total treatment capacity. The development of centralised wastewater treatment in industrial parks and the migration from eastern to central and western regions present significant opportunities for the industrial wastewater treatment sector, according to Frost & Sullivan. With respect to municipal wastewater treatment market, the market has entered into

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a period of stable development in rural areas in the PRC, compared with the development pace and potential of industrial wastewater treatment market. See “Industry Overview – ‘Competitive Landscape of Anhui’s Industrial Wastewater Treatment Market in Anhui Province’ and ‘Competitive Landscape of Municipal Wastewater Treatment Market in Anhui Province’” in this document for details.

SUMMARY OF FINANCIAL INFORMATION

The following tables set out a summary of our financial information during the Track Record Period. See “Financial Information” in this document and the Accountants’ Report set out in Appendix I to this document for details.

	For the year ended 31 December		
	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	158,942	159,453	288,757
Cost of services provided	(92,836)	(81,492)	(140,541)
Gross Profit	66,106	77,961	148,216
Other income and gains	3,097	4,581	5,753
Selling and distribution expenses	(1,086)	(1,286)	(729)
Administrative expenses	(17,170)	(19,268)	(21,962)
Finance costs	(5,004)	(6,064)	(5,734)
Other expenses	(799)	(1,519)	(758)
Share of losses of joint ventures	(399)	(690)	(2,221)
Profit before income tax	44,745	53,715	122,565
Income tax expense	(5,976)	(7,635)	(18,073)
Profit for the year	38,769	46,080	104,492

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Revenue

The following table sets out a breakdown of our revenue by type of service during the Track Record Period.

	For the year ended 31 December					
	2020		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%
Wastewater treatment services						
Industrial wastewater treatment services						
– Design and construction	18,326	11.5	54,643	34.3	134,737	46.7
Sub-total	18,326	11.5	54,643	34.3	134,737	46.7
Municipal wastewater treatment services						
– Design and construction	130,389	82.1	88,917	55.7	136,024	47.1
– Operation	6,178	3.9	7,338	4.6	8,119	2.8
– Financial assets (<i>recognised under IFRIC 12</i>) ^{Note}	3,371	2.1	8,092	5.1	9,788	3.4
Sub-total	139,938	88.1	104,347	65.4	153,931	53.3
Other environment treatment services	678	0.4	463	0.3	89	–
Total	158,942	100.0	159,453	100.0	288,757	100.0

Note: We have entered into 13 concession agreements with local government authorities to operate and maintain the municipal wastewater treatment facilities for a term ranging from 20 to 30 years. IFRIC 12 Service Concession Arrangement is applicable to our concession agreements and municipal wastewater treatment services provided thereunder. Under IFRIC 12, we recognise revenue for the construction of wastewater treatment facilities for our municipal wastewater treatment projects and recognise financial assets in respect of our municipal wastewater treatment projects conducted under concession model.

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Gross Profit and gross profit margin

The following table sets out our gross profit and gross profit margin by type of service for the years indicated.

	For the year ended 31 December					
	2020		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Wastewater treatment services						
Industrial wastewater treatment services	12,116	66.1	35,389	64.8	87,362	64.8
Municipal wastewater treatment services	53,384	38.1	42,159	40.4	61,056	39.7
Other environment treatment services	606	89.4	413	89.2	(202)	(227.0)
	<u>66,106</u>	<u>41.6</u>	<u>77,961</u>	<u>48.9</u>	<u>148,216</u>	<u>51.3</u>

SUMMARY OF COMBINED STATEMENTS OF FINANCIAL POSITION

The following table sets out selected information from our combined financial statements as at the dates indicated, which have been extracted from the Accountants' Report set out in Appendix I to this document.

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Total current assets	118,164	271,263	360,857
Total current liabilities	<u>177,074</u>	<u>321,074</u>	<u>337,422</u>
Net Current (Liabilities)/Assets	<u>(58,910)</u>	<u>(49,811)</u>	<u>23,435</u>

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The decrease in our net current liabilities as at 31 December 2021 as compared to 31 December 2020 was primarily attributable to an increase in our prepayments and other receivables attributable to an RMB133.9 million increase in our funding paid to our related parties, partially offset by an RMB118.5 million increase in our contract liabilities which related to the upfront payment we received in relation to the provision of design and construction service for Meiyang Industrial Park Project. We had net current assets of approximately RMB23.4 million as at 31 December 2022 as compared to 31 December 2021, primarily attributable to an RMB56.3 million increase in contract assets, an RMB49.3 million decrease in contract liabilities, and an RMB45.1 million increase in prepayments and other receivables, partially offset by an RMB39.4 million increase in trade payables, an RMB13.9 million increase in interest-bearing bank borrowings and an RMB7.6 million increase in tax payable during the year. We had net current liabilities of approximately RMB141.0 million as at 30 April 2023, primarily due to our declaration of dividends of approximately RMB170.0 million in April 2023 to settle the related party balances amongst our Group and our related parties. See “Risk Factors – Risks Relating to Our Business and Industry – We had net current liabilities as at 31 December 2020 and 2021 and as at 30 April 2023” for details.

