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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 ARRANGEMENT**

The Board is pleased to announce that, on 17 June 2020 (after trading hours), the Company, Emin Water and China Resources Financial Leasing entered into the Finance Lease Agreement, pursuant to which, China Resources Financial Leasing has agreed to, among other things, (i) acquire the Leased Assets from the Lessees at a consideration of RMB300,000,000, which will be paid to the Lessees in a lump sum and (ii) lease back the Leased Assets to the Lessees with the Lease Term of 60 months and the total lease payment is estimated to be RMB356,753,891.88, in which, total rents will be paid by the Lessees to China Resources Financial Leasing in 20 installments.

### **IMPLICATIONS OF THE LISTING RULES**

As one or more of the applicable percentage ratios 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 therefore are subject to the announcement and reporting requirements under the Listing Rules.

### **FINANCE LEASE AGREEMENT**

The Board is pleased to announce that, on 17 June 2020 (after trading hours), Emin Water and China Resources Financial Leasing entered into the Finance Lease Agreement. The principal terms of the Finance Lease Agreement are summarized as follows:

**Date:** 17 June 2020 (after trading hours)

**Parties:** (i) China Resources Financial Leasing (as the Lessor);

(ii) Emin Water (as the Lessee I); and

(iii) the Company (as the Lessee II)

## **Leased Assets**

Pursuant to the Finance Lease Agreement, the Leased Assets are Emin (Bingdi, Liaoyang) Industrial Park Water Supply Project (Phase 1) Structure in Emin County.

## **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 RMB300,000,000, 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 Lessees in a lump sum within 15 working days from the fulfillment of all the payment conditions precedent.

## **Conditions precedent**

1. the Finance Lease Agreement is in force and there is no default on the part of the Lessees that has not been disclosed to the Lessor as of the payment date of the price of the Leased Assets;
2. the Lessees have provided the Lessor with a certificate of the ownership of the Leased Assets;
3. the Lessees have submitted to the Lessor a valid resolution of the internal competent authority of the Lessees approving the execution and performance of the Finance Lease Agreement in accordance with the constitutional documents;
4. the Lessees have paid the lease deposit (if any), and the handling fee (if any), pursuant to the Finance Lease Agreement; where the lease deposit and the handling fee are in case of leasing in batches and installment payment, unless otherwise stated, it represents the first installment corresponding to the first inception of the lease;
5. the Lessees have cooperated with the Lessor in completing the relevant formalities (if any) for the registration of the change of the ownership of the Leased Assets;
6. the guarantee contracts (if any) under the Finance Lease Agreement have been signed and become effective, the Lessor has received a valid resolution (if any) from the internal competent authority of the guarantor approving the provision of the guarantee in accordance with the articles of association, and the relevant guarantee formalities have been completed;
7. the Lessor has received from the Lessees a Notice of Payment and a Certificate of Receipt of Payment (in the form attached as Annexes VII and VIII);
8. the Lessor's receipt of the Authorization for Inquiry and Use of Credit Information signed by the Lessees and the guarantor, if any, and, unless otherwise requires, the aforementioned guarantor means the guarantor of the collateral guarantee;
9. other conditions as agreed in the material terms;

10. the other reasonable conditions required by the Lessor;
11. the Lessor has received the latest credit report from Ermin Water.

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

There was no actual transfer of possession of the Leased Assets under the Finance Lease Agreement, and the Lessor has no responsibility for the delivery of the Leased Assets. From the date on which the first installment of the price of the Leased Assets is paid, the ownership of the Leased Assets is transferred from the Lessees to the Lessor, and at the same time, the Leased Assets are deemed to be delivered from the Lessor to the Lessees in a complete state. The Lessees shall issue the Letter of Acceptance of the Leased Assets to the lessor. Even the Lessees delay or fail to issue the Letter of Acceptance of the Leased Assets, it shall not affect the Lessor's delivery of the Leased Assets and the Lessees' acceptance of the Leased Assets.

### **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 estimated total rents of approximately RMB356,753,891.88, which is comprised of (i) the amount of the lease costs in the sum of RMB300,000,000; (ii) the total rents of approximately RMB56,753,891.88 calculated at an annual lease rate of about 6.74% (The rent under the Finance Lease Agreement is calculated based on the Benchmark Interest Rate. From the date of the entering into of the Finance Lease Agreement to the date of expiry of the term of the Finance Lease Agreement, if any adjustment is made to the Benchmark Interest Rate, the rent for the current period including the date on which the Benchmark Interest Rate is adjusted remains the amount of the pre-adjustment rent, and the rent in subsequent periods shall be adjusted. If the Benchmark Interest Rate increases/decreases by 0.1 percentage point, the rent for each of the remaining periods after the date on which the Benchmark Interest Rate is adjusted shall be adjusted in accordance with the rent adjustment proportion as specified in the repayment schedule. The rent for each of the remaining periods shall be determined based on the actual adjustment of the Benchmark Interest Rate and the rent adjustment proportion specified in the repayment schedule.).

The Lease Term span a total of 60 months starting from the Lease Inception Date and ending on the corresponding day of the 60<sup>th</sup> month after the Lease Inception Date (if there is no corresponding day in the month, the last day of the month prevails). Other than the first installment of rent, the remaining rents shall be paid every 3 months thereafter, totaling 20 installments.

