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**中國水業集團有限公司\***  
**CHINA WATER INDUSTRY GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1129)**

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

**Financial Adviser to the Company**



**PROPOSED RIGHTS ISSUE**

The Company proposed to implement the Rights Issue, on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date at the Subscription Price of HK\$0.175 per Rights Share, to raise up to approximately HK\$167.6 million (before deducting professional fees and other related expenses) by issuing up to 957,869,883 Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date).

The estimated net proceeds from the Rights Issue, if fully subscribed, will be up to approximately HK\$165.8 million (assuming no changes in share capital of the Company on or before the Record Date). The Company intends to use the net proceeds from the Rights Issue for the repayment of loans and borrowings and for the general working capital.

\* For identification purposes only

## **LISTING RULES IMPLICATIONS**

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

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

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022 (both dates inclusive) for the purpose of determining the Shareholders' entitlements to the Rights Issue. No transfer of Shares will be registered during the above book closure period.

## **GENERAL**

Subject to the fulfillment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders on Wednesday, 29 June 2022. The Company will despatch the Prospectus and a letter to the Excluded Shareholders for their information only, but the Company will not send the PALs and EAFs to the Excluded Shareholders.

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

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

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

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

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

## PROPOSED RIGHTS ISSUE

The Board proposed to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date. Set out below are the details of the Rights Issue statistics.

### Issue Statistics

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

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

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

### **The Subscription Price**

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

The Subscription Price represents:

- (i) a discount of approximately 31.37% to the closing price of HK\$0.255 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 30.00% to the average closing price of HK\$0.250 per Share as quoted on the Stock Exchange on the Last Trading Day for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 30.56% to the average closing price of HK\$0.252 per Share as quoted on the Stock Exchange on the Last Trading Day for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 23.25% to the theoretical ex-rights price of approximately HK\$0.228 per Share based on the closing price of HK\$0.255 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 10.46%, represented by the theoretical diluted price of approximately HK\$0.224 per Share to the benchmarked price of approximately HK\$0.255 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price of the Last Trading Day of HK\$0.255 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days prior to the Last Trading Day of approximately HK\$0.249 per Share); and

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

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

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

### **Conditions of the Rights Issue**

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

- (i) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Posting Date;
- (ii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on the Posting Date; and
- (iii) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Shares as well as the Rights Shares in nil-paid and fully-paid forms by no later than the Business Day prior to the first day of their dealings.

All conditions set out above cannot be waived. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein, the Rights Issue will not proceed.

## **Status of the Rights Shares**

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

## **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Excluded Shareholder. In order to be registered as members of the Company on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or the instrument(s) of transfer) must be lodged with the Registrar, Union Registrars Limited, at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than 4:00 p.m. (Hong Kong time) on Monday, 20 June 2022.

It is expected that the last day of dealings in the Shares on a cum-rights basis is Thursday, 16 June 2022, and the Shares will be dealt with on an ex-rights basis since Friday, 17 June 2022.

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

## **Closure of register of members**

The register of members of the Company will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of the Shares will be registered during the above book closure periods.

## **Basis of provisional allotments**

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

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the full amount payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. Any holding (or balance of holdings) of less than two (2) Shares will

not entitle the holders to be provisionally allotted a Rights Share. Please refer to the arrangement as set out in the paragraph headed “Fractional entitlements to the Rights Shares” below.

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

### **Rights of the Overseas Shareholders (if any)**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

In compliance with the necessary requirements of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) (if any). If the Directors consider that it is necessary or expedient to exclude any Shareholder from the Rights Issue on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be extended to such Overseas Shareholder(s). The basis for excluding the Excluded Shareholders(s), if any, from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus and a letter (without the PAL and the EAF) to the Excluded Shareholders for their information only.

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

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries made by the Company pursuant to the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

### **Application for the excess Rights Shares**

Under the Rights Issue, Qualifying Shareholders are entitled to apply for, by way of excess application:

- (i) any unsold entitlements to the Rights Shares of the Excluded Shareholder(s) (if any);
- (ii) any unsold Rights Shares created by aggregating fractions of the Rights Shares; and

(iii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by renounees or transferees of nil-paid Rights Shares.

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

Application for excess Rights Shares can be made by the Qualifying Shareholders only and by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the full amount payable for the excess Rights Shares being applied for with the Registrar no later than 4:00 p.m. on Thursday, 14 July 2022.

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

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

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

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

Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually save and except for the beneficial owner(s) which the Company may permit in its absolute discretion. Shareholders with their Shares held by a nominee company (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares under their own names on or prior to the Record Date for the purpose of the Rights Issue. Shareholders who would like to have their names registered on the register of members of the Company on the Record Date, must lodge all

necessary documents with the Registrar for registration by no later than 4:00 p.m. on Monday, 20 June 2022. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

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

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

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Thursday, 21 July 2022, by ordinary post to the applicants, at their own risk, to their registered addresses.

