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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), Qinggeda Yunshui and CITIC Financial Leasing entered into the Finance Lease Agreement, pursuant to which, CITIC Financial Leasing has agreed to, among other things, (i) acquire the Leased Assets from the Lessee at a consideration of RMB90,000,000, which will be paid to the Lessee in a lump sum and (ii) lease back the Leased Assets to the Lessee with the Lease Term of five years and the total lease payment is estimated to be RMB106,419,400, in which, total rents will be paid by the Lessee to CITIC Financial Leasing in ten equal installments of principal.

IMPLICATIONS OF THE LISTING RULES

On 24 April 2020, the Company, Kelamayi Haorui and CITIC Financial Leasing entered into the First CITIC Finance Lease Agreement. On 12 June 2020, Qinggeda Yunshui and CITIC Financial Leasing entered into the Second CITIC Finance Lease Agreement. Since the respective transactions under the First CITIC Finance Lease Agreement and the Second CITIC Finance Lease Agreement were completed within 12 months prior to the date of the Finance Lease Agreement, the transactions under the First CITIC Finance Lease Agreement and the Second CITIC Finance Lease Agreement and the transactions under the Finance Lease Agreement shall be combined 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 CITIC Finance Lease Agreement, the Second CITIC Finance Lease Agreement and the Finance Lease Agreement on an aggregated basis are more than 25% but less than 100%, the Finance Lease Agreement constitutes 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), Qinggeda Yunshui and CITIC Financial Leasing entered into the Finance Lease Agreement. The principal terms of the Finance Lease Agreement are summarized as follows:

Date: 9 December 2020 (after trading hours)

Parties: (i) Qinggeda Yunshui (as the Lessee); and
(ii) CITIC Financial Leasing (as the Lessor)

Leased Assets

Pursuant to the Finance Lease Agreement, the Leased Assets are equipment and facilities of Longhe Wastewater Treatment Plant* (龍河污水處理廠) owned by Qinggeda Yunshui.

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 RMB90,000,000, 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 in a lump sum within 10 working days from the fulfillment of all the payment conditions precedent.

Conditions precedent

1. The Lessor has received the lease fees, deposits and other payables from the Lessee under the corresponding lease schedules;
2. The Lessor has received the acquisition certificate for the Leased Assets, copies of original purchase invoices endorsed and affixed with the official seals of the Lessee or other information and documents which the Lessor considers necessary to prove that the Lessee possesses complete ownership of and/or rights to transfer or dispose of the Leased Assets submitted by the Lessee, and the Lessor has approved the information and documents mentioned in this paragraph;
3. The Lessee has obtained the internal and external approvals necessary to carry out the Finance Lease Agreement, such as the relevant internal and external authorities of the Lessee having granted effective resolutions, authorizations or approvals regarding the finance lease under the Finance Lease Agreement, and the Lessor has approved the contents of such resolutions;
4. In the event that the Lessor requests any guarantee from any guarantor in respect of the lease, the Lessor has received effective resolutions (authorizations) or approvals from the relevant guarantor's internal and external authorities granting that the guarantor would provide guarantee for the finance lease under the Finance Lease Agreement;
5. At the request of the Lessor, the relevant guarantee documents (if any) and other legal documents of the Finance Lease Agreement have been signed, and such guarantee documents and legal documents have come into effect without any breach of contract;
6. If the guarantee provided by relevant guarantor under the Finance Lease Agreement needs to go through the registration procedures for guarantees according to laws and the relevant guarantee documents and the Lessor requires that the guarantee registration procedures be completed before the issue of loans, the Lessor has received such guarantee registration certification documents;
7. The Lessor has received the Transfer of Ownership and Acceptance of Leased Assets* (《所有權轉移及租賃物接受書》) signed by the Lessee and the Notice of Payment* (《付款通知書》) issued by the Lessee on the payment of the purchase price of the Leased Assets;
8. If it is necessary to insure the Leased Assets as agreed in the lease schedules, the Lessor has received the relevant documents issued by the Lessee on the insurance of the Leased Assets, proving that the Lessee has purchased the insurance recognized by the Lessor for the Leased Assets at the request of the Lessor;
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 the payment as compared to those when the corresponding lease was executed, and there is no significant increase in the market financing costs;

10. When the Lessor makes the payment, there is no ongoing or unremedied breach of contract regarding any contract signed between the Lessor and the Lessee and the Finance Lease Agreement;
11. The proportion of the Lessee' total investment in the project where the Leased Assets belong to in the purchase price of the Leased Assets offered by the Lessor is not lower than the ratio as recognized by Lessor;
12. Other payment terms approved by the Lessor have been satisfied.

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 Leased Assets under the Finance Lease Agreement do not undergo the actual transfer of possession, nor does the Lessor bear any responsibility for the delivery of the Leased Assets. The Lessee shall sign and submit the Transfer of Ownership and Acceptance of Leased Assets on the date of signing the Finance Lease Agreement.

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 RMB106,419,400, which is comprised of (i) the amount of the lease principal in the sum of RMB90,000,000; (ii) the total rents of approximately RMB13,179,400 calculated at an annual lease rate of about 5.20% (the lease rate is calculated based on the tax-included floating interest rate. Specifically, the lease rate for the first instalment of rents is calculated according to the latest quoted interest rate in the loan market before the payment date of the Lease Assets' purchase price, and the lease rate for the second and subsequent instalments shall be adjusted based on the latest market quoted interest rate for over five-year-period loans published before the date of determining the lease rate, with the amount of adding points of 55 basis points, remained unchanged during the Lease Term); and (iii) the lease fee of RMB3,240,000 (lease fee = lease costs \times 3.6%).

