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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**

The Board is pleased to announce that, on 10 March 2020 (after trading hours), Langfang Hyflux entered into (I) the Sale and Purchase Contract and (II) the Leaseback Contract with Greatwall Guoxing, pursuant to which, Greatwall Guoxing has agreed to, among other things, (i) acquire the Leased Assets from Langfang Hyflux at a consideration of RMB380,000,000, which will be paid to Langfang Hyflux in one lump sum and (ii) lease back the Leased Assets to Langfang Hyflux with the Lease Term for 60 months, and a total lease payment of approximately RMB458,236,994.99 shall be paid by Langfang Hyflux to Greatwall Guoxing in 10 installments at floating lease rate.

### **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 Sale and Purchase Contract are more than 5% but less than 25%, the transactions under the Sale and Purchase Contract 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.

## **I. SALE AND PURCHASE CONTRACT**

The Board is pleased to announce that, on 10 March 2020 (after trading hours), Langfang Hyflux entered into the Sale and Purchase Contract with Greatwall Guoxing. The principal terms of the Sale and Purchase Contract are summarized as follows:

**Date:** 10 March 2020 (after trading hours)

**Parties:** (i) Langfang Hyflux (as the Seller); and  
(ii) Greatwall Guoxing (as the Purchaser)

### **Leased Assets**

The Seller transferred its own selected properties to the Purchaser for the purpose of leaseback and use, namely its own wastewater treatment facilities and supporting facilities.

### **Sale of the Leased Assets to the Purchaser**

Pursuant to the Sale and Purchase Contract, the Seller has agreed to sell and the Purchaser has agreed to purchase the Leased Assets at a consideration of RMB380,000,000, which was determined between the parties based on the valuation of the Leased Assets by a third party valuation institution, and shall be paid in one lump sum by the Purchaser to the bank account designated by the Seller within 30 working days from the date of conditions precedent for payment being fulfilled.

### **Conditions Precedent**

The conditions precedent to the Sale and Purchase Contract are set out below:

1. The Transaction Documents have been legally signed and become effective;
2. The registration and filing notification procedures required under the Guarantee Contract have been fully completed, and the Seller has procured the guarantor to submit the relevant original documents for registration and filing notification to the Purchaser;
3. The Seller has paid the costs, completed the delivery and change registration for transfer of the Leased Assets, and the Seller has submitted the official documents for relevant change registration to the Purchaser;
4. The Seller has submitted to the Purchaser the Confirmation on Acceptance of the Leased Assets stamped with its official seal, confirming that it has occupied and used the Leased Assets in the manner of lease;
5. No incident that did not meet the conditions of the Leased Assets committed and confirmed by the Seller occurred;

6. The Seller has cooperated with the Purchaser to complete the registration in respect of the Leased Assets and the rights identification;
7. The Seller and its guarantor did not violate any of the Transaction Documents.

### **Delivery and Ownership Transfer of the Leased Assets**

The ownership of the Leased Assets shall be fully transferred from the Seller to the Purchaser from the date when the Purchaser pays the Seller the first installment of the purchase price. The Purchaser shall be responsible for the relevant registration procedures for the transfer of ownership. If the Purchaser fails to go through the registration procedures as agreed, the Purchaser shall continue to proceed as required by the Seller. Otherwise, the Seller shall have the right to go through the relevant procedures on its own, the costs incurred shall be borne by the Purchaser.

Based on the transaction arrangement of the leaseback, the Leased Assets does not undergo actual occupation transfer. The transfer of ownership of the Leased Assets does not result in the transfer of risks of the Leased Assets, and risks such as damage to the Leased Assets shall be borne by the Seller.

From the date on which the Purchaser acquires the ownership of the Leased Assets, the Seller shall not expressly or implicitly be the owner of the Leased Assets or allow any event that causes others to reasonably believe that the Seller is the owner of the Leased Assets. Otherwise, the Seller will be liable for breach of contract in accordance with the provisions of the Sale and Purchase Contract.

