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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 7 August 2020 (after trading hours), (I) the Company, Shandong Qingzheng and AVIC International Leasing entered into Finance Lease Agreement A, pursuant to which, AVIC International Leasing has agreed (among others) (i) to purchase the Leased Asset A from Lessee A at the consideration of RMB90,000,000 and pay the consideration to Lessee A in two installments and (ii) to lease back the Leased Asset A to Lessee A, with the Lease Term of five years (60 months) and the total rent of RMB104,724,895.00 estimated by the matching principal method, which will be paid by Lessee A to AVIC International Leasing in 10 installments; (II) the Company, Shandong Binxin and AVIC International Leasing entered into Finance Lease Agreement B, pursuant to which, AVIC International Leasing has agreed (among others) (i) to purchase the Leased Asset B from Lessee B at the consideration of RMB160,000,000 and pay the consideration to Lessee B in two installments and (ii) to lease back the Leased Asset B to Lessee B, with the Lease Term of five years (60 months) and the total rent of RMB186,177,591.12 estimated by the matching principal method, which will be paid by Lessee B to AVIC International Leasing in 10 installments.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) of the transactions under Finance Lease Agreement A and Finance Lease Agreement B are more than 5% but less than 25%, the transactions under Finance Lease Agreement A and Finance Lease Agreement B 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 A

The Board is pleased to announce that, on 7 August 2020 (after trading hours), the Company, Shandong Qingzheng and AVIC International Leasing entered into Finance Lease Agreement A, the principal terms of which are summarized as follows:

- Date:** 7 August 2020 (after trading hours)
- Parties:**
- (i) AVIC International Leasing (as the Lessor);
 - (ii) Shandong Qingzheng (as Lessee A1); and
 - (iii) the Company (as Lessee II).

Leased Asset A

Pursuant to Finance Lease Agreement A, the Leased Asset A is the equipment of Shandong Qingzheng, including but not limited to auxiliary devices and pipe network of Shandong Jinan Qingzheng Water Plant (山東濟南清正自來水廠), auxiliary devices and pipe network of Jinan New Material Industrial Park Wastewater Treatment Plant (濟南新材料產業園污水廠).

Sale of the Leased Asset A to the Lessor

Pursuant to Finance Lease Agreement A, Lessee A has agreed to sell and the Lessor has agreed to purchase the Leased Asset A at the consideration of RMB90,000,000, which was determined by the parties after arm's length negotiation with reference to the valuation of the Leased Asset A by a third-party valuation institution and shall be paid to the bank account designated by Lessee A in two installments within seven working days after the fulfillment of all payment conditions precedent.

Conditions Precedent

The Lessor shall pay the first installment of transfer consideration, being RMB5,000,000, to Lessee A within seven working days after the fulfillment of all the following conditions:

1. The Lessor has received copies of the business license and the articles of association of Lessee A (with official seal to prove the conformity with the original documents);
2. The Lessor has received the ownership transfer certificate, the acceptance certificate and the payment notice on the installment of transfer consideration signed by Lessee A in respect of the equipment;
3. The Lessor has received the original valuation report in relation to the Leased Asset A of Lessee A;
4. The Lessor has received the original/copy of the document indicating that Lessee A enjoys the ownership of the Leased Asset A (with official seal of the Lessee A to prove the conformity with the original document);

5. The Lessor has received the original or the chopped copy of the shareholder/board resolution on approving the leaseback that has been issued by Lessee A in accordance with its articles of association;
6. The Finance Lease Agreement A, the Transfer Agreement A and the Consultation Service Agreement A have all been signed and chopped by legal representatives/authorized representatives of the parties;

The Lessor shall pay the second installment of transfer consideration, being RMB85,000,000, to Lessee A within seven working days after the fulfillment of all the following payment conditions precedent:

1. The Lessor has received the payment notice of Lessee A on the installment of transfer consideration;
2. The Lessor has received the consultation service fee of RMB1,820,000 paid by Lessee A in accordance with the Finance Lease Agreement A.

