

HISTORY, REORGANISATION AND DEVELOPMENT

BUSINESS DEVELOPMENT

Overview

TYW, established in the PRC in May 2011, our principal operating subsidiary, entered into the Original Concession Agreement with Yinchuan Construction Bureau in September 2011. Under the Original Concession Agreement, we are engaged in the operation and maintenance of the Wastewater Treatment Plants in Yinchuan, Ningxia, the PRC (namely, Yinchuan Wastewater Treatment Plant 1, Yinchuan Wastewater Treatment Plant 2, Yinchuan Wastewater Treatment Plant 3 and Yinchuan Wastewater Treatment Plant 4). As an ancillary business, we also supply recycled water treated by our treatment plants to end-users in Yinchuan which includes but not limited to a power plant and a public institution in Yinchuan in charge of public area landscaping. For details, please refer to the section headed “Business” in this document.

According to the CIC Report, we ranked first in Yinchuan and Ningxia in terms of (i) our total designed wastewater treatment capacity which accounted for approximately 65.3% and 37.5% of the total designed wastewater treatment capacity in Yinchuan and Ningxia, respectively, as of 31 December 2017; and (ii) total wastewater treatment volume which accounted for approximately 78.0% of the total wastewater treatment volume in Yinchuan and approximately 43.4% of the total wastewater treatment volume in Ningxia during the year ended 31 December 2017. As at the Latest Practicable Date, our aggregate daily wastewater treatment capacity had already been increased to 375,000 cubic metres per day, and Plant 2, Plant 3 and Plant 4 had already completed their upgrading of their discharge standard to Class IA. The upgrading of discharge standard to Class 1A for Plant 1 was in the testing and commissioning stage as at the Latest Practicable Date.

Prior to May 2016, TYW was indirectly owned by Taliworks Corporation Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. In May 2016, LGB (HK) (which is wholly-owned by our Controlling Shareholders) acquired 100% of the issued share capital of TIL (which owns 100% equity interest of TYW). For details, please refer to “Corporate Development — Principal subsidiaries — TIL” below.

The following timeline sets out the important milestones of our business development and achievements:

Year	Major Events
2011	TYW entered into the Original Concession Agreement with Yinchuan Construction Bureau in September 2011, pursuant to which a concession right was granted by Yinchuan Construction Bureau to TYW in respect of the operation and management of the Wastewater Treatment Plants in Yinchuan. Pursuant to the TOT Transfer Agreement, the relevant facilities were taken over by TYW in December 2011
2012	Plant 4 was recognised as a National Advanced Group for Sewage Discharge Reduction* (全國減排先進集體)

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Year	Major Events
2013	<p>Plant 2 was recognised as an Advanced Entity for Sewage Discharge Reduction in Yinchuan* (銀川市污染減排工作先進單位) for the year of 2012</p> <p>TYW was recognised as an Excellent Standard Achievement Entity* (先進達標單位) for the year of 2013 in the National Urban Wastewater Treatment Performance and Standard Achievement Contest* (全國城鎮污水處理廠績效達標競賽)</p>
2014	<p>TYW entered into the Framework Agreement with Yingchuan Construction Bureau in May 2014, which supplemented the Original Concession Agreement, pursuant to which we are required to upgrade the discharge standard for each of our Wastewater Treatment Plants to Class IA and expand the capacity for Plant 4 from 100,000 cubic metres per day to 180,000 cubic metres per day</p>
2015	<p>Plant 3 completed its upgrading of the discharge standard to Class IA and increased its designed capacity to 100,000 cubic metres per day</p>
2016	<p>LGB (HK) acquired 100% of the issued share capital of TIL</p>
2017	<p>Plant 2 completed its upgrading of the discharge standard to Class IA and its Phase I expansion to 75,000 cubic metres per day. Plant 4 completed its upgrading of the discharge standard to Class IA. The aggregate capacity of the Wastewater Treatment Plants has reached 375,000 cubic metres per day</p> <p>TYW was recognised as an Advanced Entity that completed upgrading works for wastewater treatment plants* (污水處理廠提標升級改造工作先進單位) for the year of 2017</p>
2018	<p>Based on the feasibility study report approved by the local governmental authorities of Yinchuan, the capacity for Plant 4 shall be further expanded to 200,000 cubic metres per day where the discharge standard for the additional capacity of 100,000 cubic metres shall be Quasi Surface Water Standard Class IV (準四類水標準)</p>

