

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 28 July 2022 in relation to, among other things, the Previous Finance Lease Arrangement.

The Board would like to announce that on 23 March 2023, the Lessee entered into the New Transfer Agreement and the New Finance Lease Agreement with Greengold Leasing, pursuant to which (i) Greengold Leasing shall purchase the Leased Assets from the Lessee for the Purchase Price of RMB30,000,000 (equivalent to approximately HK\$34,260,000); and (ii) Greengold Leasing shall lease back the Leased Assets to the Lessee for a lease period of 60 months.

LISTING RULES IMPLICATIONS

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

As the highest applicable percentage ratio (as defined under the Listing Rules) for the transactions contemplated under the Previous Finance Lease and Incidental Documentation, when calculated on an aggregated basis with the transactions contemplated under the New Finance Lease and Incidental Documentation, is 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 under Chapter 14 of the Listing Rules.

* For identification purposes only

INTRODUCTION

Reference is made to the announcement of the Company dated 28 July 2022 in relation to, among other things, the Previous Finance Lease Arrangement.

On 28 July 2022, the Group entered into the Previous Finance Lease and Incidental Documentation with Greengold Leasing regarding the purchase of the Previous Leased Assets by Greengold Leasing from the Previous Lessee at the purchase price of RMB18,000,000 (equivalent to approximately HK\$21,091,000) and the leaseback of such assets to the Previous Lease for a lease period of 60 months. Details of aforesaid arrangement are set out in the announcements of the Company dated 28 July 2022.

NEW FINANCE LEASE ARRANGEMENT

The Board would like to announce that on 23 March 2023, the Lessee, an indirect wholly-owned subsidiary of the Company, entered into the New Transfer Agreement with Greengold Leasing, pursuant to which Greengold Leasing shall purchase the Leased Assets from the Lessee for the Purchase Price of RMB30,000,000 (equivalent to approximately HK\$34,260,000).

On the same date, the Lessee and Greengold Leasing entered into the New Finance Lease Agreement, pursuant to which Greengold Leasing shall lease back the Leased Assets to the Lessee for a lease consideration comprising of principal amount equivalent to the Purchase Price and the interest accrued thereon at a rate of 6.35% per annum for a lease period of 60 months commencing from the date of the fulfillment (or waiver by Greengold Leasing at its discretion) of the conditions as stipulated in the New Finance Lease Agreement.

I. The New Transfer Agreement and the New Finance Lease Agreement

The principal terms the New Transfer Agreement and the New Finance Lease Agreement are as follows:

	New Transfer Agreement	New Finance Lease Agreement
Date:	23 March 2023	23 March 2023
Parties:	(i) Greengold Leasing (as purchaser); and (ii) Lessee (as vendor)	(i) Greengold Leasing (as lessor); and (ii) Lessee (as lessee)

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

The Leased Assets

The Leased Assets comprise sewage treatment equipment situated at Jining City, Shangdong Province, the PRC. As at 23 March 2023, the net book value of the Leased Assets was approximately RMB27,166,000 (equivalent to approximately HK\$31,024,000).

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

Purchase Price

The Purchase Price was determined after arm's length negotiations by the parties with reference to the original cost of the Leased Assets of approximately RMB31,024,000 (equivalent to approximately HK\$35,429,000), and their state.

The payment of the Purchase Price shall be made by Greengold Leasing to the Lessee on the date of the fulfillment (or waiver by Greengold Leasing at its discretion) of the conditions as stipulated in the New Transfer Agreement.

Lease consideration and lease period

The Lessee shall repay Greengold Leasing lease consideration comprising of (i) principal amount equivalent to the Purchase Price; and (ii) the interest accrued thereon at a rate of 6.35% per annum by 60 monthly installments of approximately RMB586,000 (equivalent to approximately HK\$669,000) each. The interest shall be adjusted with reference to the loan prime rate for loans with a maturity of one year 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 New 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 New Finance Lease Agreement with reference to the principal amount of the lease and the prevailing loan prime rate published by the National Interbank Funding Center.

The Security Deposit

The Lessee shall pay Greengold Leasing an interest-free security deposit of RMB1,590,000 (equivalent to approximately HK\$1,816,000) in full on the commencement date of the lease period.

Legal ownership

The legal ownership of the Leased Assets shall be transferred from the Lessee to Greengold Leasing on the date of payment of the Purchase Price. Upon early termination or expiry of the lease period, the Lessee shall buyback the Leased Assets from Greengold Leasing on an "as is" basis in consideration of the buyback fee in the sum of RMB100 (equivalent to approximately HK\$114), which shall be deducted from the Security Deposit, and the legal ownership of the Leased Assets shall then be transferred to the Lessee.

II. The New Consultancy Agreement

On 23 March 2023, Greengold Leasing and the Lessee entered into the New Consultancy Agreement, pursuant to which Greengold Leasing shall provide the Lessee consultancy service for a period commencing from 23 March 2023 and ending on 23 April 2023 at a total consultancy fee of RMB1,800,000 (equivalent to approximately HK\$2,056,000). The total consultancy fee shall be payable after the execution of the New Consultancy Agreement and prior to the issue of a confirmation letter by the Lessee to Greengold Leasing.

