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中國水業集團有限公司*
CHINA WATER INDUSTRY GROUP LIMITED

(Incorporated in Cayman Islands with limited liability)

(Stock code: 1129)

VOLUNTARY ANNOUNCEMENT
ACQUISITION OF THE ENTIRE EQUITY INTERESTS OF
DATANG HUAYIN XIANGTAN ENVIRONMENTAL ELECTRICITY
GENERATION COMPANY LIMITED*

This is a voluntary announcement made by the Company.

On 23 January 2017 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendors entered into the Acquisition Agreements, pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire equity interests of the Target Company at an aggregated consideration of approximately RMB0.97 million (equivalent to approximately HK\$1.08 million) and the assuming of liabilities and expenses in aggregate of approximately RMB4.6 million (equivalent to approximately HK\$5.11 million), respectively. The Purchaser and the Vendors also entered into a Tri-Party Asset Handover Agreement, to govern the operation arrangement of the Target Company during the Handover Period as defined below) as well as the payment obligation of the outstanding borrowings and relevant expenses of the Target Company.

INTRODUCTION

This is a voluntary announcement made by the Company.

On 23 January 2017 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendors entered into the Acquisition Agreements, pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire equity interests of the Target Company at an aggregated consideration of approximately RMB0.97 million (equivalent to approximately HK\$1.08 million) and the assuming of liabilities and expenses in aggregate of approximately RMB4.6 million (equivalent to approximately HK\$5.11 million), respectively. The Purchaser and the Vendors also entered into a Tri-Party Asset Handover Agreement, to govern the operation arrangement of the Target Company during the Handover Period as defined below) as well as the payment obligation of the outstanding borrowings and relevant expenses of the Target Company.

* For identification purpose only

Upon Completion, the Target Company will become indirectly wholly-owned subsidiary of the Company and the financial performance and position of the Target Company will be consolidated to the Group's consolidated financial statements.

ACQUISITION AGREEMENT I

Date

23 January 2017

Parties

Purchaser : Shenzhen City New China Water Environmental Technology Limited* (深圳市新中水環保科技有限公司)

Vendor : Datang Huayin Electric Power Co., Ltd* (大唐華銀電力股份有限公司)

Interest to be acquired

Pursuant to the Acquisition Agreement I, the Purchaser has conditionally agreed to purchase and the Vendor I has conditionally agreed to sell, the 51% of the equity interest of the Target Company.

Consideration

The consideration for the 51% of the equity interest of the Target Company (“**Consideration I**”), being RMB0.52 million (equivalent to approximately HK\$0.58 million) was based on the result of public tender through Beijing Equity Exchange. The Consideration I shall be payable to the Vendor according to the following manner:

1. approximately RMB0.1 million (equivalent to approximately HK\$0.11 million) have been paid to the Beijing Equity Exchange as deposit and shall form part of the consideration upon effective of the Acquisition Agreement I;
2. the remaining approximately RMB0.42 million (equivalent to approximately HK\$0.47 million) paid by the Purchaser to the designated bank account of the Beijing Equity Exchange three days after the issue of transaction voucher by the Beijing Equity Exchange.

The Consideration I shall be satisfied by internal resources of the Group.

Equity interest transfer approval and handover

The Vendor I shall procure the registration of the transfer of equity interest within 30 days from the issue of transaction voucher by Beijing Equity Exchange. According to the Directors, before the formal transfer of title and upon the full payment of the Consideration I, the official seals and registration and business licenses of the Target Company shall be held under common control by the Vendor I and the Purchaser.

Repayment of Vendor I's borrowings

Pursuant to the Acquisition Agreement I, the Purchaser and Vendor II shall supervise the Target Company in ensuring the Target Company shall repay all outstanding borrowings due to Vendor I.

ACQUISITION AGREEMENT II

Date

23 January 2017

Parties

Purchaser : Shenzhen City New China Water Environmental Technology Limited* (深圳市新中水環保科技有限公司)

Vendor : Xiangtan Feihong Industry Company* (湘潭飛宏實業公司)

Interest to be acquired

Pursuant to the Acquisition Agreement II, the Purchaser has conditionally agreed to purchase and the Vendor II has conditionally agreed to sell, the 49% of the equity interest of the Target Company (which includes among other things all the interest of Vendor II in the Target Company's material contracts, fixed assets, registered capital, intellectual properties, borrowings, governmental approvals and retained profits).

