

ASX release  
23 April 2020

## **Business Update**

### ***Waterco enters into agreement to sell Chinese subsidiary***

Waterco Limited ACN 002 070 733 (ASX: WAT) (**Company**) today announces that it has on 22 April 2020 entered into an agreement to sell its Chinese subsidiary, Waterco (C) Limited (**Waterco China**) to Guangzhou Yaolong Information Industry Co., Ltd. The completion of the sale is subject to regulatory approvals by the Chinese Government.

The Company has entered into the sale as part of its strategy to downsize its manufacturing activities in China. The main asset of Waterco China is the group's real property commercial building located in Guangzhou, which is now surplus to the Company's operations.

Waterco China purchased land in Guangzhou in 2004 and commenced construction of the building in mid-2005. The building was completed and occupied in April 2006. The cost of the land and building amounted to RMB 22.078 million (equivalent to AUD5.04 million).

The purchase price payable to the Company upon completion of the sale shall be RMB 149.28 million (before taxes) (approximately AUD 33.55 million (before taxes)), subject to certain typical adjustments. Under the terms of the agreement and subject to all required approvals, sale completion is expected to take place by 31 May 2020.

The Company's team in China will now focus on the manufacture of commercial size heat pumps, dehumidifiers, filters and packing of chemicals to supply Waterco entities globally as well as building on local sales in China of Waterco products.

The significant appreciation in the value of property in China over the period of Waterco's ownership of the Guangzhou commercial building, as well as foreign exchange gains, will result in an estimated capital gain of RMB110.05 million (before taxes) / (approximately) AUD 24.73 million (before taxes) upon completion of the sale of Waterco China. The capital gains will be expressed as an Abnormal Gains separate to our Operational Profits in our accounts for the year ending 30<sup>th</sup> June 2020.

Chief Executive Officer, Mr Soon Sinn Goh commented on the sale: "After a lengthy negotiation process for the sale of Waterco China, the proceeds from the sale come at an opportune time to better position the Company and the Waterco Group to brace itself against the continued disruptions of COVID-19."

Proceeds from the sale will be used as reserve for additional capital over the COVID-19 period as well as for expansion opportunities when they arise.

This announcement has been authorised for release by the Board of Directors of Waterco Limited.

**For further information, please contact:**

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**About Waterco Ltd – [www.waterco.com.au](http://www.waterco.com.au)**

Established in 1981 and listed on the ASX in 1989, Waterco (ASX:WAT) manufactures and distributes a diverse range of products for the international swimming pool and water treatment markets. Waterco is also the franchisor of Swimart, Australia and New Zealand's largest network of pool and spa retail outlets, and is also the distributor of Zane Pool Heating solutions via a network of Australian dealerships.

Waterco delivers high quality, innovative products at exceptional value in over 40 countries. This includes a comprehensive range of swimming pool & spa equipment and chemicals as well as domestic and industrial water treatment equipment. The company's head office is in Sydney, Australia with international offices, manufacturing plants and warehouses located in Australia, New Zealand, Malaysia, Indonesia, Singapore, China, US and the UK.