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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

INTRODUCTION

Reference is made to the announcement of the Company dated 24 February 2023, in relation to, among other things, the Existing Finance Lease Arrangements.

On 24 February 2023, (i) the Existing Lessee A and Sinopharm Leasing entered into the Existing Finance Lease Agreement A, pursuant to which Sinopharm Leasing shall purchase the Existing Leased Assets A for the purchase price of RMB30,000,000 (equivalent to approximately HK\$33,957,000), and lease back the same to the Existing Lessee A for a lease consideration comprising the principal amount equivalent to the purchase price and an interest accrued thereon at a rate of 6.5% per annum for a lease period of 36 months; (ii) the Existing Lessee B and Sinopharm Leasing entered into the Existing Finance Lease Agreement B, pursuant to which Sinopharm Leasing shall purchase the Existing Leased Assets B for the purchase price of RMB14,000,000 (equivalent to approximately HK\$15,847,000), and lease back the same to the Existing Lessee B for a lease consideration comprising the principal amount equivalent to the purchase price and an interest accrued thereon at a rate of 6.5% per annum for a lease period of 36 months; and (iii) the Existing Lessee C and Sinopharm Leasing entered into the Existing Finance Lease Agreement C, pursuant to which Sinopharm Leasing shall purchase the Existing Leased Assets C for the purchase price of RMB29,000,000 (equivalent to approximately HK\$32,825,000), and lease back the same to the Existing Lessee C for a lease consideration comprising the principal amount equivalent to the purchase price and an interest accrued thereon at a rate of 6.5% per annum for a lease period of 36 months.

* For identification purposes only

FINANCE LEASE ARRANGEMENT

The Board would like to announce that on 8 March 2023, the Lessee, being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement with Sinopharm Leasing, pursuant to which (i) Sinopharm Leasing shall purchase the Leased Assets from the Lessee for the Purchase Price of RMB7,000,000 (equivalent to approximately HK\$7,923,000); and (ii) Sinopharm Leasing shall lease back the Leased Assets to the Lessee for a lease consideration comprising the principal amount equivalent to the Purchase Price and the interest accrued thereon at a rate of 6.5% 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 I; and (ii) the Existing Lessee C executed the Guarantee II, each in favour of Sinopharm Leasing.

LISTING RULES IMPLICATION

As the Finance Lease and Incidental Documentations and the Existing Finance Leases and Incidental Documentations were all entered into by the Group with Sinopharm Leasing within a 12-month period, the transactions contemplated under the Finance Lease and Incidental Documentations are aggregated with the transactions contemplated under the Existing Finance Leases and Incidental Documentations for consideration for the purpose of this announcement.

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) under the Finance Lease and Incidental Documentations, when calculated on an aggregated basis with the transactions contemplated under the Existing Finance Leases and Incidental Documentations, is/are more than 5% but less than 25%, the entering into of such transactions 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.

INTRODUCTION

Reference is made to the announcement of the Company dated 24 February 2023 in relation to, among other things, the Existing Finance Lease Arrangements.

On 24 February 2023, (i) the Existing Lessee A and Sinopharm Leasing entered into the Existing Finance Lease Agreement A, pursuant to which Sinopharm Leasing shall purchase the Existing Leased Assets A for the purchase price of RMB30,000,000 (equivalent to approximately HK\$33,957,000), and lease back the same to the Existing Lessee A for a lease consideration comprising the principal amount equivalent to the purchase price and an interest accrued thereon at a rate of 6.5% per annum for a lease period of 36 months; (ii) the Existing Lessee B and Sinopharm Leasing entered into the Existing Finance Lease Agreement B, pursuant to which Sinopharm Leasing shall purchase the Existing Leased Assets B for the purchase price of RMB14,000,000 (equivalent to approximately HK\$15,847,000), and lease back the same to the Existing Lessee B for a lease consideration comprising the principal amount equivalent to the purchase price and an interest accrued

thereon at a rate of 6.5% per annum for a lease period of 36 months; and (iii) the Existing Lessee C and Sinopharm Leasing entered into the Existing Finance Lease Agreement C, pursuant to which Sinopharm Leasing shall purchase the Existing Leased Assets C for the purchase price of RMB29,000,000 (equivalent to approximately HK\$32,825,000), and lease back the same to the Existing Lessee C for a lease consideration comprising the principal amount equivalent to the purchase price and an interest accrued thereon at a rate of 6.5% per annum for a lease period of 36 months.

