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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 –
INVESTMENT COOPERATION AGREEMENT
REGARDING THE PROJECT ON
CENTRALISED COMPREHENSIVE TREATMENT CENTRE
FOR AGRICULTURAL WASTE IN THE PRC**

THE INVESTMENT COOPERATION AGREEMENT

On 25 August 2023 (after trading hours of the Stock Exchange), the Project Company, an indirect non-wholly owned subsidiary of the Company, entered into the Investment Cooperation Agreement with Boli Government, pursuant to which (i) the Project Company agreed to invest in the Project with an investment amount of RMB100 million (equivalent to approximately HK\$108.3 million); and (ii) Boli Government agreed to assist the Project Company to implement the Project, including, amongst other things, to assist the Project Company to acquire the Project Land and obtain other relevant government consents, approvals, permits and/or government subsidies.

LISTING RULES IMPLICATION

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

THE INVESTMENT COOPERATION AGREEMENT

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* *For identification purpose only*

The principal terms of the Investment Cooperation Agreement are set out below:

Date

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

Parties

- (a) Boli Government; and
- (b) Project Company

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Boli Government is an Independent Third Party.

The Project : The investment, development, construction and operation of the Comprehensive Treatment Center, which consists of the building of a biogas power plant and an organic fertiliser production line using raw materials.

The Project Land : Pursuant to the Investment Cooperation Agreement, the Boli Government undertakes to assist the Project Company to acquire the Project Land at a consideration of RMB8.65 million (equivalent to HK\$9.4 million), which constitutes part of the investment amount, for the sole purpose of the Project.

Pursuant to the Investment Cooperation Agreement, the Project Land is expected to be a piece of land with a total site area of approximately 50-100 mu (畝) for the sole purpose of the Project. As at the date of this announcement, the Boli Government is coordinating with the relevant authorities for the listing-for-sale of the Project Land.

Construction period : The construction period shall be twelve (12) months, commencing from the date on which the permit is obtained from 勃利縣住房和城鄉建設局 (for transliteration purpose only, the Housing and Urban-Rural Development Bureau of Boli County[#]) to construct the Comprehensive Treatment Center and shall be completed and put into operation by the end of 2023, otherwise, the parties shall further negotiate to settle the same.

Construction scale : It is expected that the Comprehensive Treatment Center will process 600 tons of livestock and poultry manure per day, 100 tons of crop straw per day, 30 tons of kitchen waste per day and 100 tons of toilet manure per day.

Investment amount : The investment amount shall be approximately RMB100 million (equivalent to HK\$108.3 million), of which (i) approximately RMB30 million is expected be invested upon the capital contribution into the registered capital of the Project Company; (ii) approximately RMB30 million is expected to be invested upon obtaining the government subsidies; and (iii) approximately RMB40 million is expected to be invested upon obtaining loans from banks and other financial institutions to the Group. The investment amount was determined with reference to, among others, the estimated fees and working capital required for the following:

Items	Estimated amount (RMB' million)
Construction fees (excluding public facilities)	20.17
Construction fees (public facilities)	2.24
Equipment procurement fees for anaerobic zone	32.13
Equipment procurement fees for liquefied natural gas (LNG)	27.60
Other equipment procurement fees	2.10
Special vehicles	1.24
Other expenses	5.87
Cost of Project Land	8.65
Total	<u>100</u>

Pursuant to the Investment Cooperation Agreement, the Project Company shall be responsible for the whole investment amount. The investment amount is estimated based on the scale of the Project taking into account the cost in obtaining the Project Land and the construction of plant and supporting facilities and other engineering costs.

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 RMB100 million (equivalent to approximately HK\$108.3 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 Investment Cooperation Agreement if and as required under the Listing Rules.

Source of funding : The investment amount of (i) RMB30 million (equivalent to approximately HK\$32.5 million) will be funded by capital injection to be contributed by the shareholders of the Project Company; (ii) RMB30 million (equivalent to approximately HK\$32.5 million) will be funded by the government subsidies to be obtained; and (iii) RMB40 million (equivalent to approximately HK\$43.3 million) will be funded by loans to be provided by banks and other financial institutions to the Group.

