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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)

**MAJOR TRANSACTIONS IN RELATION TO ACQUISITION OF
45% EQUITY INTEREST IN TAIZHOU WATER SUPPLY,
JIAOBEI WATER SUPPLY AND
LUQIAO WATER SUPPLY**

THE JIAOJIANG EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 20 May 2021 (after trading hours), the Company, Jiaojiang Urban Development, Taizhou Water Supply and Jiaobei Water Supply entered into the Jiaojiang Equity Transfer Agreement, pursuant to which Jiaojiang Urban Development has conditionally agreed to sell, and the Company has conditionally agreed to purchase, 45% equity interest in each of Taizhou Water Supply and Jiaobei Water Supply at an aggregate consideration of RMB46.60 million, subject to adjustment.

THE LUQIAO EQUITY TRANSFER AGREEMENT

On 20 May 2021 (after trading hours), the Company, Luqiao Urban Construction and Luqiao Water Supply entered into the Luqiao Equity Transfer Agreement, pursuant to which Luqiao Urban Construction has conditionally agreed to sell, and the Company has conditionally agreed to purchase, 45% equity interest in Luqiao Water Supply at a consideration of RMB124.42 million, subject to adjustment.

IMPLICATIONS UNDER THE LISTING RULES

As the Taizhou Water Supply Acquisition and Jiaobei Water Supply Acquisition were transactions entered into by the Company with the same party, i.e. Jiaojiang Urban Development, the Taizhou Water Supply Acquisition and Jiaobei Water Supply Acquisition are required to be aggregated pursuant to Rule 14.22 of the Listing Rules.

As one of the applicable percentage ratios in respect of the Taizhou Water Supply Acquisition and Jiaobei Water Supply Acquisition exceeds 25% but is less than 100%, the Taizhou Water Supply Acquisition and Jiaobei Water Supply Acquisition collectively constitute a major transaction of the Company, which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As one of the applicable percentage ratios in respect of the Luqiao Water Supply Acquisition exceeds 25% but is less than 100%, the Luqiao Water Supply Acquisition constitutes a major transaction of the Company, which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

An EGM will be convened by the Company during which ordinary resolutions will be proposed to the Shareholders to approve the Equity Transfer Agreements and all transactions contemplated thereunder. As at the date of this announcement, Luqiao Urban Construction is a subsidiary of Taizhou Luqiao Public Assets, which holds approximately 8.81% shareholding interest in the Company. Taizhou Luqiao Public Assets and its close associates will abstain from voting at the EGM in respect of the resolutions to approve the Luqiao Equity Transfer Agreement and the transactions contemplated thereunder as a result of having a material interest therein. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save as disclosed above, no other Shareholders will be required to abstain from voting on the resolutions for approving the Equity Transfer Agreements and all transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) major terms of the Equity Transfer Agreements; (ii) further details of the Acquisitions; and (iii) a notice convening the EGM together with the proxy form and the reply slip, will be despatched to the Shareholders on or before 10 June 2021.

As each of the Acquisitions is subject to the fulfillment of various conditions precedent which may or may not be fulfilled, there is no assurance that the Acquisitions will be completed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

The Board is pleased to announce that on 20 May 2021 (after trading hours), (i) the Company, Jiaojiang Urban Development, Taizhou Water Supply and Jiaobei Water Supply entered into the Jiaojiang Equity Transfer Agreement in respect of the Taizhou Water Supply Acquisition and Jiaobei Water Supply Acquisition; and (ii) the Company, Luqiao Urban Construction and Luqiao Water Supply entered into the Luqiao Equity Transfer Agreement in respect of the Luqiao Water Supply Acquisition.

Set out below are the major terms of each of the Jiaojiang Equity Transfer Agreement and the Luqiao Equity Transfer Agreement.

THE JIAOJIANG EQUITY TRANSFER AGREEMENT

Date: 20 May 2021

Parties:

1. Jiaojiang Urban Development (as vendor);
2. the Company (as purchaser);
3. Taizhou Water Supply (as target company); and
4. Jiaobei Water Supply (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, Jiaojiang Urban Development and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Subject matter

Pursuant to the Jiaojiang Equity Transfer Agreement, Jiaojiang Urban Development has conditionally agreed to sell, and the Company has conditionally agreed to purchase, 45% equity interest in each of Taizhou Water Supply and Jiaobei Water Supply, subject to the terms and conditions thereof.