### **Fractional entitlements to the Rights Shares**

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

### **The Irrevocable Undertaking**

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

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

### **Non-underwritten basis**

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and the level of subscription of the excess Rights Shares. Saved for the amount to be raised for such Rights Shares undertaken to be subscribed by Step Wide under the Irrevocable Undertaking, there is no minimum amount to be raised under the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any

Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the PAL or for excess Rights Shares under the EAF can be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules.

### **Application for listing of the Rights Shares**

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

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

### **Rights Shares will be eligible for admission into CCASS**

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

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

### **Stamp duty and other applicable fees**

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

### **Taxation**

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

## CHANGES IN SHAREHOLDING STRUCTURE

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

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

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

### Notes:

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

## **REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE**

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

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

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

## **USE OF PROCEEDS**

The estimated net proceeds of the Rights Issue will be ranged from approximately HK\$22.4 million to approximately HK\$165.8 million, of which (i) approximately 80% of the net proceeds is intended to be utilised for the partial repayment of the Group's loans and borrowings; and (ii) approximately 20% of the net proceeds is intended to be used for general working capital.

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

## FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

Set out below is the fundraising activities conducted by the Company during the past twelve months immediately prior to the date of this announcement:

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

Save as the abovementioned, the Company had not conducted any other fundraising exercise in the past twelve months immediately preceding the date of this announcement.

## EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

<b>Event</b>	<b>Date</b>
Last day of dealings in Shares on a cum-rights basis .....	Thursday, 16 June 2022
First day of dealings in Shares on an ex-rights basis.....	Friday, 17 June 2022
Latest time for lodging transfer of Shares to qualify for the Rights Issue.....	4:00 p.m on Monday, 20 June 2022
Closure of the register of members for determination of the Shareholders' entitlements to the Rights Issue (both days inclusive) .....	Tuesday, 21 June 2022 to Friday, 24 June 2022
Record Date .....	Friday, 24 June 2022
Register of member re-opens .....	Monday, 27 June 2022
Despatch of the Prospectus Documents.....	Wednesday, 29 June 2022

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

All times and dates in this announcement refer to Hong Kong local times and dates.

Dates or deadlines specified in the expected timetable above or in other parts of this announcement are indicative only and may be extended, amended or varied by the Company. Any change to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

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

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

- (i) in force in Hong Kong at any local time before 12: 00 noon and no longer in force after 12:00 noon on Thursday, 14 July 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 14 July 2022. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

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

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022 (both dates inclusive) for determining the Shareholders' entitlements to the Rights Issue. No transfer of Shares will be registered during the above book closure period.

## **LISTING RULES IMPLICATIONS**

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

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

## **GENERAL**

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

## **WARNING OF THE RISKS OF DEALING IN THE SHARES AND RIGHTS SHARES**

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

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

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

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

## DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	any weekday(s) (other than a Saturday or a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks are generally open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	China Water Industry Group Limited, a company incorporated in Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1129)
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for the excess Rights Shares
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body(ies) or stock exchange in that place(s)
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Irrevocable Undertaking”	the irrevocable undertaking granted by Step Wide in favour of the Company, the terms of which are set out in the paragraph headed “Irrevocable Undertaking” in this announcement
“Last Trading Day”	13 June 2022, being the last trading day of the Shares on the Stock Exchange prior to the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 14 July 2022, being the latest time for acceptance and payment of the Rights Shares, or such other date as the Company may determine
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nil-Paid Rights”	rights to subscribe for Rights Shares (in the form of Rights Shares in nil-paid form) before the Subscription Price is paid
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) as shown on the register of members of the Company on the Record Date is/are in a place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) for the Rights Issue
“Posting Date”	Wednesday, 29 June 2022 or such other date as the Company may determine in writing for the despatch of the Prospectus Documents
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Qualifying Shareholders”	Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear on the register of members of the Company as at the close of business on the Record Date
“Record Date”	Friday, 24 June 2022 or such other date as the Company may determine, being the date by reference to which entitlements to the Rights Issue will be determined
“Registrar”	Union Registrars Limited, the Company’s branch share registrar and transfer office in Hong Kong
“Rights Issue”	the proposed issue by way of rights on the basis of one (1) Rights Share for every two (2) existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price

“Rights Share(s)”	the new Share(s) proposed to be allotted and issued by the Company pursuant to the Rights Issue
“Share(s)”	ordinary share(s) of HK\$0.01 each in share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Step Wide”	Step Wide Investment Limited, a company incorporated in British Virgin Islands with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price, being HK\$0.175 per Rights Share
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong (as amended and supplemented from time to time)
“%”	per cent

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

Hong Kong, 13 June 2022

*As at the date of this announcement, the Board comprises Mr. Zhu Yongjun (Chairman), Ms. Chu Yin Yin Georgiana, Ms. Deng Xiao Ting and Mr. Hu Siyun, all being executive Directors and Mr. Wong Siu Keung, Joe, Mr. Lam Cheung Shing, Richard and Ms. Qiu Na, all being independent non-executive Directors.*