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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1129)

DISCLOSEABLE TRANSACTION FINANCE LEASE ARRANGEMENTS

INTRODUCTION

On 29 August 2022, the Lessee, an indirect wholly-owned subsidiary of the Company entered into the Transfer Agreement and the Finance Lease Agreement with the Lessor, pursuant to which (i) the Lessor shall purchase the Leased Assets from the Lessee for the Purchase Price of RMB17,000,000 (equivalent to approximately HK\$19,380,000); and (ii) the Lessor shall lease back the Leased Assets to the Lessee for a lease period of four (4) years commencing from 5 September 2022 to 5 September 2026.

LISTING RULES IMPLICATIONS

Reference is made to the June Finance Lease and Incidental Documentation dated 21 June 2022 entered into between the Previous Lessee (being a subsidiary of the Company) and the Lessor, pursuant to which all the applicable percentage ratios for the transactions thereunder were less than 5% and hence exempt from the disclosure requirements under Chapter 14 of the Listing Rules.

As the June Finance Lease and Incidental Documentation and the Finance Lease and Incidental Documentation were all entered into by the Group with the Lessor within a 12-month period, the transactions contemplated under the Finance Lease and Incidental Documentation are aggregated with the transactions contemplated under the June Finance Lease and Incidental Documentation for consideration for the purpose of this announcement pursuant to Rule 14.22 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) for the transactions contemplated under the Finance Lease and Incidental Documentation, when calculated on an aggregated basis with the transactions contemplated under the June Finance Lease and Incidental Documentation, is more than 5% but less than 25%, the entering into of such transactions thereunder constitutes a discloseable transaction of the Company and is thus subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

* For identification purposes only

INTRODUCTION

On 29 August 2022, the Lessee, an indirect wholly-owned subsidiary of the Company, entered into the Transfer Agreement with the Lessor, pursuant to which the Lessor shall purchase the Leased Assets from the Lessee for the Purchase Price of RMB17,000,000 (equivalent to approximately HK\$19,380,000).

On the same date, the Lessee and the Lessor entered into the Finance Lease Agreement, pursuant to which the Lessor shall lease back the Leased Assets to the Lessee for a lease consideration comprising of principal amount equivalent to the Purchase Price and the estimated interest accrued thereon at a rate of 7.5224% per annum for a lease period of four (4) years commencing from 5 September 2022 to 5 September 2026.

The Transfer Agreement and the Finance Lease Agreement

The principal terms the Transfer Agreement and the Finance Lease Agreement are set out below:

	Transfer Agreement	Finance Lease Agreement
Date:	29 August 2022	29 August 2022
Parties:	(i) Lessor (as purchaser); and (ii) Lessee (as vendor)	(i) Lessor (as lessor); and (ii) Lessee (as lessee)

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, the Lessor and its ultimate beneficial owners are the Independent Third Parties.

Leased Assets

The Leased Assets comprise six (6) sets of landfill gas power generating facilities located at an integrated waste treatment plant in Zhengzhou City, Henan Province, the PRC.

The Lessee will bear all costs associated with the Leased Assets, including but not limited to the maintenance, insurance and other relevant costs associated with the Leased Assets.

Purchase Price

The Purchase Price was determined after arm's length negotiations by the parties with reference to the appraised value of the leased assets as set out in the valuation report conducted by an independent valuer of approximately RMB25,086,000 (equivalent to approximately HK\$28,598,000).

The payment of the Purchase Price shall be made by the Lessor to the Lessee on the date of the fulfillment of the conditions as stipulated in the Transfer Agreement and Finance Lease Agreement and by the date no earlier than 5 September 2022.

Lease consideration and lease period

Pursuant to the Finance Lease Agreement, the total estimated lease consideration (including value-added taxes) payable by the Lessee to the Lessor shall be approximately RMB19,747,000 (equivalent to approximately HK\$22,512,000), being the principal amount equivalent to the Purchase Price plus the estimated aggregate interest accrued thereon at a rate of 7.5224% per annum.

The principal lease consideration and the estimated aggregate interest shall be payable by 48 monthly installments commencing from 5 October 2022. The interest is calculated at a floating rate and shall be adjusted with reference to the loan prime rate for loans with a maturity of above five (5) years as promulgated by the National Interbank Funding Center under the authority of the People's Bank of China from time to time plus a premium.

The terms of the Finance Lease Agreement, including the lease consideration, lease interest, and other fees and expenses under the incidental documentation to the finance lease, were determined after arm's length negotiations among the parties to the Finance Lease Agreement with reference to the principal amounts of the lease and the prevailing loan prime rate.