Jiaojiang consideration and adjustment thereto

The consideration for the transfer of 45% equity interest in Taizhou Water Supply and Jiaobei Water Supply is RMB23.22 million and RMB23.38 million, respectively. The aggregate consideration of the Taizhou Water Supply Acquisition and Jiaobei Water Supply Acquisition amounts to RMB46.60 million (subject to adjustment) and shall be paid by the Company to Jiaojiang Urban Development in cash in the following manner:

1. RMB13.98 million (being 30% of the consideration) (the “**First Instalment of Jiaojiang Consideration**”) is payable within 15 Business Days after satisfaction (or waiver by the Company) of the following conditions precedent:
 - (a) the Jiaojiang Equity Transfer Agreement having been executed and become effective;
 - (b) the notification to or consents or confirmation of no objection of relevant creditors of Taizhou Water Supply and Jiaobei Water Supply having been obtained;
 - (c) certain bank loans of Taizhou Water Supply and Jiaobei Water Supply in an aggregate amount of RMB50 million having been settled or discharged;

- (d) certain guarantee granted by Taizhou Water Supply in relation to the loan of Taizhou Jiaojiang Municipal Engineering Co., Ltd.* (台州市椒江市政工程有限公司), a subsidiary of Jiaojiang Urban Development, having been discharged; and
 - (e) all approvals or confirmation of no objection of the relevant regulatory authorities, including the competent state-owned asset management departments and the Stock Exchange (if applicable) having been obtained;
2. RMB13.98 million (being 30% of the consideration) is payable within 15 Business Days after completion of the Taizhou Water Supply Acquisition and Jiaobei Water Supply Acquisition;
 3. the remaining balance of the consideration is payable within 12 months after completion of the Taizhou Water Supply Acquisition and Jiaobei Water Supply Acquisition and agreement between all parties on the audit results, consideration adjustment and loss and profit arrangements regarding the Transition Period having been reached, and shall be adjusted with reference to:
 - (a) the loss and/or profit (as the case may be) of each of Taizhou Water Supply and Jiaobei Water Supply generated during the Transition Period. Special audit regarding the loss and profit of each of Taizhou Water Supply and Jiaobei Water Supply will be conducted. The parties shall determine and adjust the consideration payable within 10 Business Days of the issuance of the special audit reports; and
 - (b) in respect of properties involved within the scope of the Taizhou Water Supply Valuation Report and Jiaobei Water Supply Valuation Report which (i) ownership registration formalities cannot be completed within 12 months after completion of the Taizhou Water Supply Acquisition and/or Jiaobei Water Supply Acquisition (as the case may be); and (ii) will be continued to be used by Taizhou Water Supply and Jiaobei Water Supply (as the case may be), the appraised value of such properties as at the Valuation Reference Date shall be deducted from the consideration.

The Company and Jiaojiang Urban Development agreed that the aggregate consideration of the Taizhou Water Supply Acquisition and Jiaobei Water Supply Acquisition payable by the Company to Jiaojian Urban Development subsequent to the adjustment to the consideration as set out above shall not exceed RMB61.60 million.

The consideration of the Taizhou Water Supply Acquisition and Jiaobei Water Supply 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 Jiaojiang Equity Transfer Agreement, taking into account, among others, the appraised value of the total equity interest of Taizhou Water Supply and Jiaobei Water Supply as at the Valuation Reference Date of approximately RMB51.59 million and RMB51.94 million, respectively, as assessed by the Independent Valuer using the asset based approach.

Taking into account the aforesaid adjustment, the Board is of the view that the consideration of the Taizhou Water Supply Acquisition and Jiaobei Water Supply Acquisition based on the results of the Taizhou Water Supply Valuation Report and Jiaobei Water Supply Valuation Report is fair and reasonable.

