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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 ARRANGEMENT

FINANCE LEASE ARRANGEMENT

The Board would like to announce that on 17 October 2022, the Lessee, being an indirect non-wholly owned subsidiary of the Company entered into the Finance Lease Agreement with Zheyin Leasing, pursuant to which (i) Zheyin Leasing shall purchase the Leased Assets from the Lessee for the Purchase Price of RMB30,000,000 (equivalent to approximately HK\$33,057,000); and (ii) Zheyin Leasing shall lease back the Leased Assets to the Lessee for a lease consideration comprising a principal amount equivalent to the Purchase Price and the interest accrued thereon at a rate of 6.10% per annum for a lease period of 36 months commencing from the payment date of the Purchase Price.

As security for the due and punctual performance of the Lessee's obligations under the Finance Lease Agreement, (i) Guarantor A executed the Guarantee A and the Legal Charge A; (ii) Guarantor B executed the Guarantee B and the Legal Charge B; and (iii) the Lessee executed the Pledge over Account Receivable, each in favour of Zheyin Leasing.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) under the Finance Lease and Incidental Documentation is/are more than 5% but less than 25%, the entering into of the transaction constitutes a discloseable transaction on the part of the Company and is thus subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

* For identification purposes only

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As security for the due and punctual performance of the Lessee's obligations under the Finance Lease Agreement, (i) Guarantor A executed the Guarantee A and the Legal Charge A; (ii) Guarantor B executed the Guarantee B and the Legal Charge B; and (iii) the Lessee executed the Pledge over Account Receivable, each in favour of Zheyin Leasing.

FINANCE LEASE AGREEMENT

The principal terms of the Finance Lease Agreement are as follows:

Date: 17 October 2022

Parties: (i) Zheyin Leasing (as lessor); and
(ii) Lessee (as lessee)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Zheyin Leasing and its ultimate beneficial owner(s) is an Independent Third Party.

Sale and leaseback of Leased Assets

The Lessee shall sell and Zheyin Leasing shall purchase the Leased Assets for the Purchase Price of RMB30,000,000 (equivalent to approximately HK\$33,057,000). Zheyin Leasing shall then lease back the Leased Assets to the Lessee for their use and possession for a lease period of 36 months commencing from the payment date of the Purchase Price.

Leased Assets

The Leased Assets comprise landfill gas and natural gas power generating facilities.

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

Purchase Price

Zheyin Leasing shall pay the Lessee or any third party as designated by the Lessee the Purchase Price within 15 days after fulfillment or waiver (as the case may be) of the following conditions:

- (i) the Finance Lease Agreement has come into effect and Zheyin Leasing has received the executed copies of the Finance Lease and Incidental Documentation and other legal documents;
- (ii) Zheyin Leasing has received the Security Deposit, the Handling Fee and other payments (if any) in accordance with the terms of the Finance Lease Agreement;
- (iii) Zheyin Leasing has received the relevant resolution(s), authorisation(s) or approval(s) of the internal authority of the Lessee to approve the entering into of the Finance Lease Agreement, and the relevant procedures in relation to the entering into of the Finance Lease Agreement have been completed;
- (iv) Zheyin Leasing has received documentary proof showing that Legal Charge A, Legal Charge B and Pledge over Account Receivable have been registered as required under the applicable laws of the PRC and/or the relevant security documents, and the Lessee, Guarantor A and Guarantor B have made necessary public disclosure or announcement;
- (v) Zheyin Leasing has received evidence in relation to the Lessee's title of all of the Leased Assets, the original construction contracts in respect of the Leased Assets to which the seal of the Lessee was affixed, the original sale and purchase agreements in respect of the Leased Assets, copies of invoices or other documents necessary for evidencing the Lessee's full ownership and disposal rights of the Leased Assets;
- (vi) Zheyin Leasing has received evidence from the Lessee, including but not limited to financial statements, details of fixed assets of the Lessee, or other accounting proof, which are capable of showing the Leased Assets being fixed assets of the Lessee; and
- (vii) other conditions precedent to the payment of Purchase Price by Zheyin Leasing as required under the applicable laws of the PRC and/or the Finance Lease Agreement have been satisfied.

Zheyin Leasing may at its sole discretion waive any condition(s) above. The above condition(s) may also be subject to such amendment(s) as may be agreed by both parties to the Finance Lease Agreement. The Lessee shall issue receipt of the Purchase Price within 10 days after receiving the same.

As at the date of this announcement, all conditions above have been fulfilled or waived (as the case may be).