CORPORATE DEVELOPMENT

Our Company

Our Company was incorporated in the Cayman Islands on 17 April 2018 as an exempted company under the Companies Law in anticipation of the [REDACTED]. As at the date of incorporation, our Company has an authorised share capital of HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each. On incorporation, one nil-paid Share was allotted and issued to the initial subscriber who is an Independent Third Party and was subsequently transferred to Sparkle Century, while Sparkle Century was wholly-owned by LGB (HK).

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During the Track Record Period and as at the Latest Practicable Date, the equity interest of LGB (HK) was owned by LGB (Malaysia), Mr. CM Lim and Mr. CS Lim as to 70%, 25% and 5%, respectively. During the Track Record Period and up to the Latest Practicable Date, LGB (Malaysia) was owned by Mr. CM Lim and Mr. CS Lim as to 30.4% and 30.4%, respectively, while the remaining 39.2% equity interest was held by their family members. For further details of LGB (Malaysia), please refer to “Relationship with Controlling Shareholders” in this document.

Upon completion of the Reorganisation, our Company became the holding company of our Group.

White Empire

White Empire was incorporated in BVI as a limited liability company on 12 February 2018 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.0 each. On 9 May 2018, one ordinary share with a par value of US\$1.0, representing the then entire issued share capital of White Empire, was issued and allotted to our Company at par and credited as fully paid. As at the Latest Practicable Date, White Empire was wholly-owned by our Company.

Principal subsidiaries

TIL

TIL was incorporated in Hong Kong with limited liability on 27 September 2002 by two Independent Third Parties (who were the initial subscribers of TIL). Following various allotments of shares and transfer of shares of TIL in January 2003, Taliworks Corporation Berhad (by itself and through its subsidiary) owned the entire issued share capital of 100 shares of TIL. During the Track Record Period and up to the Latest Practicable Date, the principal activity of TIL was investment holding (including TYW and other subsidiaries).

Taliworks Corporation Berhad is a public company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad (Malaysian Stock Code: 8524) with a market capitalisation of approximately RM1.0 billion (equivalent to approximately HK\$2.0 billion) as at 30 April 2018. During the Track Record Period, Mr. CM Lim and Mr. CS Lim (through various companies direct and indirect intermediate holding companies) controlled collectively over 50.0% of the issued share capital of Taliworks Corporation Berhad in aggregate.

As disclosed in the announcement published by Taliworks Corporation Berhad dated 25 February 2016, notwithstanding that the management of Taliworks Corporation Berhad recognised that the long-term prospects of the disposed companies (including TIL and other companies as discussed below) remain viable, the disposed business was no longer consistent with the Taliworks Corporation Berhad’s then new business strategy to focus on mature operational cash generating utilities/infrastructure businesses to support its dividend policy. At the same time, our Controlling Shareholders had a positive longer term view of the prospect of the wastewater treatment business in the PRC. On 25 February 2016, Taliworks Corporation Berhad (as seller) and LGB (HK) (as purchaser) entered into a share sale agreement (as supplemented) under which (i) the entire issued share capital of TIL, (ii) 80% of the entire issued share capital of TSL; and (iii) 100% equity interest in SWMT, were transferred by Taliworks Corporation Berhad to LGB (HK) for an aggregate cash consideration of US\$54,600,000 (then

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equivalent to approximately RM230 million). The transactions were approved by non-interested shareholders of Taliworks Corporation Berhad in an extraordinary general meeting. The transfer of 100 shares of TIL (being its entire issued share capital) was completed on 17 May 2016 and the consideration was fully settled by May 2016.

