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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 3.872% EQUITY INTEREST IN  
NEW CHINA WATER (NANJING) RENEWABLE RESOURCES  
INVESTMENT COMPANY LIMITED**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 27 December 2019 in relation to, among others, the deemed disposal of 3.8462% equity interest in New China Water Nanjing.

The Board wishes to announce that, after the receipt of the repurchase notice from Guangdong Yuecai and Zhuhai Hengqin, on 1 March 2023 (after trading hours of the Stock Exchange), China Water (HK), an indirect wholly-owned subsidiary of the Company, and the Company (collectively, as purchasers) entered into the Equity Transfer Agreement with Guangdong Yuecai and Zhuhai Hengqin (collectively, as vendors), pursuant to which the Vendors have agreed to sell to the Purchasers, and the Purchasers have agreed to purchase from the Vendors, the Aggregate Sale Capital at the Total Consideration of approximately RMB81,340,955 (equivalent to approximately HK\$92,574,000), which is determined based on the calculation of the repurchase price pursuant to the terms of the Investment Agreements. Upon completion of the Acquisition, New China Water Nanjing will become an indirect wholly-owned subsidiary of the Company.

**LISTING RULES IMPLICATIONS**

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

\* For identification purposes only

## INTRODUCTION

Reference is made to the announcement of the Company dated 27 December 2019 in relation to, among others, the deemed disposal of 3.8462% equity interest in New China Water Nanjing.

Pursuant to the Investment Agreement A, the Previous Investor shall have the right to assign its rights and obligations in part or in whole under the Investment Agreement A to funds managed by its associate(s). In accordance with the Investment Agreement A, the Previous Investor assigned all its rights and obligations under the Investment Agreement A to Guangdong Yuecai, being an associate of the Previous Investor.

On 27 March 2020, Zhuhai Hengqin has also contributed RMB420,000 (equivalent to approximately HK\$478,000) to New China Water Nanjing pursuant to the Investment Agreement B. Accordingly, the registered capital of New China Water Nanjing has been increased from US\$86.1952 million to US\$86.2184 million and Zhuhai Hengqin became interested in 0.0269% of the equity interest of New China Water Nanjing.

Pursuant to the Investment Agreements, each of Guangdong Yuecai and Zhuhai Hengqin shall have the right (the “**Repurchase Rights**”) to require China Water (HK) to repurchase the equity interest of New China Water Nanjing in the manner as provided in the Investment Agreements by way of written notice in the event that (i) China Water (HK) ceases to be the controlling shareholder of New China Water Nanjing; (ii) the Company ceases to be the controlling shareholder of China Water (HK); or (iii) Mr. Deng Jun Jie ceases to be the single largest Shareholder.

As disclosed in the announcement of the Company dated 5 July 2021, on 30 June 2021, Step Wide Investment Limited had acquired an aggregate of 116,112,000 Shares, representing approximately 7.27% of the issued Shares as at the date of the said announcement, from Honghu Capital Co. Ltd. (which was in turn wholly-owned by Mr. Deng Jun Jie), the then single largest Shareholder. Following the said acquisition, Step Wide Investment Limited becomes the single largest Shareholder and Honghu Capital Co. Ltd., remains as a substantial shareholder of the Company, but ceased to be the single largest Shareholder.

Following the change of the single largest Shareholder, each of Guangdong Yuecai and Zhuhai Hengqin issued a repurchase notice to China Water (HK) and the Company in accordance with the Investment Agreements.

The Board wishes to announce that, after the receipt of the repurchase notice from Guangdong Yuecai and Zhuhai Hengqin, on 1 March 2023 (after trading hours of the Stock Exchange), China Water (HK), an indirect wholly-owned subsidiary of the Company, and the Company (collectively, as purchasers) entered into the Equity Transfer Agreement with Guangdong Yuecai and Zhuhai Hengqin (collectively, as vendors), pursuant to which the Vendors have agreed to sell to the Purchasers, and the Purchasers have agreed to purchase from the Vendors, the Aggregate Sale Capital at the Total Consideration of approximately RMB81,340,955 (equivalent to approximately HK\$92,574,000), which is determined based on the calculation of the repurchase price pursuant to the terms of the Investment Agreements.

## EQUITY TRANSFER AGREEMENT

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

**Date:** 1 March 2023

**Parties:**

- (i) China Water (HK) (as purchaser);
- (ii) the Company (as purchaser);
- (iii) Guangdong Yuecai (as vendor); and
- (iv) Zhuhai Hengqin (as vendor).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the equity interests of 3.8451% and 0.0269% in New China Water Nanjing being held by Guangdong Yuecai and Zhuhai Hengqin respectively, each of Guangdong Yuecai, Zhuhai Hengqin and their respective ultimate beneficial owner(s) is an Independent Third Party.

