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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) TERMINATION OF THE PREVIOUS RIGHTS ISSUE;
(II) PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE RIGHTS SHARE FOR EVERY ONE CONSOLIDATED SHARE
HELD ON THE RECORD DATE; AND
(III) CONNECTED TRANSACTION IN RELATION TO THE PLACING
AGREEMENT UNDER THE COMPENSATORY ARRANGEMENTS**

Financial Adviser to the Company



**Independent Financial Adviser to
the Independent Board Committee and Independent Shareholders**



INCU Corporate Finance Limited

TERMINATION OF THE PREVIOUS RIGHTS ISSUE

The Board would like to announce that in view of weak capital market sentiment and the recent significant drop in the closing market price of the Shares, the Company would like to terminate the Previous Rights Issue and the Previous Placing, and initiate a new proposal on the Rights Issue and the Placing.

The proposed Share Consolidation and the Change in Board Lot Size as announced by the Company on 4 October 2024 remain unchanged.

* For identification purposes only

PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds of up to approximately HK\$93.68 million (assuming full subscription under the Rights Issue) by issuing up to 287,360,964 Rights Shares at the Subscription Price of HK\$0.326 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date) on the basis of one (1) Rights Share for every one (1) Consolidated Share held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholder(s) (if any).

The maximum net proceeds from the Rights Issue, after deducting all relevant expenses, are estimated to be approximately HK\$90.10 million (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The net price per Rights Share after deducting the relating expenses of the Rights Issue will be approximately HK\$0.3135. The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately 75% (or approximately HK\$68.00 million) for repayment of debts; (ii) approximately 17% (or approximately HK\$15.00 million) for the investment in biomass gas project; and (iii) approximately 8% (or approximately HK\$7.10 million) for general working capital of the Group.

THE COMPENSATORY ARRANGEMENTS AND THE PLACING AGREEMENT

There will be no excess application arrangements in relation to the Rights Issue and the Rights Issue is not underwritten. Any Unsubscribed Rights Shares and ES Unsold Rights Shares will be placed to independent places on a best effort basis under the Compensatory Arrangements. Any of the Rights Shares which remain unsold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any Shareholder who applies to take up 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 Rights Issue will be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules.

The Rights Issue is only available to Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and be a Qualifying Shareholder. In order to be registered as a member of the Company on the Record Date, all transfers of the Consolidated Shares (together with the relevant share certificate(s)) must be lodged with the Registrar for registration by no later than 4:00 p.m. (Hong Kong time) on Friday, 13 December 2024.

The last day of dealing in the Consolidated Shares on a cum-rights basis is Wednesday, 11 December 2024. The Consolidated Shares will be dealt with on an ex-rights basis from Thursday, 12 December 2024.

According to Rule 7.21(1)(b) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares and ES Unsold Rights Shares by offering the Unsubscribed Rights Shares and ES Unsold Rights Shares to independent placees, who and whose ultimate beneficial owners(s) shall be Independent Third Party(ies), for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. Accordingly, on 6 November 2024 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares to independent placees on a best effort basis. For details of the Placing Agreement and the Compensatory Arrangements, please refer to the section headed “Procedures in respect of the Unsubscribed Rights Shares and ES Unsold Rights Shares and the Compensatory Arrangements” in this announcement.

LISTING RULES IMPLICATIONS

Given that the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 7.19A and 7.27A of the Listing Rules, the Rights Issue is subject to the approval of the Independent Shareholders by way of poll at the EGM at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the date of this announcement, there are no controlling shareholders and the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue at the EGM. As at the date of this announcement, Ms. Chu Yin Yin Georgiana, an executive Director holds 1,112,000 Existing Shares, representing approximately 0.04% of the issued share capital of the Company.

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

As at the date of this announcement, the ultimate beneficial owner of the Placing Agent, holding 24.63% of the total issued Shares of the Company, is a substantial shareholder and therefore a connected person of the Company under the Listing Rules. The Placing Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. However, as all the percentage ratios (as defined in the Listing Rules) (other than the profit ratio) of the Placing Agreement are less than 5% and the total consideration is less than HK\$3,000,000, the Placing Agreement and the transactions contemplated thereunder fall below the de minimus threshold as stipulated under Rule 14A.76(1) of the Listing Rules, and therefore are fully exempt from reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Placing Agreement and the transaction contemplated thereunder and therefore no Director is required to abstain from voting on the Board resolution(s) of the Company to approve the Placing Agreement and the transactions contemplated thereunder.

GENERAL

The EGM will be convened for the Shareholders and the Independent Shareholders (as the case may be) to consider and, if thought fit, approve the Share Consolidation, the Rights Issue and the respective transactions contemplated thereunder. A circular containing, among other things, details of (i) the Share Consolidation, the Change in Board Lot Size, the Rights Issue and the Placing Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM is expected to be despatched to the Shareholders on or before Friday, 15 November 2024.

In order to be registered as a member of the Company on the record date for attendance and voting at the EGM, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar for registration by no later than 4:00 p.m. (Hong Kong time) on Monday, 2 December 2024.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wong Siu Keung, Joe, Mr. Lam Cheung Shing, Richard and Mr. Mak Ka Wing, Patrick has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendations of the Independent Financial Adviser.

INCU Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, in particular, as to whether the terms of the Rights Issue are fair and reasonable. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

The Company will make available the Prospectus Documents containing, among other things, details of the Rights Issue, including information on acceptances of the Rights Shares and other information of the Group, and PAL(s) to the Qualifying Shareholders on or before Monday, 23 December 2024. The Company may, to the extent reasonably practicable and legally permitted and subject to the results of the enquiries made by the Company from such legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, make available the Prospectus to the Excluded Shareholders (if any) for their information only, but the Company will not send the PAL to the Excluded Shareholders (if any).

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

The Shares are expected to be dealt in on an ex-rights basis from Thursday, 12 December 2024. Dealings in the Rights Shares in nil-paid form in the new board lot size of 4,000 Rights Shares are expected to take place from Friday, 27 December 2024 to Tuesday, 7 January 2025 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Please refer to the section headed “Conditions of the Rights Issue” in this announcement below.