As disclosed in the announcement published by Taliworks Corporation Berhad dated 25 February 2016, the consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration: (i) the range of indicative value of between RMB350 million (then equivalent to approximately RM225.6 million) and RMB415 million (then equivalent to approximately RM267.5 million) attributed to Taliworks Corporation Berhad’s entire investment in the disposed companies (including equity interests and outstanding shareholders loan and advances) as appraised by an independent valuer; and (ii) the rationale for the disposals in view of Taliworks Corporation Berhad’s then new business strategies.

TIL remained as a direct wholly-owned subsidiary of LGB (HK) until immediately before the Reorganisation. Please refer to “Reorganisation” below for details of the Reorganisation and the shareholding structure of our Group.

TYW

TYW, our principal operating subsidiary, was established as a wholly-foreign owned enterprise under the PRC laws on 6 May 2011 with a registered capital of US\$48,000,000 and directly wholly-owned by TIL. During the Track Record Period and up to the Latest Practicable Date, TYW was our principal operating subsidiary engaged in operation and maintenance of the Wastewater Treatment Plants in Yinchuan pursuant to the Concession Agreement.

On 18 June 2014, 5 August 2016 and 24 July 2017, TYW increased its registered share capital to US\$56,070,000, US\$64,820,000 and US\$75,880,000, respectively. Since its establishment and up to the Latest Practicable Date, TYW was a wholly-owned subsidiary of TIL.

TEL

TEL was incorporated in Hong Kong with limited liability on 16 December 2008 with one share issued to TIL. During the Track Record Period and up to the Latest Practicable Date, TEL had no business operation. TEL has been a wholly-owned subsidiary of TIL since its incorporation.

TSH

TSH was established as a limited liability company under the PRC laws on 24 July 2005 with a registered capital of US\$125,000, which was wholly-owned by TIL. It was engaged in trading in equipment for environment protection and water environment equipment and provision of related services at the time of establishment and ceased business operation since 2011. During the Track Record Period and up to the Latest Practicable Date, TSH had no business operation and was dormant.

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TSET

TSET was established as a limited liability company under the PRC laws on 5 November 2008 with a registered capital of US\$1,500,000, which was wholly-owned by TIL. As at the Latest Practicable Date, TSET provided administration function to our Group in the PRC.

TIBI

TIBI was incorporated in Hong Kong with limited liability on 4 June 2007. At the material time, TIBI had an issued share capital of 200,000 shares, owned as to 70% by TIL (140,000 shares) and 30% by an Independent Third Party (60,000 shares), respectively. TIBI was a project company which was intended to engage in research and development of enzyme, bacteria and related products required for wastewater and related sludge treatment in the PRC through TIBI and its subsidiaries. The project ceased as it was not profit making. The subsidiaries of TIBI were dissolved in 2011 and 2012. TIBI had no operation and business during the Track Record Period and was in the process of liquidation as at the Latest Practicable Date.

EXCLUDED BUSINESSES AND DISPOSED AND DISSOLVED ENTITIES

During the Track Record Period, LGB (HK) (through TIL or its other subsidiaries) was engaged in other businesses, including (i) other wastewater treatment business in the PRC engaged by PGW and NEW (whose business was halted); and (ii) provision of municipal solid waste transfer services in the PRC engaged by TSEL.

During the Track Record Period and up to the Latest Practicable Date, PGW and TSEL were retained as businesses owned by LGB (HK). They were not subsidiaries of TIL and were not included into our Group in the process of the Reorganisation. TSEL is principally engaged in household waste transfer business in Tianjin, the PRC. Pursuant to the relevant operation agreement with the local authorities, TSEL is responsible for operating and maintaining a municipal solid waste transfer station and transportation of the waste to the designated municipal landfills. There is a clear delineation between the business nature of our Group (i.e. wastewater treatment) and the business nature of TSEL, hence, it is not included in our Group.