**Assets to be acquired:** The Vendors have agreed to sell to the Purchasers, and the Purchasers have agreed to purchase from the Vendors, the Aggregate Sale Capital in the following manner:

- (i) Guangdong Yuecai has agreed to transfer 3.8451% of the equity interest in New China Water Nanjing (the "Sale Capital A") to China Water (HK); and
- (ii) Zhuhai Hengqin has agreed to transfer 0.0269% of the equity interest in New China Water Nanjing (the "Sale Capital B") to China Water (HK).

**Consideration:**

The Total Consideration for the Acquisition is approximately RMB81,340,955 (equivalent to approximately HK\$92,574,000), which is calculated based on the following formulas in accordance with the terms of the Investment Agreements:

- (a) the amount of consideration (“**Consideration A**”) payable by the Purchasers to Guangdong Yuecai shall be RMB60,000,000 (equivalent to approximately HK\$68,286,000) plus 10% simple interest per annum, and the specific formula for calculating Consideration A is as follows:

Consideration A = RMB60,000,000 x (1+10%xN÷360) – all dividends distributed to Guangdong Yuecai (if any) – all breach penalties and late fees received by Guangdong Yuecai (if any).

N = number of days between the date of payment of the capital injection amount made by Guangdong Yuecai, being 3 February 2020 (“**Guangdong Yuecai’s Capital Injection Date**”) and the date of receipt of Consideration A by Guangdong Yuecai.

If the Purchasers shall pay Consideration A by installments, Consideration A shall be calculated in such corresponding portion; and

- (b) the amount of consideration (“**Consideration B**”) payable by the Purchasers to Zhuhai Hengqin shall be RMB420,000 (equivalent to approximately HK\$478,000) plus 10% simple interest per annum, and the specific formula for calculating Consideration B is as follows:

Consideration B = RMB420,000 x (1+10%xN÷360) – all dividends distributed to Zhuhai Hengqin (if any) – all breach penalties and late fees received by Zhuhai Hengqin (if any).

N = number of days between the date of payment of the capital injection amount made by Zhuhai Hengqin, being 27 March 2020 (“**Zhuhai Hengqin’s Capital Injection Date**”) and the date of receipt of Consideration B by Zhuhai Hengqin.

If the Purchasers shall pay Consideration B by installments, Consideration B shall be calculated in such corresponding portion.

**Payment terms:**

The Purchasers shall pay to Guangdong Yuecai Consideration A in the following manner:

- (a) within five (5) days from the date of the Equity Transfer Agreement, an amount of not less than RMB18,000,000 (equivalent to approximately HK\$20,486,000) towards the account of Consideration A plus an interest of 10% per annum calculated from the Guangdong Yuecai's Capital Injection Date and the date of receipt of such amount by Guangdong Yuecai; and
- (b) within 180 days from the date of the Equity Transfer Agreement, the remaining balance of Consideration A plus an interest of 10% per annum calculated from the Guangdong Yuecai's Capital Injection Date and the date of receipt of such amount by Guangdong Yuecai.

The Purchasers shall pay Zhuhai Hengqin Consideration B in the following manner:

- (a) within five (5) days from the date of the Equity Transfer Agreement, an amount of not less than RMB126,000 (equivalent to approximately HK\$143,000) towards the account of Consideration B plus an interest of 10% per annum calculated from the Zhuhai Hengqin's Capital Injection Date and the date of receipt of such amount by Zhuhai Hengqin; and
- (b) within 180 days from the date of the Equity Transfer Agreement, the remaining balance of Consideration B plus an interest of 10% per annum calculated from the Zhuhai Hengqin's Capital Injection Date and the date of receipt of such amount by Zhuhai Hengqin.

Each tranche of payment of Consideration A by the Purchasers to Guangdong Yuecai shall not, at any time, be made earlier than the payment of Consideration B by the Purchasers to Zhuhai Hengqin for the respective tranche.

If the Purchasers fail to pay to the Vendors any part of the Consideration A or Consideration B (as the case may be) pursuant to the terms of the Equity Transfer Agreement, the Vendors shall be entitled to notify the Purchasers to pay the Consideration A or Consideration B (as the case may be) forthwith, plus interest of 10% per annum calculated from the Guangdong Yuecai's Capital Injection Date or Zhuhai Hengqin's Capital Injection Date (as the case may be) to the date of actual payment of Consideration A or Consideration B (as the case may be). If the Purchasers fail to make immediate payment in accordance with the aforementioned notice, the Vendors shall be entitled to an amount equal to 0.03% of the overdue amount for each day of delay payable by the Purchasers as liquidated damages.

