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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)**

**DISCLOSEABLE TRANSACTION  
IN RELATION TO  
ACQUISITION OF TAIYUAN YUANTONG**

**ACQUISITION OF TAIYUAN YUANTONG**

The Board is pleased to announce that on 23 May 2022 (after trading hours of the Stock Exchange), Shenzhen New China Water (as purchaser), being an indirect non-wholly owned subsidiary of the Company, entered into the Taiyuan Equity Transfer Agreement with Shandong Yuantong (as vendor) and Taiyuan Yuantong (as target company), pursuant to which Shandong Yuantong has agreed to sell, and Shenzhen New China Water has agreed to purchase, the Taiyuan Sale Capital, representing the entire equity interests in Taiyuan Yuantong, for a total consideration of RMB13,550,000 (equivalent to approximately HK\$15,967,000).

As at the date of this announcement, Taiyuan Yuantong is wholly-owned by Shandong Yuantong. Upon completion of the Taiyuan Acquisition, Taiyuan Yuantong will become an indirect non-wholly owned subsidiary of the Company and therefore the financial information of Taiyuan Yuantong will be consolidated into the financial statements of the Group.

**IMPLICATIONS UNDER THE LISTING RULES**

As the Fushun Acquisition, the Zhengzhou Acquisition, the formation of Fund and the Taiyuan Acquisition were all entered into by the Group with the BECE Group within a 12-month period, the transactions contemplated under the Taiyuan Acquisition are aggregated with the transactions contemplated under the Fushun Acquisition, the Zhengzhou Acquisition and the formation of the Fund for consideration for the purpose of this announcement.

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) under the Taiyuan Acquisition, when calculated on an aggregated basis with the transactions contemplated under the Fushun Acquisition, the Zhengzhou Acquisition and the formation of the Fund, is/are more than 5% but less than 25%, the entering into of the Taiyuan Equity Transfer Agreement constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

**Completion of the Taiyuan Acquisition is subject to the payment conditions as set out in the Taiyuan Equity Transfer Agreement. Accordingly, the Taiyuan Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and other securities of the Company.**

## ACQUISITION OF TAIYUAN YUANTONG

References are made to the announcements of the Company dated 2 December 2021 (the “**Announcement**”), 13 December 2021, 24 December 2021, and 16 February 2022, in relation to, among other things, the Fushun Acquisition, the Zhengzhou Acquisition and the formation of the Fund.

The Board is pleased to announce that on 23 May 2022 (after trading hours of the Stock Exchange), Shenzhen New China Water (as purchaser), being an indirect non-wholly owned subsidiary of the Company, entered into the Taiyuan Equity Transfer Agreement with Shandong Yuantong (as vendor) and Taiyuan Yuantong (as target company), pursuant to which Shandong Yuantong has agreed to sell, and Shenzhen New China Water has agreed to purchase, the Taiyuan Sale Capital, representing the entire equity interests in Taiyuan Yuantong, for a total consideration of RMB13,550,000 (equivalent to approximately HK\$15,967,000).

### The Taiyuan Equity Transfer Agreement

The principal terms of the Taiyuan Equity Transfer Agreement are set out as follows:

**Date:** 23 May 2022

**Parties:**

- (i) Shandong Yuantong (as vendor);
- (ii) Shenzhen New China Water (as purchaser); and
- (iii) Taiyuan Yuantong (as target company).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Shandong Yuantong and its ultimate beneficial owner(s) is/are Independent Third Party(ies).

**Assets to be acquired:**

Shandong Yuantong has agreed to sell, and Shenzhen New China Water has agreed to purchase, the Taiyuan Sale Capital, upon and subject to the terms and conditions set out therein.

