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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)

**DISCLOSEABLE TRANSACTION IN RELATION TO THE
ACQUISITION OF 29.52% OF THE ISSUED SHARE CAPITAL
OF KANGDA INTERNATIONAL**

THE ACQUISITION AGREEMENT

On 3 April 2019 (after trading hours of the Stock Exchange), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Kangda Holdings and Mr. Zhao pursuant to which the Purchaser has agreed to purchase and Kangda Holdings has agreed to sell the Sale Shares at a total Consideration of HK\$1,200,000,000.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but are less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

INTRODUCTION

On 3 April 2019 (after trading hours of the Stock Exchange), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Kangda Holdings and Mr. Zhao pursuant to which the Purchaser has agreed to purchase and Kangda Holdings has agreed to sell the Sale Shares at a total Consideration of HK\$1,200,000,000. Details of the Acquisition Agreement are set out below:

THE ACQUISITION AGREEMENT

Date: 3 April 2019 (after trading hours of the Stock Exchange)

Parties: (i) Kangda Holdings Company Limited, as vendor

(ii) Zhao Sizhen, as guarantor

(iii) Sharp Profit Investments Limited, as purchaser

Kangda Holdings is an investment holding company incorporated in the British Virgin Islands with limited liability. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Kangda Holdings and its ultimate beneficial owner, Mr. Zhao, are Independent Third Parties.

The Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.

Assets to be acquired

Pursuant to the Acquisition Agreement, Kangda Holdings has agreed to sell and the Purchaser has agreed to acquire the Sale Shares, representing approximately 29.52% of the entire issued share capital of Kangda International.

Consideration

The Consideration is HK\$1,200,000,000, which shall be fully settled by the Purchaser to Kangda Holdings on the Completion Date.

The Consideration was arrived at after arm's length negotiation between the Purchaser and Kangda Holdings and was determined with reference to the net asset value per Kangda International Share attributable to the shareholders of approximately RMB2.02 (approximately HK\$2.35) as shown in the latest published consolidated financial information of Kangda International Group for the year ended 31 December 2018.

Completion

The Acquisition Agreement is unconditional and Completion will take place on the Completion Date.

Upon Completion, the Purchaser shall nominate four nominees and one nominee to be executive directors and independent non-executive director of Kangda International respectively, representing the majority of the board of directors of Kangda International. Upon Completion, Kangda International will be accounted for as an associate of the Group and the financial results of Kangda International Group will not be consolidated into that of the Group.

Guarantee

Mr. Zhao is the sole director and ultimate beneficial owner of Kangda Holdings. Pursuant to the Acquisition Agreement, Mr. Zhao has given a guarantee in favour of the Purchaser for the due and punctual performance of the obligations of Kangda Holdings under the Acquisition Agreement and to fully indemnify the Purchaser in respect of any liabilities, loss, damages, costs and expenses that it may have suffered or incurred by reason of or in consequences of any failure of or delay by Kangda Holdings in performing any of its obligations under the Acquisition Agreement.

INFORMATION ON KANGDA INTERNATIONAL GROUP

The shares of Kangda International are listed on the Stock Exchange (Stock Code: 6136). Kangda International Group is principally engaged in urban water treatment, water environment comprehensive remediation and rural water improvement. As at 31 December 2018, the urban water treatment segment of Kangda International Group has a total of 107 projects, amounting to a total designed daily treatment capacity of 4,268,350 tonnes, which comprised daily wastewater treatment services capacity of 4,016,500 tonnes, daily water distribution services capacity of 211,300 tonnes, daily reclaimed water treatment services capacity of 40,000 tonnes and daily sludge treatment services capacity of 550 tonnes. The projects spread over Shandong, Henan, Heilongjiang, Zhejiang, Anhui, Guangdong, Shanxi, Jiangsu and other provinces/municipalities in the PRC.

The following table summarises the consolidated financial information of Kangda International Group for each of the two financial years ended 31 December 2018:

	For the year ended 31 December 2017 (audited) (RMB'000)	For the year ended 31 December 2018 (Note) (RMB'000)
Net profit before taxation and extraordinary items	536,796	455,691
Net profit after taxation and extraordinary items	427,609	309,890
Net assets attributable to shareholders of Kangda International	4,003,314	4,114,653

Note: Extracted from the latest published consolidated financial information of Kangda International Group for the year ended 31 December 2018.

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. It currently has over 70 projects, amounting to a total designed daily water supply capacity of 13.49 million tonnes and sewage treatment capacity of 1.11 million tonnes. The water supply projects spread over Hunan, Hubei, Henan, Hebei, Hainan, Jiangsu, Jiangxi, Shenzhen, Guangdong, Beijing, Chongqing, Shandong, Shanxi and Heilongjiang provinces/municipalities in the PRC. The sewage treatment projects spread over Beijing, Tianjin, Shenzhen, Guangdong, Henan, Hebei, Hubei, Jiangsu, Jiangxi and Shaanxi provinces/municipalities in the PRC.

The Directors considered that the Acquisition, if materialise, represents a good opportunity for the Group to expand its core water supply and sewage treatment businesses capacities and geographical coverage, particularly the development of supply-drainage integration and urban-rural water supply integration. Leveraging on the expertise, resources, distribution channels and financial strengths of both parties, it is expected that the Acquisition would enable Kangda International Group and the Group to unlock and maximise their respective companies' values. The Directors are of the view that the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable and the Acquisition is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but are less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of approximately 29.52% of the entire issued share capital of Kangda International by the Purchaser in accordance with the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 3 April 2019 and entered into between the Purchaser, Kangda Holdings and Mr. Zhao in relation to the sale and purchase of the Sale Shares

“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“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 (stock code: 855)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Acquisition Agreement
“Completion Date”	the date falling on the next Business Day after the date of the Acquisition Agreement
“Consideration”	the consideration under the Acquisition Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	the independent third parties who are, to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
“Kangda Holdings”	Kangda Holdings Company Limited, a company incorporated in the British Virgin Islands with limited liability
“Kangda International”	Kangda International Environmental Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 6136)

“Kangda International Group”	Kangda International and its subsidiaries
“Kangda International Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of Kangda International
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhao”	Mr. Zhao Sizhen, being the sole director and ultimate beneficial owner of Kangda Holdings
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative and Taiwan
“Purchaser”	Sharp Profit Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale Shares”	an aggregate of 600,000,000 Kangda International Shares, representing approximately 29.52% of the entire issued share capital of Kangda International as at the date of this announcement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 3 April 2019

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

* For identification purposes only