SUMMARY OF COMBINED STATEMENTS OF CASH FLOWS

The following table sets out our cash flows for the years indicated.

	For the year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Net cash from/(used in) operating activities	54,132	167,966	(4,687)
Net cash used in investing activities	(82,289)	(133,786)	(36,434)
Net cash from/(used in) financing activities	32,467	(20,026)	22,317
Net increase/(decrease) in cash and cash equivalents	4,310	14,154	(18,804)
Cash and cash equivalents at beginning of the year	1,098	5,408	19,562
Cash and cash equivalents at end of the year	5,408	19,562	758

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Cash flows from operating activities

During the Track Record Period, we derived our cash inflows from operating activities of our wastewater treatment business primarily through the receipt of payments from our customers for our design and construction services and operation services. Our primary cash outflows from operating activities related to purchases of raw materials and subcontracting expenses and also employee related expenses. Our cash flows from operating activities can be affected by factors such as the percentage of completion of construction of our wastewater treatment projects and the timing of receipt of trade receivables from our customers and our payments of trade payables to suppliers and subcontractors during our ordinary course of business.

Cash flows used in investing activities

During the Track Record Period, our net cash used in investment activities represented our investment in Anhui Shenyi and Yingshang Shenyi, mainly reflecting the amount of our registered share capital that has been paid up during the respective year. Each of Anhui Shenyi and Yingshang Shenyi was engaged in wastewater and/or water related projects. Our net cash used in investing activities also represented our funding paid to related parties. See “– Related Party Transactions” in this section for details.

Cash flows from/(used in) financing activities

During the Track Record Period, our cash inflows from financing activities represented interest-bearing bank loans and funding received from our related parties. Our net cash outflows used in financing activities represented funding paid to our related parties for their respective business needs.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios as at the dates and for the years indicated. See “Financial Information – Key Financial Ratios” in this document for details.

	As at/for the year ended 31 December		
	2020	2021	2022
Current ratio ⁽¹⁾	0.7	0.8	1.1
Return on total assets ⁽²⁾	15.5%	11.3%	18.5%
Return on equity ⁽³⁾	39.2%	32.4%	47.8%
Gearing ratio ⁽⁴⁾	0.7	0.4	0.3
Net profit margin ⁽⁵⁾	24.4%	28.9%	36.2%

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Notes:

- (1) Current ratio is calculated by dividing total current assets by total current liabilities as at the end of the year.
- (2) Return on total assets is calculated by dividing net profit for the year by the average balances of the total assets for the year.
- (3) Return on equity is calculated by dividing net profit for the year by the average balances of equity for the year.
- (4) Gearing ratio is calculated by dividing total interest-bearing bank borrowings by total equity as at the end of the year.
- (5) Net profit margin is equal to net profit for the year divided by total revenue for the year.

DIVIDENDS

We declared to pay dividends of RMB170.0 million in April 2023 to settle the related party balances amongst our Group and our related parties. We declared and paid an additional RMB12.5 million dividend in June 2023.

In future, declaration and payment of any dividends would require the recommendation of our Board at its sole discretion. In addition, any final dividend for a financial year will be subject to Shareholders’ approval, but no dividend shall be declared in excess of the amount recommended by our Board, the minimum of which is expected to be 30% of the distributable profits for the relevant period taking into consideration the cash required for our business operation and expected investment returns to our Shareholders. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, among others, our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors our Board may deem relevant. We do not have a fixed dividend payout ratio. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future. Dividends may be paid only out of distributable profits, which are retained earnings as determined in accordance with PRC GAAP or HKFRS, whichever is lower, less allocations to the statutory and discretionary surplus reserve funds under the relevant applicable PRC laws. We will not ordinarily pay any dividends in a year for which we do not have any distributable profits.

[REDACTED]

The estimated total [REDACTED], including [REDACTED] commissions, (based on the mid-point of the [REDACTED] range and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately RMB[REDACTED] (HK\$[REDACTED]), which represents approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED]. Such estimated total [REDACTED], including [REDACTED]-related expenses, fees and expenses of our legal advisers and reporting accountant and other fees and expenses, are approximately RMB[REDACTED] (HK\$[REDACTED]). For the year ended 31

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December 2022, our [REDACTED] were approximately RMB[REDACTED]. An estimated amount of approximately RMB[REDACTED] (HK\$[REDACTED]) is expected to be expensed through the statement of profit or loss and the remaining amount of approximately RMB [REDACTED] (HK\$[REDACTED]) is expected to be recognised directly as a deduction from equity upon the [REDACTED].

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Since the end of the Track Record Period and up to the Latest Practicable Date, our Directors have confirmed that the provision of our municipal wastewater treatment projects conducted under concession model remained stable in all material aspects, and each of our Meiyang Industrial Park Project and Jiasheng Industrial Park Project had entered into its operation stage. As at the Latest Practicable Date, Jiasheng Industrial Park hosted more than 60 industrial enterprises and Meiyang Industrial Park hosted two industrial enterprises, respectively. See “Business – Wastewater Treatment Services – EPC/EPC+O Model – Key terms of our operation agreement” in this document for details. During the same period, our purchase costs of electricity, raw material procurement costs and subcontracting expenses remained stable.

