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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 29 October 2021 (after trading hours), Wuxi Zhongfa Water, Hyflux NewSpring (Guanyun), Hyflux NewSpring (Tiantai), Hyflux NewSpring (Changshu) and Shanghai Guojin Leasing entered into the Finance Lease Agreement. Pursuant to which, Shanghai Guojin Leasing has agreed to, among other things, (i) acquire the Leased Assets from the Lessees at a consideration of RMB250,000,000, and (ii) lease back the Leased Assets to the Lessees with the Lease Term of six months, and an estimated total lease payment of RMB255,855,209, which will be paid by the Lessees to Shanghai Guojin Leasing in one lump sum upon the expiration of the Lease Term.

### **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 a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and therefore are subject to the announcement and reporting requirements under the Listing Rules.

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**Date:** 29 October 2021 (after trading hours)

**Parties:** (i) Wuxi Zhongfa Water, Hyflux NewSpring (Guanyun), Hyflux NewSpring (Tiantai), Hyflux NewSpring (Changshu) (as the Lessees); and  
(ii) Shanghai Guojin Leasing (as the Lessor)

## Leased Assets

Pursuant to the Finance Lease Agreement, the Leased Assets are all facilities owned by the Lessees.

## 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 RMB250,000,000, 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 Lessees after the fulfillment of all the payment conditions precedent.

## Conditions precedent

1. The Lessor has received the copies of business licenses and articles of association of the Lessees (stamped with the Lessees' official seals to certify compliance with the originals) as well as the originals of the resolutions of the shareholders meeting/board of directors/general manager working meeting on approving the sale and leaseback issued by the Lessees according to their articles of association;
2. The Lessor has received the payment notices and ownership transfer certificates issued by the Lessees;
3. The Lessor has received the ownership statements, acceptance certificates and inspection certificates issued by the Lessees;
4. The Lessor has received the handling fee, notarization fee, etc. paid by the Lessees;
5. The Lessor has received the originals of the resolutions of the shareholders meeting/board of directors meeting regarding that the Guarantor agrees to provide joint and several liability guarantee under the Finance Lease Agreement according to its articles of association;

6. The Lessees have cooperated with the Lessor to complete the announcement of the Lessor's property rights on the Leased Assets, and the Lessor has obtained the relevant evidence materials;
7. The Lessor has received any other documents related to the Finance Lease Agreement required by the Lessor from the Lessees.

### **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 RMB255,855,209. The Lease Term of the Finance Lease Agreement is six months, commencing from the Lease Inception Date, and the principal and interest will be paid in one lump sum upon the expiration of the Lease Term.

### **Lease handling fee and notarization fee**

The lease handling fee under the Finance Lease Agreement is RMB6,000,000, which shall be paid by the Lessees to the Lessor in one lump sum before the payment of lease financing amount by the Lessor. The notarization fee for the Finance Lease Agreement is three-ten thousandths of the lease financing amount, namely RMB75,000, which shall be borne by the Lessees.

### **Liquidated damages for delayed performance**

The Lessees shall pay the Lessor liquidated damages for delayed performance in respect of outstanding handling fee, rent or other payables due to the Lessor. The liquidated damages for delayed performance shall be determined based on the amount of delayed payment, the number of days of delayed payment between the due date and the actual payment date, and the calculation standard of six-ten thousandths/day. After paying the liquidated damages for delayed performance, the Lessees shall continue to perform their obligation to pay such delayed payment to the Lessor. If the Lessees fail to pay in time or fail to pay off liquidated damages for delayed performance, the liquidated damages for delayed performance shall be deducted from the rent or other payables subsequently paid by the Lessees until it is fully paid.

If the Lessees cause losses to the Lessor, in addition to paying the aforementioned liquidated damages for delayed performance to the Lessor, they shall also compensate the Lessor for all losses.

### **Ownership of the Leased Assets**

The Lessees guarantee that as long as the Lessor pays the asset transfer price in accordance with the Transfer Agreement, the Lessor will obtain the complete ownership of the corresponding Leased Assets without any security interests. The Lessees confirm that the Lessor has the ownership of the Leased Assets during the Lease Term and is the sole owner of the Leased Assets.

Without the prior written consent from the Lessor, the Lessees shall not take the following actions:

1. sell, transfer, or otherwise dispose of the Leased Assets;

2. sublease the Leased Assets or allow any person other than the Lessees to use the Leased Assets;
3. create any security interest on the Leased Assets;
4. give up the Leased Assets;
5. attach the Leased Assets to any land, building or house, which may make the Leased Assets be considered part of the land, building or house;
6. make changes that are detrimental to the efficiency and value of the Leased Assets;
7. any other act that may harm the Lessor's ownership of the Leased Assets.

### **Guarantee**

During the three years from the expiry date of the Lease Term agreed in the Finance Lease Agreement, the Company shall provide joint and several liability guarantee.

### **Purchase upon the expiration of the Lease Term**

Upon the expiration of the Lease Term under the Finance Lease Agreement and subject to the payment of all payables under the Finance Lease Agreement by the Lessees, the Lessees may obtain the ownership of the Leased Assets at an agreed final purchase price of RMB4. Upon the receipt of the final purchase price by the Lessor, the Lessor shall transfer the ownership of the Leased Assets to the Lessees or a third party designated by the Lessees (a legal and valid written authorization provided to the Lessor is required). The Lessor undertakes to sign and deliver transfer documents claiming the ownership of the Leased Assets to the Lessees in a timely manner. The Lessees shall be responsible for handling all procedures for registering the change of the ownership of the Leased Assets as required by laws and regulations and bear all related expenses. The Leased Assets will be transferred in its current condition at that time without any guarantee from the Lessor.

