

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)

DISCLOSEABLE TRANSACTION FURTHER INVESTMENT IN THE SEWAGE TREATMENT PLANT IN JINXIANG

INTRODUCTION

Reference is made to the announcement of the Company dated 12 October 2017 in relation to, among other things, the investment in the Sewage Treatment Plant in Jinxiang, the PRC.

On 12 October 2017, Haisheng Environmental, an indirect wholly-owned subsidiary of the Company, and the Jinxiang County Government entered into the BOT Agreement, pursuant to which Haisheng Environmental agreed to invest in and operate the Sewage Treatment Plant located in the Jinxiang County, the PRC, with a total investment cost of approximately RMB77.7 million (equivalent to approximately HK\$84.1 million). Subject to the conditions as set out therein, Haisheng Environmental shall be entitled to an operational period of 29 years.

According to the Discharged Water Quality Standard Notice, all urban sewage treatment plants in Jining City, the PRC, shall be upgraded and modified no later than 31 December 2023, to improve the quality of the discharged water from 國家一級A標準 (for transliteration purpose only, National Grade 1A Standard[#]) to 準四類出水標準 (for transliteration purpose only, Quasi Discharged Water Quality Standard Class IV[#]).

UPGRADING AND MODIFICATION CONTRACT

In compliance with the latest industry regulatory standard, the Board would like to announce that after a tendering process, on 24 August 2023, Haisheng Water, being an indirect wholly-owned subsidiary of the Company and a direct wholly-owned subsidiary of Haisheng Environmental, as principal, and Wanrong Construction, as contractor, entered into the Upgrading and Modification Contract, pursuant to which Wanrong Construction has agreed to carry out the Upgrading and Modification Work on the Sewage Treatment Plant at the Contract Price of approximately RMB24.5 million (equivalent to approximately HK\$26.5 million).

* For identification purpose only

LISTING RULES IMPLICATION

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

INTRODUCTION

Reference is made to the announcement of the Company dated 12 October 2017 in relation to, among other things, the investment in the Sewage Treatment Plant in Jinxiang, the PRC.

On 12 October 2017, Haisheng Environmental, an indirect wholly-owned subsidiary of the Company, and the Jinxiang County Government entered into the BOT Agreement, pursuant to which Haisheng Environmental agreed to invest in and operate the Sewage Treatment Plant located in the Jinxiang County, the PRC, with a total investment cost of approximately RMB77.7 million (equivalent to approximately HK\$84.1 million). Subject to the conditions as set out therein, Haisheng Environmental shall be entitled to an operational period of 29 years.

According to the Discharged Water Quality Standard Notice, all urban sewage treatment plants in Jining City, the PRC, shall be upgraded and modified no later than 31 December 2023, to improve the quality of the discharged water from 國家一級A標準 (for transliteration purpose only, National Grade 1A Standard[#]) to 準四類出水標準 (for transliteration purpose only, Quasi Discharged Water Quality Standard Class IV[#]).

UPGRADING AND MODIFICATION CONTRACT

In compliance with the latest industry regulatory standard, the Board would like to announce that after a tendering process, on 24 August 2023, Haisheng Water, being an indirect wholly-owned subsidiary of the Company and a direct wholly-owned subsidiary of Haisheng Environmental, as principal, and Wanrong Construction, as contractor, entered into the Upgrading and Modification Contract, pursuant to which Wanrong Construction has agreed to carry out the Upgrading and Modification Work on the Sewage Treatment Plant at the Contract Price of approximately RMB24.5 million (equivalent to approximately HK\$26.5 million).

The principal terms of the Upgrading and Modification Contract are as follows:

Date

24 August 2023 (after trading hours of the Stock Exchange)

Parties

- (i) Haisheng Water, as principal; and
- (ii) Wanrong Construction, as contractor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Wanrong Construction and its respective ultimate beneficial owner(s) is an Independent Third Party.

Subject matter

Pursuant to the Upgrading and Modification Contract, Wanrong Construction has agreed to carry out the upgrading and modification work (the “**Upgrading and Modification Work**”) on the Sewage Treatment Plant which shall improve the quality of the discharged water from 國家一級A標準 (for transliteration purpose only, National Grade 1A Standard[#]) to 準四類出水標準 (for transliteration purpose only, Quasi Discharged Water Quality Standard Class IV[#]) in compliance with the latest industry regulatory standard.

Construction Period

The construction period (the “**Construction Period**”) of the Upgrading and Modification Work shall be 92 days commencing from 25 August 2023 to 25 November 2023.

Contract Price

The Contract Price is approximately RMB24.5 million (equivalent to approximately HK\$26.5 million), which shall be satisfied by Haisheng Water in the following manner:

- (i) a cumulative amount of 70% of the Contract Price, equivalent to approximately RMB17.2 million (equivalent to approximately HK\$18.6 million) shall be paid in accordance with the construction completion progress (based on the verified monthly construction progress report provided by the supervisor (the “**Supervisor**”) of Wanrong Construction), on a monthly basis, and on the 15th day of each month during the Construction Period;
- (ii) a cumulative amount of 80% of the Contract Price, equivalent to approximately RMB19.6 million (equivalent to approximately HK\$21.2 million) shall be paid within thirty (30) days upon the completion and satisfactory inspection of the Upgrading and Modification Work;
- (iii) a cumulative amount of 97% of the Contract Price, equivalent to approximately RMB23.8 million (equivalent to approximately HK\$25.7 million) shall be paid within fourteen (14) days after the issue of the completion payment certificate by Haisheng Water within fourteen (14) days upon receiving the verified completion clearance application from the Supervisor; and
- (iv) an amount equivalent to 3% of the Contract Price, being an interest-free quality assurance deposit, shall be retained by Haisheng Water and paid to Wanrong Construction upon the expiry of the quality assurance period commencing from one (1) year after the date of satisfactory inspection of the Upgrading and Modification Work.