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

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

TERMINATION OF THE PREVIOUS RIGHTS ISSUE

References are made to the Announcements in relation to, among other things, the Share Consolidation, the Change in Board Lot, the Previous Rights Issue and the Previous Placing.

The Board would like to announce that in view of weak capital market sentiment and the recent significant drop in the closing market price of the Shares, the Company would like to terminate the Previous Rights Issue. Accordingly, the Company and the Placing Agent mutually agreed to terminate the Previous Placing Agreement in its entirety with immediate effect from the date of this announcement (the “**Termination**”) and the Previous Placing Agreement is of no further force or effect. Upon the Termination, each of the Company and the Placing Agent shall, among other things, cease to be bound by or have the benefit of the terms and conditions of the Previous Placing Agreement and unconditionally and irrevocably release and discharge the other party from any and all present, past and future obligations owed to it directly or indirectly arising from or in connection with the Previous Placing Agreement (but without prejudice to the rights of any party in respect of antecedent breach). The Previous Rights Issue will therefore not proceed and will lapse.

The proposed Share Consolidation and the Change in Board Lot Size as announced by the Company on 4 October 2024 remain unchanged. Details of the proposed Share Consolidation and the Change in Board Lot Size are set out in the announcement of the Company dated 4 October 2024.

PROPOSED RIGHTS ISSUE

The Company proposes subject to, among other things, the Share Consolidation and the Change in Board Lot Size becoming effective, to raise gross proceeds of up to approximately HK\$93.68 million (assuming full subscription under the Rights Issue) by way of a rights issue of up to 287,360,964 Rights Shares at the Subscription Price of HK\$0.326 per Rights Share on the basis of one (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date. Details of the Rights Issue are set out below:

Rights Issue statistics

Basis of the Rights Issue	:	one (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.326 per Rights Share
Number of Existing Shares in issue as at the date of this announcement	:	2,873,609,649 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation having become effective	:	287,360,964 Consolidated Shares
Number of Rights Shares	:	up to 287,360,964 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date)
Aggregated nominal value of the Rights Shares	:	up to HK\$28,736,096 (assuming no change in the number of Consolidated Shares in issue on or before the Record Date)
Number of Consolidated Shares in issue as enlarged by the allotment and issue of the Rights Shares	:	574,721,928 Consolidated Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Gross proceeds from the Rights Issue	:	Approximately HK\$93.68 million before expenses (assuming full subscription under the Rights Issue and assuming no change in the number of Consolidated Shares in issue on or before the Record Date)
Net proceeds from the Rights Issue	:	Approximately HK\$90.10 million after expenses (assuming full subscription under the Rights Issue and assuming no change in the number of Consolidated Shares in issue on or before the Record Date)

- Net price (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) : approximately HK\$0.3135 per Rights Share
- Rights of excess application and underwriter : There will be no excess application arrangements in relation to the Rights Issue and the Rights Issue is not underwritten.
- Compensatory Arrangements : Any Unsubscribed Rights Shares and ES Unsold Rights Shares will be placed to independent places on a best effort basis under the Compensatory Arrangements.

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

As at the date of this announcement, the Group has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible into or giving rights to subscribe for, convert or exchange into any Existing Shares or Consolidated Shares, as the case may be.

Assuming no change in the number of issued Shares on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 287,360,964 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represent (i) 100% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) 50% of the issued share capital of the Company after completion of the Share Consolidation and as enlarged by the allotment and issue of the Rights Shares.

The Company had approached Kingston Securities Limited (i.e. the Placing Agent) to underwrite the Rights Issue. However, it agreed only to take up the role of Placing Agent to place down the Unsubscribed Rights Shares and ES Unsold Rights Shares, if any, on a best effort basis. In addition, the Company had also approached two other local securities houses but was informed that they had no interest in underwriting the Rights Issue notwithstanding the theoretical dilution effect being close to the maximum of 25% given that the Group is still loss making and has a high gearing ratio.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully-subscribed, any Unsubscribed Rights Shares and ES Unsold Rights Shares will be placed to independent places on a best effort basis by the Placing Agent under the Compensatory Arrangements. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any Shareholder who applies to take up 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 Rights Issue will be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules.

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

Subscription Price

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

The Subscription Price represents:

- (i) a discount of approximately 49.85% to the theoretical closing price of HK\$0.6500 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.0650 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 49.54% to the theoretical average closing price of approximately HK\$0.6460 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0646 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 49.54% to the theoretical average closing price of approximately HK\$0.6460 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0646 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 33.20% to the theoretical ex-rights price of approximately HK\$0.4880 per Consolidated Share (after taking into account the effect of the Share Consolidation), based on the theoretical closing price of HK\$0.6500 per Consolidated Share (after taking into account the effect of the Share Consolidation, based on the closing price of HK\$0.0650 per Existing Share as quoted on the Stock Exchange on the date of this announcement);

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

The Subscription Price was determined by the Company with reference to (i) the prevailing market conditions and weak market sentiment of the capital market in Hong Kong as mentioned below; (ii) the prevailing market price of the Shares; (iii) low liquidity of the Shares for the six months preceding the Last Trading Day with the average daily trading volume of approximately 435,582 Shares, representing approximately 0.02% of the total number of issued Shares as at the Last Trading Day; (iv) the financial position of the Group, in particular, the loss for the year ended 31 December 2023 attributable to owners of the Company of approximately HK\$(243.45) million; (v) the high gearing ratio as at 30 June 2024 of approximately 52.54% (which was calculated by dividing total liabilities of the Group of HK\$1,714.28 million over total assets of the Group of HK\$3,262.82 million) as shown in the interim report of the Company for the six months ended 30 June 2024; and (vi) reasons and benefits of the Rights Issue as discussed in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” below.