### **Transfer**

The Lessees shall not transfer any lease transactions under the Finance Lease Agreement or any rights and obligations thereunder to a third party, unless otherwise expressly stipulated in the Finance Lease Agreement or the prior written consent from the Lessor is obtained by the Lessees.

As long as the available interest of the Lessees under Finance Lease Agreement will not be affected, the Lessor may at any time transfer any lease transactions under the Finance Lease Agreement, any rights under lease transactions or any rights of the Leased Assets to a third party, without obtaining any consent from the Lessees at that time, provided that the Lessor shall give a corresponding transfer notice to the Lessees.

## **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**

Wuxi Zhongfa Water is a company incorporated in the PRC and a subsidiary directly owned by the Company as to 100% and is accounted for as a wholly-owned subsidiary of the Company. It is principally engaged in environmental engineering consulting and design, engineering commissioning, engineering construction investment, operation services, development and sales of environmental products and other businesses.

Hyflux NewSpring (Guanyun) is a company incorporated in the PRC and a subsidiary directly owned by the Company as to 100% and is accounted for as a wholly-owned subsidiary of the Company. It is principally engaged in the production and sales of tap water and other businesses.

Hyflux NewSpring (Tiantai) is a company incorporated in the PRC and a subsidiary directly owned by the Company as to 100% and is accounted for as a wholly-owned subsidiary of the Company. It is principally engaged in environmental engineering consulting and design, engineering commissioning, engineering construction investment, operation services and other businesses.

Hyflux NewSpring (Changshu) is a company incorporated in the PRC and a subsidiary directly owned by the Company as to 100% and is accounted for as a wholly-owned subsidiary of the Company. It is principally engaged in the construction and operation of sewage plant and other businesses.

Shanghai Guojin 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 Shanghai Guojin Leasing is SIIC Financial Services Holdings Co., Ltd.\* (上海上實金融服務控股股份有限公司). The de facto controller of Shanghai Guojin Leasing is Shanghai Municipal Government. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Shanghai Guojin 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 a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and therefore 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;
“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);
“Director(s)”	the director(s) of the Company;
“Finance Lease Agreement”	the Finance Lease Agreement dated 29 October 2021 between the Lessor and the Lessees, pursuant to which the Lessees agreed to sell the Leased Assets to the Lessor at the consideration of RMB250,000,000 and the Lessor agreed to leaseback the Leased Assets to the Lessees during the Lease Term;
“Group”	the Company and all its subsidiaries;
“Guarantor”	the guarantor under the guarantee agreement dated 29 October 2021 entered into among the Lessor, the Lessees and the Company, being the Company;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Hyflux NewSpring (Changshu)”	Hyflux NewSpring (Changshu) Co., Ltd.*(凱發新泉水務(常熟)有限公司), a company established in the PRC with limited liability and a 100% wholly-owned subsidiary of the Company; being one of the Lessees under the Finance Lease Agreement;

“Hyflux NewSpring (Guanyun)”	Hyflux NewSpring (Guanyun) Co., Ltd.*(凱發新泉自來水 (灌雲) 有限公司), a company established in the PRC with limited liability and a 100% wholly-owned subsidiary of the Company; being one of the Lessees under the Finance Lease Agreement;
“Hyflux NewSpring (Tiantai)”	Hyflux NewSpring (Tiantai) Co., Ltd.*(凱發新泉水務 (天台) 有限公司), a company established in the PRC with limited liability and a 100% wholly-owned subsidiary of the Company; being one of the Lessees under the Finance Lease Agreement;
“Lease Inception Date”	the date on which the Lessor pays the transfer price of the Leased Assets in full to the Lessees;
“Lease Term”	the lease term of six months from the Lease Inception Date under the Finance Lease Agreement;
“Leased Assets”	all facilities owned by the Lessees, which will be sold by the Lessees to the Lessor and leased back by the Lessor to the Lessees according to the Finance Lease Agreement;
“Lessees”	Wuxi Zhongfa Water, Hyflux NewSpring (Guanyun), Hyflux NewSpring (Tiantai), Hyflux NewSpring (Changshu);
“Lessor”	Shanghai Guojin 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 and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shanghai Guojin Leasing”	Shanghai Guojin Financial Leasing Co., Ltd., a company established in the PRC with limited liability, being the Lessor under the Finance Lease Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;

“Wuxi Zhongfa Water”

Wuxi Zhongfa Water Investment Co., Ltd.\*(無錫中發水務投資有限公司), a company established in the PRC with limited liability and a 100% wholly-owned subsidiary of the Company; being one of the Lessees under the Finance Lease Agreement; and

“%”

per cent.

By order of the Board  
**Yunnan Water Investment Co., Limited\***  
**Yu Long**  
*Acting Chairman*

Kunming, the PRC

29 October 2021

*As at the date of this announcement, the executive directors of the Company are Mr. Yu Long (Acting Chairman) and Ms. Ling Hui, the non-executive directors of the Company are Mr. Dai Richeng, Mr. Chen Yong and Mr. Liu Hui, and the independent non-executive directors of the Company are Mr. Liu Shuen Kong, Mr. Zhou Beihai and Mr. Zhong Wei.*

\* *For identification purposes only*