Completion

Pursuant to the Jiaojiang Equity Transfer Agreement, upon fulfillment of the conditions precedent of payment of the First Instalment of Jiaojiang Consideration as set out in the paragraph headed “Jiaojiang consideration and adjustment thereto” in this announcement, each of Taizhou Water Supply and Jiaobei Water Supply shall complete the business registration for the equity transfers (including the respective changes of directors, supervisors and senior management) with the relevant industrial and commercial administration. Completion of the Taizhou Water Supply Acquisition and Jiaobei Water Supply Acquisition shall take place upon completion of the respective business registration particulars of Taizhou Water Supply and Jiaobei Water Supply.

The Company and Jiaojiang Urban Development shall use their best endeavours to procure that the aforementioned business registration for the equity transfers (including the respective changes of directors, supervisors and senior management) with the relevant industrial and commercial administration to be completed on or before 30 September 2021. There is no long stop date in the Jiaojiang Equity Transfer Agreement.

Upon completion, as the Group will hold not more than 50% interest in Taizhou Water Supply and Jiaobei Water Supply and the Group will have no control over the board of directors of Taizhou Water Supply and Jiaobei Water Supply, each of Taizhou Water Supply and Jiaobei Water Supply will not become a subsidiary of the Company and their financial results will not be consolidated into the consolidated financial statements of the Company.

Effective date

The Jiaojiang Equity Transfer Agreement shall be established from the date when it is signed and sealed by the legal representatives or authorised representatives of both parties, and shall take effect from the date when the following conditions are fulfilled:

- (a) all decision-making and approval required in relation to the transactions contemplated under the Jiaojiang Equity Transfer Agreement having been obtained by Jiaojiang Urban Development;
- (b) the Taizhou Water Supply Valuation Report and Jiaobei Water Supply Valuation Report having been approved or registered with the competent state-owned asset management departments; and
- (c) approvals of the Board and shareholder’s resolutions of the Company to approve the transactions contemplated under the Jiaojiang Equity Transfer Agreement having been obtained.

Termination

The Jiaojiang Equity Transfer Agreement may be terminated prior to the completion:

- (a) with the consent of all the parties;
- (b) by the Company in the event there has been material adverse change to Taizhou Water Supply and Jiaobei Water Supply; or
- (c) if any of the parties committed a material breach of any representations, guarantees, undertakings or obligations under the Jiaojiang Equity Transfer Agreement and such breach is not remedied by the defaulting party within 30 days upon the issue of written notice by the non-defaulting party, the non-defaulting party is entitled to terminate the Jiaojiang Equity Transfer Agreement.

Post-completion rights

Pursuant to the Jiaojiang Equity Transfer Agreement, after completion of the Taizhou Water Supply Acquisition and the Jiaobei Water Supply Acquisition:

- (a) if any of the registered land involved within the scope of the Taizhou Water Supply Valuation Report and Jiaobei Water Supply Valuation Report is expropriated by the government, the land appreciation income incurred in relation thereto shall belong to Jiaojiang Urban Development and shall be calculated based on the formula below:

Land appreciation income = Land resumption fee – Appraised value of the expropriated land – Capital cost

The aforementioned capital cost shall belong to the Company and shall be calculated based on the formula below:

Capital cost = Appraised value of the expropriated land x the consideration paid by the Company in respect of the Taizhou Water Supply Acquisition and the Jiaobei Water Supply Acquisition (as the case may be) x Annual capital cost (being the prevailing bank loan benchmark interest rate) x Year; and

- (b) if any of the registered properties involved within the scope of the Taizhou Water Supply Valuation Report and Jiaobei Water Supply Valuation Report is demolished by the government, the property appreciation income incurred in relation thereto shall belong to Jiaojiang Urban Development and shall be calculated based on the formula below:

Property appreciation income = Demolition compensation – Net book value of the demolished property – Disposal costs (if any)

Where resettlement properties are offered, the property appreciation income shall be calculated based on the formula below:

Property appreciation income = Appraised value of the property (or resettlement compensation) – Net book value of the demolished property – Disposal costs (if any)

Board representation

Upon completion of the Taizhou Water Supply Acquisition and Jiaobei Water Supply Acquisition, the board of directors of each of Taizhou Water Supply and Jiaobei Water Supply shall be comprised of five directors, of which the Company shall be entitled to nominate two directors and the chairman. The supervisory committee of each of Taizhou Water Supply and Jiaobei Water Supply shall be comprised of three supervisors, of which the Company shall be entitled to nominate one supervisor.

