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**Taizhou Water Group Co., Ltd.\***

**台州市水務集團股份有限公司**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1542)**

**CONTINUING CONNECTED TRANSACTIONS  
IN RESPECT OF**

- (i) 2022 YUHUAN WATER SUPPLY FRAMEWORK AGREEMENT;  
(ii) 2022 WENLING WATER SUPPLY (SOUTH BAY) FRAMEWORK  
AGREEMENT; AND  
(iii) 2022 WENLING WATER SUPPLY (BINHAI) FRAMEWORK  
AGREEMENT**

**2022 YUHUAN WATER SUPPLY FRAMEWORK AGREEMENT**

On 28 December 2022, South Bay Water and Yuhuan Water Supply entered into the 2022 Yuhuan Water Supply Framework Agreement to govern the terms and conditions of the transactions between South Bay Water and Yuhuan Water Supply in respect of the provision of municipal water supply services by South Bay Water to Yuhuan Water Supply for a term from 1 December 2022 to 31 December 2024.

**2022 WENLING WATER SUPPLY (SOUTH BAY) FRAMEWORK AGREEMENT**

On 28 December 2022, South Bay Water and Wenling Water Supply entered into the 2022 Wenling Water Supply (South Bay) Framework Agreement to govern the terms and conditions of the transactions between South Bay Water and Wenling Water Supply in respect of the provision of raw water supply services by South Bay Water to Wenling Water Supply for a term from 1 December 2022 to 31 December 2024.

**2022 WENLING WATER SUPPLY (BINHAI) FRAMEWORK AGREEMENT**

On 28 December 2022, Binhai Water and Wenling Water Supply entered into the 2022 Wenling Water Supply (Binhai) Framework Agreement to govern the terms and conditions of the transactions between Binhai Water and Wenling Water Supply in respect of the provision of municipal water supply services by Binhai Water to Wenling Water Supply for a term from 1 December 2022 to 31 December 2024.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, (i) Wenling Water Supply is a wholly-owned subsidiary of Wenling Water Group Co., Ltd.\* (溫嶺市水務集團有限公司), which in turn holds 18% equity interest in Taizhou City Water, a subsidiary of the Company; and (ii) Yuhuan Water Supply is a wholly-owned subsidiary of Yuhuan Water Supply Group Co., Ltd.\* (玉環市水務集團有限公司), which in turn holds 40% equity interest in South Bay Water, a subsidiary of the Company. Accordingly, each of Wenling Water Supply and Yuhuan Water Supply is a connected person at the subsidiary level of the Company.

As (i) the Board has approved the transactions contemplated under (a) the 2022 Yuhuan Water Supply Framework Agreement; (b) the 2022 Wenling Water Supply (South Bay) Framework Agreement; and (c) the 2022 Wenling Water Supply (Binhai) Framework Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of each of the transactions contemplated under (a) the 2022 Yuhuan Water Supply Framework Agreement; (b) the 2022 Wenling Water Supply (South Bay) Framework Agreement; and (c) the 2022 Wenling Water Supply (Binhai) Framework Agreement are fair and reasonable, on normal commercial terms in the ordinary and normal course of business of the Group and in the interests of the Company and the Shareholders as a whole, each of (a) the 2022 Yuhuan Water Supply Framework Agreement; (b) the 2022 Wenling Water Supply (South Bay) Framework Agreement; and (c) the 2022 Wenling Water Supply (Binhai) Framework Agreement is only subject to the reporting, announcement and annual review requirements, but is exempted from the circular, independent financial adviser's advices and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

### **1. 2022 YUHUAN WATER SUPPLY FRAMEWORK AGREEMENT**

On 28 December 2022, South Bay Water and Yuhuan Water Supply entered into the 2022 Yuhuan Water Supply Framework Agreement to govern the terms and conditions of the transactions between South Bay Water and Yuhuan Water Supply in respect of the provision of municipal water supply services by South Bay Water to Yuhuan Water Supply for a term from 1 December 2022 to 31 December 2024.

#### **Principal Terms**

The principal terms of the 2022 Yuhuan Water Supply Framework Agreement are set out as follows:

Date:	28 December 2022
Parties:	(i) South Bay Water; and (ii) Yuhuan Water Supply
Term:	From 1 December 2022 to 31 December 2024

Subject Matter: South Bay Water agreed to provide municipal water supply services to Yuhuan Water Supply.

