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YUNNAN WATER

雲南水務投資股份有限公司

Yunnan Water Investment Co., Limited*

(a joint stock limited liability company incorporated in the People's Republic of China)

(Stock code: 6839)

DISCLOSEABLE TRANSACTION: FINANCE LEASE AGREEMENT

FINANCE LEASE ARRANGEMENT

The Board is pleased to announce that, on 24 April 2020 (after trading hours), the Company, Kelamayi Haorui and CITIC Financial Leasing entered into the Finance Lease Agreement, pursuant to which, CITIC Financial Leasing has agreed to, among other things, (i) acquire the Leased Assets from the Lessees at a consideration of RMB170,000,000, which will be paid to the Lessees in a lump sum and (ii) lease back the Leased Assets to the Lessees with the Lease Term of five years and the total lease payment is estimated to be RMB200,560,144.45, which will be paid by the Lessees to CITIC Financial Leasing in ten equal instalments of principal and interest.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) of the transactions under the Finance Lease Agreement are more than 5% but less than 25%, the transactions under the Finance Lease Agreement constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules, and therefore are subject to the announcement and reporting requirements under the Listing Rules.

FINANCE LEASE AGREEMENT

The Board is pleased to announce that, on 24 April 2020 (after trading hours), the Company, Kelamayi Haorui and CITIC Financial Leasing entered into the Finance Lease Agreement. The principal terms of the Finance Lease Agreement are summarized as follows:

- Date: 24 April 2020 (after trading hours)
- Parties: (i) the Company (as the Lessee I);
- (ii) Kelamayi Haorui (as the Lessee II); and
- (iii) CITIC Financial Leasing (as the Lessor)

Leased Assets

Pursuant to the Finance Lease Agreement, the Leased Assets are equipment and facilities of Kelamayi Wuwu Industrial Park wastewater treatment plant* (克拉瑪依五五工業園區污水處理廠) owned by Kelamayi Haorui.

Sale of the Leased Assets to the Lessor

Pursuant to the Finance Lease Agreement, the Lessees have agreed to sell and the Lessor has agreed to purchase the Leased Assets at a consideration of RMB170,000,000, which was determined after arm's length negotiation between the parties with reference to the valuation of the Leased Assets by a third-party valuation institution and shall be paid by the Lessor to the bank account designated by the Lessees in a lump sum within 10 working days from the fulfillment of all the payment conditions precedent.

Conditions precedent

1. The Lessor has received the lease fees, deposits and other payables from the Lessees under the corresponding lease schedules;
2. The Lessor has received the acquisition certificate for the Leased Assets, copies of original purchase invoices endorsed and affixed with the official seals of the Lessees or other information and documents which the Lessor considers necessary to prove that the Lessees possess complete ownership of and/or rights to transfer or dispose of the Leased Assets submitted by the Lessees, and the Lessor has approved the information and documents mentioned in this paragraph;
3. The Lessees have obtained the internal and external approvals necessary to carry out the Finance Lease Agreement, such as the relevant internal and external authorities of the Lessees having granted effective resolutions, authorizations or approvals regarding financing lease matters under the Finance Lease Agreement, and the Lessor has approved the contents of such resolutions;