The Previous Rights Issue was proposed on 4 October 2024 where the Hong Kong capital market had significantly surged as illustrated by the increase in Hang Seng Index from 18,258 on 20 September 2024 to 22,736 on 4 October 2024 within 2 weeks and the liquidity of the capital market had also shot up to 4.62 billion. Under the then capital market sentiment at that particular moment, the Board was confident that the Company could raise funds of HK\$129.31 million at the subscription price of HK\$0.45 per Consolidated Share. However, the booming capital market sentiment could not sustain and the Hang Sang Index has dropped from 22,736 on 4 October 2024 to only 20,538 up to the Last Trading Day, and the liquidity of the capital market has squeezed from 4.62 billion to 3.90 billion in that period of time. Under the same period of time, the share price of the Company has also dropped from HK\$0.089 to HK\$0.065.

Notwithstanding the fact that the Company prefers to raise more capital under the rights issue, the Board could not neglect the most important factor of rights issue subscription price attractiveness to the existing Shareholders. The Company would like more Shareholders to participate in the right issue exercise but the Board believes that the Shareholders may no longer find the subscription price of HK\$0.45 (after the Share Consolidation), which was set at the then hyper sentiment moment of the capital market, to be attractive anymore. The Company has to face the reality of the market sentiment and endeavour to raise as much funding as possible in the market. As such, the Board proposes to launch the new rights issue proposal with a revised subscription price of HK\$0.326 (after the Share Consolidation).

The Board noted the relatively large discount of the Subscription Price as mentioned above. To assess the fairness and reasonableness of the Subscription Price, the Board searched for rights issue transactions announced by companies listed on the Stock Exchange (except those terminated or lapsed) from 1 July 2024 up to the Last Trading Day (“**Criteria**”). The review period of approximately four months prior to and including the Last Trading Day was determined to illustrate recent practices in rights issue transactions conducted by Hong Kong listed companies during a period close to and including the Last Trading Day. Based on the search on the Stock Exchange’s website, the Board identified 24 rights issue transactions (the “**Comparables**”) which met the aforesaid Criteria and they are exhaustive. The Board considered that notwithstanding that the businesses, operations and prospects of the Company are not the same as the subject companies of the Comparables and without any independent verification with regard to the businesses and operations of such companies, the Comparables illustrate recent rights issue transactions conducted by Hong Kong listed companies during a period close to and including the Last Trading Day.

Company	Stock code	Date of initial announcement	Rights Issue basis	Expected maximum gross proceeds HK\$ million	Premium/(discount) of the subscription price to the closing price per share on the last trading day immediately prior to publication of announcement in relation to the respective rights issue (the "LTD Discount") %	Premium/(discount) of the subscription price to the average closing price per share for the last five consecutive trading days immediately up to and including the last trading day immediately prior to publication of announcement in relation to the respective rights issue (the "5-Day Discount") %	Premium/(discount) of the subscription price to the theoretical ex-rights price per share based on the benchmarked price in relation to the respective rights issue (the "TERP Discount") %	Premium/(discount) of the subscription price to the net assets attributable to owners of the Company in relation to the respective rights issue (the "NAV Discount") %	Theoretical dilution effect (the "Dilution Effect") (note 1)	Subscription level under provisional allotment letter(s)	Excess application/ Compensatory arrangements	Placing commission
Tonking New Energy Group Holdings Limited	8326	2/7/2024	1 for 2	40.90	(41.18)	(41.18)	(33.30)	(69.70)	11.76%	71.80%	Compensatory arrangements	HK\$100,000 or 1% (whichever is higher)
Guan Chao Holdings Limited	1872	12/7/2024	4 for 1	172.80	(20.00)	(29.08)	(4.76)	(89.86)	20.07%	(Note 8)	Compensatory arrangements	0.75%
Trendzon Holdings Group Limited	1865	19/7/2024	4 for 1	102.00	(14.30)	(17.40)	(4.30)	(93.70)	14.60%	15.72%	Compensatory arrangements	1%
Roma (Meta) Group Limited	8072	22/7/2024	3 for 1	25.30	(23.08)	(24.24)	(7.41)	(97.23)	18.18%	46.28%	Compensatory arrangements	HK\$100,000 + 1.25%
Emperor International Holdings Limited	163	31/7/2024	1 for 2	459.70	(30.60)	(31.50)	(23.60)	(96.10)	10.50%	88.30%	Excess application	N/A
Asia Television Holdings Limited	707	2/8/2024	1 for 2	71.24	(46.80)	(41.60)	(37.00)	(Note 3)	15.60%	21.44%	Compensatory arrangements	HK\$100,000 + 2% (the fee not greater than HK\$1.52 million)
Beijingwest Industries International Limited	2339	22/8/2024	1 for 2	48.20	(13.85)	(13.85)	(9.68)	(88.72)	4.62%	65.07%	Excess application	N/A
Guangdong — Hong Kong Greater Bay Area Holdings Limited	1396	2/9/2024	1 for 2	62.41	(22.03)	(21.77)	(15.85)	(90.50)	8.28%	65.46%	Excess application	N/A
China New Consumption Group Limited	8275	4/9/2024	1 for 2	24.00	(5.66)	(7.41)	(4.76)	(61.09)	2.47%	(Note 8)	Compensatory arrangements	HK\$250,000 or 3.5% (whichever is higher)
Crown International Corporation Limited	727	9/9/2024 (Note 4)	1 for 2	155.40	—	12.25	—	156.52	(Note 5)	(Note 8)	Excess application	N/A
Shougang Century Holdings Limited	103	13/9/2024	1 for 5	129.25	10.00	8.20	8.20	(62.50)	6.80%	56.53%	Excess application	N/A
Dragon Rise Group Holdings Limited	6829	13/9/2024	1 for 1	28.80	(48.70)	(48.20)	(33.10)	(89.20)	24.90%	(Note 8)	Compensatory arrangements	HK\$100,000 or 1.0% (whichever is higher)
Shougang Fushan Resources Group Limited	639	23/9/2024	1 for 30	427.00	1.96	2.52	1.90	(21.21)	0.06%	(Note 8)	Excess application	N/A
Hatcher Group Limited	8365	23/9/2024	3 for 1	32.10	(31.50)	(24.00)	(10.40)	(94.10)	23.60%	(Note 8)	Compensatory arrangements	0%
Innovax Holding Limited	2680	26/9/2024	1 for 2	12.00	(67.39)	(68.35)	(59.02)	(88.59)	22.78%	(Note 8)	Compensatory arrangements	1%
China National Culture Group Limited	745	2/10/2024	2 for 1	15.60	(31.97)	(31.51)	(13.79)	(Note 6)	21.31%	(Note 8)	Compensatory arrangements	2%
Palida Group Holdings Limited	8179	4/10/2024	1 for 2	71.70	(18.70)	(9.42)	(13.29)	(66.10)	6.23%	(Note 8)	Excess application	N/A
V & V Technology Holdings Limited	8113	8/10/2024	1 for 2	24.20	(31.51)	(26.04)	(23.47)	(32.23)	10.50%	(Note 8)	Excess application	N/A
Eminence Enterprise Limited	616	15/10/2024	2 for 1	62.20	(8.00)	(24.34)	(2.85)	(98.98)	21.30%	(Note 8)	Excess application	N/A
Guodi Holdings Limited	1676	18/10/2024	1 for 2	30.80	37.90	38.90	12.10	(65.50)	—	(Note 8)	Compensatory arrangements	1%
Kingkey Financial International (Holdings) Limited	1468	18/10/2024 (Note 7)	1 for 2	417.51	(2.56)	(6.17)	(Note 6)	87.58	2.06%	(Note 8)	Excess application	N/A
China 33 Media Group Limited	8087	21/10/2024	3 for 2	19.40	(7.41)	(8.54)	(3.23)	(Note 6)	5.12%	(Note 8)	Compensatory arrangements	100,000 or 1.5% (whichever is higher)
IRC Limited	1029	22/10/2024	1 for 2	362.09	(15.00)	(17.20)	(10.50)	(67.30)	4.90%	(Note 8)	Excess application	N/A
Yuzhou Group Holdings Company Limited	1628	31/10/2024	49 for 100	112.20	(73.68)	(72.99)	(65.27)	(Note 3)	24.23%	(Note 8)	Excess application	N/A
Minimum				12.00	(73.68)	(72.99)	(65.27)	(98.98)	—			
Median				62.31	(19.35)	(22.89)	(10.40)	(79.15)	10.50%			
Maximum				459.70	37.90	38.90	12.10	156.52	24.90%			
Average				121.12	(21.09)	(20.96)	(15.36)	(56.43)	12.17%			
The Company				93.68	49.54	49.54	33.20	(93.95)	24.92%		Compensatory arrangements	2%