Legal ownership

During the lease period, the ownership of the Leased Assets under the Finance Lease Agreement will be vested in the Lessor and the Lessee will be entitled to use the Leased Assets.

Upon expiry of the lease period and subject to payments by the Lessee of (i) all amounts payable under the Finance Lease Agreement; and (ii) a nominal consideration of RMB1,000 (equivalent to approximately HK\$1,140), the Lessor shall transfer the ownership of the Leased Assets back to the Lessee on an "as is" basis.

The obligations of the Lessee under the Finance Lease Agreement, including but not limited to the due and punctual performance of the Lessee, shall be secured by, among others, (i) the pledge of the Leased Assets by the Lessee; (ii) the pledge of the electricity bill receivable by the Lessee; (iii) the pledge of 100% equity interest in the Lessee by Shenzhen City New China Water Environmental Technology; (iv) the respective corporate guarantees from Guarantor A, Guarantor B and Guarantor C, in favour of the Lessor.

JUNE FINANCE LEASE ARRANGEMENT

On 21 June 2022, the Previous Lessee (the subsidiary of the Company) entered into the June Finance Lease and Incidental Documentation with the Lessor. The principal terms of such finance lease and incidental documentation are set out below:

Lease assets	Date of payment of consideration by the Previous Lessee	Purchase price	Lease consideration	Interest rate	Appraised value of the leased assets	Lease period
Ten (10) sets of landfill gas power generating facilities	21 June 2022	RMB13,000,000 (equivalent to approximately HK\$14,820,000)	Approximately RMB315,000 (equivalent to approximately HK\$359,000) per month	7.5224% per annum	Approximately RMB20,371,000 (equivalent to approximately HK\$23,223,000)	From 24 June 2022 to 24 June 2026

Save for the principal terms set out above, all material terms of the June Finance Lease and Incidental Documentation and the transactions contemplated thereunder are substantially the same as those under the Finance Lease and Incidental Documentation.

INFORMATION OF THE PARTIES TO THE FINANCE LEASE ARRANGEMENT

Lessor

Lessor is a state-owned non-banking financial institution established in the PRC with limited liability, the shares of which are listed on Shanghai Stock Exchange (stock code: 600901). It is principally engaged in the provision of finance leasing approved by the China Banking and Insurance Regulatory Commission, with a focus on green energy, high-end equipment people's livelihood and intelligent connection in the PRC.

The Lessee

Lessee is a company established in the PRC with limited liability, which is an indirect wholly owned subsidiary of the Company. It is principally engaged in (i) the technology development, technical advice and technology transfer of renewable energy (including wind, solar and bioenergy); (ii) wholesale and retail of environmental protection equipment; and (iii) the use of biogas and landfill gas for power generation.

The guarantors

Guarantor A (i.e., the Company) is the company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (stock code: 1129).

Guarantor B is company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company. It is principally engaged in the exploitation, generation and sale of renewable energy.

Guarantor C is company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company. It is principally engaged in the exploitation, generation and sale of renewable energy.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The Group is principally engaged in (i) provision of water supply, sewage treatment and construction services; (ii) exploitation and sale of renewable energy in the PRC; and (iii) property investment and development.

The Directors are of the view that under the Finance Lease Arrangement, the Group will obtain financial resources and gain access to certain landfill gas power generating facilities as required for its operations. The terms under the Finance Lease and Incidental Documentation have been agreed after arm's length negotiation among the relevant parties. The Directors consider that the terms of the Finance Lease and Incidental Documentation, including the Purchase Price and the lease consideration, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Reference is made to the June Finance Lease and Incidental Documentation dated 21 June 2022 entered into between the Previous Lessee (being a subsidiary of the Company) and the Lessor, pursuant to which all the applicable percentage ratios for the transactions thereunder were less than 5% and hence exempt from the disclosure requirements under Chapter 14 of the Listing Rules.

As the June Finance Lease and Incidental Documentation and the Finance Lease and Incidental Documentation were all entered into by the Group with the Lessor within a 12-month period, the transactions contemplated under the Finance Lease and Incidental Documentation are aggregated with the transactions contemplated under the June Finance Lease and Incidental Documentation for consideration for the purpose of this announcement pursuant to Rule 14.22 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) for the transactions contemplated under the Finance Lease and Incidental Documentation, when calculated on an aggregated basis with the transactions contemplated under the June Finance Lease and Incidental Documentation, is more than 5% but less than 25%, the entering into of such transactions thereunder constitutes a discloseable transaction of the Company and is thus subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

