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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)**

**DISCLOSEABLE TRANSACTION IN RELATION TO  
ACQUISITION OF 9.375% EQUITY INTEREST IN  
ZHUXI RESERVOIR DEVELOPMENT**

**THE ACQUISITION**

The Board is pleased to announce that on 15 July 2021 (after trading hours), the Company, the Vendor and Zhuxi Reservoir Development entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, 9.375% equity interest in Zhuxi Reservoir Development at a consideration of RMB75.0 million.

**IMPLICATIONS UNDER THE LISTING RULES**

As one of the applicable percentage ratios in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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## **THE EQUITY TRANSFER AGREEMENT**

Set out below are the major terms of the Equity Transfer Agreement.

**Date** 15 July 2021

**Parties** 1. China Agricultural Development Key Construction Fund Co., Ltd. (as vendor);  
2. the Company (as purchaser); and  
3. Zhuxi Reservoir Development (as target company).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, the Vendor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

### **Subject matter**

Pursuant to the Equity Transfer Agreement, the Vendor conditionally agreed to sell, and the Company conditionally agreed to purchase, 9.375% equity interest in Zhuxi Reservoir Development free from all encumbrances, and together with all rights and benefits attaching thereto.

### **Consideration**

The consideration of the Acquisition is in the sum of RMB75.0 million in cash and will be paid by the Company to the designated bank account of Zhuxi Reservoir Development within 10 Business Days after the date of signing of the Equity Transfer Agreement. Zhuxi Reservoir Development shall transfer the said consideration to the Vendor within 10 Business Days after receipt of the amount from the Company.

The consideration of the Acquisition will be satisfied by internal resources of the Group.

### **Basis of consideration**

The consideration was determined after arm's length negotiations between the parties to the Equity Transfer Agreement on normal commercial terms with reference to the registered and paid up capital of Zhuxi Reservoir Development in the amount of RMB800.0 million.

## Conditions precedent

The Equity Transfer Agreement is not subject to any condition.

## Completion

Pursuant to the Equity Transfer Agreement, the Vendor shall assist the Company to complete the necessary business registration with the relevant industrial and commercial administration within 30 Business Days after the date of signing of the Equity Transfer Agreement.

The shareholding structure of Zhuxi Reservoir Development before and upon the completion of the Acquisition are set out as below:

<b>Name of shareholder</b>	<b>Shareholding structure immediately prior to the completion of the Acquisition</b>	<b>Shareholding structure immediately after the completion of the Acquisition</b>
The Vendor	37.5%	28.125%
The Company	15.625%	25%
Xianju County State-owned Assets Investment Group Co., Ltd.* (仙居縣國有資產投資集團有限公司) <sup>(1)</sup>	12.5%	12.5%
Wenling Water Supply Co., Ltd.* (溫嶺市供水有限公司) <sup>(2)</sup>	7.875%	7.875%
Taizhou Water Treatment Development Co., Ltd.* (台州市水處理發展有限公司) <sup>(1)</sup>	7.1875%	7.1875%
Taizhou Luqiao Public Assets Investment Management Group Co., Ltd.* (台州市路橋公共資產投資管理集團有限公司) <sup>(3)</sup>	6.3125%	6.3125%
Yuhuan Water Resources Development and Utilization Co., Ltd.* (玉環市水資源開發利用有限公司) <sup>(4)</sup>	5.5%	5.5%
Taizhou Circular Economy Development Co., Ltd.* (台州循環經濟發展有限公司) <sup>(1)</sup>	3.125%	3.125%
Taizhou Development Investment Group Co., Ltd.* (台州市開發投資集團有限公司) <sup>(1)</sup>	3.125%	3.125%
Zhejiang Yongning Financial Consulting Co., Ltd.* (浙江永寧財務諮詢有限公司) <sup>(5)</sup>	1.25%	1.25%

*Notes:*

- (1) Each of these shareholders is third party independent of the Company and its connected persons.
- (2) Wenling Water Supply Co., Ltd. is a connected person of the Company by virtue of being a substantial shareholder of Taizhou City Water Co., Ltd.\* (台州城市水務有限公司), a subsidiary of the Company.
- (3) Taizhou Luqiao Public Assets Investment Management Group Co., Ltd. is an 8.80%-shareholder of the Company.
- (4) Yuhuan Water Resources Development and Utilization Co., Ltd. is a 60%-owned subsidiary of Yuhuan Water Supply Group Co., Ltd.\* (玉環市水務集團有限公司), which holds 40% of Taizhou South Bay Water Supply Co., Ltd.\* (台州市南部灣區水務有限公司), a subsidiary of the Company and thus a connected person of the Company.
- (5) Zhejiang Yongning Financial Consulting Co., Ltd. is a connected person by virtue of being a 13.34%-shareholder of the Company.

