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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)

MAJOR TRANSACTION: FINANCE LEASE AGREEMENT

FINANCE LEASE AGREEMENT

The Board is pleased to announce that, on 9 December 2020 (after trading hours), Kaifa Xinquan (Tiantai) entered into the Finance Lease Agreement with ABC Financial Leasing, pursuant to which, ABC Financial Leasing has agreed to, among other things, (i) acquire the Leased Assets from Kaifa Xinquan (Tiantai) at a consideration of RMB110,000,000, which will be paid to Kaifa Xinquan (Tiantai) by instalments and (ii) lease back the Leased Assets to Kaifa Xinquan (Tiantai) with the Lease Term for 10 years and a total lease payment of approximately RMB140,458,006.37, the principal and interest of which will be paid by Kaifa Xinquan (Tiantai) to ABC Financial Leasing in 20 equal installments.

IMPLICATIONS OF THE LISTING RULES

On 20 February 2020, Sanming Jinliya, a non-wholly-owned subsidiary of the Company, and ABC Financial Leasing entered into the First ABC Finance Lease Agreement. Since the transactions under the First ABC Finance Lease Agreement were completed within 12 months prior to the date of the Finance Lease Agreement, the transactions under the First ABC 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 First ABC Finance Lease Agreement and the Finance Lease Agreement on an aggregated basis are more than 25% but less than 100%, the transactions under the Finance Lease Agreement constitute a major transaction of the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the Finance Lease Agreement may be given by way of written Shareholders' approval in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Finance Lease Agreement; and (2) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting to approve the Finance Lease Agreement.

The Company intends to obtain a written approval for the Finance Lease Agreement from the Closely Allied Group which together holds more than 50% of the voting rights at a general meeting. As such, no general meeting will be convened for the purpose of approving the Finance Lease Agreement.

A circular containing, among other things, (i) further information about the Finance Lease Agreement; and (ii) other discloseable information under the Listing Rules will be despatched by the Company to the Shareholders in accordance with the Listing Rules and the relevant requirements under the Articles of Association before 29 December 2020.

FINANCE LEASE AGREEMENT

The Board is pleased to announce that, on 9 December 2020 (after trading hours), Kaifa Xinquan (Tiantai) entered into the Finance Lease Agreement with ABC Financial Leasing. The principal terms of the Finance Lease Agreement are summarized as follows:

Date: 9 December 2020 (after trading hours)

Parties: (i) Kaifa Xinquan (Tiantai) (as the Lessee); and

(ii) ABC Financial Leasing (as the Lessor)

Sale of the Leased Assets to the Lessor

Pursuant to the Finance Lease Agreement, the Lessee has agreed to sell and the Lessor has agreed to purchase the Leased Assets at a consideration of RMB110,000,000, 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 installments to the Lessee within ten working days after receiving the written notice of payment from the Lessee.

Conditions precedent

The conditions precedent to the Finance Lease Agreement are set out below:

1. The Lessor has received the acquisition certificate for the Leased Assets, copies of original purchase invoices affixed with the official seal of the Lessee, or copies of other necessary basic information and documents affixed with official seal which the Lessor considers necessary to prove that the Lessee possesses complete ownership of the Leased Assets submitted by the Lessee;

2. The Lessee shall pay a deposit (if any) in the amount as agreed in the Finance Lease Agreement;
3. The Lessor has received other amounts (if any) payable by the Lessee to the Lessor;
4. To achieve the goal of the Finance Lease Agreement, the guarantee documents and other legal documents related to the Finance Lease Agreement have been duly signed between the Lessee and the Lessor or between the Lessor and the third parties, and the registration procedures related to the guarantee have also been completed;
5. The Lessor has received the authorizations for accessing to and using corporate customer information provided by the Lessee and the guarantor of the Lessee;
6. The Lessee has already purchased adequate insurance for the Leased Assets according to the Finance Lease Agreement, and the Lessor has received copies of valid insurance contracts affixed with the official seal of the Lessee, including the above-mentioned insurance policies, the approval forms and etc;
7. The Lessee has cooperated with the Lessor to complete the registration in respect of the Leased Assets in the registration system for finance lease of Credit Reference Center of the PRC;
8. The Lessor has received the inquiry documents or certification documents proving that the Leased Assets is free from pledge;
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 payment, comparing to those when the corresponding lease was executed, and there are no significant increase in the market financing cost; all the statements and guarantees of the Lessee under the Finance Lease Agreement are true, complete and not materially misleading, and not in violation of the Finance Lease Agreement; and
10. The Lessor has received from the Lessee all the relevant examination documents as agreed in the Finance Lease Agreement and all information and documents that the Lessor considered should be provided by the Lessee.

The Finance Lease Agreement is subject to approval by the Shareholders in accordance with the requirements of the Listing Rules. As no Shareholder is interested in the transaction and is required to abstain from voting if the Company were to convene a general meeting to approve the Finance Lease Agreement, the Company intends to obtain a written approval for the Finance Lease Agreement from the Closely Allied Group (which collectively holds 656,586,162 Shares, representing approximately 55.03% of the total number of Shares in issue as at the date of the Finance Lease Agreement) pursuant to Rule 14.44 of the Listing Rules.

Transfer and delivery of the Leased Assets

The Lessee shall issue the Certificate of Ownership Transfer (to the Lessor) to the Lessor at the date when the Lessee receives the purchase price of the Leased Assets. Otherwise, the Lessor shall also have the ownership of 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 total lease payment of approximately RMB140,458,006.37, which comprises of (i) the amount of the lease principal in the sum of RMB110,000,000; and (ii) the lease interest of approximately RMB30,458,006.37 calculated at the annual lease interest rate of 4.9% (being the prime rate of over 5-year loan promulgated by the National Interbank Funding Centre in the PRC on the day before the lease commence date plus 25 basis points, and during the Lease Term, the lease rate shall be renegotiated annually with the corresponding date of the lease commence date as the renegotiation date (if there is no corresponding date, the last day of that month shall be the corresponding date), and the rent shall be adjusted through calculating the lease rate based on the over 5-year LPR on the day before the renegotiation date plus 25 basis points).

