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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 AGREEMENT IN RELATION TO NEUTRALISATION, COLLECTION AND POWER GENERATION OF LANDFILL GAS IN THE PRC

THE PROJECT

On 27 November 2023 (after trading hours of the Stock Exchange), Victory Strategy, an indirect wholly-owned subsidiary of the Company, and the Zhangwu Government entered into the Agreement, pursuant to which (i) Victory Strategy agreed to invest in the Project with an aggregate investment amount of up to RMB51.6 million (equivalent to approximately HK\$56.5 million), and establish and operate the Project Company in the PRC for the purpose of implementing the Project; and (ii) Zhangwu Government agreed to assist the Project Company to implement the Project, including, amongst other things, to provide the required construction lands and landfill gas resources.

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 Agreement is/are more than 5% but less than 25%, the entering into of the Agreement 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.

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* *For identification purpose only*

The principal terms of the Agreement are as follows:

Date

27 November 2023 (after trading hours of the Stock Exchange)

Parties

- (i) Zhangwu Government; and
- (ii) Victory Strategy

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Zhangwu Government is an Independent Third Party.

The Project : The collection, neutralisation and utilisation of the landfill gas produced at the Zhangwu Municipal Solid Waste Landfill (the "**Zhangwu Landfill**") for power generation.

Project Period : The operational period of the Project shall commence from the date of the Agreement and up to 31 December 2031 (the "**Project Period**").

Investment amount : The aggregate investment amount shall be up to RMB51.6 million (equivalent to approximately HK\$56.5 million), which shall be invested in two phases:

- (i) Phase 1: an amount of approximately RMB4.6 million (equivalent to approximately HK\$5.0 million) shall be invested into the Project Company for the operation and implementation of the Project, comprising of, among others, construction costs, electricity costs, administration costs and labour costs; and
- (ii) Phase 2: in the event the average daily quantity of solid waste of the Zhangwu Landfill exceeds 500 tonnes, an estimated amount of approximately RMB30.0 million (equivalent to approximately HK\$32.8 million) shall be further invested for the construction of additional power generating facilities.

Pursuant to the Agreement, Victory Strategy shall be responsible for the whole investment amount.

It is expected that the actual total amount of investment to be made by the Group in the Project shall not be significantly greater than RMB51.6 million (equivalent to approximately HK\$56.5 million). The Company will make further announcement (at the time if material increase in the amount of investment is incurred) with respect to different classification of the transaction under the Agreement if and as required under the Listing Rules.

Zhangwu Government's obligations : Pursuant to the Agreement, Zhangwu Government shall, among others:

- (i) provide and allow Victory Strategy to collect and utilise all landfill gas produced at the Zhangwu Landfill for power generation during the Project Period;
- (ii) provide daily maintenance and upkeep of the landfill area, implement proper drainage and flood prevention measures, and assist Victory Strategy in the collection of the landfill gas;
- (iii) provide Victory Strategy with information in relation to the Zhangwu Landfill's designs and specifications within 5 days after the signing of the Agreement;
- (iv) assist Victory Strategy's construction work at the Zhangwu Landfill by providing the necessary electricity and water supply for the implementation of the Project; and
- (v) provide Victory Strategy with lands within the Zhangwu Landfill as temporary construction site for production, accommodation, and office premises.

Victory Strategy's obligations : Pursuant to the Agreement, Victory Strategy shall, among others:

- (i) establish the Project Company within 30 days after the signing of the Agreement and inject the necessary capital for the implementation of the Project;
- (ii) ensure that during the Project Period, the Project is in compliance with all the relevant requirements stipulated by the relevant governmental departments and that all relevant conditions are fulfilled before the commencement of construction work;
- (iii) obtain all necessary approvals in connection with the Project;

- (iv) clear and remove the facilities and components constructed by Victory Strategy upon the termination of the Agreement, and hand over the Zhangwu Landfill to the Zhangwu Government without safety concerns;
- (v) bear the costs of electricity and water supply during the construction period;
- (vi) not transfer/delegate the operation of the Project without prior consent of the Zhangwu Government;
- (vii) strictly comply with the relevant laws, regulations and policies of the PRC; and
- (viii) provide daily maintenance of the office premises (if any) provided by the Zhangwu Government.

INFORMATION ON THE PARTIES

Zhangwu Government is the People's Government of Zhangwu County, which is situated in Liaoning Province, the PRC.

As at the date of this announcement, Victory Strategy, being an indirect wholly-owned subsidiary of the Company, is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

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 Group has been engaging in landfill gas utilisation projects and achieving phased results. As disclosed in the annual report of the Company for the year ended 31 December 2022, as at the end of December 2022, the Group had a total of over 50 solid waste treatment projects with an annual on-grid electricity capacity of 672 million kWh and the total installed capacity reached 150.50 MW. By entering into of the Agreement, the management of the Group expects that the Project will provide a new power generation scale of 1 MW in the first phase, and further expand to 2 MW in the second phase.

The terms under the Agreement have been agreed after arm's length negotiation between the parties. With regard to the aforementioned, the Directors consider that the terms and conditions of the Agreement are fair and reasonable and the transaction contemplated thereunder is on normal commercial terms and is 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 Agreement is/are more than 5% but less than 25%, the entering into of the Agreement 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 Agreement and is required to abstain from voting on the board resolutions approving the Agreement.

DEFINITIONS

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

“Agreement”	the agreement dated 27 November 2023 and entered into between the Zhangwu Government and Victory Strategy in relation to the Project
“Board”	the board of Directors
“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)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“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
“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

“Project”	the project on the collection, neutralisation and utilisation of the landfill gas produced at the Zhangwu Landfill for power generation
“Project Period”	has the meaning ascribed thereto in the section headed “the Project” in this announcement
“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
“Victory Strategy”	Victory Strategy Investment Limited (勝策投資有限公司), a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company
“Zhangwu Government”	the People’s Government of Zhangwu County of the PRC
“Zhangwu Landfill”	has the meaning ascribed thereto in the section headed “the Project” in this announcement
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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\$1.0946. 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, 27 November 2023

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