THE LUQIAO EQUITY TRANSFER AGREEMENT

Date: 20 May 2021

Parties:

1. Luqiao Urban Construction (as vendor);
2. the Company (as purchaser); and
3. Luqiao Water Supply (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, each of Luqiao Urban Construction and Luqiao Water Supply is an indirect wholly-owned subsidiary of Taizhou Luqiao Public Assets, which holds approximately 8.81% shareholding interest in the Company.

Subject matter

Pursuant to the Luqiao Equity Transfer Agreement, Luqiao Urban Construction has conditionally agreed to sell, and the Company has conditionally agreed to purchase, 45% equity interest in Luqiao Water Supply, subject to the terms and conditions thereof.

Luqiao consideration and adjustment thereto

The consideration for the transfer of 45% equity interest in Luqiao Water Supply is RMB124.42 million (subject to adjustment) and shall be paid by the Company to Luqiao Urban Construction in cash in the following manner:

1. RMB37.326 million (being 30% of the consideration) (the "**First Instalment of Luqiao Consideration**") is payable within 15 Business Days after satisfaction (or waiver by the Company) of the following conditions precedent:
 - (a) the Luqiao Equity Transfer Agreement having been executed and become effective;
 - (b) the notification to or consents or confirmation of no objection of relevant creditors of Luqiao Water Supply having been obtained; and
 - (c) all approvals or confirmation of no objection of the relevant regulatory authorities, including the competent state-owned asset management departments and the Stock Exchange (if applicable) having been obtained;

2. RMB37.326 million (being 30% of the consideration) is payable within 15 Business Days after completion of the Luqiao Water Supply Acquisition; and
3. the remaining balance of the consideration is payable within 12 months after completion of the Luqiao Water Supply Acquisition and agreement between all parties on the audit results, consideration adjustment and loss and profit arrangements regarding the Transition Period having been reached, and shall be adjusted with reference to:
 - (a) the loss and/or profit (as the case may be) of Luqiao Water Supply generated during the Transition Period. Special audit regarding the loss and profit of Luqiao Water Supply will be conducted. The parties shall determine and adjust the consideration payable within 10 Business Days of the issuance of the special audit report; and
 - (b) in respect of properties involved within the scope of the Luqiao Water Supply Valuation Report which (i) ownership registration formalities is yet to be completed; and (ii) will be continued to be used by Luqiao Water Supply, the appraised value of such properties as at the Valuation Reference Date shall be deducted from the consideration.

The Company and Luqiao Urban Construction have agreed that the aggregate consideration of the Luqiao Water Supply Acquisition payable by the Company to Luqiao Urban Construction subsequent to the adjustment to the consideration as set out above shall not exceed RMB154.57 million.

The consideration of the Luqiao Water Supply 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 Luqiao Equity Transfer Agreement, taking into account, among others, the appraised value of the total equity interest of Luqiao Water Supply as at the Valuation Reference Date of approximately RMB276.48 million as assessed by the Independent Valuer using the asset based approach.

Taking into account the aforesaid adjustment, the Board is of the view that the consideration of the Luqiao Water Supply Acquisition based on the results of the Luqiao Water Supply Valuation Report is fair and reasonable.

Completion

Pursuant to the Luqiao Equity Transfer Agreement, upon fulfillment of the conditions precedent of the payment of the First Instalment of Luqiao Consideration as set out in the paragraph headed “Luqiao consideration and adjustment thereto” in this announcement, Luqiao Water Supply shall complete the business registration for the equity transfers (including the respective changes of directors, supervisors and senior management) with the relevant industrial and commercial administration. Completion of the Luqiao Water Supply Acquisition shall take place upon completion of the aforementioned business registration particulars of Luqiao Water Supply.

The Company and Luqiao Urban Construction shall use their best endeavors to procure that the aforementioned business registration for the equity transfer (including the changes of directors, supervisors and senior management) with the relevant industrial and commercial administration to be completed on or before 30 September 2021. There is no long stop date in the Luqiao Equity Transfer Agreement.

Upon completion, as the Group will hold not more than 50% interest in Luqiao Water Supply and the Group will have no control over the board of Luqiao Water Supply, Luqiao Water Supply will not become a subsidiary of the Company and its financial results will not be consolidated into the consolidated financial statements of the Company.