The Purchase Price shall be applied by the Lessee towards repayment of loans owed by its holding company relating to the investment in the new landfill gas power generation project(s).

The Purchase Price was determined after arm's length negotiations between the Lessee and Zheyin Leasing with reference to the original cost of the Leased Assets of approximately RMB42,979,000 (equivalent to approximately HK\$47,359,000) and their state of condition.

Lease consideration

The Lessee shall pay Zheyin Leasing the lease consideration comprising the principal amount equivalent to the Purchase Price and interest accrued thereon at a rate of 6.10% per annum by 36 monthly installments, of which each installment shall be approximately RMB915,000 (equivalent to approximately HK\$1,008,000). Such installments shall be payable on a monthly basis, and on the 15th day of each month during the lease period.

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 Agreement, were determined after arm's length negotiations between the Lessee and Zheyin Leasing with reference to the principal amount of the lease and the loan prime rate published by the National Interbank Funding Center on or before the payment date of the Purchase Price.

Security Deposit

The Lessee shall pay Zheyin Leasing an interest-free security deposit of RMB1,800,000 (equivalent to approximately HK\$1,983,000) (the "**Security Deposit**"), representing 6% of the Purchase Price, before commencement of the lease period.

If the Lessee breaches the terms of the Finance Lease Agreement, Zheyin Leasing has the right to offset the amount owed by the Lessee to Zheyin Leasing with the Security Deposit in the order of the payables under the Finance Lease Agreement, liquidated damages, lease consideration payable and buyback fee. After the offset, the Lessee shall provide further security deposit within 5 days.

If there is no non-compliance on the part of the Lessee, the Security Deposit will be refunded upon expiry of the lease period or can be applied towards the payment of the final installment(s) of lease consideration.

Handling Fee

The Lessee shall pay Zheyin Leasing a handling fee of RMB300,000 (equivalent to approximately HK\$331,000) (the "**Handling Fee**") before the payment of the Purchase Price by Zheyin Leasing. The Handling Fee is not refundable.

Transfer of ownership and delivery of Leased Assets

The ownership of the Leased Assets shall be transferred from the Lessee to Zheyin Leasing upon payment of the Purchaser Price by Zheyin Leasing to the Lessee. During the term of the Finance Lease Agreement, the Lessee shall not do any acts (i) expressing or implying that the Lessee is the owner of the Leased Assets; or (ii) causing the others to believe that the Lessee is the owner of the Leased Assets.

In view of the fact that the Leased Assets have always been in the possession of the Lessee, there is no actual transfer of possession of the Leased Assets under the Finance Lease Agreement. On the payment date of the Purchase Price, it shall be deemed that delivery has been completed by Zheyin Leasing to the Lessee in a complete state.

Buyback of Leased Assets by the Lessee

After the expiry of the lease period or upon early termination of the Finance Lease Agreement, provided that the Lessee has paid all the payables under the Finance Lease Agreement, the Lessee is entitled to pay the buyback fee of RMB100 (equivalent to approximately HK\$110) to purchase the Leased Assets on an “as is” basis. The ownership of the Leased Assets shall then be transferred from Zheyin Leasing to the Lessee.

GUARANTEES, LEGAL CHARGES AND PLEDGE OVER ACCOUNT RECEIVABLE

As security for the due and punctual performance of the Lessee’s obligations under the Finance Lease Agreement, (i) Guarantor A executed the Guarantee A and the Legal Charge A; (ii) Guarantor B executed the Guarantee B and the Legal Charge B; and (iii) the Lessee executed the Pledge over Account Receivable, each in favour of Zheyin Leasing.

Guarantees

Pursuant to the terms of the Guarantee A, Guarantor A shall provide an irrevocable guarantee in favour of Zheyin Leasing for the due and punctual performance of the Lessee’s obligations under the Finance Lease Agreement.

Pursuant to the terms of the Guarantee B, Guarantor B shall provide an irrevocable guarantee in favour of Zheyin Leasing for the due and punctual performance of the Lessee’s obligations under the Finance Lease Agreement.

Legal Charges

Pursuant to the terms of Legal Charge A, Guarantor A shall provide a legal charge over all of its 94.6% equity interest in the Lessee in favour of Zheyin Leasing for the due and punctual performance of the Lessee’s obligations under the Finance Lease Agreement.

Pursuant to the terms of Legal Charge B, Guarantor B shall provide a legal charge over all of its 5.4% equity interest in the Lessee in favour of Zheyin Leasing for the due and punctual performance of the Lessee’s obligations under the Finance Lease Agreement.