The pre-lease period and the Lease Term span a total of five years starting from the payment date of the purchase price of the Leased Assets, which are divided into 10 six-month tenancies. An equal amount of principal shall be paid in arrears, and if the last payment date is later than the expiration date of the Lease Term, the last payment date will be adjusted to the expiration date of the Lease Term. If there is a need to adjust the actual starting date which has been agreed in the Finance Lease Agreement, the actual starting date shall be determined to be the date of which the Lessor has otherwise notifies the Lessee in writing.

Ownership of the Leased Assets during and after the Lease Term

The Leased Assets are equipment and facilities of Longhe Wastewater Treatment Plant owned by Qinggeda Yunshui. From the payment date of the purchase price of the Leased Assets, the ownership of the Leased Assets (such ownership is related to the subordinated property, subordinated rights and fruits) belongs to the Lessor. Regardless of whether the Leased Assets are registered in the name of the Lessor or whether the Lessee has delayed or has not submitted the Transfer of Ownership and Acceptance of Leased Assets, the Lessor is the sole legal owner of the Leased Assets.

Upon expiry of the Lease Term and subject to the payment of all the payables in respect of leases under the Finance Lease Agreement and the fulfilment of obligations under the Finance Lease Agreement by the Lessee without any breach of contract or in the event that the Lessee repays in advance as agreed in the Finance Lease Agreement, the Lessee shall obtain the ownership of the Leased Assets under the Finance Lease Agreement on an “as-is” basis.

Guarantee

The Lessee shall, at the Lessor’s request, provide satisfactory guarantee for its payment of rentals and other payables and for other obligations under the Finance Lease Agreement, and shall ensure that relevant guarantee documents are executed by the guarantor in accordance with the Lessor’s requirements. For the Finance Lease Agreement, the Company shall act as the guarantor.

During the Lease Term, in the event of invalidity of the guarantee documents, default under the guarantee documents, or loss of credibility of the Lessee or the guarantor, depreciation of collateral, or other events that in the Lessor’s belief would impair its claims or realization of the guarantee right under the Finance Lease Agreement, the Lessor may from time to time request the Lessee to provide other guarantees to supplement or replace the above-mentioned guarantees. The Lessee shall immediately meet these requirements or procure the relevant guarantor to do the same.

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

Qinggeda Yunshui is a limited liability company incorporated in the PRC and is a wholly-owned subsidiary of 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.

CITIC Financial Leasing is a limited liability company incorporated in the PRC and mainly engaged in the financial leasing business and financial services in the PRC. The controlling shareholder of CITIC Financial Leasing is China CITIC Bank Corporation Limited, a company listed on the Shanghai Stock Exchange (stock code: 601998.SH) and the Stock Exchange (stock code: 00998.HK), and whose ultimate *de facto* controller is the State Council of the PRC. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, CITIC 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

On 24 April 2020, the Company, Kelamayi Haorui and CITIC Financial Leasing entered into the First CITIC Finance Lease Agreement. On 12 June 2020, Qinggeda Yunshui and CITIC Financial Leasing entered into the Second CITIC Finance Lease Agreement. Since the respective transactions under the First CITIC Finance Lease Agreement and the Second CITIC Finance Lease Agreement were completed within 12 months prior to the date of the Finance Lease Agreement, the transactions under the First CITIC Finance Lease Agreement and the Second CITIC Finance Lease Agreement and the transactions under the Finance Lease Agreement shall be combined 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 CITIC Finance Lease Agreement, the Second CITIC Finance Lease Agreement and the Finance Lease Agreement on an aggregated basis are more than 25% but less than 100%, the Finance Lease Agreement constitutes 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.

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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 following meanings in this announcement:

“Articles of Association”	the articles of association of the Company;
“Board”	the board of Directors of the Company;
“CITIC Financial Leasing”	CITIC Financial Leasing Co., Ltd.* (中信金融租賃有限公司), a company established in the PRC with limited liability, being the Lessor under the Finance Lease Agreement;
“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 OriginWater 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 the PRC, whose 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 a consideration of RMB90,000,000 and the Lessor agreed to lease back the Leased Assets to the Lessee during the Lease Term;

“First CITIC Finance Lease Agreement”	the finance lease agreement dated 24 April 2020 between Kelamayi Haorui and CITIC 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;
“Kelamayi Haorui”	Kelamayi Haorui Water Co., Ltd.* (克拉瑪依浩瑞水務有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company;
“Leased Assets”	equipment and facilities of Longhe Wastewater Treatment Plant* (龍河污水處理廠) owned by Qinggeda Yunshui, 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 five years under the Finance Lease Agreement;
“Lessee”	Qinggeda Yunshui;
“Lessor”	CITIC 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 of the People’s Republic of China and Taiwan;
“Qinggeda Yunshui”	Xinjiang Qinggeda Yunshui Environmental Industry Investment and Development Co., Ltd.* (新疆青格達雲水環保投資有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second CITIC Finance Lease Agreement”	the finance lease agreement dated 12 June 2020 between Qinggeda Yunshui and CITIC Financial Leasing;

“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*