Consideration

The consideration for the 49% of the equity interest of the Target Company ("**Consideration II**"), being approximately RMB0.45 million (equivalent to approximately HK\$0.50 million) was based on the valuation of the Target Company as at 31 May 2016 prepared by a qualified valuer engaged by Vendor II.

The Consideration II shall be payable to Vendor II by the Purchaser to the designated bank account of Vendor II within seven days after the effective of the Acquisition Agreement II.

Consideration II shall be satisfied by internal resources of the Group.

Pre-acquisition profit and loss

Pursuant to the Acquisition Agreement II, any undistributed profits of the Target Company as at 31 May 2016 and the profits derived by the Target Company between 31 May 2016 and up to date of completion of the registration of the transfer of the equity interests (the “**Handover Period**”) shall be entitled or borne by the Purchaser.

Repayment of Target Company’s borrowings

Pursuant to the Acquisition Agreement II, the Target Company shall repay the outstanding borrowings due to Vendor II and its related companies amounted as at 31 May 2016, as well as any liabilities (upon review and confirmed by the Purchaser) incurred during the Handover Period.

Upon obtaining approval from all the shareholders’ of the Target Company, the Target Company shall repay Vendor II and its related companies all outstanding borrowings within 3 days after the Handover Period.

Equity interest transfer and handover

Vendor II shall procure the registration of the transfer of equity interests under the name of the Purchaser after the Purchaser settled the Consideration II.

During the Handover Period, the seals (official seal, finance seal, and contract seal) and licenses (registration and business licenses, tax registration certificate and organization code certificate) of the Target Company shall be subject to common control of the Purchaser and Vendor II. Upon the completion of the registration of the transfer of equity interests of the Target Company, Vendor II shall hand over the above seals and licenses to the Purchaser.

PAYMENT OF OUTSTANDING LIABILITIES AND EXPENSES OF THE TARGET COMPANY

Pursuant to the Tri-Party Asset Handover Agreement, any liabilities due to Vendor I and Vendor II incurred as a result of the daily operation of the Target Company (upon review and confirmed by the Purchaser) recorded as of the Handover Period and certain agreed expense which as at the date of the Tri-Party Asset Handover Agreement in aggregate amounted approximately RMB4.6 million (equivalent to approximately HK\$5.11 million) shall be settled by the Target Company. If the Target Company is unable to settle such liabilities or the relevant agreed expense, the Purchaser will be responsible for such payment.

INFORMATION OF THE VENDORS, THE TARGET COMPANY AND THE PURCHASER

Information of the Vendors

Vendor I

Vendor I is a state-owned enterprise incorporated in the PRC which holds 51% equity interests of the Target Company and upon Completion, Vendor I will cease to hold any interests in the Target Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Vendor I, save as being the previous equity holder of two of the Group's subsidiaries, Datang Huayin Chenzhou Environmental Power Company Limited* (大唐華銀郴州環保發電有限公司) and Datang Huayin Heng Yang Environmental Power Company Limited* (大唐華銀衡陽環保發電有限公司) of which the Group completed such acquisitions in March 2016, Vendor I and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Vendor II

Vendor II is a company incorporated in the PRC which holds 49% equity interests of the Target Company. Upon Completion, Vendor II will cease to hold any interests in the Target Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Information of the Target Company

The Target Company is a company incorporated in the PRC on 10 October 2008, which is currently 51% owned by the Vendor I and 49% owned by the Vendor II. The Target Company is principally engages in the harmless treatment of city solid waste in Xiangtan Yuetang landfill.

The Xiangtan Yuetang landfill is currently capable of processing garbage of 700 tons per day. The Target Company currently operates under a landfill power generation contract which will expire in 2024. Electricity generated by the Target Company shall be entitled to an on-grid electricity price RMB0.644 per kilowatt hour. In respect of the electricity generated by the Target Company, a landfill resources usage fee charged at 5% on the on-grid electricity revenue (before tax) shall be payable to the relevant governmental authority of Xiangtan. The Target Company shall also pay relevant governmental authority of Xiangtan an annual rental of RMB60,000 for lease of land.