Effective date

The Luqiao Equity Transfer Agreement shall be established from the date when it is signed and sealed by the legal representatives or authorised representatives of the parties, and shall take effect from the date when the following conditions are fulfilled:

- (a) all decision-making and approval required in relation to the transactions contemplated under the Luqiao Equity Transfer Agreement having been obtained by Luqiao Urban Construction;
- (b) the Luqiao Water Supply Valuation Report having been approved or registered with the competent state-owned asset management departments; and
- (c) approvals of the Board and shareholder’s resolutions of the Company to approve the transactions contemplated under the Luqiao Equity Transfer Agreement having been obtained.

Termination

The Luqiao Equity Transfer Agreement may be terminated prior to the completion:

- (a) with the consent of all the parties;
- (b) by the Company in the event there has been material adverse change to Luqiao Water Supply; or

- (c) if any of the parties committed a material breach of any representations, guarantees, undertakings or obligations under the Luqiao Equity Transfer Agreement and such breach is not remedied by the defaulting party within 30 days upon the issue of written notice by the non-defaulting party, the non-defaulting party is entitled to terminate the Luqiao Equity Transfer Agreement.

Post-completion rights

Pursuant to the Luqiao Equity Transfer Agreement, after completion of the Luqiao Water Supply Acquisition:

- (a) if any of the registered land involved within the scope of the Luqiao Water Supply Valuation Report is expropriated by the government, the land appreciation income incurred in relation thereto shall belong to Luqiao Urban Construction and shall be calculated based on the formula below:

Land appreciation income = Land resumption fee – Appraised value of the expropriated land – Capital cost

The aforementioned capital cost shall belong to the Company and shall be calculated based on the formula below:

Capital cost = Appraised value of the expropriated land x the consideration paid by the Company in respect of the Luqiao Water Supply Acquisition x Annual capital cost (being the prevailing bank loan benchmark interest rate) x Year; and

- (b) if any of the registered properties involved within the scope of the Luqiao Water Supply Valuation Report is demolished by the government, the property appreciation income incurred in relation thereto shall belong to Luqiao Urban Construction and shall be calculated based on the formula below:

Property appreciation income = Demolition compensation – Net book value of the demolished property – Disposal costs (if any)

Where resettlement properties are offered, the property appreciation income shall be calculated based on the formula below:

Property appreciation income = Appraised value of the property (or resettlement compensation) – Net book value of the demolished property – Disposal costs (if any)

Board representation

Upon completion of the Luqiao Water Supply Acquisition, the board of directors of Luqiao Water Supply shall be comprised of five directors, of which the Company shall be entitled to nominate two directors and the chairman. The supervisory committee of Luqiao Water Supply shall be comprised of three supervisors, of which the Company shall be entitled to nominate one supervisor.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

Pursuant to the “Notice on the issue of Implementation Opinions on the Reform of Integration of Water Supply in Taizhou” (關於印發《台州市區水務一體化改革實施意見》的通知) issued by the Municipal Committee Office of Taizhou (中共台州市委辦公室) and the Taizhou Municipal People’s Government Office (台州市人民政府辦公室) on 17 September 2018, it was stressed that the integration of water supply in Taizhou is essential for improving people’s livelihood, promoting integrated development of urban areas, efficient use of water and the transformation and upgrade of water supply business in Taizhou.

Adhering to the concept of “focusing on environmental protection and energy saving, ensuring high-quality water supply and servicing everyone” of the Group, the Acquisitions allow the Group to commence the integration of urban and rural water supply in Jiaojiang and Luqiao Districts of Taizhou so as to benefit more users through upgrading the water supply infrastructure, renovating the pipelines network at towns and villages as well as reinforcing the implementation of “one account, one water meter”.