Undertakings made by the parties

Boli Government

Pursuant to the Investment Cooperation Agreement, the Boli Government undertakes to assist the Project Company to acquire the Project Land at a consideration of RMB8.65 million (equivalent to approximately HK\$9.4 million) for the sole purpose of the Project and to assist the Project Company in, among other things (i) handling such project-related approval procedures with the relevant authorities, including but not limited to project approval, environment assessment, land acquisition, biogas power generation grid connection and project construction and completion; (ii) handling such procedures with the relevant authorities for the transportation of special vehicles for manure and waste as well as supervising livestock companies to supply manure in accordance with the Project Company's specifications and conditions; (iii) obtaining such benefits which the Project is qualified for from the relevant government policies, including but not limited to government subsidies, special funds, tax reduction and exemptions; (iv) subject to the Project Company meeting the relevant requirements, licensing the Project Company the franchise right to harmlessly process livestock and poultry manure, kitchen waste, toilet manure, municipal sludge, and sick and dead animals in accordance with relevant laws and regulations; and (v) promoting the organic fertilisers and raw materials produced under the Project.

Project Company

Pursuant to the Investment Cooperation Agreement, the Project Company undertakes that priority will be given to Boli County in respect of the provision of organic fertilisers and raw materials to meet the demand within Boli County and to sell the said organic fertiliser and raw materials in Boli County at the price which is 10% below the market price.

INFORMATION ON THE PARTIES

Boli Government

Boli Government is the People's Government of Boli County, Qitaihe City, which is situated in Heilongjiang Province, the PRC.

The Project Company

The Project Company is an indirect non-wholly owned subsidiary of the Company established in the PRC with limited liability. It is principally engaged in (i) production and sales of biomass fuel; (ii) production and sales of bio-organic fertilizer; and (iii) related consulting and technology services. As at the date of this announcement, the Project Company is owned as to 60% by New China Water Nanjing and as to 40% by Beijing Zhenhui.

REASONS FOR AND BENEFITS OF ENTERING INTO THE INVESTMENT COOPERATION 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.

With the development of society and economy, the continuous improvement of people's living standards and the gradual enhancement of environmental protection awareness, the problem of livestock and poultry manure pollution has become a significant environmental concern of many countries, including the PRC. In December 2016, at the 14th meeting of the Central Financial and Economic Work Leading Group focused on the importance of the issue of accelerating, processing and recycling of livestock, poultry, farming waste. In February 2017, the PRC government issued the No. 1 Central Document# (“中央一號文件”) which promotes the efficient ecological cycle of planting and breeding models, the centralised treatment of livestock and poultry manure and the sustainable development of large-scale biogas. Since then, the PRC government implemented certain policies relating to the treatment of agricultural waste.

To seize the opportunity on the development of new energy and renewable energy business and with the policy support given by the PRC government, the Group has commenced tapping into the investment and operation of new energy and renewable energy business since 2013 and continues to focus on business development of environmental protection and new segment with strong emphasis on biogas power generation. As disclosed in the annual report of the Company for the year ended 31 December 2022, the Group put forward its strategic positioning and plan as a biomass and fuel gas service provider in the PRC in early 2022. Pursuant to the plan, the Group carried out a comprehensive development strategy layout. With continuous development in the upstream and downstream business of the environmental protection and new energy segment as the core segment, the Group actively consolidated the biogas project, and has explored the all-way utilisation of gas sources (industrial biogas and agricultural biogas). In November 2022, the Group entered into a strategic cooperation framework agreement with Boli Government and Beijing Zhenhui to implement the Project to utilise organic resources in the urban and rural areas that became the focus of future development of the Group. In order to implement the Project, Beijing Zhenhui formed the Project Company on 30 November 2022 and the Group shall make capital contribution into the registered capital of the Project Company in accordance with the capital injection agreement dated 5 January 2023 and entered into among New China Water Nanjing, Beijing Zhenhui and the Project Company. Details of the capital injection in relation to the Project Company is set out in the announcement of the Company dated 5 January 2023.

