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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  
THE DISPOSAL OF 60% EQUITY INTERESTS IN  
LINYI FENGHUANG WATER INDUSTRY CO., LTD**

**THE DISPOSAL**

The Board would like to announce that on 11 October 2022 (after trading hours of the Stock Exchange), the Vendor, being an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Capital, representing 60% equity interests in the Target Company, for a total consideration of RMB53,000,000 (equivalent to approximately HK\$58,183,000).

As at the date of this announcement, the Target Company is owned as to 60% by the Vendor and 40% by Linyi Urban Development, respectively. Upon Completion, the Target Company will be owned as to 60% by the Purchaser and 40% by Linyi Urban Development, respectively. As such, the Target Company will cease to be a subsidiary of the Company and the financial information of the Target Group will cease to be consolidated into the consolidated financial statements of the Group upon Completion.

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Disposal exceed(s) 5% but is/are less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements but is exempt from the Shareholders' approval requirement under the Listing Rules.

**Completion is subject to the fulfillment or waiver (as the case may be) of the conditions precedent set out in the Equity Transfer Agreement and therefore the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

\* For identification purpose only

## **THE DISPOSAL**

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## **THE EQUITY TRANSFER AGREEMENT**

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

- Date: 11 October 2022
- Parties: (i) the Vendor; and  
(ii) the Purchaser.

The Purchaser is a company established in the PRC with limited liability and is principally engaged in natural gas pipeline construction and urban gas pipeline network engineering construction and operation.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) is an Independent Third Party.

### **Assets to be disposed of**

Pursuant to the terms and conditions of the Equity Transfer Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Capital, representing 60% equity interests in the Target Company.

As at the date of this announcement, the Target Company is owned as to 60% by the Vendor and 40% by Linyi Urban Development, respectively.

### **Consideration**

The Consideration payable for the Sale Capital is RMB53,000,000 (equivalent to approximately HK\$58,183,000) and shall be satisfied by the Purchaser in the following manner:

- (i) as to RMB37,100,000 (equivalent to approximately HK\$40,728,000), representing 70% of the Consideration, less the Framework Agreement Deposit of RMB10,000,000 (equivalent to approximately HK\$10,978,000) shall be payable by the Purchaser to the Vendor within 10 business days after the fulfillment of the conditions precedent to the Equity Transfer Agreement and the signing of the Equity Transfer Agreement; and
- (ii) the remaining balance of RMB15,900,000 (equivalent to approximately HK\$17,455,000), representing 30% of the Consideration, less RMB3,500,000 (equivalent to approximately HK\$3,842,000), being the amount of relevant PRC tax payments payable by the Purchaser on behalf of the Vendor, shall be payable by the Purchaser to the Vendor within 10 business days after the completion of the Registration of Equity Transfer (as defined below).

If the Purchaser fails to pay the Consideration in the above manner, the Purchaser shall pay the Vendor a sum equivalent to 0.05% of the Consideration for each day of delay. In the event of any delay in payment of any installment(s) of the Consideration for more than 30 days, or the Purchaser expressly indicates its non-performance of, or its inability to perform its obligations under the Equity Transfer Agreement, the Vendor shall have the right to unilaterally terminate the Equity Transfer Agreement.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms, after taking into account, among others, (i) 60% of the net asset value of the Target Group of approximately RMB47,468,000 (equivalent to approximately HK\$52,110,000) as at 31 August 2022; and (ii) other factors as set out in the section headed "Reasons for and benefits of the Disposal" in this announcement.

### **Conditions precedent**

Completion is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

- (i) consent(s) and approval(s) required to be obtained on the part of the Vendor and the Target Company in respect of the Equity Transfer Agreement having been obtained;
- (ii) consent(s) and approval(s) required to be obtained on the part of the Purchaser in respect of the Equity Transfer Agreement having been obtained;
- (iii) written undertaking having been obtained from Linyi Urban Development or relevant shareholders' resolutions having been passed to waive its first right of refusal to acquire the Sale Capital; and
- (iv) the Target Company and its subsidiaries having passed the approval procedures of the government and relevant competent authorities.

