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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
THE ENTERING INTO OF THE NON-LEGALLY BINDING
STRATEGIC FRAMEWORK AGREEMENT**

This is a voluntary announcement made by the Company.

The Board announced that on 12 December 2018 (after trading hours), the Company and Yuan Jun Biomass entered into the SF Agreement, pursuant to which the parties to the SF Agreement agreed to strategically cooperate in (i) the establishment of a biomass gasification research institute for the research and development of production of natural gas from biomass; (ii) the establishment of a joint venture company for the development of the municipal solid waste and oil sludge to produce natural gas in both local and international markets; and (iii) the investment in and construction of the biomass natural gas project in Liyang, the PRC, through the joint venture company.

INTRODUCTION

This is a voluntary announcement made by the Company.

SF AGREEMENT

Date

12 December 2018

Parties

The Company

Yuan Jun Biomass

* For identification purpose only

The co-operation

Pursuant to the SF Agreement, the Company and Yuan Jun Biomass will strategically and commercially cooperate in the PRC and both parties shall at each of their best endeavor to cooperate in areas including technology, marketing, finance and capital market, management and branding in respect of the development in the biomass gasification market.

The SF Agreement shall constitute a basic framework and provide guidance for both parties in the upcoming long-term co-operation.

Co-operation between both parties shall include (i) the establishment of a biomass gasification research institute for the research and development of production of natural gas from biomass; (ii) the establishment of a joint venture company for the development of the municipal solid waste and oil sludge to produce natural gas in both local and international markets; and (iii) the investment in and construction of the biomass natural gas project in Liyang, the PRC, through the joint venture company.

Upon establishment of the joint venture company, the Company shall inject cash resource into the joint venture company while Yuan Jun Biomass shall inject three biomass gasification patents owned by Yuan Jun Biomass or shareholders of Yuan Jun Biomass as at the date of this announcement into the joint venture company.

Non-legally binding

The SF Agreement (with the exception of the clauses regarding confidentiality) is not legally binding on the relevant parties.

INFORMATION OF YUAN JUN BIOMASS

Yuan Jun Biomass was incorporated in 2016 in the PRC and is principally engaged in biomass gasification research and the research on the production of relevant equipment. Yuan Jun Biomass also owns a number of invention patents in relation to biomass gasification in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Yuan Jun Biomass and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR THE COOPERATION

The Group principally 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 had also been exploring the possibility to tap into the natural resource industry and had also been seeking other possible investment opportunities.

The Group commenced its' investment and operation of new energy and renewable energy business in 2013. As at the date of this announcement, the Group is operating 24 existing garbage resources power generating projects under full operation. With the increasing number of new energy and renewable energy projects ongoing, the Group has been continuously evaluating and streamlining its' investment portfolio as well as considering available opportunities to further invest in the new energy and renewable energy market.

The entering into the SF Agreement and the proposed establishment of a joint venture company and research institute and to invest in and construct the biomass natural gas project in Liyang, the PRC, are considered opportunities for the Group to further invest in new energy business as well as tapping into the research and development of biomass natural gas industry. As such, the Board considers that the terms of the SF Agreement are normal commercial terms and fair and reasonable, and if materialised, will be in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

This announcement is voluntarily made by the Company. The SF Agreement (with the exception of the clauses regarding confidentiality) is not legally binding on the relevant parties to the SF Agreement.

Shareholders and potential investors of the Company should be aware that the terms in relation to the establishment of the joint venture company and/or the research institute under the SF Agreement are subject to further negotiation between the parties to the SF Agreement. The Board wishes to emphasise that no legally binding agreement has been entered into by the parties to the SF Agreement as at the date of this announcement. As such, the establishment of joint venture company and/or the research institute may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

If a formal agreement is materialised in relation to the establishment of the joint venture company and/or the research institute, the Company will comply with the relevant and applicable requirements under the Listing Rules as and when appropriate and further announcement(s) will be made by the Company in compliance with the Listing Rules, if necessary.

DEFINITIONS

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

“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

“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party independent of the Company and the connected persons (has the meaning ascribed thereto in the Listing Rules) of the Company and is not a connected person (has the meaning ascribed thereto in the Listing Rules) of the Company
“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
“SF Agreement ”	a non-legally binding strategic framework agreement entered into between the Company and Yuan Jun Biomass on 12 December 2018 (after trading hours) in relation to the co-operation in the biomass natural gas industry
“Shareholders”	Shareholders of the Company
“Shares”	shares of the company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yuan Jun Biomass”	Liyang Yuan Jun Biomass Gasification Company Limited* (濰陽市原君生物質制氣有限公司) a company incorporated in the PRC

By Order of the Board
China Water Industry Group Limited
Mr. Lin Yue Hui
Chairman and CEO

Hong Kong, 12 December 2018

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

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