Notes:

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

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

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

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

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

	As at the date of announcement regarding the Previous Rights Issue HK\$	As at the date of this announcement HK\$	Decrease %
Last trading day	0.0890	0.0650	26.97
Five (5) consecutive trading days up to and including the last trading day	0.0886	0.0646	27.09
Ten (10) consecutive trading days up to and including the last trading day	0.0891	0.0646	27.50

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

The Board considers, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares and discount to the recent closing prices of the Shares; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

Qualifying Shareholders

The Company will make available the Prospectus Documents to the Qualifying Shareholders only. For the Excluded Shareholders, subject to the results of the enquiries made by the Company from such legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations and to the extent reasonably practicable, the Company may make available copies of the Prospectus to them for their information only, but no PAL will be sent to the Excluded Shareholders. To qualify for the Rights Issue, a Shareholder must at the close of business on the Record Date: (i) be registered on the register of members of the Company; and (ii) not be an Excluded Shareholder.

Beneficial owners whose Shares are held by nominee companies (or held in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Beneficial owners with their Shares held by nominee companies (or held in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as a member of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of the Consolidated Share(s) (with the relevant share certificates) for registration with the Registrar at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, by 4:00 pm on Friday, 13 December 2024.

The last day of dealing in the Shares on cum-rights basis is Wednesday, 11 December 2024. The Shares will be dealt with on an ex-rights basis from Thursday, 12 December 2024.

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

Rights of Overseas Shareholders

The Prospectus will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders, if any, may not be eligible to take part in the Rights Issue. The Company will send the Prospectus (without the PAL) to the Excluded Shareholders for their information only. For the avoidance of doubt, the Overseas Shareholders, if any, are entitled to attend and vote at the EGM.

The Company notes the requirements specified in the notes to Rule 13.36(2)(a) of the Listing Rules, and is in the process of making reasonable enquiries regarding the feasibility of extending the Rights Issue to Overseas Shareholders present on the Record Date. If, after such enquiries, the Company is of the opinion that it would be necessary or expedient, on account of the legal restrictions or prohibitions under the laws of the relevant jurisdictions or any requirements of the relevant regulatory body or stock exchange in such jurisdictions, not to offer the Rights Shares to the relevant Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. Such Overseas Shareholders will be regarded as Excluded Shareholders and will not qualify for the Rights Issue. The basis of exclusion of Excluded Shareholders, if any, will be disclosed in the Prospectus.

As at the date of this announcement, there are five Overseas Shareholders with registered address situated in the PRC, Taiwan and South Africa with the following shareholding structure:

Jurisdiction	Number of Overseas Shareholder(s)	Aggregated number of Shares held by Overseas Shareholder(s) in the jurisdiction	Approximate % of the issued share capital of the Company (note)
PRC	3	3,500,400	0.1218
Taiwan	1	11,400	0.0004
South Africa	1	11,400	0.0004
	<u>5</u>	<u>3,523,200</u>	<u>0.1226</u>

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

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.

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.

Basis of provisional allotment

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

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

No fractional entitlements to the Rights Shares

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

Status of the Rights Shares

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

Share certificates and refund cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Monday, 3 February 2025. If the Rights Issue does not become unconditional, refund cheques are expected to be posted on or before Monday, 3 February 2025 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

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

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

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

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

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

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

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

Principal terms of the Placing Agreement are summarised as follows:

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

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

- Placing Period : The period commencing from Wednesday, 15 January 2025 and ending at 4:00 p.m. on Monday, 20 January 2025.