As at the date of this announcement, all the conditions above have been fulfilled.

### **Registration of Equity Transfer**

Each of the Vendor, the Purchaser and the Target Company shall use its best endeavours to cooperate and procure the registration of the transfer of the Sale Capital to the Purchaser (the "**Registration of Equity Transfer**") after the fulfilment of all the conditions precedent under the Equity Transfer Agreement; and shall, within 30 business days from the date of fulfilment of all the conditions precedent under the Equity Transfer Agreement, obtain the approval or evidence of filing from the relevant registration authority in respect of the Registration of Equity Transfer, amendment of articles of the Target Company and appointment of directors or supervisors (if required).

In the event that there is any delay in the Registration of Equity Transfer (except for reasons other than the Vendor), the Vendor shall pay compensation for a sum equivalent to 0.05% of the Consideration to the Purchaser for each day of delay. In the event of any delay in the Registration of Equity Transfer for more than 30 days, or the Vendor expressly indicates its non-performance of, or its inability to perform its obligations under the Equity Transfer Agreement, the Purchaser has the right to unilaterally terminate the Equity Transfer Agreement, upon which the Purchaser has the right to require the Vendor to refund the Consideration paid by the Purchaser (if any).

## Completion

Completion shall take place within 30 business days (or such other date as the Vendor and the Purchaser may agree in writing) after the fulfillment of all conditions precedent under the Equity Transfer Agreement.

Upon Completion, the Target Company will be owned as to 60% by the Purchaser and 40% by Linyi Urban Development, respectively. As such, the Target Company will cease to be a subsidiary of the Company and the financial information of the Target Group will cease to be consolidated into the consolidated financial statements of the Group upon Completion.

## INFORMATION ON THE TARGET GROUP

The Target Company is a company established in the PRC with limited liability. As at the date of this announcement, the Target Company is owned as to 60% by the Vendor and 40% by Linyi Urban Development, respectively. The Target Company is principally engaged in the provision of water supply in the PRC.

Linyi Pipeline is a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Target Company. As at the date of this announcement, Linyi Pipeline has not commenced any business.

### Financial information of the Target Group

Set out below is the financial information of the Target Group based on the audited consolidated financial statements of the Target Group for the two years ended 31 December 2020 and 31 December 2021 and unaudited consolidated financial statements of the Target Group for the eight months ended 31 August 2022:

	<b>For the year ended 31 December 2020 RMB'000 (audited)</b>	<b>For the year ended 31 December 2021 RMB'000 (audited)</b>	<b>For the eight months ended 31 August 2022 RMB'000 (unaudited)</b>
Revenue	45,961	55,133	29,099
Profit before taxation	11,772	13,890	1,626
Profit after taxation	8,754	10,599	1,012

The total assets, total liabilities and net assets of the Target Group as at 31 August 2022 according to its unaudited consolidated financial statements were approximately RMB119,336,000 (equivalent to approximately HK\$131,007,000), RMB40,222,000 (equivalent to approximately HK\$44,156,000) and RMB79,114,000 (equivalent to approximately HK\$86,851,000), respectively.

## **INFORMATION ON THE PURCHASER**

The Purchaser is a company established in the PRC with limited liability and is principally engaged in natural gas pipeline construction and urban gas pipeline network engineering construction and operation.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is owned as to 98% by Mr. Lin Fanlin, 1% by Mr. Lin Bo and 1% by Mr. Lin Fanlun, respectively, as at the date of this announcement.

## **FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS**

Upon Completion, the Target Group will cease to be subsidiaries of the Company. As such, the financial information of the Target Group will cease to be consolidated into the consolidated financial statements of the Group.