Information of the Purchaser

The Purchaser is a company incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company. Pursuant to the certificate of approval for establishment of enterprise, the Purchaser is principally engaged in the development of environmental protection technology and provision of technical services (excluding restricted items); treatment of waste water, exhaust gas and noise; design of environmental pollution (waste water, exhaust gas) protection projects (excluding architectural design, engaged in business upon obtaining relevant approvals on design of special areas).

REASONS FOR THE ACQUISITIONS

The Group engages in (i) provision of water supply and sewage treatment services; (ii) construction of water supply and sewage treatment infrastructure; and (iii) investment and operation of new energy and renewable energy projects.

The Group commenced tapping into the investment and operation of new energy and renewable energy business in 2013. As at the date of this announcement, the Group is operating 15 existing garbage resources power generating projects under full operation, in order to further enhance its investment portfolio in the new energy and renewable energy business, the Group had been seeking investment opportunities to further invest in such business sector. In 2015, the Group had made 8 investments in the new energy and renewable energy industry in the PRC. Recently on 15 December 2016 and 3 January 2017 the Group also entered into the acquisition agreements to acquire Ningbo Qiyao New Energy Company Limited* and Shandong Qiyao New Energy Company Limited* from the Vendor which operates landfill gas power generation plants in Ningbo Yinzhou landfill and Shandong Laiwu landfill. The Board is of the view that the investment made in 2015 and 2016 had enhanced the Group's presences in the new energy and renewable energy market and the Acquisitions represent another valuable business opportunity for the Group to further strengthen its' market position in the new energy and renewable energy industry in the PRC.

LISTING RULES IMPLICATIONS

This announcement is voluntarily made by the Company. None of the applicable percentage ratio(s) as set out in Rule 14.07 of the Listing Rules in respect of the Acquisitions exceeds 5%, the Acquisitions therefore do not constitute notifiable transactions of the Company or any connected transactions under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Acquisitions”	the acquisition of the entire equity interest in the Target Company
“Acquisition Agreements”	the Acquisition Agreement I and the Acquisition Agreement II

“Acquisition Agreement I”	the acquisition agreement entered into between Vendor I and the Purchaser on 23 January 2017, in relation to the acquisition of 51% equity interest in the Target Company from the Vendor I
“Acquisition Agreement II”	the acquisition agreement entered into between Vendor II and the Purchaser on 23 January 2017, in relation to the acquisition of 49% equity interest in the Target Company from the Vendor II
“Beijing Equity Exchange”	China Beijing Equity Exchange Limited* (北京產權交易所有限公司), an equity trading institution approved by the People’s Government of Beijing Municipality
“Board”	the board of Directors
“Company”	China Water Industry Group Limited (stock code: 1129), a company incorporated in Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisitions
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 PRC and Taiwan
“Purchaser”	Shenzhen City New China Water Environmental Technology Limited* (深圳市新中水環保科技有限公司), a company incorporated in the PRC and an indirectly wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Datang Huayin Xiangtan Environmental Electricity Generation Company Limited* (大唐華銀湘潭環保發電有限責任公司), a company incorporated in the PRC
“Tri-Party Asset Handover Agreement”	the agreement entered into by the Purchaser, Vendor I and Vendor II on 23 January 2017 in relation to the operational arrangement during the Handover Period of the Target Company
“Vendors”	Vendor I and Vendor II
“Vendor I”	Datang Huayin Electric Power Co., Ltd* (大唐華銀電力股份有限公司), a company incorporated in the PRC
“Vendor II”	Xiangtan Feihong Industry Company* (湘潭飛宏實業公司), a company incorporated in the PRC
“%” or “per cent.”	percentage or per centum

Unless otherwise defined, for the purpose of this announcement and for the purpose of illustration only, RMB amounts have been translated using the following rates: RMB1.00:HK\$1.11. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.

By Order of the Board
China Water Industry Group Limited
Wang De Yin
Chairman and Chief Executive Officer

Hong Kong, 23 January 2017

As at the date of this announcement, the Board comprises Mr. Wang De Yin, Mr. Lin Yue Hui, Mr. Liu Feng, Ms. Chu Yin Yin, Georgiana and Ms. Deng Xiao Ting, all being executive Directors, and Mr. Wong Siu Keung, Joe, Mr. Guo Chao Tian and Ms. Qiu Na all being independent non-executive Directors.