**Basis of consideration:**

The Total Consideration was determined after arm's length negotiations between the Purchasers and the Vendors on normal commercial terms, after taking into account (i) the Vendors having exercised their Repurchase Rights to require China Water (HK) to repurchase the equity interest of New China Water Nanjing under the respective Investment Agreements; and (ii) other factors as set out in the section headed "Reasons for and benefits for the Acquisition" in this announcement.

**Equity transfer procedures and handover:**

Within twenty (20) Business Days after the receipt of the Total Consideration by the Vendors, the Vendors shall, at the written request of the Purchasers, cooperate with the Purchasers in carrying out the business registration procedures in respect of the Acquisition and to register the Aggregate Sale Capital under the name of China Water (HK).

If, for reasons due to the Vendors, the Vendors delays or refuses to cooperate in the business registration in respect of the Acquisition, the Purchasers shall be entitled to request the Vendors to pay an amount equal to 0.03% of Consideration A or Consideration B (as the case may be) for each day of delay as liquidated damages. If the business registration is delayed for more than 60 days, the Purchasers shall have the right to terminate the Equity Transfer Agreement, and request the Vendors to refund any paid amount of Consideration A or Consideration B (as the case may be) to the Purchasers.

The Vendors shall not be liable for any failure to a timely business registration process for reasons due to the Purchasers or New China Water Nanjing (including but not limited to the failure to complete the pre-approval or filing procedures in respect of the Acquisition).

**Completion:**

Completion of the Acquisition shall take place upon the completion of the business registration procedures and the Aggregate Sale Capital to be registered under the name of China Water (HK).

Upon completion of the Acquisition, New China Water Nanjing will become an indirect wholly-owned subsidiary of the Company.

**INFORMATION ON NEW CHINA WATER NANJING**

New China Water Nanjing is a company established in the PRC with limited liability and is principally engaged in the investment, development and power generation of renewable resources.

As at the date of this announcement, the registered capital of New China Water Nanjing amounted to US\$86,218,400 (equivalent to approximately HK\$678,582,000), and New China Water Nanjing is owned as to 96.1280% by China Water (HK), 3.8451% by Guangdong Yuecai and 0.0269% by Zhuhai Hengqin.

Set out below is a summary of the financial information of New China Water Nanjing based on the audited consolidated financial statements for the year ended 31 December 2021 and the unaudited consolidated financial statements for the year ended 31 December 2022:

	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)
Revenue	459,038	565,303
Profit before taxation	126,190	142,086
Profits after taxation	126,858	127,389

The unaudited total assets, total liabilities and net assets of New China Water Nanjing, as at 31 December 2022 according to its unaudited financial statements were approximately RMB2,025,230,000, RMB751,533,000 and RMB1,273,696,000 (equivalent to approximately HK\$2,304,914,000, HK\$855,320,000 and HK\$1,449,593,000), respectively.

### **INFORMATION ON THE VENDORS**

Guangdong Yuecai is a limited partnership established in the PRC and is principally engaged in the equity investment.

Zhuhai Hengqin is a limited partnership established in the PRC and is principally engaged in the provision of investment advisory services and investment management services, and equity investment.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the equity interests of 3.8451% and 0.0269% in New China Water Nanjing being held by Guangdong Yuecai and Zhuhai Hengqin respectively, each of Guangdong Yuecai, Zhuhai Hengqin and their respective ultimate beneficial owner(s) is an Independent Third Party.

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

The Equity Transfer Agreement was entered into after having considered, among others, that (i) the Vendors having exercised their Repurchase Rights to require China Water (HK) to repurchase the equity interest of New China Water Nanjing under the respective Investment Agreements; (ii) the audited net profit of New China Water Nanjing for the year ended 31 December 2021 amounted to approximately RMB126,858,000 (equivalent to approximately HK\$144,377,000); and (iii) the Acquisition will enable the Company to have full and complete control over New China Water Nanjing, which would enhance the management and operation efficiency in carrying out the Group's business decisions and development strategies.

The Total Consideration of approximately RMB81,340,955 (equivalent to approximately HK\$92,574,000) is intended to be funded by the internal resources of the Group.