Pledge over Account Receivable

Pursuant to the terms of Pledge over Account Receivable, the Lessee shall provide a pledge over account receivable in an aggregate amount of not less than RMB30,000,000 (equivalent to approximately HK\$33,057,000) in favour of Zheyin Leasing for the due and punctual performance of the Lessee's obligations under the Finance Lease Agreement.

INFORMATION OF THE PARTIES TO THE FINANCE LEASE ARRANGEMENT

Lessor

Zheyin Leasing, a company established in the PRC with limited liability, is a national non-bank financial institution approved and regulated by the China Banking and Insurance Regulatory Commission, and is a financial leasing company owned as to 51% by China Zheshang Bank Co., Ltd., a national joint-stock commercial bank (a bank listed on the Main Board of each of the Shanghai Stock Exchange and the Stock Exchange, stock codes: 601916. SH, and 2016.HK), 29% by Zhejiangsheng Financial Holding Co., Ltd. (浙江省金融控股有限公司), and 20% by 舟山海洋綜合開發投資有限公司 (for transliteration purpose only, Zhoushan Marine Comprehensive Development and Investment Company Limited[#]).

Lessee

The Lessee is a company established in the PRC with limited liability and is principally engaged in exploitation, generation and sale of renewable energy. It is an indirect non-wholly owned subsidiary of the Company and is owned as to 94.6% by Guarantor A and 5.4% by Guarantor B.

Guarantors

Guarantor A 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 the exploitation, generation and sale of renewable energy.

Guarantor B 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 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 machinery and equipment 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

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) under the Finance Lease and Incidental Documentation is/are more than 5% but less than 25%, the entering into of the transaction constitutes a discloseable transaction on the part 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 Arrangement and is required to abstain from voting on the board resolutions approving the Finance Lease Arrangement.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	China Water Industry Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which 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 17 October 2022 and entered into between Zheyin Leasing and the Lessee, which sets out the rights and obligations of the Lessee and Zheyin Leasing 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 Guarantee A, Guarantee B, Legal Charge A, Legal Charge B and Pledge over Account Receivable
“Finance Lease Arrangement”	the transactions contemplated under the Finance Lease and Incidental Documentation
“Group”	the Company and its subsidiaries
“Guarantee A”	a guarantee executed by Guarantor A in favour of Zheyin Leasing as security for the due and punctual performance of the Lessee’s obligations under the Finance Lease Agreement
“Guarantee B”	a guarantee executed by Guarantor B in favour of Zheyin Leasing as security for the due and punctual performance of the Lessee’s obligations under the Finance Lease Agreement

“Guarantor A”	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 an indirect wholly-owned subsidiary of the Company
“Guarantor B”	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 Company Limited [#]), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company
“Handling Fee”	has the meaning ascribed thereto in the paragraph headed “Handling Fee” under the section headed “Finance Lease Agreement” in this announcement
“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 enquiries, 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
“Leased Assets”	subject leased assets under the Finance Lease Arrangement, which principally comprise landfill gas and natural gas power generating facilities
“Legal Charge A”	a legal charge over 94.6% equity interest in the Lessee executed by Guarantor A in favour of Zheyin Leasing as security for the due and punctual performance of the Lessee’s obligations under the Finance Lease Agreement
“Legal Charge B”	a legal charge over 5.4% equity interest in the Lessee executed by Guarantor B in favour of Zheyin Leasing as security for the due and punctual performance of the Lessee’s obligations under the Finance Lease Agreement
“Lessee”	長沙新中水環保科技有限公司 (for transliteration purpose only, Changsha New China Water Environmental Technology Limited [#]), a company established in the PRC with limited liability, which is an indirect non-wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Pledge over Account Receivable”	a pledge over account receivable executed by the Lessee in favour of Zheyin Leasing as security for the due and punctual performance of the Lessee’s obligations under the Finance Lease Agreement
“PRC”	the People’s Republic of China which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchase Price”	an amount of RMB30,000,000 (equivalent to approximately HK\$33,057,000), being the purchase price for the Leased Assets paid by Zheyin Leasing to the Lessee under the Finance Lease Agreement
“Security Deposit”	has the meaning ascribed thereto in the paragraph headed “Security Deposit” under the section headed “Finance Lease Agreement” in this announcement
“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
“Zheyin Leasing”	浙江浙銀金融租賃股份有限公司 (for transliteration purpose only, Zhejiang Zheyin Financial Leasing Company Limited [#]) a company established in the PRC with limited liability, which is a national non-bank financial institution approved and regulated by the China Banking and Insurance Regulatory Commission
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	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\$1.1019. 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, 17 October 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.