The Lease Term shall be 10 years, commencing from the date when the Lessor pays the purchase price of the Leased Assets to the Lessee. The lease payment shall be paid by the Lessee every six months in 20 installments during the Lease Term, the 20th day of the last month of each installment shall be the lease payment date for that installment, and the lease payment date for the last installment shall be termination date of the Lease Term.

Ownership of the Leased Assets during and after the Lease Term

The Leased Assets are certain sewage pipe networks owned by Kaifa Xinquan (Tiantai). During the Lease Term, the Leased Assets will be owned by the Lessor.

Upon expiry of the Lease Term and subject to full payment of all the lease payment and other payables to the Lessor by the Lessee under the Finance Lease Agreement, the Lessee shall have the right to obtain the ownership of the Leased Assets upon payment to the Lessor a retention money of RMB1 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 the similar assets and the prevailing market interest rates and trading terms of finance lease agreements of the 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 the Shareholders as a whole.

INFORMATION ABOUT THE PARTIES TO THE FINANCE LEASE AGREEMENT

Kaifa Xinquan (Tiantai) is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company. It is principally engaged in the design, construction, operation and management of wastewater, waste residue, waste gas treatment and environmental protection projects.

ABC Financial Leasing is a limited liability company incorporated in the PRC and is principally engaged in financial leasing business and financial services in the PRC. The controlling shareholder of ABC Financial Leasing is Agricultural Bank of China Limited, a company listed on the Shanghai Stock Exchange (stock code: 601288.SH) and the Stock Exchange (stock code: 01288.HK), and whose ultimate *de facto* controller is the State Council of the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, ABC Financial 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 February 2020, Sanming Jinliya, a non-wholly-owned subsidiary of the Company, and ABC Financial Leasing entered into the First ABC Finance Lease Agreement. Since the transactions under the First ABC Finance Lease Agreement were completed within 12 months prior to the date of the Finance Lease Agreement, the transactions under the First ABC 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 First ABC Finance Lease Agreement and the Finance Lease Agreement on an aggregated basis are more than 25% but less than 100%, the transactions under the Finance Lease Agreement constitute a major transaction of the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the Finance Lease Agreement may be given by way of written Shareholders' approval in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Finance Lease Agreement; and (2) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting to approve the Finance Lease Agreement.

The Company intends to obtain a written approval for the Finance Lease Agreement from the Closely Allied Group which together holds more than 50% of the voting rights at a general meeting. As such, no general meeting will be convened for the purpose of approving the Finance Lease Agreement.

A circular containing, among other things, (i) further information about the Finance Lease Agreement; and (ii) other discloseable information under the Listing Rules will be despatched by the Company to the Shareholders in accordance with the Listing Rules and the relevant requirements under the Articles of Association before 29 December 2020.

DEFINITIONS

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

“ABC Financial Leasing”	ABC Financial Leasing Co., Ltd.* (農銀金融租賃有限公司), a company established in the PRC with limited liability, being the Lessor under the Finance Lease Agreement;
“Articles of Association”	the articles of association of the Company;
“Board”	the board of Directors of the Company;
“Closely Allied Group”	the closely allied group of Shareholders comprising (i) Yunnan Province Water with its acting in concert parties (Mr. Liu Xujun, Mr. Huang Yunjian and Mr. Wang Yong); (ii) Beijing Origin Water Technology Co., Ltd.* (北京碧水源科技股份有限公司); and (iii) Caiyun International Investment Limited (彩雲國際投資有限公司), which collectively holds 656,586,162 Shares, representing approximately 55.03% of the total number of Shares in issue of the Company as at the date of this announcement;
“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);
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Domestic Share(s)”	the issued ordinary shares at the nominal value of RMB1.00 per share in the share capital of the Company which are subscribed for or credited as paid up in RMB;
“Finance Lease Agreement”	the Finance Lease Agreement dated 9 December 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 RMB110,000,000 and the Lessor agreed to leaseback the Leased Assets to the Lessee during the Lease Term;
“First ABC Finance Lease Agreement”	the finance lease agreement dated 20 February 2020 between Kaifa Xinquan (Tiantai) and ABC Financial Leasing;
“Group”	the Company and all its subsidiaries;

“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“H Share(s)”	the overseas listed foreign-invested ordinary shares of the Company with a nominal value of RMB1.00 per share in the share capital of the Company, which are listed on the Main Board of the Stock Exchange (stock code: 6839.HK) and subscribed for and traded in Hong Kong dollars;
“Kaifa Xinquan (Tiantai)”	Kaifa Xinquan Water (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 wholly-owned subsidiary of the Company;
“Lease Term”	the lease term of 10 years under the Finance Lease Agreement;
“Leased Assets”	certain sewer pipe networks owned by Kaifa Xinquan (Tiantai), 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”	Kaifa Xinquan (Tiantai);
“Lessor”	ABC Financial Leasing;
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange (as amended from time to time);
“LPR”	the loan prime 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;
“Sanming Jinliya”	Sanming Jinliya Environmental Protection Technological Investment Co., Ltd.* (三門市金利亞環保科技投資有限公司), a company established in the PRC with limited liability, a subsidiary owned by the Company as to 90%;
“Share(s)”	the Domestic Shares and/or H Shares;
“Shareholder(s)”	the holder(s) of Share(s);
“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,
9 December 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*