### **Guarantee on Defectives of the Leased Assets**

The Seller has committed and confirmed that the Leased Assets meet the following main conditions:

1. The Seller fulfilled the purchase, manufacturing, construction, importation, commodity inspection, acceptance and other procedures according to law when obtaining the Leased Assets. As of the date of signing the Sale and Purchase Contract, no third party claims the Leased Assets;
2. The Leased Assets are the operating assets of the Seller. During the Lease Term, the Seller will still use the Leased Assets for its own operations. The Leased Assets are not used by third parties in the manner of lease, contract or borrow;
3. There is no such situation as setting up a mortgage to a third party, sharing with a third party, or holding for the benefits of a third party, there are no restrictions on transfers such as customs supervision, and there are no situations where the Leased Assets have been impounded or seized by judicial authorities or have defective ownership;
4. The Seller holds all the certificates, qualifications and conditions necessary for the purchase, holding and use of the Leased Assets according to law.

## II. LEASEBACK CONTRACT

The Board is pleased to announce that, on 10 March 2020 (after trading hours), Langfang Hyflux entered into the Leaseback Contract with Greatwall Guoxing. The principal terms of the Leaseback Contract are summarized as follows:

**Date:** 10 March 2020 (after trading hours)

**Parties:** (i) Langfang Hyflux (as the Lessee); and

(ii) Greatwall Guoxing (as the Lessor)

### **Leased Property and its Purchase**

Pursuant to the Leaseback Contract, the Lessee has agreed to sell and the Lessor has agreed to purchase the Leased Assets at a consideration of RMB380,000,000, which was determined between the parties based on the valuation of the Leased Assets by a third party valuation institution, and shall be paid in a lump sum by the Lessor to the bank account designated by the Lessee within 30 working days from the date of payment conditions being fulfilled. The Lessor has agreed to purchase the Leased Assets from the Lessee and lease them back to the Lessee for use, and the Lessee has agreed to lease the Leased Assets from the Lessor and pay the rent and other payables.

### **Lease Term**

The Lease Term under the Leaseback Contract expires 60 months from the lease commence date. The lease commence date is the date on which the Lessor pays the first installment of the lease consideration to the Lessee according to the contract.

### **Transfer and Delivery of the Leased Assets**

Based on the transaction arrangement of the leaseback, the Leased Assets does not undergo actual occupation transfer. When the Lessee issues the Confirmation on Acceptance of the Leased Assets to the Lessor, it is deemed that the Lessor has delivered the Leased Assets to the Lessee for possession and use in accordance with the Leaseback Contract, and the Lessee has verified and confirmed that the Leased Assets has been delivered for possession and use by the Lessee, and the Lessee has confirmed that the Leased Assets is in good working condition after inspection on the lease commence date, and can meet its purpose of use. The risk of damage to or loss of the Leased Assets shall be borne by the Lessee from the lease commence date.

## **Leaseback of the Leased Assets to the Lessee**

Pursuant to the Leaseback Contract, the Leased Assets shall be leased back to the Lessee during the Lease Term at the total lease payment of approximately RMB458,236,994.99, which comprises of (i) the lease costs in the sum of RMB380,000,000; and (ii) the adjustments on same extent and same direction made to the rental rate for the current year based on the floating lease rate, namely, with reference to the LPR for more than five years issued by the National Interbank Funding Center on 20 December in the previous year. The floating ratio is 2.2500% in absolute value. The lease rate for the initial rent is 7% with reference to the LPR of 4.75% plus a floating ratio of 2.2500% issued on 20 February 2020.

The lease payment shall be paid by the Lessee every six months in 10 installments during the Lease Term. During the Lease Term, the Lessee shall fully recognize the above-mentioned adjustments made by the Lessor to the lease rate based on the rise or fall of the LPR, and the adjusted lease rate and the rent of each period shall be subject to the Rent Adjustment Notice issued by the Lessor. If the Lessee fails to pay the rent, deposit or handling fee in full in accordance with the Leaseback Contract, when the LPR rises, the Lessee shall pay the rent based on the adjusted lease rate; when the LPR falls, The Lessee shall still pay the rent and related expenses to the Lessor according to the lease rate before such adjustment.

The lease payment date is based on the date when the rent reaches the Lessor's account, and the specific payment time of each period of rent is based on the time agreed in the Leaseback Contract. Unless otherwise agreed, the Lessee shall not refuse to pay for any reason, postpone payment or request a reduction or exemption from the rent stipulated in the Leaseback Contract.