With the expanded water supply network and water supply facilities after the Acquisitions, the Group would enjoy the benefits of an expanded ecological chain and economy scale, and ensure a stable and sustainable growth of the Group’s income. Further, the Acquisitions are expected to expand the Group’s geographical coverage of its water supply network across various districts in Taizhou, and thus enhance the overall revenue and profit of the Group and strengthen the Group’s 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 Agreements 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 THE TARGETS

Taizhou Water Supply

Taizhou Water Supply principally engages in the business of centralised supply of drinking water and non-residential drinking water in the southern area of Jiaojiang River in the Jiaojiang District of Taizhou. As at the date of this announcement, Taizhou Water Supply is a direct wholly-owned subsidiary of Jiaojiang Urban Development, and holds the following wholly-owned subsidiaries:

Name of subsidiary	Principal business of the subsidiary
Taizhou Water Supply Qingquan Municipal Engineering Co., Ltd.* (台州水司清泉市政工程有限公司)	Municipal public construction projects and pipeline engineering works
Taizhou Jiaojiang Jiaonan Qingquan Water Supply Service Co., Ltd.* (台州市椒江椒南清泉供水服務有限公司)	Marketing and management services for water supply companies
Taizhou Jiaojiang Dachen Qingquan Water Supply Service Co., Ltd.* (台州市椒江大陳清泉供水服務有限公司)	Tap water supply and municipal utilities construction projects

Set out below is the key unaudited financial information of Taizhou Water Supply for the two financial years ended 31 December 2019 and 2020:

	For the year ended	
	31 December 2019 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
Revenue	299,916	276,563
Profit before tax	1,488	7,359
(Loss)/profit after tax	(765)	3,658

The unaudited net assets and equity attributable to owners of Taizhou Water Supply as at 31 December 2020 amounted to approximately RMB55.15 million and RMB55.15 million, respectively. The entire equity interest of Taizhou Water Supply as at 31 October 2020 as appraised by the Independent Valuer amounted to approximately RMB51.59 million, and the 45% equity interest in Taizhou Water Supply to be acquired by the Company amounted to approximately RMB23.21 million accordingly.

Jiaobei Water Supply

Jiaobei Water Supply principally engages in the business of centralised water supply and pipeline installation in the northern area of Jiaojiang River in the Jiaojiang District of Taizhou. As at the date of this announcement, Jiaobei Water Supply is owned as to 88.46% by Jiaojiang Urban Development and 11.54% by Taizhou Jiaobei Infrastructure Investment Co., Ltd.* (台州市椒北基礎設施投資有限公司), which is ultimately wholly-owned by Zhangan Sub-district Office of the People's Government of Jiaojiang District, Taizhou (台州市椒江區人民政府章安街道辦事處).

As at the date of this announcement, Jiaobei Water Supply is the holding company of Taizhou Jiaojiang Jiaobei Qingquan Water Supply Service Co., Ltd.* (台州市椒江椒北清泉供水服務有限公司), which principally engages in the business of marketing services for water supply companies and installation of municipal water supply and drainage pipes.

Set out below is the key unaudited financial information of Jiaobei Water Supply for the two financial years ended 31 December 2019 and 2020:

	For the year ended	
	31 December 2019	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	22,755	23,157
(Loss)/profit before tax	(2,557)	951
(Loss)/profit after tax	(2,557)	951

The unaudited net assets and equity attributable to owners of Jiaobei Water Supply as at 31 December 2020 amounted to approximately RMB10.33 million and RMB10.33 million, respectively. The entire equity interest of Jiaobei Water Supply as at 31 October 2020 as appraised by the Independent Valuer amounted to approximately RMB51.94 million, and the 45% equity interest in Jiaobei Water Supply to be acquired by the Company amounted to approximately RMB23.37 million accordingly.

Luqiao Water Supply

Luqiao Water Supply principally engages in the business of centralised water supply services in Luqiao District of Taizhou. As of the date of this announcement, Luqiao Water Supply is a direct wholly-owned subsidiary of Luqiao Urban Construction, and holds the following wholly-owned subsidiaries:

Name of subsidiary	Principal business of the subsidiary
Taizhou Luqiao Lixin Municipal Engineering Co., Ltd.* (台州市路橋立信市政工程有限公司)	Contracting and undertaking of municipal public works construction projects
Taizhou Luqiao Urban and Rural Water Supply Service Co., Ltd.* (台州市路橋城鄉供水服務有限公司)	Collection of water fees and maintenance services of water supply pipelines and water meters

Set out below is the key unaudited financial information of Luqiao Water Supply for the two financial years ended 31 December 2019 and 2020:

	For the year ended	
	31 December 2019	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	185,753	181,544
Profit before tax	15,379	3,204
Profit after tax	10,558	1,734

The unaudited net assets and equity attributable to owners of Luqiao Water Supply as at 31 December 2020 amounted to approximately RMB121.51 million and RMB121.51 million, respectively. The entire equity interest of Luqiao Water Supply as at 31 October 2020 as appraised by the Independent Valuer amounted to approximately RMB276.48 million, and the 45% equity interest in Luqiao Water Supply to be acquired by the Company amounted to approximately RMB124.42 million accordingly.