Pricing guideline: The prices of the sales of municipal water supply services provided by South Bay Water to Yuhuan Water Supply shall be determined on the basis of (i) the water prices as approved by Taizhou DRC; and (ii) the price adjustment as fixed and promulgated by Taizhou DRC.

### **Annual caps and basis for determining the annual caps**

The expected annual caps for the transactions contemplated under the 2022 Yuhuan Water Supply Framework Agreement payable by Yuhuan Water Supply are set out below:

	<b>From 1 December 2022 to 31 December 2022 (RMB'000)</b>	<b>From 1 January 2023 to 31 December 2023 (RMB'000)</b>	<b>From 1 January 2024 to 31 December 2024 (RMB'000)</b>
Expected annual caps	21,000 <sup>(Note)</sup>	87,600	87,600

*Note:*

While South Bay Water had supplied municipal water to Yuhuan Water Supply during the trial operation of the Taizhou Water Supply System (Phase IV) that commenced in July 2022, the water price had not yet been fixed by the relevant governmental authority and hence no fee had been charged at the relevant time. Subsequently, the temporary water price has been promulgated according to the Notice on the Temporary Water Price of Taizhou Water Diversion Project and the Southern Bay Area Water Diversion Project (Tai Fa Gai Jia Ge [2022] No. 263) (《關於台州市引水工程、南部灣區引水工程臨時水價的通知》)(台發改價格[2022]263號) issued on 31 October 2022, thereby enabling South Bay Water to determine the fees of, and charge Yuhuan Water Supply for, the municipal water supply services provided to Yuhuan Water Supply since the commencement of the trial operation. Therefore, the expected cap for December 2022 included the fees payable by Yuhuan Water Supply for municipal water supplied to it since the commencement of the trial operation. As at the date of this announcement, the trial operation of the Taizhou Water Supply System (Phase IV) has yet to be completed.

The proposed annual caps were determined with reference to (i) the expected demand of municipal water supply services from Yuhuan Water Supply; (ii) the increase in municipal water supply capacity of the Group after completion of construction of Taizhou Water Supply System (Phase IV); and (iii) the water prices as approved by Taizhou DRC.

## **2. 2022 WENLING WATER SUPPLY (SOUTH BAY) FRAMEWORK AGREEMENT**

On 28 December 2022, South Bay Water and Wenling Water Supply entered into the 2022 Wenling Water Supply (South Bay) Framework Agreement to govern the terms and conditions of the transactions between South Bay Water and Wenling Water Supply in respect of the provision of raw water supply services by South Bay Water to Wenling Water Supply for a term from 1 December 2022 to 31 December 2024.

## Principal Terms

The principal terms of the 2022 Wenling Water Supply (South Bay) Framework Agreement are set out as follows:

Date:	28 December 2022
Parties:	(i) South Bay Water; and (ii) Wenling Water Supply
Term:	From 1 December 2022 to 31 December 2024
Subject Matter:	South Bay Water agreed to provide raw water supply services to Wenling Water Supply.
Pricing guideline:	The prices of the sales of raw water supply services provided by South Bay Water to Wenling Water Supply shall be determined on the basis of (i) the water prices as approved by Taizhou DRC; and (ii) the price adjustment as fixed and promulgated by Taizhou DRC.

## Annual caps and basis for determining the annual caps

The expected annual caps for the transactions contemplated under the 2022 Wenling Water Supply (South Bay) Framework Agreement payable by Wenling Water Supply are set out below:

	<b>From 1 December 2022 to 31 December 2022 (RMB'000)</b>	<b>From 1 January 2023 to 31 December 2023 (RMB'000)</b>	<b>From 1 January 2024 to 31 December 2024 (RMB'000)</b>
Expected annual caps	8,000 <sup>(Note)</sup>	35,100	35,100

### Note:

While South Bay Water had supplied raw water to Wenling Water Supply during the trial operation of the Taizhou Water Supply System (Phase IV) that commenced in July 2022, the water price had not yet been fixed by the relevant governmental authority and hence no fee had been charged at the relevant time. Subsequently, the temporary water price has been promulgated according to the Notice on the Temporary Water Price of Taizhou Water Diversion Project and the Southern Bay Area Water Diversion Project (Tai Fa Gai Jia Ge [2022] No. 263) (《關於台州市引水工程、南部灣區引水工程臨時水價的通知》)(台發改價格[2022]263號) issued on 31 October 2022, thereby enabling South Bay Water to determine the fees of, and charge Wenling Water Supply for, the raw water supply services provided to Wenling Water Supply since the commencement of the trial operation. Therefore, the expected cap for December 2022 included the fees payable by Wenling Water Supply for raw water supplied to it since the commencement of the trial operation. As at the date of this announcement, the trial operation of the Taizhou Water Supply System (Phase IV) has yet to be completed.