4. In the event that the Lessor requests any guarantee from any guarantor in respect of the lease, the Lessor has received effective resolutions (authorizations) or approvals from the relevant guarantor's internal and external authorities granting that the guarantor would provide guarantee for the financial lease under the Finance Lease Agreement;
5. At the request of the Lessor, the relevant guarantee documents (if any) and other legal documents of the Finance Lease Agreement have been signed, and such contracts and legal documents have come into effect without any breach of contract;
6. If the guarantee provided by relevant guarantor under the Finance Lease Agreement needs to go through the registration procedures for guarantees according to laws and the relevant guarantee documents and the Lessor requires that the guarantee registration procedures be completed before the issue of loans, the Lessor has received such guarantee registration certification documents;
7. The Lessor has received the Transfer of Ownership and Acceptance of Leased Assets* (《所有權轉移及租賃物接受書》) signed by the Lessees and the Notice of Payment* (《付款通知書》) issued by the Lessees on the payment of the purchase price of the Leased Assets;
8. If it is necessary to insure the Leased Assets as agreed in the lease schedules, the Lessor has received the relevant documents issued by the Lessees on the insurance of the Leased Assets, proving that the Lessees has purchased the insurance recognized by the Lessor for the Leased Assets at the request of the Lessor;
9. There are no significant changes in the national fiscal and taxation and financial policies or the government's funding regulation measures against the financial industry as at the time when the Lessor makes the payment as compared to those when the corresponding lease was executed, and there is no significant increase in the market financing costs;
10. When the Lessor makes the payment, there is no ongoing or unremedied breach of contract regarding any contract signed between the Lessor and the Lessees and the Finance Lease Agreement;
11. The proportion of the Lessees' total investment in the project where the Leased Assets belong to in the purchase price of the Leased Assets offered by the Lessor is not lower than the ratio as recognized by Lessor;
12. The Lessees have provided the Lessor with a pre-valuation report on the Leased Assets under the Finance Lease Agreement (the valuation institution shall be an institution recognized by the Lessor and/or China CITIC Bank Corporation Limited), and such report has been approved by the Lessor, and the appraisal amount of the Leased Assets shall not be lower than the purchase price of the Leased Assets;
13. The Lessee I has confirmed in its published announcement that the assets of Kelamayi Wuwu Industrial Park wastewater treatment plant shall be considered as the leased assets under the Finance Lease Agreement;

14. The Lessees have opened a special bank account with CITIC Bank at the request of the Lessor as the receiving account for the purchase price of the Leased Assets, and undertake to ensure that the purchase price of the Leased Assets/the funds in such special account shall not flow into the fields where the Lessor prohibits the flow, such as government financing platforms or other affiliated companies/associated enterprises of the platforms;
15. Other payment terms approved by the Lessor have been satisfied.

Transfer and delivery of the Leased Assets

The Leased Assets under the Finance Lease Agreement do not undergo the actual transfer of possession, nor does the Lessor bear any responsibility for the delivery of the Leased Assets. The Lessees shall sign and submit the Transfer of Ownership and Acceptance of Leased Assets on the date of signing the Finance Lease Agreement.

Leaseback of the Leased Assets to the Lessees

Pursuant to the Finance Lease Agreement, the Leased Assets shall be leased back to the Lessees during the Lease Term at the total lease payment of approximately RMB200,560,144.45, which is comprised of (i) the amount of the lease principal in the sum of RMB170,000,000; (ii) the total rents of approximately RMB194,440,144.45 calculated at an annual lease rate of about 5.2% (the lease rate is calculated based on the tax-included floating interest rate. Specifically, the lease rate for the first instalment of rents is calculated according to the latest quoted interest rate in the loan market before the payment date of the Lease Assets' purchase price, and the lease rate for the second and subsequent instalments shall be calculated based on the latest market quoted interest rate for over-five-year-period loans published before the date of determining the lease rate plus 0.55% with the amount of adding points remaining unchanged during the Lease Term); and (iii) the lease fee of RMB6,120,000.00 (lease fee = lease costs \times 3.6%).

The pre-lease period and the Lease Term span a total of five years starting from the payment date of the purchase price of the Leased Assets, which are divided into 10 six-month tenancies. An equal amount of principal shall be paid in arrears, and if the last payment date is later than the expiration date of the Lease Term, the last payment date will be adjusted to the expiration date of the Lease Term. If there is a need to adjust the actual starting date which has been agreed in the Finance Lease Agreement, the actual starting date shall be determined to be the date of which the Lessor has otherwise notifies the Lessees in writing.

Ownership of the Leased Assets during and after the Lease Term

The Leased Assets are equipment and facilities of Kelamayi Wuwu Industrial Park wastewater treatment plant owned by Kelamayi Haorui. From the payment date of the purchase price of the Leased Assets, the ownership of the Leased Assets (such ownership is related to the subordinated property, subordinated rights and fruits) belongs to the Lessor. Regardless of whether the Leased Assets are registered in the name of the Lessor or whether the Lessees have delayed or have not submitted the Transfer of Ownership and Acceptance of Leased Assets, the Lessor is the sole legal owner of the Leased Assets.