The Project is proposed to be implemented in Boli County, which is located in the agricultural and mountainous area with good natural resources and geographical environment to develop animal husbandry industry. According to the feasibility study (the “**Feasibility Report**”) conducted by the Company in March 2023, there were over 175,000 pigs, 24,000 cattle, 53,000 sheep and 2,758,000 chickens in Boli County at the ended of 2022. In 2022, the solid manure of livestock and poultry were approximately 304,000 tons and the liquid manure was approximately 531,000 tons, totaling approximately 835,000 tons. Besides, Dasizhan Town, Boli Country, where the proposed construction site of the Comprehensive Treatment Center being located at, is the main transportation hub of Boli County, the total amount of manure produced by the nearby seven towns is expected to be approximately 718,600 tons per year, according to the Feasibility Report. Boli County provides the Group with great resources to operate the Comprehensive Treatment Center and for biogas power generation. It is expected that the annual output of biogas will be approximately 14.6 million cubic meters and the annual output of liquefied natural gas will be approximately 8.09 million cubic meters, according to the Feasibility Report.

With the policy support given by the PRC government, Boli Government actively promotes the development of the animal husbandry industry and actively works on investment projects of harmless treatment and recycling of organic waste by providing government subsidies. Under such circumstances, the Directors believe that it will provide the Group with favourable conditions to develop and operate the new energy and renewable energy business in Boli County. Besides, the Project will help the Group to enhance its investment portfolio in the environmental protection and new energy business and to achieve its goal of becoming one of the leading biomass and fuel gas operators in the PRC.

With regard to the aforementioned, the Directors consider that the terms and conditions of the Investment Cooperation 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

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DEFINITIONS

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

“Beijing Zhenhui”	北京振徽節能環保科技有限公司 (for transliteration purpose only, Beijing Zhenhui Energy Saving and Environmental Protection Technology Co., Ltd.#), a company established in the PRC with limited liability and is, as at the date of this announcement, a substantial shareholder of 霍邱徽沼可再生能源科技有限公司 (for transliteration purpose only, Huoqiu Huizhao Renewable Energy Technology Co., Ltd.#), which in turn is an indirect non-wholly owned subsidiary of the Company
“Board”	the board of Directors
“Boli Government”	the People’s Government of Boli County, Qitaihe City, which is situated in Heilongjiang Province, the PRC
“Business Day(s)”	any day(s) other than a Saturday, Sunday or statutory holiday in the PRC
“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)

“Comprehensive Treatment Center”	the centralised comprehensive treatment center for agricultural waste in Boli County, Qitaihe City, Heilongjiang Province, the PRC under the Project
“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
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“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
“Investment Cooperation Agreement”	the investment cooperation agreement dated 25 August 2023 and entered into between the Boli Government and the Project Company in relation to the Project
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New China Water Nanjing”	新中水(南京)再生資源投資有限公司 (for transliteration purpose only, New China Water (Nanjing) Renewable Resources Investment Company Limited [#]), a company established in the PRC with limited liability and is an indirect non-wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Project”	the project on the investment, development, construction and operation of the centralised Comprehensive Treatment Center for agricultural waste in Boli County, Qitaihe City, Heilongjiang Province, the PRC
“Project Company”	勃利縣中水皖龍可再生能源科技有限公司 (for transliteration purpose only, Boli County Zhongshui Wanlong Renewable Energy Technology Co., Ltd. [#]), a company established in the PRC with limited liability, which is an indirect non-wholly owned subsidiary of the Company as at the date of this announcement

“Project Land”	the land of which the land-use-right shall be obtained in accordance with the Investment Cooperation Agreement for the sole purpose of the Project
“RMB”	Renminbi, the lawful currency of the PRC
“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
“%”	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\$1.0828. 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, 25 August 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, Ms. Qiu Na and Mr. Lam Cheung Shing, Richard, all being independent non-executive Directors.