The proposed annual caps were determined with reference to the (i) the expected demand of raw water supply services from Wenling Water Supply; (ii) the increase in raw water supply capacity of the Group after completion of construction of Taizhou Water Supply System (Phase IV); and (iii) the water prices as approved by Taizhou DRC.

### 3. 2022 WENLING WATER SUPPLY (BINHAI) FRAMEWORK AGREEMENT

On 28 December 2022, Binhai Water and Wenling Water Supply entered into the 2022 Wenling Water Supply (Binhai) Framework Agreement to govern the terms and conditions of the transactions between Binhai Water and Wenling Water Supply in respect of the provision of municipal water supply services by Binhai Water to Wenling Water Supply for a term from 1 December 2022 to 31 December 2024.

#### Principal Terms

The principal terms of the 2022 Wenling Water Supply (Binhai) Framework Agreement are set out as follows:

Date:	28 December 2022
Parties:	(i) Binhai Water; and (ii) Wenling Water Supply
Term:	From 1 December 2022 to 31 December 2024
Subject Matter:	Binhai Water agreed to provide municipal water supply services to Wenling Water Supply.
Pricing guideline:	The prices of the sales of municipal water supply services provided by Binhai Water to Wenling Water Supply shall be determined on the basis of (i) the water prices as approved by Taizhou DRC; and (ii) the price adjustment as fixed and promulgated by Taizhou DRC.

#### Annual caps and basis for determining the annual caps

The expected annual caps for the transactions contemplated under the 2022 Wenling Water Supply (Binhai) Framework Agreement payable by Wenling Water Supply are set out below:

	<b>From 1 December 2022 to 31 December 2022 (RMB'000)</b>	<b>From 1 January 2023 to 31 December 2023 (RMB'000)</b>	<b>From 1 January 2024 to 31 December 2024 (RMB'000)</b>
Expected annual caps	17,000 <sup>(Note)</sup>	62,000	88,000

*Note:*

While Binhai Water had supplied municipal water to Wenling Water Supply during the trial operation of the Taizhou Water Supply System (Phase IV) that commenced in July 2022, the water price had not yet been fixed by the relevant governmental authority and hence no fee had been charged at the relevant time. Subsequently, the temporary water price has been promulgated according to the Notice on the Temporary Water Price of Taizhou Water Diversion Project and the Southern Bay Area Water Diversion Project (Tai Fa Gai Jia Ge [2022] No. 263) (《關於台州市引水工程、南部灣區引水工程臨時水價的通知》)(台發改價格[2022]263號) issued on 31 October 2022, thereby enabling Binhai Water to determine the fees of, and charge Wenling Water Supply for, the municipal water supply services provided to Wenling Water Supply since the commencement of the trial operation. Therefore, the expected cap for December 2022 included the fees payable by Wenling Water Supply for municipal water supplied to it since the commencement of the trial operation. As at the date of this announcement, the trial operation of the Taizhou Water Supply System (Phase IV) has yet to be completed.

The proposed annual caps were determined with reference to (i) the expected demand of municipal water supply services from Wenling Water Supply; (ii) the increase in municipal water supply capacity of the Group after completion of construction of Taizhou Water Supply System (Phase IV); and (iii) the water prices as approved by Taizhou DRC.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTINUING CONNECTED TRANSACTIONS**

The Group has been providing municipal water supply services in or incidental to its ordinary and usual course of business to Wenling Water Supply and Yuhuan Water Supply pursuant to the Yuhuan Water Supply Framework Agreement and Wenling Water Supply Framework Agreement both dated 1 September 2021, which will then provide tap water (after purification of raw water, if necessary) for use by the residents and enterprises in Wenling City and Yuhuan City of Taizhou. In view of the increasing demand on raw water and/or municipal water from Wenling and Yuhuan City, the Company considers that the transactions contemplated under the 2022 CCT Agreements will allow the Group to continue to serve end-users in different districts of Taizhou, and thus contribute to the turnover and the performance of the Group.