Upon expiry of the Lease Term and subject to the payment of all the payables in respect of leases under the Finance Lease Agreement and the fulfilment of obligations under the Finance Lease Agreement by the Lessees without any breach of contract or in the event that the Lessees repays in advance as agreed in the Finance Lease Agreement, the Lessees shall obtain the ownership of the Leased Assets under the Finance Lease Agreement on an “as-is” basis.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENT

The terms of the Finance Lease Agreement are determined after arm’s length negotiations with reference to the average fair market price of similar assets and the prevailing market interest rates and trading terms of finance lease agreements of similar assets. The Directors are of the opinion that the Group will be able to supplement its working capital through the Finance Lease Agreement, the terms and conditions of which are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ABOUT THE PARTIES TO THE FINANCE LEASE AGREEMENT

Kelamayi Haorui is a company incorporated in the PRC and is accounted for as a subsidiary of the Company as it is indirectly held as to 100% by the Company. It is mainly engaged in the wastewater treatment and reclamation, management of municipal facilities, manufacturing of environmental protection engineering facilities and environmental protection consulting and other business.

CITIC Financial Leasing is a company incorporated in the PRC with limited liability and mainly engaged in the financial leasing business and financial services in the PRC. The controlling shareholder of CITIC Financial Leasing is China CITIC Bank Corporation Limited, a company listed on the Shanghai Stock Exchange (stock code: 601998.SH) and the Stock Exchange (stock code: 00998.HK). To the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, CITIC Financial Leasing and its ultimate beneficial owner (if applicable) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

IMPLICATIONS OF THE LISTING RULES

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DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the following meanings in this announcement:

“Board”	the board of Directors;
“CITIC Financial Leasing”	CITIC Financial Leasing Co., Ltd.* (中信金融租賃有限公司), a company established in the PRC with limited liability, being the Lessor under the Finance Lease Agreement;
“Company”	Yunnan Water Investment Co., Limited* (雲南水務投資股份有限公司), a joint stock limited liability company incorporated in the PRC, whose H Shares are listed on the Main Board of the Stock Exchange (stock code: 6839), being the Lessee I under the Finance Lease Agreement;
“Director(s)”	the director(s) of the Company;
“Finance Lease Agreement”	the Finance Lease Agreement dated 24 April 2020 between the Lessor and the Lessees, pursuant to which the Lessees agreed to sell the Leased Assets to the Lessor at the consideration of RMB170,000,000 and the Lessor agreed to leaseback the Leased Assets to the Lessees during the Lease Term;
“Group”	the Company and all its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Kelamayi Haorui”	Kelamayi Haorui Water Co., Ltd.* (克拉瑪依浩瑞水務有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company, being the Lessee II under the Finance Lease Agreement;
“Leased Assets”	Equipment and facilities of Kelamayi Wuwu Industrial Park wastewater treatment plant owned by Kelamayi Haorui, which will be sold by the Lessees to the Lessor and shall be leased back to the Lessees according to the Finance Lease Agreement;
“Lease Term”	the lease term of five years under the Finance Lease Agreement;
“Lessees”	the Company and Kelamayi Haorui;
“Lessor”	CITIC Financial Leasing;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;

“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules; and
“%”	per cent.

By order of the Board
Yunnan Water Investment Co., Limited*
Yang Tao
Chairman

Kunming, the PRC
24 April 2020

As at the date of this announcement, the executive Directors are Mr. Yu Long (Vice Chairman) and Mr. Yang Fang, the non-executive Directors are Mr. Yang Tao (Chairman), Ms. Li Bo, Mr. He Yuanping and Mr. Chen Yong, and the independent non-executive Directors are Mr. Liu Shuen Kong, Mr. Hu Song and Mr. Ma Shihao.

* *For identification purposes only*