Transfer and Delivery of the Leased Asset A

Lessee A under the Finance Lease Agreement A shall issue the ownership transfer certificate to the Lessor before the Lessor pays the first installment of transfer consideration. The ownership of the Leased Asset A is transferred to the Lessor from the date on which the Lessor receives the ownership transfer certificate issued by Lessee A. If Lessee A fails to issue the ownership transfer certificate before the Lessor pays the first installment of transfer consideration, the ownership of the Leased Asset A is immediately transferred to the Lessor when the Lessor pays the first installment of transfer consideration.

Lessee A shall not transfer any lease transaction under the Finance Lease Agreement A, any rights and obligations under the lease transaction to any third party, unless the Finance Lease Agreement A has otherwise clearly provided or Lessee A has obtained the prior consent of the Lessor in written form.

Provided that the benefits Lessee A enjoys under the Finance Lease Agreement A are not affected, the Lessor can transfer any lease transaction under the Finance Lease Agreement A, any rights under the lease transaction or of the Leased Asset A to any third party at any time, without any then agreement of Lessee A, but the Lessor shall deliver the corresponding transfer notice to Lessee A.

Leaseback of the Leased Asset A to Lessee A

Pursuant to the Finance Lease Agreement A, the Leased Asset A shall be leased back to Lessee A during the Lease Term at the total rent of approximately RMB104,724,895.00 estimated by the matching principal method, and the annual lease rate shall be 5.87% (the annual lease rate is the benchmark rate of 1–5 year RMB-denominated loan of 4.75% announced by the People's Bank of China on 23 October 2015 with effect from 24 October 2015 plus 1.12%).

The Lease Term is five years (60 months), starting from the Lease Inception Date and ending on the date (inclusive) before the first corresponding day of the fifth year. If there is no corresponding date of the Lease Inception Date in the expiration month, then the Lease Term ends on the last day of the month. During the Lease Term, Lessee A shall pay the rent in 10 installments, and the rent payment date of each installment is the corresponding date of the Lease Inception Date in the sixth month of each six month after the Lease Inception Date.

In the external relationship with the Lessor, Lessee A1 and Lessee II, as joint lessees, shall assume the joint responsibility in respect of rent payment and all of other obligations under the Finance Lease Agreement A, and the Lessor has the right to directly require any of the two parties to fulfill all the obligations. In the internal relationship, Lessee II provides Lessee A1 with undertaking that it will take the first responsibility to make rent payment and fulfill other obligations to the Lessor; if it fails to settle such obligations, Lessee A1 will be responsible for settling them, but the order in such an internal relationship should not lead to any conflict with the Lessor.

Purchase of the Leased Asset A upon the Expiration of the Lease Term

Upon the expiration of the Lease Term under Finance Lease Agreement A, Lessee A can purchase the Leased Asset A at the final purchase price of RMB100.00 after it has paid all the amounts payable under the Finance Lease Agreement A. After Lessee A has paid the rent and all the amounts payable under the Finance Lease Agreement A and the final purchase price, the Lessor shall transfer the ownership of the Leased Asset A to Lessee A. The Lessor undertakes to sign and deliver transfer documents related to the ownership of the Leased Asset A Lessee A requires in a timely manner. Lessee A shall be responsible for handling all procedures for registering the change of the ownership of Leased Asset A that are required by laws and regulations and bear all related expenses. The ownership of the Leased Asset A is transferred to Lessee A after Lessee A has received transfer documents related to the ownership of the Leased Asset A signed or delivered by the Lessor, or after all procedures for registering the change of ownership (depending on the nature of the Leased Asset A) in accordance with the law. The Leased Asset A is transferred in the current state at the time when the aforesaid ownership transfer documents are signed, and the Lessor shall not have any guarantee.

FINANCE LEASE AGREEMENT B

The Board is pleased to announce that, on 7 August 2020 (after trading hours), the Company, Shandong Binxin and AVIC International Leasing entered into Finance Lease Agreement B, the principal terms of which are summarized as follows:

Date: 7 August 2020 (after trading hours)

Parties: (i) AVIC International Leasing (as the Lessor);

(ii) Shandong Binxin (as Lessee B1); and

(iii) the Company (as Lessee II).