On 11 April 2018, 70% equity interest held by TIL in TECO (which owned the 100% equity interest of NEW) was disposed to LGB (HK), after which it ceased to be a subsidiary of TIL and was not included into our Group. For further details regarding the disposal, please refer to “Reorganisation” below.

For further details regarding the excluded businesses of NEW and PGW and the reasons why they were not included in our Group, please refer to “Relationship with Controlling Shareholders — Excluded Businesses” in this document.

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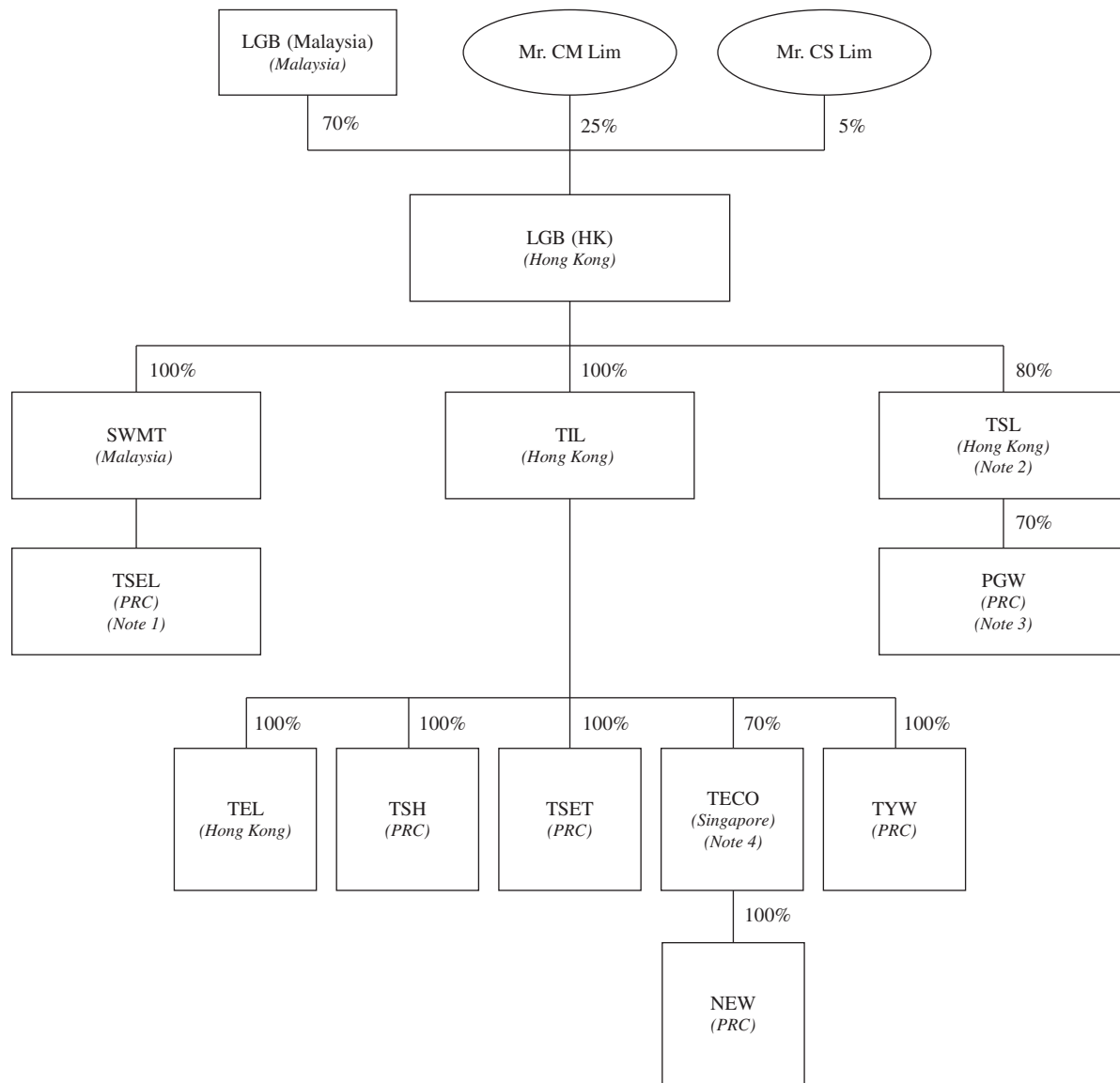
Tilgea Consortium