In June 2023, we had successfully won a bid to provide design and construction services for an industrial wastewater treatment project to be conducted under EPC+O model for Yeji Ecological and Environmental Protection Textile Manufacturing Base (葉集生態環保紡織集約生產基地), which is a large-scale specialised industrial park in Yeji County, Lu’an City of Anhui Province, with a total contract amount of approximately RMB231.3 million.

On 6 February 2023 and 20 February 2023, Anhui Meiziran entered into an equity transfer agreement and a supplemental agreement to the equity transfer agreement with each of Hefei Dongzong and Jinzhai Congjia, pursuant to which each of Hefei Dongzong and Jinzhai Congjia agreed to transfer, and Anhui Meiziran agreed to acquire 90% and 10% of the registered capital in Anhui Meichen at the consideration of RMB1.8 million and RMB0.2 million, respectively. Such consideration was fully settled by Anhui Meiziran on 26 April 2023 and 25 April 2023, respectively. See “History, Reorganisation and Corporate Structure – Principal Subsidiaries and Branches” in this document for details.

As at the Latest Practicable Date, we had obtained two bank facilities with an aggregate loan amount of approximately RMB200.0 million from two commercial banks in the PRC without any guarantee from our Controlling Shareholders or any of their close associates, and these facilities are unutilised.

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our business development, financial or trading positions or prospects since 31 December 2022, being the date on which our latest audited combined financial statements were prepared, and there is no event since 31 December 2022 which would materially affect the information as set out in the Accountants’ Report in Appendix I to this document.

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COVID-19 AND OUR BUSINESS SUSTAINABILITY

Our wastewater treatment services have not been interrupted by the COVID-19 in any material respect. As at the Latest Practicable Date, we were not aware of any material adverse impacts attributable to COVID-19 on our business operations.

According to Frost & Sullivan, wastewater treatment plants are considered essential infrastructure and therefore have been classified as crucial public service facilities which must remain operational at all times. Therefore, the wastewater treatment industry was not adversely affected by the COVID-19 compared to other industries. Since the promulgation of the Ten New Measures Dealing with COVID-19 (放寬新冠病毒防疫措施“新十條”), restrictions in relation to COVID-19 have been substantially eased in China. Accordingly, we believe there will be no significant additional burdens to our business operations going forward.

STATISTICS OF THE [REDACTED]

	Based on the minimum [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on the maximum [REDACTED] of HK\$[REDACTED] per [REDACTED]
Market capitalisation of the Shares	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited [REDACTED] adjusted combined net tangible assets per Share	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) All statistics in this table are based on the assumption that the [REDACTED] is not exercised.
- (2) The market capitalisation is calculated based on [REDACTED] Shares expected to be in issue immediately following completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised).
- (3) The unaudited [REDACTED] combined adjusted net tangible assets per Share is calculated after making the adjustments referred to in Appendix II to this document and on the basis of a total of [REDACTED] Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised).

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[REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] (equivalent to RMB[REDACTED]) assuming the [REDACTED] is not exercised and an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range set out on the cover page of this document.

Our Directors intend to apply the [REDACTED] from the [REDACTED] for following purposes:

- approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED], or [REDACTED]% of the total estimated [REDACTED], is expected to be used for expanding our industrial wastewater treatment business in large-scale specialised industrial parks;
- approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), or [REDACTED]% of the total estimated [REDACTED], is expected to be used for enhancing our R&D capabilities to strengthen our technological competitiveness;
- approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), or [REDACTED]% of the total estimated [REDACTED], is expected to be used for expanding our project portfolio to cover regional comprehensive water environment treatment service;
- approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED]), or [REDACTED]% of the total estimated [REDACTED], is expected to be used for upgrading our intelligent control system and we plan to integrate artificial intelligence into our control system; and
- approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), or [REDACTED]% of the total estimated [REDACTED], is expected to be used for working capital and other general corporate purpose.

See “Future Plans and [REDACTED]” in this document for details.

KEY RISK FACTORS

We believe that the following are some of the major risks that could have a material adverse effect on our business: (i) we may not be able to secure and execute new wastewater treatment projects; (ii) any failure to maintain existing relationships, or expand new relationships with our customers may materially and adversely affect our business operations and financial results; (iii) we may become unable to maintain our competitiveness which could adversely affect our financial condition, results of operations and prospects; (iv) we cannot

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assure you that our in-house R&D capabilities will continue to improve our efficiency and optimise our wastewater treatment and other environment treatment services; (v) we are subject to risks associated with changes in laws and regulations for wastewater treatment and other environment treatment services that may require new technologies; and (vi) the construction of our wastewater treatment facilities is subject to construction risks.

REGULATORY COMPLIANCE

During the Track Record Period, we incurred certain non-compliance incidents, and we do not consider any of which will materially and adversely affect our business or operations. See “Business – Regulatory Compliance” in this document for more details.