In light of the above, the Directors (including the independent non-executive Directors) consider that (a) the 2022 Yuhuan Water Supply Framework Agreement; (b) the 2022 Wenling Water Supply (South Bay) Framework Agreement; (c) the 2022 Wenling Water Supply (Binhai) Framework Agreement are entered into in the usual and ordinary course of business of the Group, are conducted on an arm's length basis and on normal commercial terms between the Group and each of Wenling Water Supply and Yuhuan Water Supply, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INTERNAL CONTROL POLICIES AND PROCEDURES**

In order to ensure that the pricing mechanism and terms of the 2022 CCT Agreements are fair and reasonable and no less favourable than the terms provided by any independent third parties to the Group, the Group has established a series of internal control procedures as follows:

- (1) The finance department of the Company shall regularly monitor the caps of connected transactions, count the accumulated amounts of transactions with Wenling Water Supply and Yuhuan Water Supply by the end of the month on a monthly basis and report to the management the unutilised balance of the annual caps by the end of the each month, to ensure the applicable annual caps are not exceeded. When the projected transaction amount approaches or reaches the applicable annual caps, the Company shall revise the annual cap in accordance with the internal control procedures governing the connected transactions.
- (2) The finance department of the Company will regularly keep abreast of the changes in policies for the water price promulgated by Taizhou DRC from time to time to ensure that the water price approved by the government authorities is timely executed.
- (3) The production departments of the Group will closely monitor and report any circumstances which may have impact on the applicable annual caps under the 2022 CCT Agreements such as water price adjustment as fixed and promulgated by the relevant government authorities.
- (4) The external auditors of the Group will issue a letter to the Board in relation to the continuing connected transactions, including the transactions under 2022 CCT Agreements, for each financial year in accordance with Rule 14A.56 of the Listing Rules.
- (5) The independent non-executive Directors will conduct an annual review with respect to the continuing connected transactions, including the transactions under the 2022 CCT Agreements, throughout the preceding financial year, and give confirmation in accordance with Rules 14A.55 and 14A.71 of the Listing Rules.

## **INFORMATION OF THE PARTIES**

### **The Company**

The Company is a leading water supply service provider in Taizhou principally engaged in the supply of raw water and municipal water. The Company also supplies tap water directly to end-users and engages in the installation of the water pipelines for distributing tap water to its end-users in Taizhou.

### **Wenling Water Supply**

Wenling Water Supply principally engages in the production and supply of municipal water in Wenling District of Taizhou. As at the date of this announcement, Wenling Water Supply is ultimately wholly-owned by the Finance Bureau of Wenling City.

## **Yuhuan Water Supply**

Yuhuan Water Supply principally engages in the supply of municipal water in Yuhuan District of Taizhou. As at the date of this announcement, Yuhuan Water Supply is ultimately owned as to 90% and 10% by the Finance Bureau of Wenling City and Zhejiang Provincial Department of Finance, respectively.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, (i) Wenling Water Supply is a wholly-owned subsidiary of Wenling Water Group Co., Ltd.\* (溫嶺市水務集團有限公司), which in turn holds 18% equity interest in Taizhou City Water, a subsidiary of the Company; and (ii) Yuhuan Water Supply is a wholly-owned subsidiary of Yuhuan Water Supply Group Co., Ltd.\* (玉環市水務集團有限公司), which in turn holds 40% equity interest in South Bay Water, a subsidiary of the Company. Accordingly, each of Wenling Water Supply and Yuhuan Water Supply is a connected person at the subsidiary level of the Company.