**Consideration:**

The consideration for the Taiyuan Acquisition is in the sum of RMB13,550,000 (equivalent to approximately HK\$15,967,000) (the “**Total Taiyuan Consideration**”), which shall be paid in four installments by Shenzhen New China Water to Shandong Yuantong in the following manner:

- (a) within 10 business days after the signing of the Taiyuan Equity Transfer Agreement, Shenzhen New China Water shall pay to Shandong Yuantong RMB2,710,000 (equivalent to approximately HK\$3,193,000), representing 20% of the Total Taiyuan Consideration, as deposit (the “**Taiyuan Deposit**”). Such Taiyuan Deposit shall be converted into the first installment of the Total Taiyuan Consideration (the “**Taiyuan First Installment**”) upon the payment of the Taiyuan Second Installment by Shenzhen New China Water;
- (b) Shenzhen New China Water shall, within 5 business days upon the receipt of the supporting documents and payment letter from Shandong Yuantong in respect of the fulfillment of the Taiyuan Payment Conditions as set out in the paragraph headed “Payment Conditions” in this announcement, pay to Shandong Yuantong RMB4,065,000 (equivalent to approximately HK\$4,790,000), representing 30% of the Total Taiyuan Consideration (the “**Taiyuan Second Installment**”);
- (c) Within 30 business days after (i) the Registration of Taiyuan Equity Transfer shows that Shenzhen New China Water holds 100% of the equity interest in Taiyuan Yuantong and (ii) the completion of the relevant handover procedures, Shandong Yuantong shall issue a payment letter to Shenzhen New China Water. Within 5 business days from the date of receipt of the payment letter by Shenzhen New China Water, Shenzhen New China Water shall pay to Shandong Yuantong RMB4,065,000 (equivalent to approximately HK\$4,790,000), representing 30% of the Total Taiyuan Consideration (the “**Taiyuan Third Installment**”); and
- (d) Within 180 business days after the payment of the Taiyuan Third Installment, Shenzhen New China Water shall pay to Shandong Yuantong the remaining balance of RMB2,710,000 (equivalent to HK\$3,193,000), representing 20% of the Total Taiyuan Consideration.

In the event that, within 90 days after the date of the payment of the Taiyuan Deposit, the Taiyuan Acquisition is put on hold or delayed for reasons other than Shenzhen New China Water, Shandong Yuantong shall refund the Taiyuan Deposit to the designated bank account of Shenzhen New China Water within 5 business days.

If Shenzhen New China Water fails to pay the Total Taiyuan Consideration in accordance with the terms of the Taiyuan Equity Transfer Agreement, it shall pay Shandong Yuantong 1/1000 of the overdue amount for each day of delay. If such delay exceeds 30 days, (i) Shandong Yuantong has the right to unilaterally terminate the Taiyuan Equity Transfer Agreement; (ii) payments made by Shenzhen New China Water shall be refunded without interest after deducting relevant taxes and fees incurred during the equity transfer process; and (iii) Shenzhen New China Water shall pay to Shandong Yuantong 20% of the consideration paid (which shall be capped at RMB1,000,000) for any loss suffered by Shandong Yuantong.

**Basis of the consideration:**

The Total Taiyuan Consideration was determined after arm's length negotiations between Shenzhen New China Water and Shandong Yuantong on normal commercial terms, after taking into account (i) unaudited net asset value of Taiyuan Yuantong as at 31 March 2022; and (ii) other factors as set out in the section headed "Reasons for and benefits for the Taiyuan Acquisition" in this announcement.

It is expected that the Total Taiyuan Consideration will be financed by internal resources of the Group.

**Payment Conditions:**

Shenzhen New China Water shall pay the Taiyuan Second Installment upon the completion of the following payment conditions ("**Taiyuan Payment Conditions**"):

Shandong Yuantong shall:

- (a) obtain a written document issued by Taiyuan Urban Appearance Environment and Hygiene Bureau\* (太原市市容環境衛生管理局) permitting the transfer of the Taiyuan Sale Capital to Shenzhen New China Water or agreeing to the transactions contemplated thereunder; and
- (b) procure and obtain the resolutions of the shareholder(s) of Taiyuan Yuantong agreeing to the matters in relation to the transfer of the Taiyuan Sale Capital.

Shenzhen New China Water shall:

- (a) engage a qualified accounting firm to conduct a comprehensive audit of Taiyuan Yuantong, and the auditing unit shall issue an audit report in respect of 30 September 2021 (the “**Reference Date**”). If the discrepancies exist between the audited net assets and the amount provided by Taiyuan Yuantong, is (i) less than 3%, Shenzhen New China Water shall bear the difference and shall not adjust the Total Taiyuan Consideration; or (ii) between 3% to 15%, the difference shall be borne by Shandong Yuantong and Shandong Yuantong agrees that Shenzhen New China Water shall have a right to deduct such difference from the Total Taiyuan Consideration; or (iii) over 15%, Shenzhen New China Water shall have the right to terminate the Taiyuan Equity Transfer Agreement and Shandong Yuantong shall unconditionally refund the Taiyuan Deposit and all related fees paid by Shenzhen New China Water; and
- (b) obtain the resolutions of the Board approving the entering into of the Taiyuan Equity Transfer Agreement and the transactions contemplated thereunder, and procure the Company’s compliance with the applicable requirements of the Listing Rules in relation to discloseable transactions, including the disclosure requirements and other related matters.