Tilgea Consortium was incorporated as a limited company in Malaysia on 4 June 2010, with an authorised share capital of RM1,000,000. At the time of incorporation, Tilgea Consortium had an issued share capital of RM10 divided into 10 ordinary shares of RM1.0 each, which was owned by TIL and an Independent Third Party as to 70% and 30%, respectively. The parties’ intention of incorporation of Tilgea Consortium was to participate in tenders and engineering construction projects in Vietnam.

Tilgea Consortium became dormant in 2015, and applied for striking off in July 2017. The striking off and deregistration was completed on 21 February 2018.

REORGANISATION

Set out below is the shareholding structure of our Group immediately prior to the Reorganisation:



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Notes:

1. TSEL is a sino-foreign cooperative joint venture in which SWMT has contributed 100% of its capital investment, and the joint venture partner is an Independent Third Party. According to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Venture Enterprises (《中華人民共和國中外合作經營企業法》), the Implementation Regulations for the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Venture Enterprises (《中華人民共和國中外合作經營企業法實施細則》) and TSEL’s articles of association, TSEL’s board of directors is the authority which is empowered to make decisions on its major issues. SWMT may appoint three directors while the joint venture partner may appoint one director. In addition, according to the articles of association of TSEL, the joint venture partner receives a fixed amount of distributable profits each year as prescribed in the articles of association, while SWMT receives the remaining distributable profits each year and assumes full responsibility for the risks and losses of TSEL. TSEL was principally engaged in household waste transfer business in Tianjin, the PRC. Pursuant to the relevant operation agreement with local authorities, TSEL is responsible for operating a municipal solid waste transfer station and transportation of the waste to designated municipal landfills.
2. TSL is owned as to 80% and 20% by LGB (HK) and Ambleton Limited (which is owned as to 50% and 50% by Mr. Wong Kok Sun (our executive Director and chief executive officer) and an Independent Third Party), respectively.
3. PGW is owned as to 70% and 30% by TSL and an Independent Third Party, respectively.
4. Prior to the disposal as disclosed in the sub-section headed “Excluded Businesses and Disposed and Dissolved Entities” above, TECO was owned as to 70% and 30% by TIL and an Independent Third Party, respectively.
5. In addition to the above, TIBI is owned as to 70% and 30% by TIL and an Independent Third Party, respectively, and is in the process of liquidation. Tilgea Consortium was owned as to 70% and 30% by TIL and an Independent Third Party, respectively, before completion of its striking off and deregistration in February 2018. Both of TIBI and Tilgea Consortium had no operation and business during the Track Record Period.

In anticipation of our [REDACTED], we underwent the Reorganisation pursuant to which our Company became the holding company and [REDACTED] of our Group.

Incorporation of our Company and BVI intermediate holding company

Sparkle Century was incorporated in BVI as a limited liability company on 6 February 2018 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each and one share was issued and allotted, credited as fully paid, to LGB (HK).

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 April 2018. As at the date of incorporation, our Company has an authorised share capital of HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each. At the time of incorporation, one nil paid Share was issued and allotted to an initial subscriber and was subsequently transferred to Sparkle Century, while Sparkle Century was wholly-owned by LGB (HK).

White Empire was incorporated in BVI as a limited liability company on 12 February 2018 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.0 each. On 9 May 2018, one ordinary share with a par value of US\$1.0 of White Empire, representing the then entire issued share capital of White Empire, was issued and allotted to our Company at par and credited as fully paid.