### **Ownership of the Leased Assets during and after the Lease Term**

The ownership of the Leased Assets shall be transferred to the Lessor upon the first installment of the price of the Leased Assets is paid by the Lessor to the Lessees; Where the confirmation and change of the ownership of the Leased Assets shall go through registration and other relevant procedures in accordance with laws, the Leased Assets shall be transferred to the Lessor upon completion of the relevant procedures. The Lessor shall have the ownership of the Leased Assets and all ancillary devices, articles and facilities that are or will be attached to the Leased Assets. The Lessor shall be the sole owner of the Leased Assets. The failure of the Lessor to register the ownership of the Leased Assets due to reasons including laws, regulations or the registration

system does not affect the fact that the Lessor is still the sole owner of the Leased Assets. Once the registration of the ownership of the Leased Assets can be realized, the Lessees shall, according to the notice of the Lessor, assist the Lessor in the registration of the ownership of the Leased Assets unconditionally.

During the term of the Finance Lease Agreement, unless the written consent of the Lessor is obtained, the Lessees shall not take the following actions that may infringe on the ownership of the Leased Assets:

1. transfer, sub-lease, lend or surrender the Leased Assets;
2. use the Leased Assets for investment or outsourcing them to third parties or use the Leased Assets as a cooperative condition to cooperate with third parties;
3. create mortgages, pledges or other encumbrance on the Leased Assets;
4. pledge the future revenues to be generated by or relating to the Leased Assets;
5. relocate the Leased Assets from the originally planned place of use;
6. disguise, destroy or remove the logo indicating that the owner is the Lessor;
7. use the Leased Assets for illegal purposes;
8. treat the Leased Assets as the property for the Lessees to assume its civil liability or include the Leased Assets in the bankruptcy property category of the Lessees;
9. expressly or impliedly indicate that the Lessees are the owners of the Leased Assets, or cause others to believe that the Lessees are the owners;
10. any other act that may infringe on the ownership of the Leased Assets.

### **Purchase of the Leased Assets**

Upon the expiry of the Lease Term and subject to the payment of all other payables by the Lessees under the Finance Lease Agreement, the Lessees shall have the right to obtain the ownership of the Leased Assets upon payment to the Lessor a purchase price of RMB100 on an “as-is” basis. As the Leased Assets would remain occupied and used by the Lessees, no representations and guarantees shall be given by the Lessor on the performance and conditions of the Leased Assets at the time of purchase.

During the twelve months from the Lease Inception Date of the Finance Lease Agreement, if the Lessees fail to provide the proof of operating cash flows to be generated from the construction projects of the Emin (Bingdi, Liaoyang) Industrial Park Water Supply Project (Phase 1) to the

Lessor, the Lessor is entitled to request the Lessees to early purchase the Leased Assets, and an early purchase price shall be paid by the Lessees to the Lessor, which include:

1. the remaining lease cost;
2. the interests calculated based on the actual days from the date of the latest payment of rents to the date of early purchase, namely the remaining lease cost  $\times$  lease rate  $\times$  T/360 (T represents the natural days from the date of the latest payment of rents to the date of early purchase);
3. all rents due but not paid, penalties and compensation for damages;
4. other payables agreed in the Finance Lease Agreement.

## **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 similar assets and the prevailing market interest rates and trading terms of finance lease agreements of 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 its shareholders as a whole.

## **INFORMATION ABOUT THE PARTIES TO THE FINANCE LEASE AGREEMENT**

Emin Water is a company incorporated in the PRC and is accounted for as a subsidiary of the Company as it is indirectly held as to 100% by the Company. It is mainly engaged in the wastewater treatment and reclamation, management of municipal facilities, manufacturing of environmental protection engineering facilities and environmental protection consulting and other business.

China Resources Financial Leasing is a company incorporated in the PRC with limited liability and mainly engaged in the financial leasing business and financial services in the PRC. The controlling shareholder and the ultimate beneficial owner of China Resources Financial Leasing is China Resources Leasing (HK) Company Limited and China Resources (Holdings) Company Limited. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, China Resources Financial Leasing and its ultimate beneficial owner (if applicable) are third parties independent of 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 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 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 following meanings in this announcement:

“Benchmark Interest Rate”	the one-five years benchmark lending interest rate as determined by the People’s Bank of China;
“Board”	the board of Directors;
“China Resources Financial Leasing”	China Resources Financial Leasing Co., Ltd.*( 華潤金融租賃有限公司 ), a company established in the PRC with limited liability, being the Lessor under the Finance Lease Agreement;
“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;
“Emin Water”	Emin Water Industry Investment Co., Ltd.* ( 額敏縣水務產業投資有限公司 ) a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company;
“Finance Lease Agreement”	the finance lease agreement dated 17 June 2020 between the Lessor and the Lessees, pursuant to which the Lessees agreed to sell the Leased Assets to the Lessor at a consideration of RMB300,000,000 and the Lessor agreed to lease back the Leased Assets to the Lessees during the Lease Term;
“Group”	the Company and all its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Lease Inception Date”	the date on which the first installment of the price of the Leased Assets is paid by the Lessor to the Lessees;
“Lease Term”	the lease term of 60 months under the Finance Lease Agreement;
“Leased Assets”	auxiliary devices, articles and facilities of Emin (Bingdi, Liaoyang) Industrial Park Water Supply Project (Phase 1) Project in Emin County owned by Emin Water, which will be sold by the Lessees to the Lessor and shall be leased back to the Lessees according to the Finance Lease Agreement;
“Lessees”	Ermin Water (the Lessee I) and the Company (the Lessee II);

“Lessor”	China Resources Financial 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;
“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\***  
**Yang Tao**  
*Chairman*

Kunming, the PRC  
17 June 2020

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

\* *For identification purposes only*