Upon completion of the Acquisition, the Company will hold 25% equity interest in Zhuxi Reservoir Development and Zhuxi Reservoir Development will continue to be an associate of the Company.

### **Termination and liability on breach**

If the Company fails to pay the consideration according to the terms of the Equity Transfer Agreement, the Company shall pay a late payment penalty at a daily rate of 0.05% of the amount payable to the Vendor during the period when any amount of the consideration is outstanding (“**Late Payment Period**”). When the Late Payment Period exceeds 60 days, the Vendor can unilaterally terminate the Equity Transfer Agreement and require the Company to pay a penalty equal to 5% of the consideration and all the damages suffered by the Vendor.

If the Vendor fails to assist the Company to complete the necessary business registration with the relevant industrial and commercial administration according to the terms of the Equity Transfer Agreement, the Vendor shall pay a late payment penalty at a daily rate of 0.05% of the amount payable by the Company to the Vendor. When such period exceeds 60 days, the Company can unilaterally terminate the Equity Transfer Agreement and require the Vendor to pay a penalty equal to 5% of the consideration and all the damages suffered by the Company.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

Zhuxi Reservoir Development is the project company for the construction of the Zhuxi Reservoir (朱溪水庫), which is currently under construction and is expected to complete the construction in 2023. The Group is entitled to draw raw water from Zhuxi Reservoir upon completion of its construction. The Directors consider that it is in the interest of the Group to increase its equity interest in Zhuxi Reservoir Development to be in a more important position to exercise influence over it and to participate in its financial and operating policy decisions, so as to ensure more stable and sufficient raw water resources, which is expected to achieve the long-term financial return of the Group. Further, the Board believes that the Acquisition provides an excellent opportunity for the Group to further expand its water supply facilities and strengthen its position as the leading water supply service provider in Taizhou.

Taking into account the aforementioned factors, the Directors consider that the terms and conditions of the Equity Transfer Agreement are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

## **INFORMATION OF ZHUXI RESERVOIR DEVELOPMENT**

Zhuxi Reservoir Development is a project company and is principally engaged in the construction and management of the Zhuxi Reservoir. Based on the key audited financial information of Zhuxi Reservoir Development in accordance with the PRC accounting standards, Zhuxi Reservoir Development recorded nil revenue and profit (both before and after taxation) for the two financial years ended 31 December 2019 and 2020. The audited assets and net assets of Zhuxi Reservoir Development as at 31 December 2020 amounted to approximately RMB2,885.6 million and RMB1,569.6 million, respectively.

## **INFORMATION OF THE PARTIES INVOLVED**

### **The Company**

The Company is a leading water supply service provider in Taizhou principally engaged in the supply of raw water and municipal water. The Company also supplies tap water directly to end-users and engages in the installation of the water pipelines for distributing tap water to its end-users in Taizhou.

### **The Vendor**

The Vendor principally engages in projects investments. As at the date of this announcement, the Vendor is wholly-owned by Agricultural Development Bank of China (中國農業發展銀行), which is in turn wholly-owned by the State Council of the PRC.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one of the applicable percentage ratios in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Acquisition”	the acquisition of 9.375% equity interest in Zhuxi Reservoir Development by the Company pursuant to the terms and conditions of the Equity Transfer Agreement
“Board”	the board of directors of the Company
“Business Day(s)”	a day (excluding Saturday, Sunday and public holiday in the PRC) on which commercial banks are open for business in the PRC
“China” or “PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”	Taizhou Water Group Co., Ltd.* (台州市水務集團股份有限公司), a joint stock company established in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning in rules 14A.07 to 14A.11 the Listing Rules
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 15 July 2021 entered into between the Company, the Vendor and Zhuxi Reservoir Development in relation to the Acquisition
“Group”	the Company, its subsidiaries and its consolidated affiliated entities from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of our Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s) of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	China Agricultural Development Key Construction Fund Co., Ltd. (中國農發重點建設基金有限公司), a limited liability company established in the PRC
“Zhuxi Reservoir Development”	Taizhou Zhuxi Reservoir Development Co., Ltd.* (台州市朱溪水庫開發有限公司), a limited liability company established in the PRC, and is owned as to 37.5% and 15.625% by the Vendor and the Company, respectively, as at the date of this announcement
“%”	per cent

By order of the Board of Directors  
**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  
 15 July 2021

*As at the date of this announcement, the executive Directors are Mr. Yang Jun and Mr. Zhang Junzhou; the non-executive Directors are Mr. Wang Haiping, Mr. Wang Haibo, Ms. Fang Ya, Mr. Yu Yangbin, Ms. Huang Yuyan, Mr. Yang Yide, Mr. Guo Dingwen and Mr. Sun Hua; and the independent non-executive Directors are Mr. Zheng Jianzhuang, Ms. Hou Meiwen, Mr. Li Wai Chung, Ms. Lin Suyan and Mr. Wang Yongyue.*

\* *For identification purpose only*