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Disposal of 70% equity interest in TECO

On 11 April 2018, TIL (as vendor) and LGB (HK) (as purchaser) entered into a sale and purchase agreement pursuant to which, TIL agreed to sell and LGB (HK) agreed to purchase 70% equity interest held by TIL in TECO. As consideration, LGB (HK) agreed to (i) pay TIL SG\$1 as cash consideration (which was determined by the parties with reference to the net loss position of TECO); and (ii) assume absolutely and unconditionally all liabilities of TECO owed to TIL by entering into a deed of novation on the same day with TIL and TECO.

The above-mentioned transactions were properly and legally completed and settled on 11 April 2018, following which TECO (and NEW) ceased to be a subsidiary of TIL.

Acquisition of TIL

On 10 May 2018, (a) White Empire (as purchaser), (b) LGB (HK) (as vendor), (c) our Company, (d) Sparkle Century, and (e) TIL entered into a sale and purchase agreement, pursuant to which, LGB (HK) agreed to transfer the entire issued share capital of TIL to White Empire. In consideration for such transaction, as directed by LGB (HK) and procured by White Empire, (i) White Empire agreed to issue and allot one ordinary share, credited as fully paid, to our Company; (ii) our Company agreed to credit one nil-paid Share held by Sparkle Century as fully paid; (iii) our Company agreed to issue and allot 9,999 Shares, all credited as fully paid, to Sparkle Century; (iv) Sparkle Century agreed to issue and allot one ordinary share, credited as fully paid, to LGB (HK); and (v) our Company agreed to assume the debt owed by TIL to LGB (HK) prior to the transaction.

On the same day, TIL, our Company and LGB (HK) entered into a deed of novation for assumption of the aforesaid debt of TIL, following which the aforesaid debt became due from our Company to LGB (HK).

The above-mentioned transactions were properly and legally completed and settled on 10 May 2018, following which TIL became wholly-owned by White Empire.

