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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 27 November 2020 (after trading hours), Dali Water 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 RMB140,000,000 and (ii) lease back the Leased Assets to the Lessee with the Lease Term for 60 months and an estimated total lease payment of RMB160,129,296.80, which will be paid by the Lessee to BoCom Leasing in 20 equal installments.

IMPLICATIONS OF THE LISTING RULES

On 20 September 2020, HLJ Yunshui, a subsidiary of the Company, and BoCom Leasing entered into the Pre-Finance Lease Agreement. Since the transactions under the Pre-Finance Lease Agreement were completed within 12 months prior to the date of the Finance Lease Agreement, the transactions under the Pre-Finance Lease Agreement and the transactions under the Finance Lease Agreement shall be aggregated to calculate the applicable percentage ratios according to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios of the transactions under the Finance Lease Agreement and the Pre-Finance Lease Agreement on an aggregated basis 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 27 November 2020 (after trading hours), Dali Water entered into the Finance Lease Agreement with BoCom Leasing. The principal terms of the Finance Lease Agreement are summarized as follows:

Date: 27 November 2020 (after trading hours)

Parties: (i) Dali Water (as the Lessee); and
(ii) BoCom Leasing (as the Lessor)

The Leased Assets

The Leased Assets are water supply and drainage pipeline network facilities in Dali City owned by Dali Water 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 RMB140,000,000, 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 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 RMB7,000,000 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.

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 RMB160,129,296.80, which comprises of (i) the amount of the lease principal in the sum of RMB140,000,000; (ii) the total interest of approximately RMB20,129,296.80 calculated at the floating annual lease interest rate. The first annual lease interest rate is 5.26% (i.e. the LPR for over five-year period published on 20 October 2020 plus 61 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 61 basis points. 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

Dali Water is a company incorporated in the PRC and a subsidiary directly owned by the Company as to 40.27% and is accounted for as a subsidiary of the Company. It is principally engaged in tap water production and supply, construction of water supply and drainage facilities, development and utilization of water products and wastewater treatment, 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 *de facto* controller of BoCom Leasing is the Ministry of Finance of the PRC. To the best of the Directors' knowledge, information and belief after 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

On 20 September 2020, HLJ Yunshui, a subsidiary of the Company, and BoCom Leasing entered into the Pre-Finance Lease Agreement. Since the transactions under the Pre-Finance Lease Agreement were completed within 12 months prior to the date of the Finance Lease Agreement, the transactions under the Pre-Finance Lease Agreement and the transactions under the Finance Lease Agreement shall be aggregated to calculate the applicable percentage ratios according to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios of the transactions under the Finance Lease Agreement and the Pre-Finance Lease Agreement on an aggregated basis 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.

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 the PRC, whose H Shares are listed on the Main Board of the Stock Exchange (stock code: 6839);
“Dali Water”	Dali Water Investment Co. Ltd.* (大理水務產業投資有限公司), a company established in the PRC with limited liability, a controlling subsidiary owned by the Company as to 40.27%, which is the Lessee under the Finance Lease Agreement;
“Director(s)”	the director(s) of the Company;
“Finance Lease Agreement”	the Finance Lease Agreement dated 27 November 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 RMB140,000,000 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 subsidiary indirectly owned by the Company as to 99%, which is the lessee under the Pre-Finance Lease Agreement;
“Leased Assets”	water supply and drainage pipeline network facilities in Dali City owned by Dali Water, which will be sold by the Lessee to the Lessor and shall be leased back to the Lessee according to the Finance Lease Agreement;
“Lease Term”	the lease term of 60 months under the Finance Lease Agreement;
“Lessee”	Dali Water;

“Lessor”	BoCom 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;
“Pre-Finance Lease Agreement”	the finance lease agreement dated 20 September 2020 between HLJ Yunshui and BoCom Leasing;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the 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
27 November 2020

As at the date of this announcement, the executive Directors of the Company are Mr. Yu Long (Vice-chairman) and Mr. Yang Fang, the non-executive Directors of the Company are Mr. Li Jialong (Chairman), Ms. Li Bo, Mr. Dai Richeng and Mr. Chen Yong, and the independent non-executive Directors of the Company are Mr. Liu Shuen Kong, Mr. Zhong Wei and Mr. Zhou Beihai.

* *For identification purposes only*