As (i) the Board has approved the transactions contemplated under (a) the 2022 Yuhuan Water Supply Framework Agreement; (b) the 2022 Wenling Water Supply (South Bay) Framework Agreement; and (c) the 2022 Wenling Water Supply (Binhai) Framework Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of each of the transactions contemplated under (a) the 2022 Yuhuan Water Supply Framework Agreement; (b) the 2022 Wenling Water Supply (South Bay) Framework Agreement; and (c) the 2022 Wenling Water Supply (Binhai) Framework Agreement are fair and reasonable, on normal commercial terms in the ordinary and normal course of business of the Group and in the interests of the Company and the Shareholders as a whole, each of (a) the 2022 Yuhuan Water Supply Framework Agreement; (b) the 2022 Wenling Water Supply (South Bay) Framework Agreement; and (c) the 2022 Wenling Water Supply (Binhai) Framework Agreement is only subject to the reporting, announcement and annual review requirements, but is exempted from the circular, independent financial adviser's advices and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

As none of the Directors has material interest in the 2022 CCT Agreements, no Director was required to abstain from voting on the Board resolutions in relation to the 2022 CCT Agreements.

## **DEFINITIONS**

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

“2022 CCT Agreements”	collectively, the 2022 Yuhuan Water Supply Framework Agreement, the 2022 Wenling Water Supply (South Bay) Framework Agreement and the 2022 Wenling Water Supply (Binhai) Framework Agreement
“2022 Wenling Water Supply (Binhai) Framework Agreement”	the agreement entered into between Binhai Water and Wenling Water Supply dated 28 December 2022 in relation to the provision of municipal water supply services by Binhai Water to Wenling Water Supply



“2022 Wenling Water Supply (South Bay) Framework Agreement”	the agreement entered into between South Bay Water and Wenling Water Supply dated 28 December 2022 in relation to the provision of raw water supply services by South Bay Water to Wenling Water Supply
“2022 Yuhuan Water Supply Framework Agreement”	the agreement entered into between South Bay Water and Yuhuan Water Supply dated 28 December 2022 in relation to the provision of municipal water supply services by South Bay Water to Yuhuan Water Supply
“Binhai Water”	Taizhou Binhai Water Co., Ltd.* (台州市濱海水務有限公司), a limited liability company established in the PRC and a subsidiary of the Company owned as to 51% by the Company and 49% by Taizhou City Water
“Board”	the board of directors of the Company
“China” or “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
“Company”	Taizhou Water Group Co., Ltd.* (台州市水務集團股份有限公司), a joint stock company established in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company, its subsidiaries and its consolidated affiliated entities from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“South Bay Water”	Taizhou South Bay Water Supply Co., Ltd.* (台州市南部灣區水務有限公司), a limited liability company established in the PRC and a subsidiary of the Company which is owned as to 60% by the Company and 40% by Yuhuan Water Supply Group Co., Ltd.* (玉環市水務集團有限公司)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taizhou City Water”	Taizhou City Water Co., Ltd.* (台州城市水務有限公司), a limited liability company established in the PRC and a 82%-owned subsidiary of the Company as at the date of this announcement
“Taizhou DRC”	Taizhou Development and Reform Commission (台州市發展和改革委員會)
“Wenling Water Supply”	Wenling Water Supply Co., Ltd.* (溫嶺市供水有限公司), a limited liability company established in the PRC
“Wenling Water Supply Framework Agreement”	the agreement entered into between Taizhou City Water and Wenling Water Supply dated 1 September 2021 in relation to the provision of municipal water supply services by Taizhou City Water to Wenling Water Supply
“Yuhuan Water Supply”	Yuhuan Water Supply Co., Ltd.* (玉環市自來水有限公司), a limited liability company established in the PRC
“Yuhuan Water Supply Framework Agreement”	the agreement entered into between Taizhou City Water and Yuhuan Water Supply dated 1 September 2021 in relation to the provision of municipal water supply services by Taizhou City Water to Yuhuan Water Supply
“%”	per cent

By order of the Board  
**Taizhou Water Group Co., Ltd.\***  
 台州市水務集團股份有限公司  
**Yang Jun**  
*Chairman and Executive Director*

Taizhou, the PRC  
 28 December 2022

*As at the date of this announcement, the executive Directors are Mr. Yang Jun and Mr. Pan Gang; the non-executive Directors are Mr. Wang Haibo, Mr. Lin Genman, Ms. Fang Ya, Mr. Yu Yangbin, Mr. Ye Xiaofeng, Mr. Yang Yide, Mr. Guo Dingwen and Mr. Lin Yang; and the independent non-executive Directors are Mr. Huang Chun, Ms. Lin Suyan, Ms. Hou Meiwen, Mr. Li Wai Chung and Mr. Wang Yongyue.*

\* For identification purpose only