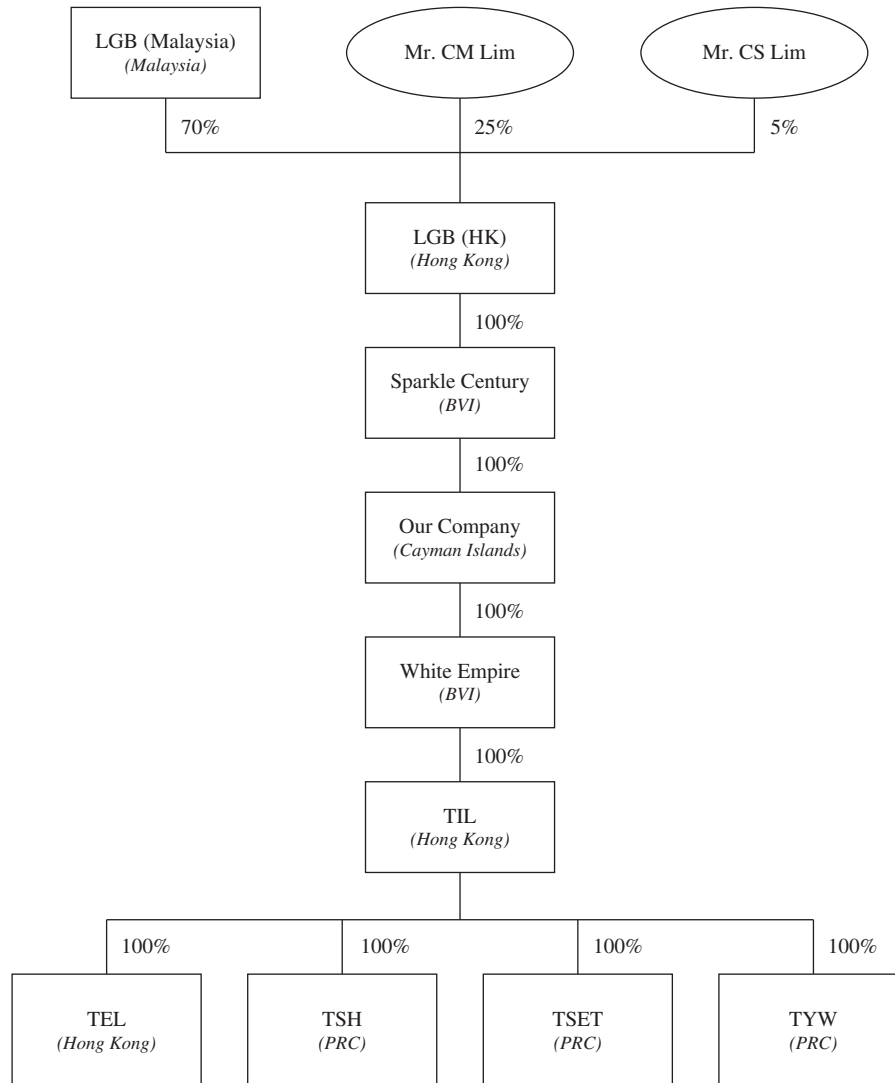
Capitalisation of shareholders' loan

On 28 September 2018, LGB (HK), Sparkle Century and our Company entered into a deed of assignment pursuant to which LGB (HK) assigned the loan due from our Company to LGB (HK) (“**LGB HK Shareholder Loan**”) to Sparkle Century, in consideration of Sparkle Century undertaking to repay a sum with the same amount and under the same terms as the above LGB HK Shareholder Loan to LGB (HK). After execution of the above loan assignment, our Company was indebted to Sparkle Century for the sum of approximately HK\$591.0 million, while Sparkle Century was indebted to LGB (HK) for the sum of approximately HK\$591.0 million.

On the same day, Sparkle Century capitalised the above shareholder's loan owed by our Company to it, in consideration of our Company issuing and allotment 90,000 new Shares to Sparkle Century. After the above capitalisation, our Company remained to be wholly-owned by Sparkle Century.

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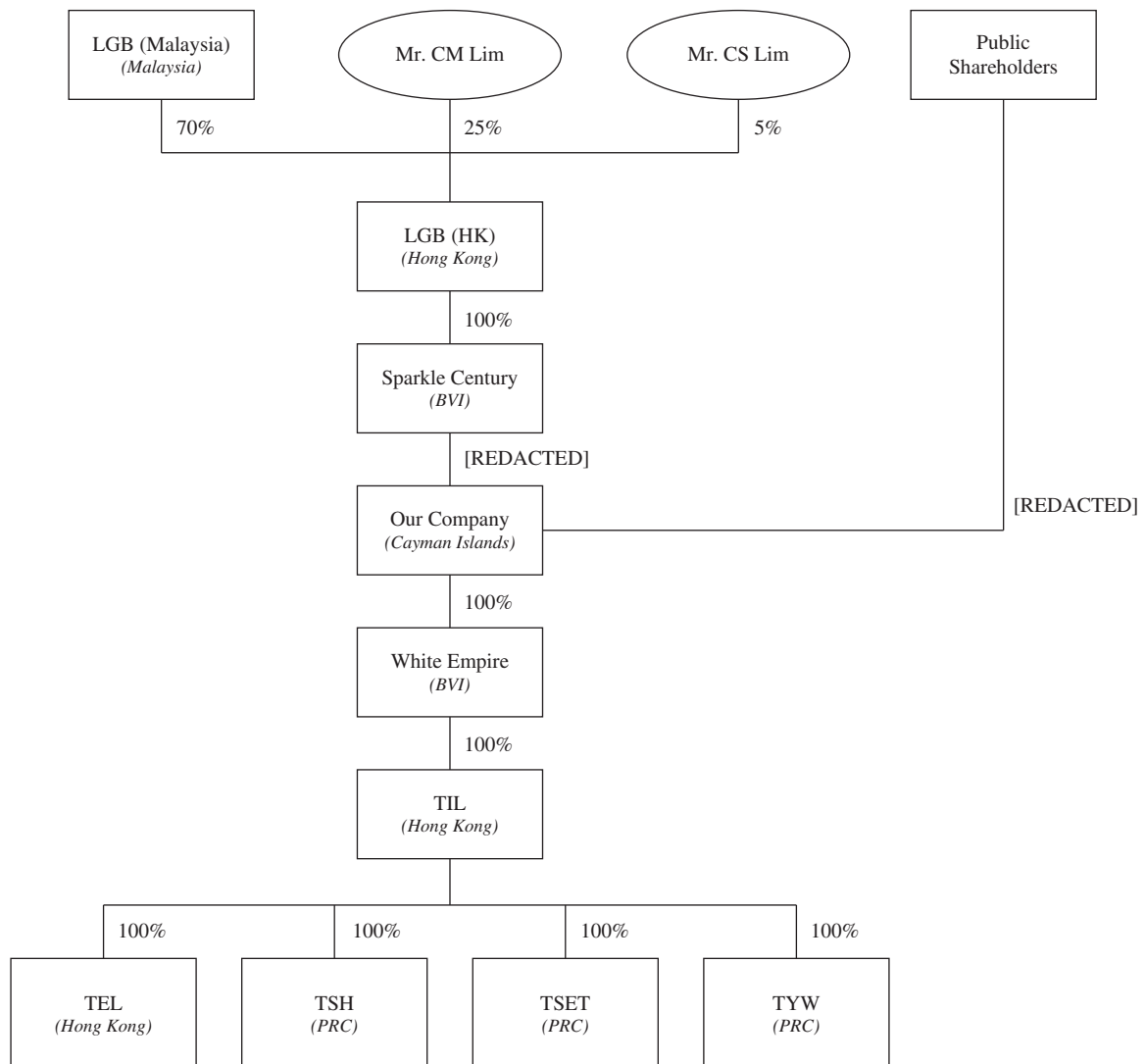
Set out below is the shareholding structure of our Group immediately following completion of the Reorganisation but before the completion of the [REDACTED] and [REDACTED]:



Note: In addition to the above, as at the Latest Practicable Date, TIBI is a direct non-wholly-owned subsidiary of TIL and is in the process of liquidation. It had no operation and business during the Track Record Period.

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Set out below is the shareholding structure of our Group immediately after the completion of the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme):



Note: In addition to the above, as at the Latest Practicable Date, TIBI is a direct non-wholly-owned subsidiary of TIL and is in the process of liquidation. It had no operation and business during the Track Record Period.

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PRC REGULATORY ISSUES RELATING TO THE REORGANISATION AND THE [REDACTED]

Registration Process Under the Circular 37

According to Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “**Circular 37**”) promulgated on 4 July 2014 by the SAFE, domestic resident natural persons or domestic resident legal persons are required to register with the competent local branch of the SAFE before they establish or control any offshore special purpose vehicles for the purpose of investment and financing with the assets or equity interests of PRC domestic companies or the overseas assets or equity owned by them. Pursuant to the Circular 37, the domestic resident natural persons include those individuals who hold PRC citizenship and those individuals who are not PRC nationals but reside habitually in the PRC for the purpose of economic interests. Considering that none of the existing actual controlling shareholders are domestic resident natural persons as defined under the Circular 37. Our PRC Legal Adviser is of the opinion that our Controlling Shareholders are not subject to the registration process under the Circular 37.

Provisions on Merger and Acquisition of Domestic Enterprise by Foreign Investors in the PRC

Pursuant to the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “**M&A Rules**”) promulgated by six PRC regulatory agencies in August 2006, and amended on 22 June 2009 by MOFCOM, where a company, enterprise, or natural person in the PRC acquires an affiliated company in the PRC in the name of its lawfully established or controlled overseas company, examination and approval procedures must be processed through MOFCOM. Further, overseas [REDACTED] of a special purpose vehicle, which is directly or indirectly controlled by a domestic company or natural person for the purpose of overseas [REDACTED] of the interests in a domestic company actually held by such domestic company or natural person, shall be subject to approval of China Securities Regulatory Commission* (中國證券監督管理委員會). Considering the existing Shareholders are not PRC residents, our PRC Legal Adviser is of the opinion that the above approval procedures of M&A rules do not apply to the [REDACTED].