FINANCE LEASE ARRANGEMENT

The Board would like to announce that on 8 March 2023, the Lessee, being an indirect non-wholly owned subsidiary of the Company, entered into the Finance Lease Agreement with Sinopharm Leasing, pursuant to which (i) Sinopharm Leasing shall purchase the Leased Assets from the Lessee for the Purchase Price of RMB7,000,000 (equivalent to approximately HK\$7,923,000); and (ii) Sinopharm Leasing shall lease back the Leased Assets to the Lessee for a lease consideration comprising the principal amount equivalent to the Purchase Price and the interest accrued thereon at a rate of 6.5% 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 I; and (ii) the Existing Lessee C executed the Guarantee II, each in favour of Sinopharm Leasing.

FINANCE LEASE AGREEMENT

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

Date

8 March 2023

Parties

- (i) Sinopharm Leasing (as lessor); and
- (ii) the Lessee (as lessee)

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

Sale and leaseback of Leased Assets

The Lessee shall sell and Sinopharm Leasing shall purchase the Leased Assets for the Purchase Price of RMB7,000,000 (equivalent to approximately HK\$7,923,000).

Sinopharm Leasing shall then lease back the Leased Assets to the Lessee for its 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 power generating facilities situated in Haikou City, the PRC.

The Lessee will bear any maintenance, taxation and other costs and levies associated with the Leased Assets.

Purchase Price

Sinopharm Leasing shall pay the Lessee the Purchase Price of RMB7,000,000 (equivalent to approximately HK\$7,923,000) within fifteen (15) Business Days after the fulfillment or waiver (as the case may be) of the following conditions:

- (i) Sinopharm Leasing having received a notice of payment from the Lessee;
- (ii) Sinopharm Leasing having received the receipt of the full Purchase Price issued by the Lessee;
- (iii) Sinopharm Leasing having received photographs of the Leased Assets from the Lessee;
- (iv) Sinopharm Leasing having received documentary proof of ownership of the Leased Assets, including copy of the payment receipt for the original purchase price of the Leased Assets or other supporting documents issued by the supplier to which the seal of the Lessee was affixed; and
- (v) Sinopharm Leasing having received the Handling Fee paid by the Lessee.

Sinopharm Leasing may at its sole discretion waive or allow an extension of time to fulfill any condition(s) above.

As at the date of this announcement, none of the conditions above have been fulfilled or waived (as the case may be).

The Purchase Price shall be applied by the Lessee towards the general working capital of the Group.

The Purchase Price was determined after arm's length negotiations by the Lessee and Sinopharm Leasing with reference to the original cost of the Leased Assets of RMB7,614,000 (equivalent to approximately HK\$8,618,000) and their state of condition.

As at 8 March 2023, the net book value of the Leased Assets was approximately RMB2,716,000 (equivalent to approximately HK\$3,074,000).

Lease consideration

The Lessee shall pay Sinopharm Leasing the lease consideration comprising the principal amount equivalent to the Purchase Price and interest accrued thereon at a rate of 6.5% per annum by 36 monthly installments, of which each installment shall be approximately RMB214,900 (equivalent to approximately HK\$243,000). 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 documentations to the Finance Lease Agreement, were determined after arm's length negotiations between the Lessee and Sinopharm 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.

If the Lessee fails to pay the lease consideration and other payables pursuant to the terms and conditions of the Finance Lease Agreement, the Lessee shall pay to Sinopharm Leasing a default interest on such overdue sum at the rate of 0.05% per day from the overdue date to the date of actual payment in full.

Handling Fee

The Lessee shall pay Sinopharm Leasing a handling fee of RMB140,000 (equivalent to approximately HK\$158,000) (the "**Handling Fee**") as a condition to the payment of the Purchase Price. 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 Sinopharm Leasing upon payment of the Purchase Price by Sinopharm Leasing to the Lessee.