Basis of the Contract Price

The Contract Price was determined by way of a tender process after taking into consideration (i) the tender offer submitted by Wanrong Construction; (ii) tender offers submitted by other bidders; (iii) the expected scope, complexity and quality of the Upgrading and Modification Work; (iv) the experience, competency and market position of Wanrong Construction; (v) the anticipated materials to be used for and the labour costs to be incurred under the Upgrading and Modification Work; and (vi) the prevailing market prices for carrying out construction works of comparable scale and complexity. Thus, the Company considers that the Contract Price is on normal commercial terms and on arm's length basis.

It is expected that the Contract Price will be funded by the internal resources of the Group.

INFORMATION ON WANRONG CONSTRUCTION

Wanrong Construction is a company established in the PRC with limited liability and is principally engaged in the provision of construction services in the PRC.

INFORMATION ON HAISHENG WATER

Haisheng Water, being an indirect wholly-owned subsidiary of the Company, is a company established in the PRC with limited liability and is principally engaged in the provision of sewage treatment service.

REASONS FOR AND BENEFITS OF ENTERING INTO THE UPGRADING AND MODIFICATION CONTRACT

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.

According to the Discharged Water Quality Standard Notice, all urban sewage treatment plants in Jining City, the PRC, shall be upgraded and modified no later than 31 December 2023, to improve the quality of the discharged water from 國家一級A標準 (for transliteration purpose only, National Grade 1A Standard[#]) to 準四類出水標準 (for transliteration purpose only, Quasi Discharged Water Quality Standard Class IV[#]). In order to comply with the latest industry regulatory standard as stipulated in the Notice and fulfill the Group's obligations under BOT Agreement, Haisheng Water has engaged Wanrong Construction as contractor to carry out the Upgrading and Modification Work.

The terms under the Upgrading and Modification Contract have been agreed after arm's length negotiation between parties. The Directors consider that the terms of the Upgrading and Modification Contract, including the Contract Price, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

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

None of the Directors has any material interest in the Upgrading and Modification Contract and is required to abstain from voting on the board resolutions approving the Upgrading and Modification Contract.

DEFINITIONS

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

“Board”	the board of Directors
“BOT Agreement”	the build, own and transfer agreement dated 12 October 2017 and entered into between Haisheng Environmental, an indirect wholly-owned subsidiary of the Company, and the Jinxiang County Government in relation to, among other things, the investment in and the operation of the Sewage Treatment Plant
“Company”	China Water Industry Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1129)
“Construction Period”	has the meaning ascribed thereto in the paragraph headed “Upgrading and Modification Contract – Construction Period” in this announcement
“Contract Price”	an amount of approximately RMB24.5 million (equivalent to approximately HK\$26.5 million), being the contract price of the Upgrading and Modification Work paid by Haisheng Water to Wanrong Construction under Upgrading and Modification Contract
“Director(s)”	the director(s) of the Company

“Discharged Water Quality Standard Notice”	山東省住房和城鄉建設廳關於調度全省城市污水處理廠出水水質標準及提標改造有關情況的通知 (for transliteration purpose only, the Notice of the Housing and Urban-Rural Development Department of the Shandong Province on the Discharged Water Quality Standard of Urban Sewage Treatment Plants in the Province and the Status of the Upgrading and Modification of the Sewage Treatment Plants [#]) issued by 山東省住房和城鄉建設廳 (for transliteration purpose only, the Housing and Urban-Rural Development Department of Shandong Province [#]) in November 2021
“Group”	the Company and its subsidiaries
“Haisheng Environmental”	深圳市海晟環保科技有限公司 (for transliteration purpose only, Shenzhen City Haisheng Environmental Sci-Tech Company Limited [#]), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company
“Haisheng Water”	濟寧市海晟水務有限公司 (for transliteration purpose only, Jining City Haisheng Water Treatment Company Limited [#]), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and its ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected person(s) of the Company and is/are third party(ies) independent of the Company and its connected person(s) in accordance with the Listing Rules
“Jinxiang County Government”	the People’s Government of Jinxiang County 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 of the People’s Republic of China and Taiwan
“Sewage Treatment Plant”	the sewage treatment plant located in Jinxiang County, the PRC, which is owned and operated by Haisheng Water pursuant to the BOT Agreement
“Share(s)”	ordinary share(s) of the Company of HK\$0.01 each
“Shareholder(s)”	holder(s) of issued Share(s) from time to time

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor”	has the meaning ascribed thereto in the paragraph headed “Upgrading and Modification Contract – Contract Price” in this announcement
“Upgrading and Modification Contract”	the upgrading and modification contract dated 24 August 2023 and entered into between Haisheng Water, as principal, being an indirect wholly-owned subsidiary of the Company, and Wanrong Construction, as contractor, in relation to the carrying out of the Upgrading and Modification Work
“Upgrading and Modification Work”	has the meaning ascribed thereto in the paragraph headed “Upgrading and Modification Contract – Subject Matter” in this announcement
“Wanrong Construction”	江蘇萬融工程科技有限公司 (for transliteration purpose only, Jiangsu Wanrong Construction Technology Company Limited [#]), a company established in the PRC with limited liability, which is the contractor under the Upgrading and Modification Contract
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

[#] *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 RMB1.0000 to HK\$1.0819. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 24 August 2023

As at the date of this announcement, the Board comprises Mr. Zhu Yongjun (Chairman), Ms. Chu Yin Yin Georgian, 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.