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

(Incorporated in Cayman Islands with limited liability)

(Stock code: 1129)

HEADS OF AGREEMENT IN RELATION TO A PROPOSED DISPOSAL

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), for keeping the shareholders of the Company and potential investors informed of the latest business development of the Group.

The Board is pleased to announce that on 9 July 2018, an indirect wholly-owned subsidiary of the Company as the Intended Vendor, entered into the HOA with the Intended Purchaser, pursuant to which the Intended Vendor intends to sell the entire equity interests in the Target Companies to the Intended Purchaser in return for cash consideration, subject to due diligence review having been conducted on the Target Companies by the Intended Purchaser.

Information on the Target Companies

The Target Companies are principally landfill gas comprehensive utilization projects.

Pursuant to the HOA, the Intended Purchaser and the Intended Vendor have agreed that the acquisition of each of the Target Companies are not part and parcel to the Possible Transaction. The Intended Purchaser may, after conducting due diligence review on the Target Companies pursuant to the HOA, choose to acquire all or any of the Target Companies that the due diligence review of which satisfies the Intended Purchaser. As such, the specific Target Companies to be subject to the Possible Transaction, when materialised, shall be determined after the Intended Purchaser having completed the due diligence review on the Target Companies.

* *For identification purpose only*

Information on the Intended Purchaser

The Intended Purchaser is a company incorporated in the PRC, the issued shares of which are listed on the SME Board of the SSE (stock code: 002499). The scope of business of the Intended Purchaser includes the production and sales of environmental protection dust removing equipment, filter materials, accessories and automatic control systems, material handling machinery, general machinery, metallurgical equipment, garbage incinerators, complete sets of electromechanical equipment, pressure vessels, technical devices for desulfurization and denitration and comprehensive utilization of by-products; domestic and foreign environmental engineering design, consulting, construction, equipment and steel structural parts manufacturing and installation, and general contracting, facility operation management and relevant environmental testing; foreign investment business; import and export of (and as agency for the import and export of) various commodities and technologies; and sales of hardware, electrical equipment, accessories and metal materials.

Information on the Intended Vendor

The Intended Vendor is an indirect wholly-owned subsidiary of the Company, the scope of business of which includes investment in areas where foreign investments are permitted in accordance with the laws of the PRC; research and development of new products and advance technologies; transfer of research and development of the company and provision of corresponding technical services; provision of consulting services for investors; provision of investment related market information, investment policies and other consulting services to related companies; and the undertaking of the service outsourcing business of parent company and related companies.

Consideration

It has been agreed by the Intended Vendor and the Intended Purchaser that the audit and valuation benchmark date for the Possible Transaction shall be 31 May 2018. The actual consideration for the Possible Transaction shall be determined after arm's length negotiations between the Intended Vendor and the Intended Purchaser with reference to, among other things, the results of the due diligence review by the Intended Purchaser, the valuation by professional valuer(s) and the guarantee regarding business performance to be given by the management. The actual consideration and its basis shall be agreed upon and concluded in the Formal Agreement.

Other terms of the HOA

The Intended Purchaser shall appoint professional advisers (including but not limited to auditors, valuer, legal advisers etc.) to conduct valuation and/or due diligence review on the Target Companies to determine whether to proceed with the Possible Transaction and to determine the final consideration based on the results of the due diligence review.

In the event that the Intended Purchaser decides to proceed with the Possible Transaction, the Intended Purchaser and the Intended Vendor shall enter into a Formal Agreement upon determining the final scale for the Possible Transaction and the consideration, and submit the same to their respective board of directors and shareholders for their consideration and approval. In addition, the Intended Purchaser and Intended Vendor shall also comply with the reporting and/or approval requirements under the company law# (《公司法》) of the PRC, the securities law# (《證券法》) of the PRC as well as relevant laws, rules and regulations of the China Securities Regulatory Commission, the Securities and Futures Commission of Hong Kong, the SSE and the Stock Exchange (including but not limited to the Listing Rules), if necessary. The final structure of the Possible Transaction and method of payment of the consideration shall be agreed upon by the Intended Purchaser and the Intended Vendor and shall be stipulated in the Formal Agreement.