If all the Taiyuan Payment Conditions have not been fulfilled within six months from the date of the Taiyuan Equity Transfer Agreement, either party has the right to unilaterally terminate the Taiyuan Equity Transfer Agreement.

**Registration of  
Taiyuan Equity  
Transfer:**

Taiyuan Yuantong shall be responsible for procuring the registration of transfer of the Taiyuan Sale Capital to Shenzhen New China Water (the “**Registration of Taiyuan Equity Transfer**”).

Within 30 days from the date of payment of the Taiyuan Second Installment by Shenzhen New China Water, Shandong Yuantong and Taiyuan Yuantong shall assist Shenzhen New China Water in accordance with the terms of the Taiyuan Equity Transfer Agreement, to complete the relevant procedures for issue of the certificate of capital contribution, updating register of members, and Registration of Taiyuan Equity Transfer (including but not limited to the filing of the articles of Taiyuan Yuantong as amended and signed in accordance with the Taiyuan Equity Transfer Agreement and the filing of the change of director(s) as nominated by Shenzhen New China Water, at the local Administration for Industry of Commerce or the Administration for Market Regulation).

In the event that Shandong Yuantong or Taiyuan Yuantong fails to assist on the completion of the relevant procedures set out above, and that the Registration of Taiyuan Equity Transfer cannot be obtained (save for reasons of the government or force majeure) within 30 days from the date of payment of the Taiyuan Second Installment, Shenzhen New China Water shall have the right to terminate the Taiyuan Equity Transfer Agreement by notice in writing, and Shandong Yuantong shall within 15 business days after such termination, refund all monies paid by Shenzhen New China Water and the amount equivalent to the interest accrued if such monies were deposited with the bank.

**Control and management:**

Upon payment of the Taiyuan Second Installment by Shenzhen New China Water, Shandong Yuantong undertakes not to participate in voting at the shareholder's meeting of Taiyuan Yuantong and all matters shall be solely decided by Shenzhen New China Water. Upon the date of the Registration of Taiyuan Equity Transfer (the "**Taiyuan Completion Date**"), Shandong Yuantong shall no longer be entitled to the rights nor have the obligations as a shareholder of Taiyuan Yuantong.

Within five business days after payment of the Taiyuan Second Installment, the director(s) and supervisor(s) nominated by Shandong Yuantong shall tender his/her/their resignation(s) or shareholders' meeting of Taiyuan Yuantong shall be convened to remove such director(s) and supervisor(s).

**Profit distribution:**

Shandong Yuantong shall not participate in the profit distribution of Taiyuan Yuantong from the Reference Date to the Taiyuan Completion Date, without the consent of Shenzhen New China Water, the failure of which shall be deemed to be in breach of the Taiyuan Equity Transfer Agreement and Shenzhen New China Water shall have the right to directly deduct the corresponding amount from the Total Taiyuan Consideration. In the event that such breach becomes material, Shenzhen New China Water has the right to unilaterally terminate the Taiyuan Equity Transfer Agreement.

**Completion:**

Upon completion of the Acquisition, Taiyuan Yuantong will become an indirect non-wholly owned subsidiary of the Company and therefore the financial information of Taiyuan Yuantong will be consolidated into the financial statements of the Group.

## INFORMATION ON SHANDONG YUANTONG

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, (i) Shandong Yuantong is owned as to 49% by Japan Petroleum Exploration Co., Ltd. (石油資源開發株式会社), a company incorporated in Japan with limited liability, the shares of which are listed on the Tokyo Stock Exchange, First Section (Securities Code: 1662), and 51% by Beikong Shifang, of which Beikong Shifang is in turn wholly and beneficially owned by BECE Legend Group, a company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 00803).