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.

Jiaojiang Urban Development

Jiaojiang Urban Development principally engages in the investment, construction and operation of urban infrastructure, public facility and landscaping municipal engineering projects. As at the date of this announcement, Jiaojiang Urban Development is ultimately wholly-owned by the State-owned Assets Supervision and Administration Commission of Jiaojiang District, Taizhou City* (台州市椒江區國有資產監督管理委員會).

Luqiao Urban Construction

Luqiao Urban Construction principally engages in urban infrastructure construction and investment in social welfare undertakings. As at the date of this announcement, Luqiao Urban Construction is ultimately owned as to 96.8% and 3.2% by the State-owned Assets Administration Commission of Luqiao District* (路橋區國有資產管理委員會) and Zhejiang Provincial Department of Finance (浙江省財政廳), respectively.

IMPLICATIONS UNDER THE LISTING RULES

As the Taizhou Water Supply Acquisition and Jiaobei Water Supply Acquisition were transactions entered into by the Company with the same party, i.e. Jiaojiang Urban Development, the Taizhou Water Supply Acquisition and Jiaobei Water Supply Acquisition are required to be aggregated pursuant to Rule 14.22 of the Listing Rules.

As one of the applicable percentage ratios in respect of the Taizhou Water Supply Acquisition and Jiaobei Water Supply Acquisition exceeds 25% but is less than 100%, the Taizhou Water Supply Acquisition and Jiaobei Water Supply Acquisition collectively constitute a major transaction of the Company, which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As one of the applicable percentage ratios in respect of the Luqiao Water Supply Acquisition exceeds 25% but is less than 100%, the Luqiao Water Supply Acquisition constitutes a major transaction of the Company, which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Ms. Huang Yuyan, a non-executive Director, is the deputy general manager of and a Director nominated by Taizhou Luqiao Public Assets, which holds 100% equity interest of Luqiao Urban Construction and Luqiao Water Supply, she has abstained from voting on the board resolutions in respect of the Luqiao Water Supply Acquisition. Save as disclosed above, none of the Directors has material interest in the Acquisitions and therefore no other Director has abstained from voting on such board resolutions.

GENERAL

An EGM will be convened by the Company during which ordinary resolutions will be proposed to the Shareholders to approve the Equity Transfer Agreements and all transactions contemplated thereunder.

As at the date of this announcement, Luqiao Urban Construction is a subsidiary of Taizhou Luqiao Public Assets, which holds approximately 8.81% shareholding interest in the Company. Taizhou Luqiao Public Assets and its close associates will abstain from voting at the EGM in respect of the resolutions to approve the Luqiao Equity Transfer Agreement and the transactions contemplated thereunder as a result of having a material interest therein. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save as disclosed above, no other Shareholders will be required to abstain from voting on the resolutions for approving the Equity Transfer Agreements and all transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) major terms of the Equity Transfer Agreements; (ii) further details of the Acquisitions; and (iii) a notice convening the EGM together with the proxy form and the reply slip, will be despatched to the Shareholders on or before 10 June 2021.