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

- Placing price of the Unsubscribed Rights Shares and ES Unsold Rights Shares : The placing price of the Unsubscribed Rights Shares and ES Unsold Rights Shares shall be not less than the Subscription Price.

The final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares and ES Unsold Rights Shares during the process of placement.

- Placees : The Unsubscribed Rights Shares and ES Unsold Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and none of the placees shall be a party acting in concert (as defined in the Takeovers Code) with any of them or other placees.

For the avoidance of doubt, no placee shall become a substantial Shareholder.

The Placing will not have any implications under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing. The Company will continue to comply with the Public Float Requirement upon completion of the Placing and the Rights Issue.

- Ranking of the placed Unsubscribed Rights Shares and ES Unsold Rights Shares : The placed Unsubscribed Rights Shares and ES Unsold Rights Shares (when allotted, issued and fully paid, if any) shall rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue as at the date of completion of the Rights Issue.
- Conditions of the Placing Agreement : The obligations of the Placing Agent under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled:
- (i) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms (subject to customary conditions) and such approval not having been withdrawn or revoked;
 - (ii) the Share Consolidation and Change in Board Lot Size having become effective;
 - (iii) the passing of all necessary resolutions to be proposed at the EGM to be convened to consider and, approve, among others, the Share Consolidation, the Rights Issue and the respective transactions contemplated thereunder;
 - (iv) all necessary consents and approvals to be obtained on the part of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained;
 - (v) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion of the Placing Agreement; and

(vi) the Placing Agreement not having been terminated accordance with the provisions thereof.

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

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

Termination

: Notwithstanding anything contained in the Placing Agreement, the Placing Agent may terminate the Placing Agreement without any liability to the Company, by notice in writing given to the Company at any time prior to the Latest Time for Termination upon the occurrence of the following events which, in the reasonable opinion of the Placing Agent, has or may have a material adverse effect on the business or financial conditions or prospects of the Company or the Group taken as a whole or the success of the Placing or the full placement of all of the Unsubscribed Rights Shares and the ES Unsold Rights Shares or otherwise make it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:

(a) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industry, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would affect the success of the Placing; or

- (b) the imposition of any moratorium, suspension (for more than 7 trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolute opinion, would affect the success of the Placing; or
- (c) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's reasonable opinion any such new law or change may affect the business or financial prospects of the Group and/or the success of the Placing; or
- (d) any litigation or claim being instigated against any member of the Group or its senior management, which has or may affect the business or financial position of the Group and which in the Placing Agent's reasonable opinion would affect the success of the Placing; or
- (e) any breach of any of the representations and warranties given by the Company as set out in the Placing Agreement having come to the knowledge of the Placing Agent or any event having occurred or any matter having arisen on or after the date of the Placing Agreement and prior to the completion of the Rights Issue which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in a material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (f) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

Basis of the placing commission

The engagement between the Company and the Placing Agent of the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions. To assess the fairness and reasonableness of the placing commission, the Board identified 24 rights issue comparables four months prior to and including the Last Trading Day. Excluding 12 comparables that were involved in excess applications for the rights issue (where the Company provides compensatory arrangements), the expected maximum gross proceeds from the comparables ranged from HK\$12.00 million to HK\$172.80 million, with an average of approximately HK\$47.91 million, where the size of the fundraising of the Company is within the range of the comparables. Among these comparables, the placing agent of the subject companies for the relevant rights issue charged a commission ranging from nil to 3.5%, or with a minimum charge ranging from HK\$100,000 to HK\$250,000. The commission of 2% charged by the Placing Agent to the Company is within the range of the comparables. The Board (including the independent non-executive Directors) consider that the terms of Placing Agreement in respect of the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the placing commission) are (i) fair and reasonable; (ii) on normal commercial terms or better; and (iii) in the interests of the Company and its Shareholders as a whole. Details of the comparables are set out in the paragraph headed "Subscription Price" under the section headed "Proposed Rights Issue".

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

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

- (i) the arrangements are in compliance with the requirements under Rule 7.21(1)(b) of the Listing Rules under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) because under the arrangements, the Unsubscribed Rights Shares and ES Unsold Rights Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company;
- (ii) the Compensatory Arrangements (including the determination of the placing price) will be managed by the licensed placing agent which is subject to the stringent code of conduct over, among others, pricing and allocation of the placing Shares. The terms and the conditions of the Placing Agreement (including the placing commission) are normal commercial terms or better, are in the best interest of the Company and the Shareholders as a whole; and

(iii) the Compensatory Arrangements will not only provide an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Excluded Shareholders, it also provides a distribution channel of the Unsubscribed Rights Shares and ES Unsold Rights Shares to the Company.

As all the percentage ratios (as defined in the Listing Rules) (other than the profit ratio) of the Placing Agreement are less than 5% and the total consideration is less than HK\$3,000,000, the Placing Agreement and the transactions contemplated thereunder fall below the de minimus threshold as stipulated under Rule 14A.76(1) of the Listing Rules, and therefore are fully exempt from reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A 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. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

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

Rights Shares will be eligible for admission into CCASS

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

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.

Stamp duty and other applicable fees

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

Taxation

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

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (a) the passing of all the necessary resolution(s) at the EGM to be convened to consider and, approve, among others, the Share Consolidation, the Rights Issue and the respective transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by the Shareholders (other than those who are required to abstain from voting according to the Listing Rules or other applicable laws and regulations if necessary);
- (b) the Share Consolidation and the Change in Board Lot Size having become effective;
- (c) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of the Prospectus Documents each duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolutions of the Directors (and all other documents required to be attached hereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) not later than the Prospectus Posting Date;
- (d) the Prospectus Documents are made available to the Qualifying Shareholders and the Prospectus and a letter in the agreed form are made available to the Excluded Shareholders, if any, for information purpose explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (e) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares in their nil-paid and fully-paid forms;
- (f) the Placing Agreement not having been terminated in accordance with the provisions thereof, including force majeure events; and
- (g) compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

None of the above conditions can be waived. If any of the conditions referred to above is not fulfilled by the Latest Time for Termination, the Rights Issue will not proceed.

