

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)**

## **CONNECTED TRANSACTION AT SUBSIDIARY LEVEL**

### **CONNECTED TRANSACTION AT SUBSIDIARY LEVEL**

On 4 November 2020, the Borrower, being an indirect wholly-owned subsidiary of the Company, as borrower, entered into the Loan Agreement with the Lender, as lender, pursuant to which a loan in the amount of RMB10,000,000 (equivalent to approximately HK\$11,647,000) at an interest rate of 2% per month was advanced by the Lender to the Borrower.

As security for the repayment obligation of the Borrower under the Loan Agreement, the Equity Pledge was entered into by the Borrower in favour of the Lender on 6 November 2020.

All outstanding principal amount of the Loan and the interests accrued thereon had been fully repaid by the Borrower to the Lender on 14 December 2020 and the Equity Pledge had also been duly released and discharged on the same date.

### **LISTING RULES IMPLICATIONS**

At the material time of the entering into of the Loan Transaction, Yingtan was a non-wholly owned subsidiary of the Company and was owned as to 51% by the Borrower, 46% by Sanchuan Water Supply and 3% by Yingtan Water Supply, respectively. At the material time of the entering into of the Loan Transaction, to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Lender was a controlling shareholder of Sanchuan Intelligence Technology, which in turn was the holding company of Sanchuan Water Supply. As Sanchuan Water Supply was a substantial shareholder of Yingtan as at the material time when the Loan Transaction was entered into, the Lender was thus a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Loan Transaction constituted a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Loan Transaction are below 5%, the Loan Transaction constituted a connected transaction which is subject to reporting and announcement requirements but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

\* For identification purpose only

It is respectfully submitted that the Company should have complied with the relevant notification and announcement requirements under Chapter 14A of the Listing Rules in respect of the Loan Transaction, as and when such obligations arose. Regrettably, due to the oversight of a then executive Director who failed to report the Loan Transaction to the Board at the material time, the requirements to comply with the relevant notification and announcement requirements under Chapter 14A of the Listing Rules had been overlooked.

On 4 November 2020, the Borrower, being an indirect wholly-owned subsidiary of the Company, as borrower, entered into the Loan Agreement with the Lender, as lender, pursuant to which a loan in the amount of RMB10,000,000 (equivalent to approximately HK\$11,647,000) at an interest rate of 2% per month was advanced by the Lender to the Borrower.

## **THE LOAN AGREEMENT**

The principal terms and conditions of the Loan Agreement are as follows:

Date:	4 November 2020
Parties:	(i) Borrower; and (ii) Lender
Principal amount of the Loan:	RMB10,000,000
Term:	From the date of drawdown to 30 November 2020
Interest rate:	The Borrower shall pay interest on the Loan at the interest rate of 2% per month. Interest shall be charged and calculated from the date of drawdown up to the date of principal repayment, and shall be paid on a monthly basis.  The interest rate was determined after arm's length negotiations between the Borrower and the Lender with reference to the then prevailing market interest rates and the term of the Loan.
Default interest rate:	If the Borrower fails to repay the principal amount of the Loan to the Lender when due, the Borrower shall be liable to pay a default interest at the rate of 1% per month on the principal amount of the Loan.  If the Borrower fails to repay any interest to the Lender when due, the Borrower shall be liable to pay a default interest at the rate of 0.1% per day on the outstanding interest amount.
Repayment:	The outstanding principal amount of the Loan together with all accrued interests shall be repaid at the end of the term of the Loan Agreement.
Security:	The Loan is secured by the Equity Pledge executed by the Borrower in favour of the Lender in respect of 20% equity interest in Yingtan.

## **Equity Pledge**

As security for the repayment obligation of the Borrower under the Loan Agreement, on 6 November 2021, the Borrower executed the Equity Pledge in favour of the Lender.

The principal terms of the Equity Pledge are set out below:

Charge:	As security for the repayment and discharge of the secured obligations set out below.
Secured party:	The Lender
Secured obligations:	All obligations and liabilities on the part of the Borrower under the Loan Agreement together with the interest accrued thereon thereunder.
Security:	20% equity interest of Yingtan, which was beneficially owned by the Borrower as at the date of the Equity Pledge
Events of default:	(i) the Borrower fails to pay any principal amount, interest and/or expenses due from it under the Loan Agreement in the manner specified therein on the due date for payment; and  (ii) dissolution or liquidation of the Borrower

All outstanding principal amount of the Loan and the interests accrued thereon had been fully repaid by the Borrower to the Lender on 14 December 2020 and the Equity Pledge had also been duly released and discharged on the same date.

## **INFORMATION ON THE GROUP AND THE BORROWER**

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

## **INFORMATION ON THE LENDER**

The Lender is a company established in the PRC with limited liability and is principally engaged in machinery manufacturing and trading of building materials and chemicals. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Lender was owned as to approximately 40.86% by Mr. Li Jianlin, approximately 20.60% by Mr. Tong Baohua, approximately 16.87% by Mr. Li Qiangju, approximately 6.72% by Mr. Yan Guoyong and below 5% for each of the other 18 individuals as at the date of the entering into of the Loan Transaction.

## **REASONS FOR AND BENEFITS OF THE LOAN TRANSACTION**

The Loan Transaction was entered into by a then executive Director for and on behalf of the Borrower at the material time. Due to the oversight of the then executive Director, the said Director failed to report the Loan Transaction to the Board at the material time, so that the existence of the Loan Transaction was not brought to the attention of other members of the Board until recently.