The delivery of the Leased Assets shall be by way of change of possession. Upon the transfer of ownership of the Leased Assets to Sinopharm Leasing, Sinopharm Leasing shall be deemed to have delivered the Leased Assets to the Lessee and the Lessee shall be deemed to have taken possession of the Leased Assets in accordance with the Finance Lease Agreement.

Buyback of Leased Assets by the Lessee

After the expiry of the lease period, provided that the Lessee has paid all the payables under the Finance Lease Agreement, the Lessee may choose to pay the buyback fee of RMB100 (equivalent to approximately HK\$113) to purchase the Leased Assets on an "as is" basis. The ownership of the Leased Assets shall then be transferred from Sinopharm Leasing to the Lessee.

GUARANTEES

As security for the due and punctual performance of the Lessee's obligations under the Finance Lease Agreement, (i) Guarantor A executed the Guarantee I; and (ii) the Existing Lessee C executed the Guarantee II, each in favour of Sinopharm Leasing.

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

Pursuant to the terms of the Guarantee II, the Existing Lessee C shall provide an irrevocable guarantee in favour of Sinopharm 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

Sinopharm Leasing, a company established in the PRC with limited liability, is a financial leasing company owned as to approximately 22.68% by Sinopharm Group Co., Ltd. (國藥控股股份有限公司), approximately 17.55% by PAGAC II-3(HK) Limited, approximately 15.71% by 深圳峰順投資企業(有限合夥) (for transliteration purpose only, Shenzhen Fengshun Investment Enterprise (Limited Partnership)[#]), approximately 10.00% by Jiaying Deqihong Investment Partnership (L.P.) (嘉興德祺弘投資合夥企業(有限合夥)), approximately 9.72% by Sinopharm Holding Hongkong Co., Limited (國藥控股股份香港有限公司), approximately 8.98% by 上海沅想通遠企業管理諮詢合夥企業(有限合夥) (for transliteration purpose only, Shanghai Weixiang Tongyuan Enterprise Management Consulting Partnership (Limited Partnership)[#]), approximately 3.72% by Shenzhen Songhe Growth Equity Investment Partnership (L.P.) (深圳市松禾成長股權投資合夥企業(有限合夥)), approximately 3.60% by 寧波梅山保稅港區裕順投資合夥企業(有限合夥) (for transliteration purpose only, Ningbo Meishan Free Trade Port Yushun Investment Partnership (Limited Partnership)[#]), approximately 3.34% by Hangzhou Chang Pan Equity Investment Partnership (L.P.) (杭州長潘股權投資合夥企業(有限合夥)), approximately 2.70% by 睿賢實業有限公司 (for transliteration purpose only, Ruixian Industrial Co. Ltd.[#]) and approximately 2.00% by 交銀國信私募基金管理有限公司 (for transliteration purpose only, BOCOM Guoxin Private Equity Fund Management Co. Ltd.[#]).

Lessee

The Lessee is a company established in the PRC with limited liability and is principally engaged in the exploitation, generation and sale of renewable energy. As at the date of this announcement, it is an indirect non-wholly owned subsidiary of the Company and is owned as to 100% by Guarantor A.

Guarantors

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

Existing Lessee C is a company established in the PRC with limited liability, which is an indirect non-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 additional financial resources for its general working capital while retaining access to its machinery and equipment as required for its operations. The terms under the Finance Lease and Incidental Documentations have been agreed after arm's length negotiation among the relevant parties. The Directors consider that the terms of the Finance Lease and Incidental Documentations, including each of 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 IMPLICATION

As the Finance Lease and Incidental Documentations and the Existing Finance Leases and Incidental Documentations were all entered into by the Group with Sinopharm Leasing within a 12-month period, the transactions contemplated under the Finance Lease and Incidental Documentations are aggregated with the transactions contemplated under the Existing Finance Leases and Incidental Documentations for consideration for the purpose of this announcement.

