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中國水務集團有限公司*

China Water Affairs Group Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 855)

DISCLOSEABLE TRANSACTION FINANCE LEASE AGREEMENT

Finance Lease Agreement

On 20 June 2022, the Lessee (being an indirect wholly-owned subsidiary of the Company) entered into the Finance Lease Agreement with Huarong Leasing, pursuant to which, among other things, Huarong Leasing agreed to acquire the ownership of the Assets from the Lessee for RMB550,000,000, which would then be leased back to the Lessee for its use and possession for a term of 60 months.

Listing Rules implications

As the highest applicable percentage ratio in respect of the transactions contemplated under the Finance Lease Agreement is more than 5% but less than 25%, the Finance Lease Agreement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

FINANCE LEASE AGREEMENT

Date

20 June 2022

Parties

- (1) Huarong Leasing;
- (2) Lessee;
- (3) Guarantors.

Huarong Leasing is principally engaged in direct leasing and sale and lease-back business approved by the China Banking Regulatory Commission. To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, Huarong Leasing is a non-wholly owned subsidiary of China Huarong Asset Management Co., Ltd.* (中國華融資產管理股份有限公司) (“**Huarong Asset**”) and is owned as to 79.92% by Huarong Asset as at the date of this announcement. Huarong Asset is a joint stock company established in the PRC with limited liability and the H shares of which are listed on the Main Board of the Stock Exchange (stock code: 2799). The ultimate beneficial owners of Huarong Asset include the Ministry of Finance of the PRC. The remaining 20.08% equity interests in Huarong Leasing are held by 12 corporate shareholders, each holding less than 10% of equity interests in Huarong Leasing. The ultimate beneficial owners of the aforesaid 12 corporate shareholders include various PRC state-owned enterprises, various companies and various individuals. To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, Huarong Leasing and its ultimate beneficial owners are Independent Third Parties.

Assets

The Assets comprise storage and transportation production facilities situated at Hangzhou, the PRC.

Transfer of the Assets and consideration

Pursuant to the Finance Lease Agreement and the transfer agreement, Huarong Leasing shall acquire the ownership of the Assets from the Lessee on an “as-is” basis for RMB550,000,000 in cash and the Lessee shall transfer the Assets to Huarong Leasing. Such consideration amount was determined following arm's length negotiations by the parties.

Lease period

Huarong Leasing will lease back the Assets to the Lessee for its use and possession for a term of approximately 60 months commencing from the day Huarong Leasing pays the consideration for the transfer of the Assets to the Lessee in accordance with the Finance Lease Agreement.

Payments under the Finance Lease Agreement

In respect of the Finance Lease Agreement, the total amount of lease payments is approximately RMB634,352,000, comprising (a) the lease principal payment of RMB550,000,000; and (b) the aggregate lease interest and other fees and expenses under the Finance Lease Agreement of approximately RMB84,352,000. Both the lease principal and the interest shall be payable approximately every three months in 21 installments during the lease period.

The terms of the Finance Lease Agreement, including the lease principal and lease interests and other fees and expenses under the Finance Lease Agreement, were determined after arm's length negotiations between the parties to the Finance Lease Agreement with reference to the principal amount of the lease, the market interest rate, the average fair price of similar equipment and the amount of financing agreed to be provided by Huarong Leasing.

Purchase option

Upon settlement of all lease payments (including such default payments, damages and insurance payments which may arise) due to Huarong Leasing, the Lessee shall have the right to purchase the Assets at an agreed nominal price of RMB1, which shall be paid together with the final installment of the lease payment to Huarong Leasing.

Guarantee

The Guarantors jointly and severally agree to guarantee the Lessee's obligations under the Finance Lease Agreement in favour of Huarong Leasing.

Security

The Lessee will pay security deposit of RMB27,500,000 to Huarong Leasing prior to payment of the consideration for the transfer of the Assets by Huarong Leasing to secure its payment obligations under the Finance Lease Agreement.

In addition, the Lessee shall (i) charge a piece of land in Hangzhou owned by the Lessee; (ii) charge the income arising from the Assets; and (iii) procure its holding companies to charge the entire equity in the Lessee in favour of Huarong Leasing as security for the Lessee's obligations under the Finance Lease Agreement.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE AGREEMENT

The Group is principally engaged in the water supply business and environmental protection business which comprised provision of sewage treatment and drainage operation and construction services, solid waste and hazardous waste business, environmental sanitation and water environment management.

The Lessee is principally engaged in providing port storage and transportation services in Hangzhou, the PRC. The financial arrangements under the Finance Lease Agreement provides additional working capital to the Lessee to support its operational activities. The Directors considered that the Finance Lease Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the transactions contemplated under the Finance Lease Agreement is more than 5% but less than 25%, the Finance Lease Agreement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Assets”	the storage and transportation production facilities situated at Hangzhou, the PRC which is the subject matter under the Finance Lease Agreement
“Board”	the board of directors of the Company
“Company”	China Water Affairs Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Finance Lease Agreement”	the finance Lease agreement dated 20 June 2022 made between Huarong Leasing, the Lessee and the Guarantors relating to the transfer of the ownership and lease back of the Assets
“Group”	the Company and its subsidiaries
“Guarantors”	深圳金達環境控股有限公司 (Gold Tact Environmental Holdings (Shenzhen) Co., Ltd.*) and 北京銀龍康興實業發展有限公司 (Beijing Silver Dragon Enterprise Development Co., Ltd.*), both are subsidiaries of the Company in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Huarong Leasing”	華融金融租賃股份有限公司 (China Huarong Financial Leasing Co., Ltd.*), a company incorporated in the PRC
“Independent Third Party”	a third party who is independent of and not connected with the Company or its connected persons
“Lessee”	杭州梁運儲運有限公司 (Hangzhou Storage and Transportation Company Limited*), a company incorporated in the PRC and an indirect wholly-owned subsidiary 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 and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
China Water Affairs Group Limited
Duan Chuan Liang
Chairman

Hong Kong, 20 June 2022

As at the date of this announcement, the Board comprises five executive Directors, being Mr. Duan Chuan Liang, Ms. Ding Bin, Ms. Liu Yu Jie, Mr. Li Zhong and Mr. Duan Jerry Linnan, three non-executive Directors, being Mr. Zhao Hai Hu, Mr. Makoto Inoue and Ms. Wang Xiaoqin, and five independent non-executive Directors, being Mr. Chau Kam Wing, Mr. Siu Chi Ming, Ms. Ho Ping, Ms. Zhou Nan and Mr. Chan Wai Cheung Admiral.

* For identification purposes only