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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)**

**REVISION OF THE ANNUAL CAP  
OF THE 2022 WENLING WATER SUPPLY (SOUTH BAY)  
FRAMEWORK AGREEMENT**

**REVISION OF THE ANNUAL CAP OF THE 2022 WENLING WATER SUPPLY  
(SOUTH BAY) FRAMEWORK AGREEMENT**

Reference is made to the Announcement of Taizhou Water Group Co., Ltd. dated 28 December 2022 in relation to, among other things, the 2022 Wenling Water Supply (South Bay) Framework Agreement entered into between South Bay Water and Wenling Water Supply.

As disclosed in the Announcement, the expected annual cap for the transactions contemplated under the 2022 Wenling Water Supply (South Bay) Framework Agreement for December 2022 (which included the fees payable by Wenling Water Supply for raw water supplied to it since the commencement of the trial operation of the Taizhou Water Supply System (Phase IV)) is RMB8,000,000. Based on the actual volume of raw water provided by South Bay Water to Wenling Water Supply for the period since the commencement of trial operation up to 31 December 2022, the Actual Transaction Amount had exceeded the Existing Annual Cap. Upon further enquiry by the Board and investigation into the matter internally, it was noted that the discrepancy between the Existing Annual Cap and the Actual Transaction Amount was a result of an inadvertent mistake in calculating the total volume of raw water provided to Wenling Water Supply, which formed the basis of determining the Existing Annual Cap.

On 7 March 2023, South Bay Water entered into the Supplemental Agreement with Wenling Water Supply to revise the Existing Annual Cap by increasing it to RMB17,000,000, which was determined with reference to the Actual Transaction Amount. Save for the revision of the Existing Annual Cap, all other terms and provisions of the 2022 Wenling Water Supply (South Bay) Framework Agreement shall remain in full force and effect.

## LISTING RULES IMPLICATIONS

As at the date of this announcement, 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 holds 18% equity interest in Taizhou City Water, a subsidiary of the Company. Hence, Wenling Water Supply is a connected person at the subsidiary level of the Company. As (i) the Board has approved the transactions contemplated under the Supplemental Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Supplemental 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, the Supplemental 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.

## REVISION OF THE ANNUAL CAP OF THE 2022 WENLING WATER SUPPLY (SOUTH BAY) FRAMEWORK AGREEMENT

Reference is made to the announcement of Taizhou Water Group Co., Ltd. dated 28 December 2022 in relation to, among other things, the 2022 Wenling Water Supply (South Bay) Framework Agreement entered into between South Bay Water and Wenling Water Supply (the "**Announcement**"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, the expected annual cap for the transactions contemplated under the 2022 Wenling Water Supply (South Bay) Framework Agreement for December 2022 (which included the fees payable by Wenling Water Supply for raw water supplied to it since the commencement of the trial operation of the Taizhou Water Supply System (Phase IV)) is RMB8,000,000 (the "**Existing Annual Cap**"). Based on the actual volume of raw water provided by South Bay Water to Wenling Water Supply for the period since the commencement of trial operation up to 31 December 2022, the actual transaction amount (the "**Actual Transaction Amount**") had exceeded the Existing Annual Cap. Upon further enquiry by the Board and investigation into the matter internally, it was noted that the discrepancy between the Existing Annual Cap and the Actual Transaction Amount was a result of an inadvertent mistake in calculating the total volume of raw water provided to Wenling Water Supply, which formed the basis of determining the Existing Annual Cap.

On 7 March 2023, South Bay Water entered into a supplemental agreement with Wenling Water Supply to revise the Existing Annual Cap by increasing it to RMB17,000,000 (the "**Supplemental Agreement**"), which was determined with reference to the Actual Transaction Amount. Save for the revision of the Existing Annual Cap, all other terms and provisions of the 2022 Wenling Water Supply (South Bay) Framework Agreement shall remain in full force and effect.

## **INTERNAL CONTROL POLICIES AND PROCEDURES**

In order to avoid recurrence of the above, in addition to the internal control measures established and adopted by the Company as set out in the Announcement, the Company has also taken the following measures and actions:

- (i) reviewed and enhanced the validation procedures of taking water volume measurement;
- (ii) provide regular internal training sessions to the employees; and
- (iii) the production departments of the Group will closely monitor the water volume and conduct checks of the readings by end of each month.

## **INFORMATION OF THE PARTIES**

### **Wenling Water Supply**

Wenling Water Supply is a limited liability company established in the PRC 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.

### **South Bay Water**

South Bay Water is 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). Yuhuan Water Supply Group Co., Ltd.\* (玉環市水務集團有限公司) is ultimately owned as to 90% and 10% by the Finance Bureau of Wenling City and Zhejiang Provincial Department of Finance, respectively.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, 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 holds 18% equity interest in Taizhou City Water, a subsidiary of the Company. Hence, Wenling Water Supply is a connected person at the subsidiary level of the Company. As (i) the Board has approved the transactions contemplated under the Supplemental Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Supplemental 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, the Supplemental 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 Supplemental Agreement, no Director was required to abstain from voting on the Board resolutions in relation to the Supplemental Agreement.

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  
7 March 2023

*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