The Group is expected to record an unaudited gain from the Disposal of approximately HK\$1,931,000. Such unaudited gain is estimated based on the gross proceeds from the Disposal of RMB53,000,000 (equivalent to approximately HK\$58,183,000) less 60% of the net asset value of the Target Group of approximately RMB47,468,000 (equivalent to approximately HK\$52,110,000) as at 31 August 2022, and after deducting (i) the expenses directly attributable to the Disposal of approximately HK\$300,000 and (ii) tax payable of approximately RMB3,500,000 (equivalent to approximately HK\$3,842,000). The actual amount of gain on the Disposal to be recorded by the Group will depend on the net asset value of the Target Group as at the date of Completion, therefore may be different from the amount mentioned above, and will be subject to review and final audit by the auditor of the Company.

The net proceeds from the Disposal, after deducting the expenses directly attributable thereto of approximately HK\$300,000 and the tax payable of approximately RMB3,500,000 (equivalent to approximately HK\$3,842,000), will amount to approximately HK\$54,041,000. It is intended that the net proceeds will be used for the repayment of debts of the Group.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

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. The Vendor is an indirect wholly-owned subsidiary of the Group, and is principally engaged in investment holding.

The Board believes that the Disposal would allow the Group to realise the investment in the Target Group and to better allocate its resources for the development of its existing business and/or investments in other business opportunities. Further, the net proceeds from the Disposal will make a positive contribution to the cashflow of the Group and it is intended that the net proceeds will be used for the repayment of debts of the Group. Thus, the Board considers that the Disposal shall enable the Company to lower its financing costs and improve the liquidity and overall financial position of the Group.

With regard to the aforementioned, the Directors (including the independent non-executive Directors) believe that the terms of the Disposal (including the Consideration) are on normal commercial terms, fair and reasonable, and the Disposal is in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Disposal exceed(s) 5% but is/are less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements but is exempt from the Shareholders' approval requirement under the Listing Rules.

**Completion is subject to the fulfillment or waiver (as the case may be) of the conditions precedent set out in the Equity Transfer Agreement and therefore the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“Board”	the board of Directors
“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)
“Completion”	completion of the Disposal
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	a sum of RMB53,000,000 (equivalent to approximately HK\$58,183,000), being the consideration for the Sale Capital
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Capital by the Vendor to the Purchaser pursuant to the terms and conditions of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 11 October 2022 and entered into between the Vendor and the Purchaser in respect of the Disposal
“Framework Agreement Deposit”	the deposit which has been paid by the Purchaser pursuant to the terms of a framework agreement dated 5 April 2021 and entered into between the Company and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Linyi Pipeline”	臨沂水建管道工程有限公司 (for transliteration purpose only, Linyi Water Pipeline Construction Co Limited <sup>#</sup> ), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Target Company
“Linyi Urban Development”	臨沂河東城市發展投資集團有限公司 (for transliteration purpose only, Linyi Hedong Urban Development Investment Group Co., Ltd. <sup>#</sup> ), a company established in the PRC with limited liability, which is a state-owned enterprise
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	奧德集團有限公司 (for transliteration purpose only, Aode Group Company Limited <sup>#</sup> ), a company established in the PRC with limited liability, which is owned as to 98% by Mr. Lin Fanlian, 1% by Mr. Lin Bo and 1% by Mr. Lin Fanlun, respectively, as at the date of this announcement
“Sale Capital”	60% registered capital of the Target Company, which is beneficially owned by the Vendor as at the date of this announcement
“Share(s)”	share(s) of the Company of HK\$0.50 each
“Shareholder(s)”	holder(s) of issued Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	臨沂鳳凰水業有限公司 (for transliteration purpose only, Linyi Fenghuang Water Industry Co., Ltd <sup>#</sup> ), a company established in the PRC with limited liability, which is owned as to 60% by the Vendor and 40% by Linyi Urban Development as at the date of this announcement
“Target Group”	Target Company and its subsidiary, namely Linyi Pipeline

“Vendor”	China Water Industry (HK) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	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 RMB1.00 to HK\$1.0978. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.*

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

Hong Kong, 11 October 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.*