None of the Directors has any material interest in the Finance Lease and Incidental Documentation and is required to abstain from voting on the board resolutions approving the transactions contemplated under the Finance Lease and Incidental Documentation.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Board”	the board of Directors
“Company” or “Guarantor A”	China Water Industry Group Limited, a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (stock code: 1129)
“Director(s)”	the director(s) of the Company
“Finance Lease Agreement”	the finance lease agreement dated 29 August 2022 and entered into between the Lessee and the Lessor which sets out the rights and obligations of the Lessee and the Lessor in relation to the Finance Lease Arrangement
“Finance Lease and Incidental Documentation”	the Finance Lease Agreement and the agreements incidental to the Finance Lease Agreement, including the Transfer Agreement and the agreements entered into of the relevant parties in relation to, (i) the pledge of the Leased Assets; (ii) the pledge of the electricity bill receivable; (iii) the pledge of 100% equity interest in the Lessee; and (iv) the corporate guarantees
“Finance Lease Arrangement”	the transactions contemplated under the Finance Lease and Incidental Documentation
“Group”	the Company and its subsidiaries
“Guarantor B” or “Shenzhen City New China Water Environmental Technology”	深圳市新中水環保科技有限公司 (for transliteration purpose only, Shenzhen City New China Water Environmental Technology Limited [#]), a company established in the PRC with limited liability, which is a subsidiary of the Company
“Guarantor C”	新中水(南京)再生資源投資有限公司 (for transliteration purpose only, New China Water (Nanjing) Renewable Resources Investment Company Limited [#]), a company established in the PRC with limited liability, which is a subsidiary of the Company
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	any person or company and its ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, is/are not connected person(s) of the Company and is/are third party(ies) independent of the Company and its connected person(s) in accordance with the Listing Rules
“June Finance Lease Agreement”	the finance lease agreement dated 21 June 2022 and entered into between the Previous Lessee and the Lessor which sets out the rights and obligations of the Previous Lessee and the Lessor in relation to the June Finance Lease Arrangement
“June Finance Lease and Incidental Documentation”	the June Finance Lease Agreement and the agreements incidental to the June Finance Lease Agreement, including the June Transfer Agreement and the agreements entered into of the relevant parties in relation to, (i) the pledge of the June Leased Assets; (ii) the pledge of the accounts receivable; (iii) the pledge of 100% equity interest in the Previous Lessee; and (iv) the corporate guarantees
“June Finance Lease Arrangement”	the transactions contemplated under the June Finance Lease and Incidental Documentation
“June Leased Assets”	subject leased assets under the June Finance Lease Arrangement, which principally comprise of ten (10) sets of landfill gas power generating facilities
“June Transfer Agreement”	the transfer agreement dated 21 June 2022 and entered into between the Previous Lessee and the Lessor in relation to the sale and purchase of the June Leased Assets
“Leased Assets”	subject leased assets under the Finance Lease Arrangement, which comprise six (6) sets of landfill gas power generating facilities located at an integrated waste treatment plant in Zhengzhou City, Henan Province, the PRC
“Lessee”	鄭州新冠能源開發有限公司 (for transliteration purpose only, Zhengzhou Xinguan Energy Development Company Limited [#]), a company established in the PRC with limited liability, which is an indirect wholly owned subsidiary of the Company
“Lessor”	Jiangsu Financial Leasing Co., Ltd. (江蘇金融租賃股份有限公司), a state-owned non-banking financial institution established in the PRC with limited liability, the shares of which are listed on Shanghai Stock Exchange (stock code: 600901)
“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
“Previous Lessee”	重慶康達新能源有限公司 (for transliteration purpose only, Chongqing Kangda New Energy Company Limited [#]), a company established in the PRC with limited liability, which is a subsidiary of the Company
“Purchase Price”	an amount of RMB17,000,000 (equivalent to approximately HK\$19,380,000), being the purchase price for the Leased Assets paid by the Lessor to the Lessee under the Transfer Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company of HK\$0.01 each
“Shareholder(s)”	holder(s) of issued Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer Agreement”	the transfer agreement dated 29 August 2022 and entered into between the Lessee and the Lessor in relation to the sale and purchase of the Leased Assets
“%”	per cent

the English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

For the purpose of this announcement, unless otherwise indicated, conversion of Renminbi into Hong Kong dollars is calculated at the approximate exchange rate of RMB1.0000 to HK\$1.1400. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

By order of the Board
China Water Industry Group Limited
Mr. Zhu Yongjun
Chairman and Executive Director

Hong Kong, 29 August 2022

As at the date of this announcement, the Board comprises Mr. Zhu Yongjun (Chairman), Ms. Chu Yin Yin Georgiana, Ms. Deng Xiao Ting and Mr. Hu Siyun, all being executive Directors and Mr. Wong Siu Keung, Joe, Mr. Lam Cheung Shing, Richard and Ms. Qiu Na, all being independent non-executive Directors.