As at the date of this announcement, none of the conditions has been satisfied.

EXPECTED TIMETABLE

Set out below is the expected timetable for the proposed Share Consolidation, the Change in Board Lot Size, the Rights Issue and the Placing which is indicative only and has been prepared on the assumption that all the conditions of the Share Consolidation and the Rights Issue will be fulfilled:

Events	Time and date
Expected date of despatch of circular, the notice of the EGM and the form of proxy of the EGM	on or before Friday, 15 November 2024
Latest date and time for lodging transfer documents in order for the transferees to qualify for attending and voting at EGM.....	4:00 p.m. on Monday, 2 December 2024
Closure of register of members for determining the entitlement to attend and vote at the EGM (both dates inclusive).....	Tuesday, 3 December 2024 to Monday, 9 December 2024
Latest date and time for lodging the proxy form for the EGM	9:30 a.m. on Saturday, 7 December 2024
Record date for determining entitlements to attend and vote at the EGM	Monday, 9 December 2024
Expected date and time of the EGM to approve the Share Consolidation and the Rights Issue	9:30 a.m. on Monday, 9 December 2024
Publication of announcement of poll results of the EGM	Monday, 9 December 2024
Re-opening of the register of members of the Company	Tuesday, 10 December 2024
The following events are conditional upon the results of the EGM and therefore the dates are tentative only.	
Effective date of the Share Consolidation	Wednesday, 11 December 2024
Commencement of dealings in the Consolidated Shares.....	9:00 a.m. on Wednesday, 11 December 2024

Original counter for trading in Existing Shares in board lots of 8,000 Existing Shares (in the form of existing share certificates) temporarily closes 9:00 a.m. on Wednesday, 11 December 2024

Temporary counter for trading in Consolidated Shares in board lots of 800 Consolidated Shares (in the form of existing share certificates) opens 9:00 a.m. on Wednesday, 11 December 2024

First day for free exchange of existing share certificates into new share certificates for the Consolidated Shares Wednesday, 11 December 2024

Last day of dealings in Consolidated Shares on a cum-rights basis relating to the Rights Issue Wednesday, 11 December 2024

First day of dealings in Consolidated Shares on an ex-rights basis relating to the Rights Issue Thursday, 12 December 2024

Latest date and time for lodging transfer documents of the Consolidated Shares in order for the transferees to qualify for the Rights Issue 4:00 p.m. on Friday, 13 December 2024

Closure of register of members to determine the entitlements to the Rights Issue (both dates inclusive) Monday, 16 December 2024 to Friday, 20 December 2024

Record Date for determining entitlements for the Rights Issue Friday, 20 December 2024

Re-opening of the register of members of the Company Monday, 23 December 2024

Prospectus Documents are made available and/or despatched (as the case may be) to the Qualifying Shareholders (in the case of the Excluded Shareholders, the Prospectus only) Monday, 23 December 2024

Expected effective date of the Change in Board Lot Size Friday, 27 December 2024

Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of the Consolidated Shares 9:00 a.m. on Friday, 27 December 2024

Original counter for trading in Consolidated Shares in board lots of 4,000 Consolidated Shares (in the form of new share certificates) re-opens 9:00 a.m. on Friday, 27 December 2024

Parallel trading in the Consolidated Shares
(in the form of both existing share certificates and
new share certificates for the Consolidated Shares)
commences 9:00 a.m. on Friday,
27 December 2024

First day of dealings in nil-paid Rights Shares
(in the board lot size of 4,000 Rights Shares) Friday, 27 December 2024

Latest time for splitting the PALs 4:00 p.m. on Thursday,
2 January 2025

Last day of dealings in nil-paid Rights Shares Tuesday, 7 January 2025

Latest time for acceptance of and payment
for the Rights Shares 4:00 p.m. on Friday,
10 January 2025

Announcement of the number of the Unsubscribed Rights Shares
and ES Unsold Rights Shares subject to the Placing Tuesday, 14 January 2025

Commencement of the Placing Period
(if there are any Unsubscribed Rights Shares and
ES Unsold Rights Shares available) Wednesday, 15 January 2025

Designated broker ceases to stand in the market to provide
matching services for sale and purchase of
odd lots of the Consolidated Shares 4:00 p.m. on Friday,
17 January 2025

Temporary counter for trading in Consolidated Shares
in board lots of 800 Consolidated Shares
(in the form of existing share certificates) closes 4:10 p.m. on Friday,
17 January 2025

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

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

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

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

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

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

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

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

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

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

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

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Friday, 10 January 2025. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Friday, 10 January 2025. Instead, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

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

CLOSURE OF REGISTER OF MEMBERS FOR EGM

The register of members of the Company will be closed from Tuesday, 3 December 2024 to Monday, 9 December 2024 (both days inclusive) for determining the Shareholders' entitlements to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

CLOSURE OF REGISTER OF MEMBERS FOR RIGHTS ISSUE

The register of members of the Company will be closed from Monday, 16 December 2024 to Friday, 20 December 2024 (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.

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

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

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

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

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

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

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

Funding needs of the Group

According to the Company's interim report for the six months ended 30 June 2024, the Group's bank balances and cash decreased by approximately 56.83% from approximately HK\$132.16 million as at 31 December 2023 to approximately HK\$57.05 million as at 30 June 2024; while the Group's gearing ratio stood at approximately 52.54% as at 30 June 2024, which was at a similar level of approximately 51.31% as at 31 December 2023. As disclosed in the circular of the Company dated 23 August 2024 in relation to, among others, the disposal (the "**Disposal**") of 51% equity interests in Yichun Water Industry Group Co., Limited, the net proceeds of the Disposal will amount to approximately HK\$195.60 million, of which approximately HK\$156.48 million is intended to be applied for repayment of debts. As at the date of this announcement, the HK\$156.48 millions has been fully utilised for settlement of (i) lease liabilities of approximately HK\$46.18 million; (ii) other borrowings of approximately HK\$1.76 million; and (iii) other payables (including but not limited to professional fees, salaries, rental expenses, interest expenses and return of deposit) of approximately HK\$108.54 million.