As each of the Acquisitions is subject to the fulfillment of various conditions precedent which may or may not be fulfilled, there is no assurance that the Acquisitions will be completed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisitions”	all or any of the Taizhou Water Supply Acquisition, Jiaobei Water Supply Acquisition and Luqiao Water Supply Acquisition (as the case may be) in accordance with the terms and conditions of the Equity Transfer Agreements
“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

“Domestic Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“EGM”	the extraordinary general meeting of the Company to be convened by the Company to consider the Equity Transfer Agreements and the transactions contemplated thereunder
“Equity Transfer Agreements”	the Jiaojiang Equity Transfer Agreement and the Luqiao Equity Transfer Agreement
“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
“Independent Valuer”	Canwin Appraisal Co., Ltd. (坤元資產評估有限公司), an independent PRC valuer
“Jiaobei Water Supply”	Taizhou Jiaobei Water Supply Co., Ltd.* (台州市椒北供水有限公司), a limited liability company established in the PRC, and an 88.46%-owned subsidiary of Jiaojiang Urban Development as at the date of this announcement
“Jiaobei Water Supply Acquisition”	the acquisition of 45% equity interest in Jiaobei Water Supply in accordance with the terms and conditions of the Jiaojiang Equity Transfer Agreement
“Jiaobei Water Supply Valuation Report”	the valuation report dated 14 April 2021 issued by the Independent Valuer in respect of the appraisal of the equity attributable to the owners of Jiaobei Water Supply as at the Valuation Reference Date
“Jiaojiang Equity Transfer Agreement”	the equity transfer agreement dated 20 May 2021 entered into between the Company, Jiaojiang Urban Development, Taizhou Water Supply and Jiaobei Water Supply in relation to the Taizhou Water Supply Acquisition and Jiaobei Water Supply Acquisition
“Jiaojiang Urban Development”	Taizhou Jiaojiang Urban Development Investment Group Co., Ltd.* (台州市椒江城市發展投資集團有限公司), a limited liability company established in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Luqiao Equity Transfer Agreement”	the equity transfer agreement dated 20 May 2021 entered into between the Company, Luqiao Urban Construction and Luqiao Water Supply in relation to the Luqiao Water Supply Acquisition
“Luqiao Urban Construction”	Taizhou Luqiao District Urban Construction Group Co., Ltd.* (台州市路橋區城市建設集團有限公司), a limited liability company established in the PRC
“Luqiao Water Supply”	Taizhou Luqiao Water Supply Co., Ltd.* (台州市路橋自來水有限公司), a limited liability company established in the PRC, and a wholly-owned subsidiary of Luqiao Urban Construction as at the date of this announcement
“Luqiao Water Supply Acquisition”	the acquisition of 45% equity interest in Luqiao Water Supply in accordance with the terms and conditions of the Luqiao Equity Transfer Agreement
“Luqiao Water Supply Valuation Report”	the valuation report dated 8 May 2021 issued by the Independent Valuer in respect of the appraisal of the equity attributable to the owners of Luqiao Water Supply as at the Valuation Reference Date
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of the 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
“Taizhou Luqiao Public Assets”	Taizhou Luqiao Public Assets Investment Management Co., Ltd.* (台州市路橋公共資產投資管理有限公司), a limited liability company established in the PRC which holds approximately 8.81% shareholding interest in Company as at the date of this announcement
“Taizhou SASAC”	The State-owned Assets Supervision and Administration Commission of Taizhou* (台州市人民政府國有資產監督管理委員會)
“Taizhou Water Supply”	Taizhou Water Supply Co., Ltd.* (台州自來水有限公司), a limited liability company established in the PRC, and a wholly-owned subsidiary of Jiaojiang Urban Development as at the date of this announcement

“Taizhou Water Supply Acquisition”	the acquisition of 45% equity interest in Taizhou Water Supply in accordance with the terms and conditions of the Jiaojiang Equity Transfer Agreement
“Taizhou Water Supply Valuation Report”	the valuation report dated 14 April 2021 issued by the Independent Valuer in respect of the appraisal of the equity attributable to the owners of Taizhou Water Supply as at the Valuation Reference Date
“Transition Period”	the period from the Valuation Reference Date to the completion date of the Taizhou Water Supply Acquisition, Jiaobei Water Supply Acquisition and Luqiao Water Supply Acquisition (as the case may be)
“Valuation Reference Date”	31 October 2020, being the reference date of the Valuation Reports on the appraisal of the equity attributable to owners of Taizhou Water Supply, Jiaobei Water Supply and Luqiao Water Supply (as the case may be)
“Valuation Reports”	the Taizhou Water Supply Valuation Report, the Jiaobei Water Supply Valuation Report and the Luqiao Water Supply Valuation Report
“%”	per cent

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
 20 May 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