## **Treatment of the Leased Assets after Lease Term**

After the expiration of the Lease Term, on the premise that all rents and related expenses under the Leaseback Contract have been settled, the Lessee shall pay the Lessor the remaining purchase price of the Leased Assets in accordance with the contract, being RMB100. After receiving the aforesaid purchase price, the Lessor shall issue the Certificate of Transfer of Ownership for the Leased Assets to the Lessee.

From the date on which the Lessor issues the Certificate of Transfer of Ownership, the ownership of the Leased Assets shall be transferred from the Lessor to the Lessee in accordance with the then "current status".

If the change registration is required according to the relevant laws and regulations, the Lessor shall cooperate with the Lessee to complete the registration procedures. As the Leased Assets are occupied and used by the Lessee during the Lease Term, the Lessor does not make any representation and guarantee about the performance and condition of the Leased Assets at that time, and the Lessee may not raise any objections regarding the then conditions of the Leased Assets.

## **Assignment of Contractual Rights**

During the Lease Term, the Lessor has the right to transfer all or part of the rights (including but not limited to the right to collect rent and related expenses, ownership of the Leased Assets) agreed in the Leaseback Contract without the Lessee's consent, or set up guarantees to third parties with the Leased Assets. The transfer of ownership of the Leased Assets by the Lessor shall not affect the Lessee's possession and use rights to the Leased Assets under the Leaseback Contract.

The Lessee may not assign its rights and obligations under the Leaseback Contract without the Lessor's written consent.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AND PURCHASE CONTRACT AND THE LEASEBACK CONTRACT**

The terms of the Sale and Purchase Contract and the Leaseback Contract 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 sale and purchase contracts and assets leaseback contracts. The Directors are of the opinion that the Group will be able to supplement its working capital through the Sale and Purchase Contract, the Leased Assets will continue to be used by the Lessee and generate revenue for it. The terms and conditions of the Sale and Purchase Contract and the Leaseback Contract 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 SALE AND PURCHASE CONTRACT AND THE LEASEBACK CONTRACT**

Langfang Hyflux is a company incorporated in the PRC and a controlling subsidiary directly owned by the Company as to 100% and is accounted for as a subsidiary of the Company. It is principally engaged in the construction and operation of sewage and reclaimed water treatment plants; providing technical consultation and services for membrane process sewage and reclaimed water; urban water treatment services; river treatment; groundwater pollution treatment, etc.

Greatwall Guoxing 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 Greatwall Guoxing is China Great Wall Asset Management Corporation\* (中國長城資產管理公司). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Greatwall Guoxing 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 Sale and Purchase Contract are more than 5% but less than 25%, the transactions under the Sale and Purchase Contract 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;
“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;
“Greatwall Guoxing”	Greatwall Guoxing Finance Leasing Company Limited* (長城國興金融租賃有限公司), a company established in the PRC with limited liability, being the Purchaser under the Sale and Purchase Contract and the Lessor under the Leaseback Contract;
“Group”	the Company and all its subsidiaries;
“Guarantee Contract”	the pledge of rights contract entered into between the Lessor and the Lessee on 10 March, 2020;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Langfang Hyflux”	Langfang Hyflux NewSpring Co., Ltd.* (廊坊凱發新泉水務有限公司) a company established in the PRC with limited liability, a controlling subsidiary owned by the Company as to 100%, being the Seller under the Sale and Purchase Contract and the Lessee under the Leaseback Contract;
“Leaseback Contract”	the leaseback contract and its attachments dated 10 March 2020 between the Lessor and the Lessee;
“Leased Assets”	the wastewater treatment facilities and supporting facilities owned by Langfang Hyflux, which will be sold by the Lessee to the Lessor and shall be leased back to the Lessee according to the Leaseback Contract;
“Lease Term”	the lease term of 60 months under the Leaseback Contract;
“Listing Rules”	the Rules Governing the Listing of the 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;
“Purchaser” or “Lessor”	Greatwall Guoxing;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Contract”	the leaseback sale and purchase contract entered into between the Lessor and the Lessee on 10 March, 2020;
“Seller” or “Lessee”	Langfang Hyflux;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules;
“Transaction Documents”	the Leaseback Contract, the Sale and Purchase Contract and the Guarantee Contract, as well as other documents or unilateral commitments, instructions and resolutions executed or issued by the Lessee or related obligor with or to the Lessor for protecting the Lessor’s legal interests under this contract; and
“%”	per cent.

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

Kunming, the PRC  
10 March 2020

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

\* *For identification purposes only*