As at the date of this announcement, the Group has debt liabilities in the principal amount of approximately HK\$200.79 million (the “**Debts**”) which were due for repayment on demand or within three months from the date of this announcement. It is expected that the Debts will be settled by the net proceeds of the Rights Issue, operating cash flows and trade receivables to be received by the Group. Details of the Debts are set out below:

Type of debts	Payment schedule	Interest rate	Outstanding principal amount <i>HK\$ million</i>	Settlement by the use of proceeds from the Rights Issue <i>HK\$ million</i>	Potential ways for the settlement
Bank borrowings	Payable on or before end of January 2025	3.45%–7.84%	82.51	33.34	To extend the maturity date and/or to settle the outstanding Debts by (i) operating cash flows; (ii) trade receivables to be received by the Group; and (iii) proceeds from other potential fund raising activities, such as placing of new Shares under general mandate and debt financing.
Other borrowings	Payable on or before end of January 2025	10%–18%	57.98	—	
Lease liabilities	Payable on or before end of January 2025	5.04%–8.64%	60.30	34.66	
Total			<u>200.79</u>	<u>68.00</u>	

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

As aforementioned, it is part of the Group’s business strategies to expand its biomass gas business. However, it is urgent for the Group to repay the outstanding liabilities. In view of the Group’s bank balance and cash of approximately HK\$57.05 million as at 30 June 2024 and the Debts as at the date of this announcement, the Directors consider that there is limited room for the Group to finance the debts liabilities and the development of existing business with its existing internal resources. Further, debt financing is not a preferred alternative as it will further increase the indebtedness and interest burden of the Group.

Rights Issue as the preferred fund raising activity of the Group

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

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

The Board (excluding the independent non-executive Directors who will give their view after taking into consideration of the advice of the Independent Financial Adviser) considers that the terms of the Rights Issue are fair and reasonable and raising funds through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

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

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

	As at the date of this announcement		Immediately upon completion of the Share Consolidation		Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders		Immediately upon completion of the Rights Issue assuming no acceptance by all Qualifying Shareholders and the Unsubscribed Rights Shares and the ES Unsold Rights Shares have been placed by the Placing Agent	
	No. of issued shares	%	No. of issued shares	%	No. of issued shares	%	No. of issued shares	%
Substantial Shareholder								
Step Wide Investment Limited (<i>Note 1</i>)	707,821,018	24.63%	70,782,101	24.63%	141,564,202	24.63%	70,782,101	12.32%
Director								
Ms. Chu Yin Yin Georgianna	1,112,000	0.04%	111,200	0.04%	222,400	0.04%	111,200	0.02%
Independent Placees	—	—	—	—	—	—	287,360,964	50.00%
Other public shareholders	<u>2,164,676,631</u>	<u>75.33%</u>	<u>216,467,663</u>	<u>75.33%</u>	<u>432,935,326</u>	<u>75.33%</u>	<u>216,467,663</u>	<u>37.66%</u>
	<u>2,873,609,649</u>	<u>100.00%</u>	<u>287,360,964</u>	<u>100.00%</u>	<u>574,721,928</u>	<u>100.00%</u>	<u>574,721,928</u>	<u>100.00%</u>

Notes:

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

FUND RAISING EXERCISE IN THE PAST 12 MONTHS

Save for the proposed rights issue on the basis of one (1) rights share for every one (1) consolidated share held by the qualifying shareholders on the record date at the subscription price of HK\$0.45 per rights share under the Previous Rights Issue which was terminated on the date of this announcement, the Company had not conducted any other equity fund-raising activities in the past twelve months immediately prior to the date of this announcement.

WORKING CAPITAL

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

LISTING RULES IMPLICATIONS

In compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval of the Independent Shareholders by way of poll at the EGM on which any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the date of this announcement, there are no controlling shareholders and the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. As at the date of this announcement, Ms. Chu Yin Yin Georgiana, an executive Director holds 1,112,000 Existing Shares, representing approximately 0.04% of the issued share capital of the Company.

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

As at the date of this announcement, the ultimate beneficial owner of the Placing Agent, holding 24.63% of the total issued shares of the Company, is a substantial shareholder and therefore the Placing Agent is a connected person of the Company under the Listing Rules. The Placing Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. However, as all the percentage ratios (as defined in the Listing Rules) (other than the profit ratio) of the Placing Agreement are less than 5% and the total consideration is less than HK\$3,000,000, the Placing Agreement and the transactions contemplated thereunder fall below the de minimus threshold as stipulated under Rule 14A.76(1) of the Listing Rules, and therefore are fully exempt from reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Placing Agreement and the transaction contemplated thereunder and therefore no Director is required to abstain from voting on the Board resolution(s) of the Company to approve the Placing Agreement and the transactions contemplated thereunder.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wong Siu Keung, Joe, Mr. Lam Cheung Shing, Richard and Mr. Mak Ka Wing, Patrick, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendations of the Independent Financial Adviser.

INCU Corporate Finance Limited, a licensed Corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, in particular, as to whether the terms of the Rights Issue are fair and reasonable. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

GENERAL

The EGM will be convened for the Shareholders and the Independent Shareholders (as the case may be) to consider and, if thought fit, approve the Share Consolidation, the Rights Issue and the respective transactions contemplated thereunder. A circular containing, among other things, details of (i) the Share Consolidation, the Change in Board Lot Size, the Rights Issue and the Placing Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Friday, 15 November 2024.

In order to be registered as a member of the Company on the record date for attendance and voting at the EGM, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar for registration by no later than 4:00 p.m. (Hong Kong time) on Monday, 2 December 2024.