With regard to the aforementioned, the Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms and the Acquisition 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 Acquisition, is/are more than 5% but less than 25%, the entering into of the Equity Transfer Agreement constitutes a discloseable transaction on the part of the Company under the Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of Sale Capital A and Sale Capital B from Guangdong Yuecai and Zhuhai Hengqin, respectively pursuant to the terms and conditions of the Equity Transfer Agreement
“Aggregate Sale Capital”	collectively, Sale Capital A and Sale Capital B
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day other than a Saturday, Sunday or statutory holidays stipulated by the government of the PRC
“China Water (HK)”	China Water Industry (HK) Limited (中國水業(香港)有限公司), a company incorporated in Hong Kong, an indirect wholly-owned subsidiary of the Company, which owns 96.1280% of New China Water Nanjing as at the date of this announcement
“Company”	China Water Industry Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange (stock code: 1129)
“Consideration A”	has the meaning ascribed thereto in the paragraph headed “Equity Transfer Agreement — Consideration” in this announcement



“Consideration B”	has the meaning ascribed thereto in the paragraph headed “Equity Transfer Agreement — Consideration” in this announcement
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 1 March 2023 entered into between the Purchasers and the Vendors in relation to, among others, the Acquisition
“Group”	the Company and its subsidiaries from time to time
“Guangdong Yuecai”	廣東粵財中小企業股權投資基金合夥企業(有限合夥) (for transliteration purpose only, Guangdong Yuecai Small and Medium-sized Enterprises Equity Investment Fund Partnership (Limited Partnership) <sup>#</sup> ), a limited partnership established in the PRC, which is interested in 3.8451% of the equity interest in New China Water Nanjing as at the date of this announcement, and being one of the Vendors under the Equity Transfer Agreement
“Guangdong Yuecai’s Capital Injection Date”	has the meaning ascribed thereto in the paragraph headed “Equity Transfer Agreement — Consideration” in this announcement
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons of the Company (as defined in the Listing Rules)
“Investment Agreement A”	the investment agreement dated 27 December 2019 entered into among the Previous Investor, China Water (HK) and New China Water Nanjing in relation to the investment of RMB60 million (equivalent to approximately HK\$68,286,000) by the Previous Investor into New China Water Nanjing
“Investment Agreement B”	the investment agreement dated 27 March 2020 entered into among Zhuhai Hengqin, China Water (HK) and New China Water Nanjing in relation to the investment of RMB420,000 (equivalent to approximately HK\$478,000) by Zhuhai Hengqin into New China Water Nanjing
“Investment Agreements”	collectively, Investment Agreement A and Investment Agreement B
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“New China Water Nanjing”	新中水(南京)再生資源投資有限公司 (for transliteration purpose only, New China Water (Nanjing) Renewable Resources Investment Company Limited <sup>#</sup> ), a company established in the PRC with limited liability and is an indirect non-wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Investor”	深圳前海粵財節能環保投資基金管理有限公司 (for transliteration purpose only, SZQH Energy-saving Environmental Protection investment fund management Co., Ltd. <sup>#</sup> ), a company incorporated in the PRC
“Purchasers”	collectively, China Water (HK) and the Company
“Repurchase Rights”	has the meaning ascribed thereto in the paragraph headed “Introduction” in this announcement
“Sale Capital A”	has the meaning ascribed thereto in the paragraph headed “Equity Transfer Agreement — Assets to be acquired” in this announcement
“Sale Capital B”	has the meaning ascribed thereto in the paragraph headed “Equity Transfer Agreement — Assets to be acquired” in this announcement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“Total Consideration”	collectively, Consideration A and Consideration B
“Vendors”	collectively, Guangdong Yuecai and Zhuhai Hengqin
“Zhuhai Hengqin”	珠海橫琴依星伴月投資合夥企業(有限合夥) (for transliteration purpose only, Zhuhai Hengqin Yixingbanyue Investment Partnership (Limited Partnership) <sup>#</sup> ), a limited partnership established in the PRC, which is interested in 0.0269% of the equity interest in New China Water Nanjing as at the date of this announcement, and being one of the Vendors under the Equity Transfer Agreement

“Zhuhai Hengqin’s Capital Injection Date”	has the meaning ascribed thereto in the paragraph headed “Equity Transfer Agreement — Consideration” in this announcement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

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

Hong Kong, 1 March 2023

*# 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, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.1381. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts in RMB or HK\$ were or may have been exchanged at this or any other rates or at all.*

*For the purpose of this announcement, conversion of US\$ into HK\$ is based on the exchange rate of US\$1.00 to HK\$7.8705. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts in US\$ or HK\$ were or may have been exchanged at this or any other rates or at all.*

*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.*