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中國水務集團有限公司*

China Water Affairs Group Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 855)

CONNECTED TRANSACTION ACQUISITION OF SALE SHARES IN THE TARGET

On 2 May 2023 after trading hours, the Purchaser, a wholly owned subsidiary of the Company, and the Vendor entered into the Agreement pursuant to which the Purchaser shall acquire from the Vendor the Sale Shares representing approximately 80.32% of the issued shares in the Target at the consideration of approximately HK\$19,372,000.

Listing Rules implications

The Vendor is an executive director of the Company and therefore is a connected person of the Company. The Acquisition constitutes a connected transaction for the Company. Since the highest applicable percentage ratio under the Listing Rules is less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE AGREEMENT

Date

2 May 2023

Parties

- (1) Mr. Li Zhong as the vendor; and
- (2) Gold Tact (Hong Kong) Limited as the purchaser.

The Vendor is an executive director of the Company and therefore is a connected person of the Company.

Asset to be acquired

The Company shall acquire the Sale Shares representing approximately 80.32% of the issued shares in the Target.

Consideration

The consideration is approximately HK\$19,372,000 to be paid in cash upon completion.

Basis of consideration

The consideration of approximately HK\$19,372,000 was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the net assets value of the Target as at 31 March 2023 of approximately HK\$24,077,000.

Completion

Completion shall take place within five business days after the date of the Agreement, or such other date as the Vendor and the Purchaser may agree in writing.

After completion, the Target will be accounted for as a subsidiary of the Company.

INFORMATION ON THE TARGET

The Target is a limited company incorporated in Hong Kong and is principally engaged in investment holding. The Target is owned as to approximately 80.32% by the Vendor and the remaining shares by other directors and employees of the Group and the Purchaser. The Target was originally established as an investment vehicle of the Vendor and other directors and employees of the Group for holding an aggregate of approximately 0.64% equity interest in Gold Tact, a subsidiary of the Company.

Set out below is the financial information of the Target extracted from its audited financial statements for the year ended 31 March 2022 and unaudited financial statements for the year ended 31 March 2023:

	Year ended 31 March 2023 (unaudited) HK\$'000	Year ended 31 March 2022 (audited) HK\$'000
Profit before taxation	1,085	1,346
Profit after taxation	1,085	1,346

The net assets of the Target as at 31 March 2023 was approximately HK\$24,077,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the water supply business and environmental protection business which comprised provision of sewage treatment and drainage operation and construction services, solid waste and hazardous waste business, environmental sanitation and water environment management.

Gold Tact and its subsidiaries are principally engaged in sewage treatment and drainage operation in the PRC. It was originally intended that Gold Tact shall seek a separate listing on a recognized stock exchange in due course. Subsequently there has been a change of plan and as announced on 17 December 2021, the Company proposes to spin off and seek a separate listing of its city direct drinking water and water supply operation and construction business on the Main Board of the Stock Exchange. As part of the internal reorganization of the Group, the Purchaser shall acquire the minority stakes in Gold Tact through acquisition of the Target.

The original acquisition cost of the Sale Shares by the Vendor was HK\$20,000,000.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition to be fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interest of the Group and the Shareholders as a whole.

The Vendor being materially interested in the Acquisition, has abstained from voting at the board meeting approving the Acquisition.

LISTING RULES IMPLICATIONS

The Vendor is an executive director of the Company and therefore is a connected person of the Company. The Acquisition constitutes a connected transaction for the Company. Since the highest applicable percentage ratio under the Listing Rules is less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Acquisition”	the acquisition of the Sale Shares pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 2 May 2023 made between the Vendor and the Purchaser relating to the sale and purchase of the Sale Shares
“Board”	the board of directors of the Company

“Company”	China Water Affairs Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Gold Tact”	深圳金達環境控股有限公司 (Shenzhen Gold Tact Environmental Holding Co. Ltd.*), a company incorporated in the PRC with limited liability and a subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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”	Gold Tact (Hong Kong) Limited, a subsidiary of the Company and the direct holding company of Gold Tact
“Sale Shares”	20,000,000 ordinary issued shares in the Target
“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)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Total Happy Investment Limited (欣旺投資有限公司)
“Vendor”	Mr. Li Zhong

By order of the Board
China Water Affairs Group Limited
Duan Chuan Liang
Chairman

Hong Kong, 2 May 2023

As at the date of this announcement, the Board comprises four executive Directors, being Mr. Duan Chuan Liang, Ms. Ding Bin, Mr. Li Zhong and Mr. Duan Jerry Linnan, four non-executive Directors, being Mr. Zhao Hai Hu, Mr. Makoto Inoue, Ms. Wang Xiaoqin and Ms. Liu Yu Jie, and four independent non-executive Directors, being Mr. Chau Kam Wing, Mr. Siu Chi Ming, Ms. Ho Ping and Ms. Zhou Nan.

* *For identification purposes only*