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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 CAPITAL INJECTION INTO ZHUXI RESERVOIR DEVELOPMENT**

Reference is made to the Announcement of the Company in relation to the acquisition of 9.375% equity interest in Zhuxi Reservoir Development.

### **CAPITAL INJECTION RESOLUTION**

On 21 January 2022, the shareholders of Zhuxi Reservoir Development passed the Capital Injection Resolution to increase the registered capital of Zhuxi Reservoir Development from RMB800.0 million to RMB950.0 million and resolved that the shareholders of Zhuxi Reservoir Development shall each contribute to the Capital Injection on a pro rata basis to their existing shareholding in Zhuxi Reservoir Development.

Upon completion of the Capital Injection, the Company's total capital contribution to Zhuxi Reservoir Development shall be increased from RMB200.0 million to RMB237.5 million and the Company's equity interest in Zhuxi Reservoir Development will remain unchanged at 25%.

### **IMPLICATIONS UNDER THE LISTING RULES**

As the Capital Injection and the Acquisition were conducted within a 12-month period prior to and inclusive of the date of the Acquisition, the Capital Injection and the Acquisition shall be aggregated pursuant to Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Capital Injection in aggregate with the Acquisition is more than 5% but all are less than 25%, the Capital Injection and the Acquisition, in aggregate, constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

Reference is made to the Announcement of the Company in relation to the acquisition of 9.375% equity interest in Zhuxi Reservoir Development.

## **CAPITAL INJECTION RESOLUTION**

On 21 January 2022, the shareholders of Zhuxi Reservoir Development passed the Capital Injection Resolution to increase the registered capital of Zhuxi Reservoir Development from RMB800.0 million to RMB950.0 million and resolved that the shareholders of Zhuxi Reservoir Development shall each contribute to the Capital Injection on a pro rata basis to their existing shareholding in Zhuxi Reservoir Development.

Pursuant to the Capital Injection Resolution, the Company shall inject additional capital in the amount of RMB37.5 million in cash into Zhuxi Reservoir Development, which is expected to be paid in full by 31 March 2022.

The amount of the Capital Injection was determined after arm's length negotiation between the shareholders of Zhuxi Reservoir Development with reference to the funding needs of Zhuxi Reservoir Development for the development of its construction of the Zhuxi Reservoir (朱溪水庫) in the PRC.

The Capital Injection will be funded by the Group's internal resources.

## **Completion**

Upon completion of the Capital Injection, the Company's total capital contribution to Zhuxi Reservoir Development shall be increased from RMB200.0 million to RMB237.5 million and the Company's equity interest in Zhuxi Reservoir Development will remain unchanged at 25% and Zhuxi Reservoir Development will continue to be an associate of the Company.

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

Name of shareholder	Shareholding structure immediately prior to the completion of the Capital Injection		Shareholding structure immediately after the completion of the Capital Injection	
	Registered Capital (RMB'000)	Approximate percentage of shareholding (%)	Registered Capital (RMB'000)	Approximate percentage of shareholding (%)
The Company	200,000	25	237,500	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>	160,000	20	190,000	20
Wenling Water Supply Co., Ltd.* (溫嶺市供水有限公司) <sup>(2)</sup>	100,800	12.6	119,700	12.6
Taizhou Jiaojiang District Qiansuo Water Treatment Co., Ltd.* (台州市椒江區前所水處理有限公司) <sup>(1)&amp;(3)</sup>	92,000	11.5	109,250	11.5
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) <sup>(4)</sup>	80,800	10.1	95,950	10.1
Yuhuan Water Resources Development and Utilization Co., Ltd.* (玉環市水資源開發利用有限公司) <sup>(5)</sup>	70,400	8.8	83,600	8.8
Taizhou Circular Economy Development Co., Ltd.* (台州循環經濟發展有限公司) <sup>(1)</sup>	40,000	5	47,500	5
Taizhou Development Investment Group Co., Ltd.* (台州市開發投資集團有限公司) <sup>(1)</sup>	40,000	5	47,500	5
Zhejiang Yongning Financial Consulting Co., Ltd.* (浙江永寧財務諮詢有限公司) <sup>(6)</sup>	16,000	2	19,000	2
<b>Total</b>	<b>800,000</b>	<b>100</b>	<b>950,000</b>	<b>100</b>

Notes:

- (1) Each of these shareholders is a third party independent of the Company and its connected persons.
- (2) Wenling Water Supply Co., Ltd. is a connected person at the subsidiary level 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) On 21 January 2022 (the same day of the Capital Injection Resolution), the shareholders of Zhuxi Reservoir Development resolved that Taizhou Water Treatment Development Co., Ltd.\* (台州市水處理發展有限公司) shall transfer all of its shares in Zhuxi Reservoir Development (representing approximately 11.5% equity interest in Zhuxi Reservoir Development) to Taizhou Jiaojiang District Qiansuo Water Treatment Co., Ltd.. Pursuant to the Capital Injection Resolution, Taizhou Jiaojiang District Qiansuo Water Treatment Co., Ltd. is obliged to contribute the Capital Injection on a pro rata basis to its shareholding in Zhuxi Reservoir Development.

- (4) Taizhou Luqiao Public Assets Investment Management Co., Ltd. is a Shareholder holding approximately 8.81% interest in the Company. Save for its shareholding interest in the Company, Taizhou Luqiao Public Assets Investment Management Co., Ltd. is a third party independent of the Company and its connected persons.
- (5) 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. As such, Yuhuan Water Resources Development and Utilization Co., Ltd. is a connected person at the subsidiary level of the Company.
- (6) Zhejiang Yongning Financial Consulting Co., Ltd. is a connected person of the Company by virtue of being a 13.34%-shareholder of the Company.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save for (i) Wenling Water Supply Co., Ltd. and Yuhuan Water Resources Development and Utilization Co., Ltd., which are the connected persons at the subsidiary level of the Company; (ii) Taizhou Luqiao Public Assets Investment Management Co., Ltd., which is a Shareholder holding approximately 8.81% interest in the Company; and (iii) Zhejiang Yongning Financial Consulting Co., Ltd., which is a substantial shareholder of the Company, details of which are disclosed above, the other shareholders of Zhuxi Reservoir Development (other than the Company) and their ultimate beneficial owners are third parties independent of the Company and connected persons of the Company. Moreover, Zhuxi Reservoir Development is not a connected person or a commonly held entity of the Company within the meaning of Rule 14A.27 of the Listing Rules.

Upon completion of the Capital Injection, the proportion of shareholding held by each shareholder of Zhuxi Reservoir Development will remain unchanged. The Company's equity interest in Zhuxi Reservoir Development will remain unchanged at 25% and Zhuxi Reservoir Development will continue to be an associate of the Company.

## **REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION**

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 water from Zhuxi Reservoir upon completion of its construction. In view of the current construction progress of Zhuxi Reservoir, Zhuxi Reservoir Development considered it essential to obtain additional funds to support the ongoing construction. The Directors consider that it is in the interest of the Group to contribute funds to Zhuxi Reservoir Development to promote the construction of Zhuxi Reservoir, which is expected to achieve a stable financial return to the Group in the long run.

Taking into account the aforementioned factors, the Directors consider that the terms of the Capital Injection are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION OF ZHUXI RESERVOIR DEVELOPMENT AND PARTY INVOLVED**

### **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 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 2020 and 2021. 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. The unaudited assets and net assets of Zhuxi Reservoir Development as at 31 December 2021 amounted to approximately RMB3,405.5 million and RMB1,616.0 million, respectively.

## **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.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the Capital Injection and the Acquisition were conducted within a 12-month period prior to and inclusive of the date of the Acquisition, the Capital Injection and the Acquisition shall be aggregated pursuant to Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Capital Injection in aggregate with the Acquisition is more than 5% but all are less than 25%, the Capital Injection and the Acquisition, in aggregate, 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 as defined in the Announcement
“Announcement”	the announcement of the Company dated 15 July 2021 in relation to the acquisition of 9.375% equity interest in Zhuxi Reservoir Development
“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
“Capital Injection”	the proposed injection of the total amount of RMB150.0 million to the capital of Zhuxi Reservoir Development pursuant to the Capital Injection Resolution
“Capital Injection Resolution”	the resolution passed by the shareholders of Zhuxi Reservoir Development on 21 January 2022 in relation to the Capital Injection
“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 ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“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
“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
“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 25% by the Company as at the date of this announcement
“%”	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  
 21 January 2022

*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. Lin Yang; and the independent non-executive Directors are Mr. Huang Chun, Ms. Hou Meiwen, Mr. Li Wai Chung, Ms. Lin Suyan and Mr. Wang Yongyue.*

\* For identification purposes only