## INFORMATION ON TAIYUAN YUANTONG

Taiyuan Yuantong is a company established in the PRC and is principally engaged in biomass energy project development and construction management; comprehensive utilisation of landfill gas and sales of landfill gas products; and mobile pressure vessel filling of compressed natural gas (methane gas). As at the date of the announcement, Taiyuan Yuantong is directly wholly-owned by Shandong Yuantong.

### Financial Information of Taiyuan Yuantong

Set out below is the financial information of Taiyuan Yuantong based on the financial statements of Taiyuan Yuantong for the two years ended 31 December 2020 and 2021:

	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Revenue	15,730	17,870
Profit/(loss) before taxation	5,750	9,809
Profit/(loss) after taxation	4,576	7,787

The unaudited total assets, total liabilities and net assets of Taiyuan Yuantong, as at 31 March 2022 according to its unaudited financial statements were approximately RMB15,992,000, RMB945,000 and RMB15,047,000 (equivalent to approximately HK\$18,845,000, HK\$1,114,000 and HK\$17,731,000), respectively.

## REASONS FOR AND BENEFITS OF THE TAIYUAN ACQUISITION

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. Shenzhen New China Water is an indirect non-wholly owned subsidiary of the Group, and is principally engaged in exploitation, generation and sale of renewable energy.

The Group commenced tapping into the investment and operation of new energy and renewable energy business in 2013. As at the date of this announcement, the Group is operating 37 existing garbage resources power generating projects under full operation. In order to further enhance its investment portfolio in the new energy and renewable energy business, the Group has been seeking investment opportunities to further invest in such business sector. The Board is of the view that the Taiyuan Acquisition represents valuable business opportunities for the Group to further strengthen its market position in the new energy and renewable energy industry in the PRC.

The total consideration for the Taiyuan Acquisition of approximately RMB13,550,000 (equivalent to approximately HK\$15,967,000) is intended to be funded by internal resources of the Company.

With regard to the aforementioned, the Directors consider that terms of the Taiyuan Equity Transfer Agreements are on normal commercial terms, fair and reasonable and the Taiyuan Acquisition is in the interests of the Company and the Shareholders as a whole.

### **IMPLICATIONS UNDER THE LISTING RULES**

As the Fushun Acquisition, the Zhengzhou Acquisition, the formation of the Fund and the Taiyuan Acquisition were all entered into by the Group with the BECE Group within a 12-month period, the transactions contemplated under the Taiyuan Acquisition are aggregated with the transactions contemplated under the Fushun Acquisition, the Zhengzhou Acquisition and the formation of the Fund for consideration for the purpose of this announcement.

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) under the Taiyuan Acquisition, when calculated on an aggregated basis with the transactions contemplated under the Fushun Acquisition, the Zhengzhou Acquisition and the formation of the Fund, is/are more than 5% but less than 25%, the entering into of the Taiyuan Equity Transfer Agreement constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

**Completion of the Taiyuan Acquisition is subject to the payment conditions as set out in the Taiyuan Equity Transfer Agreement. Accordingly, the Taiyuan Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and other securities of the Company.**



## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“BECE Group”	BECE Legend Group, and Beikong Shifang, being a direct wholly-owned subsidiary of BECE Legend Group
“BECE Legend Group”	BECE Legend Group Company Limited (北清環能集團股份有限公司), a company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 00803)
“Beikong Shifang”	北控十方 (山東) 環保能源集團有限公司 (for transliteration purpose only, Beikong Shifang (Shandong) Environmental Energy Group Limited <sup>#</sup> ), a company established in the PRC with limited liability
“Board”	the board of Directors
“Company”	China Water Industry Group Limited, a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (stock code: 1129)
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Fund”	福州清禹新能股權投資合夥企業 (有限合夥) (for transliteration purpose only, Fuzhou Qingyu New Energy Equity Investment Partnership (Limited Partnership) <sup>#</sup> ), a limited partnership incorporated in the PRC pursuant to the agreement of limited partnership dated 24 December 2021 and entered into amongst Tibet Yuze Investment Management Company Limited <sup>#</sup> (西藏禹澤投資管理有限公司), BECE Legend Group, the Company and Jiangsu Jiangnan Water Affairs Company Limited <sup>#</sup> (江蘇江南水務股份有限公司)
“Fushun Acquisition”	the acquisition of 100% registered capital of 撫順十方生物能源有限公司 (for transliteration purpose only, Fushun Shifang Bioenergy Limited <sup>#</sup> ) by Shenzhen New China Water from Beikong Shifang pursuant to the terms and conditions of the equity transfer agreement dated 2 December 2021 and entered into amongst Shenzhen New China Water (as purchaser), Beikong Shifang (as vendor) and Fushun Shifang Bioenergy Limited <sup>#</sup> (as target company)
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, for the purpose of this announcement, shall exclude Hong Kong, Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Reference Date”	has the meaning ascribed thereto in the paragraph headed “Payment Conditions” under the section headed “The Taiyuan Equity Transfer Agreement” in this announcement
“Registration of Taiyuan Equity Transfer”	has the meaning ascribed thereto in the paragraph headed “Registration of Taiyuan Equity Transfer” under the section headed “The Taiyuan Equity Transfer Agreement” in this announcement
“RMB”	renminbi, the lawful currency of the PRC
“Shandong Yuantong”	山東圓通生物能源有限公司 (for transliteration purpose only, Shandong Yuantong Bioenergy Limited <sup>#</sup> ), a company established in the PRC with limited liability
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen New China Water”	深圳市新中水環保科技有限公司 (for transliteration purpose only, Shenzhen City New China Water Environmental Technology Limited <sup>#</sup> ), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiyuan Acquisition”	the acquisition of the Taiyuan Sale Capital by Shenzhen New China Water from Shandong Yuantong pursuant to the terms and conditions of the Taiyuan Equity Transfer Agreement
“Taiyuan Completion Date”	has the meaning ascribed thereto in the paragraph headed “Control and management” under the section headed “The Taiyuan Equity Transfer Agreement” in this announcement

“Taiyuan Deposit”	has the meaning ascribed thereto in the paragraph headed “Consideration” under the section headed “The Taiyuan Equity Transfer Agreement” in this announcement
“Taiyuan Equity Transfer Agreement”	the equity transfer agreement dated 23 May 2022 and entered into amongst Shenzhen New China Water (as purchaser), Shandong Yuantong (as vendor) and Taiyuan Yuantong (as target company) in respect of the Taiyuan Acquisition
“Taiyuan First Installment”	has the meaning ascribed thereto in the paragraph headed “Consideration” under the section headed “The Taiyuan Equity Transfer Agreement” in this announcement
“Taiyuan Payment Conditions”	has the meaning ascribed thereto in the paragraph headed “Payment Conditions” under the section headed “The Taiyuan Equity Transfer Agreement” in this announcement
“Taiyuan Sale Capital”	100% registered capital of Taiyuan Yuantong, which is beneficially owned by Shandong Yuantong as at the date of this announcement
“Taiyuan Second Installment”	has the meaning ascribed thereto in the paragraph headed “Consideration” under the section headed “The Taiyuan Equity Transfer Agreement” in this announcement
“Taiyuan Third Installment”	has the meaning ascribed thereto in the paragraph headed “Consideration” under the section headed “The Taiyuan Equity Transfer Agreement” in this announcement
“Taiyuan Yuantong”	太原市圓通生物能源有限公司 (for transliteration purpose only, Taiyuan Yuantong Bioenergy Limited <sup>#</sup> ), a company established in the PRC with limited liability and is owned as to 100% by Shandong Yuantong as at the date of this announcement
“Total Taiyuan Consideration”	has the meaning ascribed thereto in the paragraph headed “Consideration” under the section headed “The Taiyuan Equity Transfer Agreement” in this announcement
“Zhengzhou Acquisition”	the acquisition of 100% registered capital of 鄭州新冠能源開發有限公司 (for transliteration purpose only, the Zhengzhou Xinguan Energy Development Limited <sup>#</sup> ) by Shenzhen New China Water from Beikong Shifang pursuant to the terms and conditions of the equity transfer agreement dated 2 December 2021 and entered into amongst Shenzhen New China Water (as purchaser), Beikong Shifang (as vendor) and Zhengzhou Xinguan Energy Development Limited <sup>#</sup> (as target company)

“%” per cent.

# *the English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words*

*For the purpose of this announcement, unless otherwise indicated, conversion of Renminbi into Hong Kong dollars is calculated at the approximate exchange rate of RMB1.0000 to HK\$1.1784. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

\* *for identification purpose only*

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

Hong Kong, 23 May 2022

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