As confirmed by the then executive Director, the Loan was used to repay various outstanding liabilities of the Company in an aggregate amount of approximately HK\$9.8 million which had been overdue at the material time of the entering into of the Loan Transaction. The Company has been exploring various financing possibilities such as equity financing. However, pursuant to the articles of association of the Company, the Company shall not issue shares at a price below par value. Since the Shares has been trading below its par value being HK\$0.5, the Company found it difficult to negotiate with any potential investors and financial institutions for possible subscription, offer or placing of the Shares at or above the par value. Therefore, the then executive Director considered that debt financing was a viable alternative. At the request of the Lender, the Loan shall be secured by the Equity Pledge which the then executive Director was of the view that it was not unreasonable.

After taking into account the imminent financial needs of the Company, the then executive Director considered that the Loan Agreement, including the Equity Pledge contemplated thereunder, was entered into on normal commercial terms, and were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

At the material time of the entering into of the Loan Transaction, Yingtan was a non-wholly owned subsidiary of the Company and was owned as to 51% by the Borrower, 46% by Sanchuan Water Supply and 3% by Yingtan Water Supply, respectively. At the material time of the entering into of the Loan Transaction, to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Lender was a controlling shareholder of Sanchuan Intelligence Technology, which in turn was the holding company of Sanchuan Water Supply. As Sanchuan Water Supply was a substantial shareholder of Yingtan as at the material time when the Loan Transaction was entered into, the Lender was thus a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Loan Transaction constituted a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Loan Transaction are below 5%, the Loan Transaction constituted a connected transaction which is subject to reporting and announcement requirements but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

The Company should have complied with the relevant notification and announcement requirements under Chapter 14A of the Listing Rules in respect of the Loan Transaction, as and when such obligations arose. Regrettably, due to the oversight of a then executive Director who failed to report the Loan Transaction to the Board at the material time, the requirements to comply with the relevant notification and announcement requirements under Chapter 14A of the Listing Rules had been overlooked.

## REMEDIAL MEASURES

The Company is aware that this announcement in respect of the Loan Transaction entered into by the Group on 4 November 2020 constituted a late announcement under the Listing Rules. Once the Directors became aware of the delay, the Company has taken steps to comply with the Listing Rules, including but not limited to the publication of this announcement.

To avoid occurrence of similar non-compliance of the Listing Rules in the future, the Company has/will implement(ed) the following measures and procedures:

1. the Company has reviewed all previous connected loan transactions carried out by the Group in the past three years and as of the date of this announcement, the Company is not aware of any subsisting transaction which required to be but has not yet been reported and/or announced by the Company, other than the Loan Transaction as disclosed in this announcement;
2. the Company has assigned a senior staff member to establish a databank of connected persons so that the Company and each of its subsidiaries could easily identify the connected persons and determine whether a contemplated transaction is a connected transaction. Such senior staff member will review the connected relationship on an ongoing basis and keep the information in the databank updated at all time;
3. the Company will continue to (i) hold regular departmental meetings to regularly monitor notifiable and connected transactions, (ii) strengthen the reporting system between departments and directors, and (iii) provide more guidance materials and trainings on compliance matters to the Directors, senior management and the financial staff of the Group on a regular basis to increase their awareness and knowledge of the Listing Rules; and
4. the Company will work more closely with its legal advisers on compliance issues.

## DEFINITIONS

“Board”	the board of Directors
“Borrower”	China Water Industry (HK) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“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)
“Director(s)”	the director(s) of the Company
“Equity Pledge”	the equity pledge over 20% equity interests of Yingtan dated 6 November 2020 and executed by the Borrower in favour of the Lender
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Lender”	江西三川集團有限公司 (for transliteration purpose only, Jiangxi Sanchuan Group Company Limited <sup>#</sup> ), a company established in the PRC with limited liability
“Loan Agreement”	the loan agreement dated 4 November 2020 entered into between the Lender and the Borrower
“Loan Transaction”	the transactions contemplated under the Loan Agreement and the Equity Pledge
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Sanchuan Intelligence Technology”	三川智慧科技股份有限公司 (for transliteration purpose only, Sanchuan Intelligence Technology Holding Company Limited <sup>#</sup> ), a company established in the PRC with limited liability and listed on the Shenzhen Stock Exchange (stock code: 300066)

“Sanchuan Water Supply”	江西三川水務有限公司 (for transliteration purpose only, Jiangxi Sanchuan Water Supply Company Limited <sup>#</sup> ), a company established in the PRC with limited liability
“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
“Yingtian”	鷹潭市供水集團有限公司 (for transliteration purpose only, Yingtian Water Supply Group Co., Ltd <sup>#</sup> ), a company established in the PRC with limited liability, which was owned as to 51% by the Borrower, 46% by Sanchuan Water Supply and 3% by Yingtian Water Supply, respectively, as at the material time of the entering into of the Loan Transaction
“Yingtian Water Supply”	鷹潭市供水公司 (for transliteration purpose only, Yingtian City Water Supply Company Limited <sup>#</sup> ), a company established in the PRC with limited liability, which is interested in 3% equity interests in Yingtian as at the date of this announcement
“%”	per cent

<sup>#</sup> *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\$1.1647. 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, 21 June 2021

*As at the date of this announcement, the Board comprises Mr. Zhu Yongjun (Chairman), Mr. Zhong Wei Guang (Chief Operating Officer), Ms. Chu Yin Yin, Georgiana and Ms. Deng Xiao Ting, all being executive Directors, Mr. Ho Chi Ho being a non-executive Director and Mr. Wong Siu Keung, Joe, Mr. Lam Cheung Shing, Richard and Ms. Qiu Na, all being independent non-executive Directors.*