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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 AGREEMENT

The Board is pleased to announce that, on 20 September 2020, HLJ Yunshui entered into the Finance Lease Agreement with BoCom Leasing, pursuant to which, BoCom Leasing has agreed to, among other things, (i) acquire the Leased Assets from the Lessee at a consideration of RMB98,000,000, which will be paid to the Lessee and (ii) lease back the Leased Assets to the Lessee with the Lease Term for 60 months and an estimated total lease payment of RMB114,443,086, of which the total rentals will be paid by the Lessee to BoCom Leasing in 20 installments.

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 are subject to the announcement and reporting requirements under the Listing Rules.

FINANCE LEASE AGREEMENT

The Board is pleased to announce that, on 20 September 2020, HLJ Yunshui entered into the Finance Lease Agreement with BoCom Leasing. The principal terms of the Finance Lease Agreement are summarized as follows:

Date: 20 September 2020

Parties: (i) BoCom Leasing (as the Lessor); and
(ii) HLJ Yunshui (as the Lessee)

The Leased Assets

The Leased Assets are engineering equipment and facilities of the hazardous waste centralized disposal site owned by HLJ Yunshui according to the Finance Lease Agreement.

Sale of the Leased Assets to the Lessor

Pursuant to the Finance Lease Agreement, the Lessee agreed to sell and the Lessor agreed to purchase the Leased Assets at the consideration of RMB98,000,000, 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 Lessee within ten working days after satisfaction of all the conditions precedent to payment.

Conditions precedent

1. The Lessor and the Lessee have signed the Finance Lease Agreement and all relevant agreements, including the guarantee agreement and the earnest money agreement thereunder;
2. The Lessor and the Lessee have completed the registration procedures for mortgage and pledge, if any;
3. The Lessor and the Lessee have completed the procedures for registration and transfer of ownership, if any, of the Leased Assets, as well as the procedures for registration of publicity for the Leased Assets;
4. The Lessee has submitted the ownership information relating to the Leased Assets to the Lessor;
5. Other conditions agreed in the Finance Lease Agreement.

Earnest money

The Lessee shall pay an earnest money of RMB2,940,000 to the Lessor in accordance with the Finance Lease Agreement before payment of the consideration for transfer of the Leased Asset by the Lessor. The earnest money can also be deducted from payment of the consideration for transfer of the Leased Asset by the Lessor, and the Lessee shall complete corresponding procedures.

If the Lessee fully performs the Finance Lease Agreement, it can recover the earnest money from the Lessor by presenting the earnest money certificate upon expiration of the Lease Term. When the total amount payable by the Lessee is less than the remaining balance of the earnest money, the Lessee shall return the earnest money certificate to the Lessor with the consent of the Lessor, and the Lessor shall use the remaining balance of the earnest money to make a one-off offset against the rental payable and other payments under the Finance Lease Agreement, then the Finance Lease Agreement would be terminated early; and the excess earnest money shall be returned by the Lessor to the Lessee.

Transfer and delivery of the Leased Assets

The Lessor shall obtain the ownership of the Leased Assets upon payment of the consideration for transfer of the Leased Assets as agreed in the Finance Lease Agreement. Where the Lessor and the Lessee shall not conduct any delivery procedure of the Leased Assets, and once the Lessor pays the consideration for transfer of the Leased Assets, the Lessee shall be deemed to have accepted and checked the Leased Assets.

Leaseback of the Leased Assets to the Lessee

Pursuant to the Finance Lease Agreement, the Leased Assets shall be leased back to the Lessee during the Lease Term at the estimated total lease payment of approximately RMB114,443,086, which comprises of (i) the amount of the lease principal in the sum of RMB98,000,000; (ii) the total interest of approximately RMB13,993,086 calculated at the floating annual lease interest rate. The first annual lease interest rate is 5.225% (i.e. the LPR for over five year period published on 20 February 2020 plus 47.50 basis points). The annual lease interest rate is subject to adjustment annually commencing from the date of payment of rental for every 12 months from the Lease Inception Date during the Lease Term, and calculated at the arithmetic average of the LPR (which is rounded to four decimal places) applicable to the Finance Lease Agreement within six months before the adjustment date plus 47.50 basis points; and (iii) the fixed lease interest of RMB2,450,000, which shall be paid at the Lease Inception Date.

The Lease Term of the Finance Lease Agreement is 60 months in total, which are divided into 20 three-month tenancies commencing from the Lease Inception Date.

Disposal of the Leased Assets

Upon expiration of the Finance Lease Agreement, the Lessee is entitled to choose to purchase the Leased Assets. Once the Lessee has paid up rentals and other amounts (including possible liquidated damages, compensation, etc.), the Leased Assets under the Finance Lease Agreement may be purchased by the Lessor at a nominal price of RMB1. The nominal price and the last installment of rental shall be paid simultaneously. Following payment by the Lessee, the Lessor shall issue a transfer form of ownership of the Leased Assets to the Lessee. If the Lessee does not make a choice or fails to make all the payments including rentals, the nominal price, etc. as stipulated in the Finance Lease Agreement, the Lessor has the right to recover the Leased Assets.

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 the similar assets and the prevailing market interest rates and trading terms of the similar assets finance lease agreements. 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

HLJ Yunshui is a company incorporated in the PRC and a controlling subsidiary indirectly owned by the Company as to 99% and is accounted for as a subsidiary of the Company. It is principally engaged in the development, transfer and consultation of hazardous waste treatment technologies, etc.

BoCom Leasing is a company incorporated in the PRC with limited liability and is principally engaged in financial leasing business and financial services in the PRC. The controlling shareholder of BoCom Leasing is Bank of Communications Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601328) and on the Hong Kong Stock Exchange (stock code: 3328). The controlling shareholder of Bank of Communications Co., Ltd. is the Ministry of Finance of China. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, BoCom Leasing and its ultimate beneficial owner (if applicable) are third parties independent from the Company and its connected persons (as defined in the Listing Rules).

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 are subject to the announcement and reporting requirements under the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors of the Company;
“BoCom Leasing”	Bank of Communications Financial Leasing Co., Ltd., a company established in the PRC with limited liability, which is 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 China, its H Shares are listed on the Main Board of the Stock Exchange (stock code: 6839);
“Director(s)”	the director(s) of the Company;
“Finance Lease Agreement”	the Finance Lease Agreement dated 20 September 2020 between the Lessor and the Lessee, pursuant to which the Lessee agreed to sell the Leased Assets to the Lessor at the consideration of RMB98,000,000 and the Lessor agreed to leaseback the Leased Assets to the Lessee during the Lease Term;
“Group”	the Company and all its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“HLJ Yunshui”	HLJ Yunshui Environmental Technology Services Co., Ltd, a company established in the PRC with limited liability, a controlling subsidiary indirectly owned by the Company as to 99%, which is the Lessee under the Finance Lease Agreement;
“Lease Inception Date”	the date on which the Lessor pays the consideration for transfer of the Leased Assets to the Lessee;
“Lease Term”	the lease term of 60 months under the Finance Lease Agreement;
“Leased Assets”	engineering equipment and facilities of the hazardous waste centralized disposal site owned by HLJ Yunshui, which will be sold by the Lessee to the Lessor and shall be leased back to the Lessee according to the Finance Lease Agreement;
“Lessee”	HLJ Yunshui;
“Lessor”	BoCom Leasing;

“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange (as amended from time to time);
“LPR”	the People’s Bank of China Loan Market Quote Rate;
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region 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*
Li Jialong
Chairman

Kunming, the PRC
20 September 2020

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

* *For identification purposes only*