III. Guarantees, Legal Charges and the Pledges Over Accounts Receivable

Guarantees

Pursuant to the terms of the Guarantee C and Guarantee D respectively, each of Shenzhen Haisheng, China Ace and the Company shall provide an irrevocable guarantee in favour of Greengold Leasing for, including but not limited to, the due and punctual performance of the Lessee's obligations under the New Finance Lease Agreement.

Legal charges

Pursuant to the terms of the Legal Charge, Shenzhen Haisheng shall provide a legal charge over all of its 100% equity interest in Lessee in favour of Greengold Leasing for a term of six (6) years for, including but not limited to, the due and punctual performance of the Lessee's obligations under the New Finance Lease Agreement.

The Pledge over the Leased Assets

Pursuant to the terms of the Pledge over the Leased Assets, the Lessee shall provide a pledge over the Leased Assets in favour of Greengold Leasing for, including but not limited to, the due and punctual performance of the Lessee's obligations under the New Finance Lease Agreement, until its obligations under the New Finance Lease Agreement having been ended.

The Pledge over Accounts Receivables

Pursuant to the terms of the Pledge over Accounts Receivable, the Lessee shall provide pledge over accounts receivable in the aggregate amount of approximately RMB35,163,000 (equivalent to approximately HK\$40,156,000) in favour of Greengold Leasing for, including but not limited to, the due and punctual performance of the Lessee's obligations under the New Finance Lease Agreement.

The Pledge over a Bank

Pursuant to the terms of the Pledge over a Bank, the Lessee shall provide a pledge over all of its 100% interests in a bank in favour of Greengold Leasing for a term of six (6) years for, including but not limited to, the due and punctual performance of the Lessee's obligations under the New Finance Lease Agreement.

INFORMATION OF THE PARTIES TO THE NEW FINANCE LEASE ARRANGEMENT

Greengold Leasing

Greengold Leasing is a company established in the PRC with limited liability which is principally engaged in the provision of finance, including through finance leasing, with a focus on environmental protection projects in the PRC. Greengold Leasing is a subsidiary of China Investments Holdings Limited, being a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 132).

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 the provision of sewage treatment in Jining City, Shangdong Province, the PRC.

The guarantors

The Company is a company established in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (stock code: 1129).

Shenzhen Haisheng is a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company. It is an investment holding company.

China Ace is a company established in the Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company. It is an investment holding company.

REASONS FOR AND BENEFITS OF THE NEW 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 New Finance Lease Arrangement, the Group will obtain financial resources and gain access to certain sewage treatment equipment as required for its operations. The terms under the New 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 New 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 the Previous Finance Lease and Incidental Documentation and the New Finance Lease and Incidental Documentation were all entered into by the Group with Greengold Leasing within a 12-month period, the transactions contemplated under the New Finance Lease and Incidental Documentation are aggregated with the transactions contemplated under the Previous Finance Lease and Incidental Documentation for consideration for the purpose of this announcement.

As the highest applicable percentage ratio (as defined under the Listing Rules) for the transactions contemplated under the Previous Finance Lease and Incidental Documentation, when calculated on an aggregated basis with the transactions contemplated under the New Finance Lease and Incidental Documentation, is 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 under Chapter 14 of the Listing Rules.

None of the Directors has any material interest in the New Finance Lease and Incidental Documentation and is required to abstain from voting on the board resolutions approving the transactions contemplated under the New 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
“China Ace”	China Ace Investment Company Limited (中光投資有限公司), a company established in the Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company
“Company”	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
“Greengold Leasing”	廣東綠金融資租賃有限公司 (for transliteration purpose only, Canton Greengold Financial Leasing Ltd.#) (formerly known as Canton Risen Financial Leasing Co., Ltd. (廣東粵盛科融資租賃有限公司)), a company established in the PRC with limited liability and a subsidiary of China Investments Holdings Limited (中國興業控股有限公司), being a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 132)