The Company will make available the Prospectus containing, among other things, information of the Rights Issue, including information on acceptances of the Rights Shares and other information of the Group, and PAL(s) to the Qualifying Shareholders on or before Monday, 23 December 2024. The Company may, to the extent reasonably practicable and legally permitted and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, make available the Prospectus to the Excluded Shareholders (if any) for their information only, but the Company will not send the PAL to the Excluded Shareholders (if any).

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

The Shares are expected to be dealt in on an ex-rights basis from Thursday, 12 December 2024. Dealings in the Rights Shares in nil-paid form in the new board lot size of 4,000 Rights Shares are expected to take place from Friday, 27 December 2024 to Tuesday, 7 January 2025 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Please refer to the section headed “Conditions of the Rights Issue” in this announcement above.

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

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

DEFINITIONS

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

“Announcements”	the announcements of the Company dated 4 October 2024 and 7 October 2024, in relation to, among other things, the Previous Rights Issue
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the Board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday and public holiday) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 8,000 Existing Shares to 4,000 Consolidated Shares
“Company”	China Water Industry Group Limited (中國水業集團有限公司), a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Stock Exchange (stock code: 1129)

“Compensatory Arrangements”	the compensatory arrangements pursuant to Rule 7.21(1)(b) of the Listing Rules as described in the section headed “Procedures in respect of the Unsubscribed Rights Shares and ES Unsold Rights Shares and the Compensatory Arrangements” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Share(s)”	ordinary shares of par value of HK\$0.10 each in the share capital of the Company after the Share Consolidation becoming effective
“Consolidated Preference Share(s)”	non-voting preference shares(s) of par value of HK\$1.00 each in the share capital of the Company after the Share Consolidation becoming effective
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolutions will be proposed to consider, and, if thought fit, to approve, among other things, the Share Consolidation, the Rights Issue and the respective transactions contemplated thereunder
“ES Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholders (if any) in nil-paid form that has/have not been sold by the Company
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Existing Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation becoming effective
“Existing Preference Share(s)”	non-voting preference shares(s) of par value of HK\$0.10 each in the share capital of the Company prior to the Share Consolidation becoming effective
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors, which has been established to make recommendations to the Independent Shareholders in respect of the terms of the Rights Issue
“Independent Financial Adviser”	INCU Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and as to voting
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the Listing Rules
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons
“Last Trading Day”	Wednesday, 6 November 2024, being the last trading day of the Shares on the Stock Exchange immediately prior to the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Friday, 10 January 2025 or such later time or date as may be determined by the Company, being the latest time for acceptance of and payment for the Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on Wednesday, 22 January 2025, being the latest time to terminate the Placing Agreement
“Listing Committee”	has the meaning ascribed to it in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and ES Unsold Rights Shares placed by the Placing Agent and/or its sub-placing agent(s) under the Placing Agreement) under the Compensatory Arrangements

“No Action Shareholders”	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed, and/or the Excluded Shareholders (if any)
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agent(s), who and whose ultimate beneficial owners shall not be Shareholder(s) and shall be Independent Third Party(ies), to the independent placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a corporation licensed to engage in type 1 (dealing in securities) regulated activity under the SFO
“Placing Agreement”	the placing agreement dated 6 November 2024 and entered into between the Company and the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares
“Placing Period”	the period commencing from Wednesday, 15 January 2025 and ending at 4:00 p.m. on Monday, 20 January 2025
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Placing”	the offer by way of private placing of rights shares under the Previous Rights Issue on a best effort basis by the Placing Agent and/or its sub-placing agent(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be Independent Third Party(ies), to the independent placee(s) on the terms and subject to the conditions set out in the Previous Placing Agreement

“Previous Placing Agreement”	the placing agreement dated 4 October 2024 and entered into between the Company and the Placing Agent in relation to the placing of rights shares under the Previous Rights Issue
“Previous Rights Issue”	the proposed rights issue on the basis of one (1) rights share for every one (1) Consolidated Share held by the qualifying shareholders on the record date at the subscription price of HK\$0.45 per rights share announced by the Company on 4 October 2024
“Prospectus”	the prospectus to be issued by the Company to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and PAL
“Prospectus Posting Date”	Monday, 23 December 2024 or such other date as may be determined by the Company, being the date of which the Prospectus Documents are made available to the Qualifying Shareholders and the Prospectus for information only to the Excluded Shareholders
“Public Float Requirement”	the public float requirement under Rule 8.08(1)(a) and 13.32(1) of the Listing Rules
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Friday, 20 December 2024 or such other date as may be determined by the Company, being the date for determining entitlements of the Shareholders to participate in the Rights Issue
“Registrar”	Union Registrars Limited, the Company’s Hong Kong branch share registrar and transfer office, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Rights Issue”	the proposed issue by way of rights on the basis of one (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Prospectus Documents
“Rights Share(s)”	up to 287,360,964 Consolidated Shares to be allotted and issued pursuant to the Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Share(s)”	the Existing Share(s) or as the context may require, the Consolidated Share(s)
“Share Consolidation”	the proposed consolidation of (i) every ten (10) issued and unissued Existing Shares of par value of HK\$0.01 each into one (1) Consolidated Share of HK\$0.10 each; and (ii) every ten (10) unissued Existing Preference Shares of par value of HK\$0.10 each into one (1) Consolidated Preference Share of par value of HK\$1.00 each
“Shareholder(s)”	holder(s) of Existing Share(s) or the Consolidated Share(s) as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.326 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Unsubscribed Rights Shares”	the Rights Shares that are not subscribed by the Qualifying Shareholders or holders of nil-paid rights
“%”	per cent.

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

Hong Kong, 6 November 2024

As at the date of this announcement, the Board comprises Mr. Zhu Yongjun (Chairman) and Ms. Chu Yin Yin Georgiana, all being executive Directors, Mr. Wong Siu Keung, Joe, Mr. Lam Cheung Shing, Richard and Mr. Mak Ka Wing, Patrick, all being independent non-executive Directors.