On the other hand, in the event that the Intended Purchaser decides not to proceed with the Possible Transaction, the HOA shall be terminated automatically on the date when the Intended Purchaser issues a written notice notifying its decision, and none of the parties shall have any claims against the other party arising out of the HOA (other than any breaches of confidentiality provisions under the HOA).

Exclusivity

Pursuant to the HOA, the Intended Vendor and the Intended Purchaser have agreed upon an exclusivity period of six months from the date of the HOA (i.e. 9 July 2018), during which the Intended Vendor shall not discuss, negotiate or enter into any contract or agreement with any other third parties regarding the transactions contemplated under the HOA.

Binding effect

Save for the provisions relating to confidentiality, exclusivity and dispute resolution, the HOA does not have any binding effect on the parties to the HOA.

The Board wishes to emphasise that no binding agreement in relation to the Possible Transaction has been entered into as at the date of this announcement, and the Possible Transaction may or may not proceed. The Possible Transaction, if materialised, may constitute notifiable transaction on the part of the Company pursuant to Chapter 14 of the Listing Rules. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the shares of the Company. Further announcement(s) will be made by the Company in the event that a legally binding agreement in respect of the Possible Transaction has been entered into as and when appropriate in accordance with the Listing Rules.

DEFINITIONS

“Board”	the board of Directors
“Company”	China Water Industry Group Limited (stock code: 1129), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company from time to time
“Formal Agreement”	the Formal Agreement to be entered into among the Intended Purchaser and the Intended Vendor in relation to the Possible Transaction
“Group”	the Company and its subsidiaries
“HOA”	the heads of agreement dated 9 July 2018 entered into between the Intended Purchaser and the Intended Vendor in relation to the Possible Transaction
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Intended Purchaser”	Kelin Environmental Protection Equipment, Inc.# (科林環保裝備股份有限公司), a company incorporated in the PRC, the issued shares of which are listed on the SME Board of the SSE (stock code: 002499)
“Intended Vendor”	New China Water (Nanjing) Renewable Resources Investment Company Limited# (新中水(南京)再生資源投資有限公司), a company incorporated in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Possible Transaction”	the possible disposal of the entire equity interests in the Target Companies by the Intended Vendor to the Intended Purchaser
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SME Board”	the Small and Medium Enterprise Board

“SSE”	The Shenzhen Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	collectively, Hunan Liuyang New China Water Environmental Technology Limited [#] (湖南瀏陽新中水環保科技有限公司), Baoji City Electric Power Development Co., Ltd [#] (寶雞市易飛明達電力發展有限公司), Qingyuan City Greenspring Environmental Technology Limited [#] (清遠市青泓環保科技有限公司), Wuzhou City China Water New Renewable Resources Company Limited [#] (梧州市中水新能源科技有限公司), Datang Huayin Heng Yang Environmental Power Company Limited [#] (大唐華銀衡陽環保發電有限公司), Chongqing Camda New Energy Equipment Company Limited [#] (重慶康達新能源有限公司), Hainan Camda New Energy Equipment Company Limited [#] (海南康達新能源有限公司), Yichun City New China Water Energy Technology Limited [#] (宜春市新中水能源科技有限公司), Ningbo Qiyao New Energy Company Limited [#] (寧波齊耀新能源有限公司), Xinhua New China Water Environmental Technology Limited [#] (新化新中水環保科技有限公司), Shandong Qiyao New Energy Company Limited [#] (山東齊耀新能源有限公司), Datang Huayin Xiangtan Environmental Electricity Generation Company Limited [#] (大唐華銀湘潭環保發電有限責任公司), Fengcheng New China Water Environmental Technology Limited [#] (豐城市新中水能源科技有限公司) and Anqiu City New China Water Environmental Technology Limited [#] (安丘市新中水環保科技有限公司)

By Order of the Board
China Water Industry Group Limited
Deng Jun Jie
Chairman

Hong Kong, 9 July 2018

As at the date of this announcement, the Board comprises Mr. Deng Jun Jie (Chairman), Mr. Lin Yue Hui (CEO), Mr. Liu Feng, Ms. Chu Yin Yin, Georgiana and Ms. Deng Xiao Ting, all being executive Directors, and Mr. Wong Siu Keung, Joe, Mr. Guo Chao Tian and Ms. Qui Na, all being independent non-executive Directors.

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[#] *The English transliteration of the Chinese names in this announcement are included for information only and should not be regarded as the official English names of such Chinese names.*