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) under the Finance Lease and Incidental Documentations, when calculated on an aggregated basis with the transactions contemplated under the Existing Finance Leases and Incidental Documentations, is/are more than 5% but less than 25%, the entering into of such transactions 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
“Business day(s)”	any day(s) other than a Saturday, Sunday or statutory holiday in the PRC
“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
“Existing Finance Lease Agreement A”	the finance lease agreement dated 24 February 2023 and entered into between Sinopharm Leasing and the Existing Lessee A, which sets out the rights and obligations of the Existing Lessee A and Sinopharm Leasing in relation to the Existing Finance Lease Arrangements
“Existing Finance Lease Agreement B”	the finance lease agreement dated 24 February 2023 and entered into between Sinopharm Leasing and the Existing Lessee B, which sets out the rights and obligations of the Existing Lessee B and Sinopharm Leasing in relation to the Existing Finance Lease Arrangements
“Existing Finance Lease Agreement C”	the finance lease agreement dated 24 February 2023 and entered into between Sinopharm Leasing and the Existing Lessee C, which sets out the rights and obligations of the Existing Lessee C and Sinopharm Leasing in relation to the Existing Finance Lease Arrangements
“Existing Finance Lease Arrangements”	the transactions contemplated under the Existing Finance Leases and Incidental Documentations
“Existing Finance Leases and Incidental Documentations”	the Existing Finance Lease Agreement A, Existing Finance Lease Agreement B and Existing Finance Lease Agreement C and the agreements incidental thereto, including the guarantees, the legal charges, the pledges over accounts receivable and the consultancy agreement, entered into between Sinopharm Leasing and the Existing Lessee A, Existing Lessee B, Existing Lessee C or the guarantors (as the case may be)
“Existing Leased Assets A”	subject leased assets under the Existing Finance Lease Agreement A, which principally comprise landfill gas power generating facilities situated in Changsha City, the PRC
“Existing Leased Assets B”	subject leased assets under the Existing Finance Lease Agreement B, which principally comprise landfill gas power generating facilities situated in Qingyuan City, the PRC
“Existing Leased Assets C”	subject leased assets under the Existing Finance Lease Agreement C, which principally comprise landfill gas power generating facilities situated in Shenzhen City, the PRC
“Existing Lessee A”	長沙新中水環保科技有限公司 (for transliteration purpose only, Changsha New China Water Environmental Technology Company Limited [#]), a company established in the PRC with limited liability, which is an indirect non-wholly owned subsidiary of the Company

“Existing Lessee B”	清遠市青泓環保科技有限公司 (for transliteration purpose only, Qingyuan City Greenspring Environmental Technology Limited [#]), a company established in the PRC with limited liability, which is indirect non-wholly owned subsidiary of the Company
“Existing Lessee C”	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 non-wholly owned subsidiary of the Company
“Finance Lease Agreement”	the finance lease agreement dated 8 March 2023 and entered into between Sinopharm Leasing and the Lessee, which sets out the rights and obligations of the Lessee and Sinopharm Leasing in relation to the Finance Lease Arrangement
“Finance Lease and Incidental Documentations”	the Finance Lease Agreement and the agreements incidental to the Finance Lease Agreement, including the Guarantee I and the Guarantee II
“Finance Lease Arrangement”	the transactions contemplated under the Finance Lease and Incidental Documentations
“Group”	the Company and its subsidiaries
“Guarantee I”	a guarantee executed by the Guarantor A in favour of Sinopharm Leasing as security for the due and punctual performance of the Lessee’s obligations under the Finance Lease Agreement
“Guarantee II”	a guarantee executed by the Existing Lessee C in favour of Sinopharm 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 non-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 Agreement, which comprise landfill gas power generating facilities situated in Haikou City, the PRC
“Lessee”	Hainan Camda New Energy Co., Ltd. (海南康達新能源有限公司), 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
“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 RMB7,000,000 (equivalent to approximately HK\$7,923,000), being the purchase price for the Leased Assets paid by Sinopharm Leasing to the Lessee under the Finance Lease Agreement
“Shareholder(s)”	holder(s) of issued share(s) of the Company of HK\$0.01 each from time to time
“Sinopharm Leasing”	Sinopharm Holding (China) Finance Leasing Co., Ltd. (國藥控股(中國)融資租賃有限公司), a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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\$1.1319. 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, 8 March 2023

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.