“Group”	the Company and its subsidiaries
“Guarantee C”	a guarantee executed by the Shenzhen Haisheng in favour of Greengold Leasing as security for, including but not limited to, the due and punctual performance of the Lessee’s obligations under the New Finance Lease Agreement
“Guarantee D”	a guarantee executed by the Company and China Ace in favour of Greengold Leasing as security for, including but not limited to, the due and punctual performance of the Lessee’s obligations under the New Finance Lease Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hyde Environment Protection”	廣州市海德環保科技有限公司 (for transliteration purpose only, Guangzhou Hyde Environmental Protection Technology Co. Ltd [#]), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“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
“Leased Assets”	subject leased assets under the New Finance Lease Arrangement, which comprise sewage treatment equipment situated at Jining City, Shangdong Province, the PRC
“Legal Charge”	a legal charge over 100% equity interest in the Lessee executed by Shenzhen Haisheng in favour of Greengold Leasing as security for, including but not limited to, the due and punctual performance of the Lessee’s obligations under the New Finance Lease Agreement
“Lessee”	濟寧市海晟水務有限公司 (for transliteration purpose only, Jining City Haisheng Water Treatment Company Limited [#]), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Consultancy Agreement”	the consultancy agreement dated 23 March 2023 and entered into between Greengold Leasing and the Lessee in relation to the provision of consultancy services by Greengold Leasing to the Lessee
“New Finance Lease Agreement”	the finance lease agreement dated 23 March 2023 and entered into between the Lessee and Greengold Leasing which sets out the rights and obligations of the Lessee and Greengold Leasing in relation to the New Finance Lease Arrangement
“New Finance Lease and Incidental Documentation”	the New Finance Lease Agreement and the agreements incidental to the New Finance Lease Agreement, including the New Transfer Agreement, the New Consultancy Agreement, the Guarantee C, the Guarantee D, the Legal Charge and the Pledges over Account Receivables
“New Finance Lease Arrangement”	the transactions contemplated under the New Finance Lease and Incidental Documentation
“New Transfer Agreement”	the transfer agreement dated 23 March 2023 and entered into between the Lessee and Greengold Leasing in relation to the sale and purchase of the Leased Assets
“Pledge over Accounts Receivable”	a pledge over accounts receivable executed by the Lessee in favour of Greengold Leasing as security for, including but not limited to, the due and punctual performance of the Lessee’s obligations under the New Finance Lease Agreement
“Pledge over a Bank”	a pledge over a bank executed by the Lessee in favour of Greengold Leasing as security for, including but not limited to, the due and punctual performance of the Lessee’s obligations under the New Finance Lease Agreement
“Pledge over the Leased Assets”	a pledge over the Leased Assets executed by the Lessee in favour of Greengold Leasing for, including but not limited to, the due and punctual performance of the Lessee’s obligations under the New 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

“Previous Consultancy Agreement”	the consultancy agreement dated 28 July 2022 and entered into between Greengold Leasing and the Previous Lessee in relation to the provision of consultancy services by Greengold Leasing to the Previous Lessee
“Previous Finance Lease Agreement”	the finance lease agreement dated 28 July 2022 and entered into between the Previous Lessee and Greengold Leasing which sets out the rights and obligations of the Previous Lessee and Greengold Leasing in relation to the Previous Finance Lease Arrangement
“Previous Finance Lease and Incidental Documentation”	the Previous Finance Lease Agreement and the agreements incidental to the Previous Finance Lease Agreement, including the Previous Transfer Agreement, the Previous Consultancy Agreement, the Previous Guarantee A, the Previous Guarantee B, the Previous Legal Charge and the Previous Pledges over Accounts Receivable
“Previous Finance Lease Arrangement”	the transactions contemplated under the Previous Finance Lease and Incidental Documentation
“Previous Guarantee A”	a guarantee executed by the Company in favour of Greengold Leasing as security for, including but not limited to, the due and punctual performance of the Previous Lessee’s obligations under the Previous Finance Lease Agreement
“Previous Guarantee B”	a guarantee executed by Hyde Environment Protection in favour of Greengold Leasing as security for, including but not limited to, the due and punctual performance of the Previous Lessee’s obligations under the Previous Finance Lease Agreement
“Previous Leased Assets”	subject leased assets under the Previous Finance Lease Arrangement, which comprise sewage treatment equipment situated at Foshan City, Guangdong Province, the PRC
“Previous Legal Charge”	a legal charge over 70% equity interest in the Previous Lessee executed by Hyde Environment Protection in favour of Greengold Leasing as security for, including but not limited to, the due and punctual performance of the Previous Lessee’s obligations under the Previous Finance Lease Agreement

“Previous Lessee”	佛山市高明區華信污水處理有限公司 (for transliteration purpose only, FoShan City Gaoming Huaxin Sewage Treatment Company Limited [#]), a company established in the PRC with limited liability, which is an indirect non-wholly owned subsidiary of the Company
“Previous Pledges over Accounts Receivables”	a pledge over accounts receivable executed by the Previous Lessee in favour of Greengold Leasing as security for, including but not limited to, the due and punctual performance of the Previous Lessee’s obligations under the Previous Finance Lease Agreement
“Previous Transfer Agreement”	the transfer agreement dated 28 July 2022 and entered into between Previous Lessee and Greengold Leasing in relation to the sale and purchase of the Previous Leased Assets
“Purchase Price”	an amount of RMB30,000,000 (equivalent to approximately HK\$34,260,000), being the purchase price for the Leased Assets paid by Greengold Leasing to the Lessee under the New Transfer Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Security Deposit”	has the meaning ascribed thereto in the paragraph headed “The Security Deposit” under the sub-section headed “The New Transfer Agreement and the New 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
“Shenzhen Haisheng”	深圳市海晟環保科技有限公司 (for transliteration purpose only, Shenzhen Haisheng Environmental Sci-Tech Company Limited [#]), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	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\$1.1420. 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, 23 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.