Leased Asset B

Pursuant to Finance Lease Agreement B, the Leased Asset B is the equipment of Shandong Binxin, including but not limited to auxiliary devices and pipe network of Binzhou High-Tech Zone Wastewater Treatment Plant (濱州高新區污水處理廠).

Sale of the Leased Asset B to the Lessor

Pursuant to the Finance Lease Agreement B, Lessee B has agreed to sell and the Lessor has agreed to purchase the Leased Asset B at the consideration of RMB160,000,000, which was determined by the parties after arm's length negotiation with reference to the valuation of the Leased Asset B by a third-party valuation institution and shall be paid to the bank account designated by Lessee B in two installments within seven working days after the fulfillment of all payment conditions precedent.

Conditions Precedent

The Lessor shall pay the first installment of transfer consideration, being RMB5,000,000, to Lessee B within seven working days after the fulfillment of all the following conditions:

1. The Lessor has received copies of the business license and the articles of association of Lessee B (with official seal to prove the conformity with the original documents);
2. The Lessor has received the ownership transfer certificate, the acceptance certificate and the payment notice on the installment of transfer consideration signed by Lessee B in respect of the equipment;
3. The Lessor has received the original valuation report in relation to the Leased Asset B of Lessee B;
4. The Lessor has received the original/copy of the document indicating that Lessee B enjoys the ownership of the Leased Asset B (with official seal of the Lessee B to prove the conformity with the original document);
5. The Lessor has received the original or the chopped copy of the shareholder/board resolution on approving the leaseback that has been issued by Lessee B in accordance with its articles of association;
6. The Finance Lease Agreement B, the Transfer Agreement B and the Consultation Service Agreement B have all been signed and chopped by legal representatives/authorized representatives of the parties;

The Lessor shall pay the second installment of transfer consideration, being RMB155,000,000, to Lessee B within seven working days after the fulfillment of all the following payment conditions precedent:

1. The Lessor has received the payment notice of Lessee B on the installment of transfer consideration;

2. The Lessor has received the consultation service fee of RMB3,230,000 paid by Lessee B in accordance with the Finance Lease Agreement B.

Transfer and Delivery of the Leased Asset B

Lessee B under the Finance Lease Agreement B shall issue the ownership transfer certificate to the Lessor before the Lessor pays the first installment of transfer consideration. The ownership of the Leased Asset B is transferred to the Lessor from the date on which the Lessor receives the ownership transfer certificate issued by Lessee B. If Lessee B fails to issue the ownership transfer certificate before the Lessor pays the first installment of transfer consideration, the ownership of the Leased Asset B is immediately transferred to the Lessor when the Lessor pays the first installment of transfer consideration.

Lessee B shall not transfer any lease transaction under the Finance Lease Agreement B, any rights and obligations under the lease transaction to any third party, unless the Finance Lease Agreement B has otherwise clearly provided or Lessee B has obtained the prior consent of the Lessor in written form.

Provided that the benefits Lessee B enjoys under the Finance Lease Agreement B are not affected, the Lessor can transfer any lease transaction under the Finance Lease Agreement B, any rights under the lease transaction or of the Leased Asset B to any third party at any time, without any then agreement of Lessee B, but the Lessor shall deliver the corresponding transfer notice to Lessee B.

Leaseback of the Leased Asset B to Lessee B

Pursuant to the Finance Lease Agreement B, the Leased Asset B shall be leased back to Lessee B during the Lease Term at the total rent of approximately RMB186,177,591.12 estimated by the matching principal method, and the annual lease rate shall be 5.87% (the annual lease rate is the benchmark rate of 1–5 year RMB-denominated loan of 4.75% announced by the People's Bank of China on 23 October 2015 with effect from 24 October 2015 plus 1.12%).

The Lease Term is five years (60 months), starting from the Lease Inception Date and ending on the date (inclusive) before the first corresponding day of the fifth year. If there is no corresponding date of the Lease Inception Date in the expiration month, then the Lease Term ends on the last day of the month. During the Lease Term, Lessee B shall pay the rent in 10 installments, and the rent payment date of each installment is the corresponding date of the Lease Inception Date in the sixth month of each six month after the Lease Inception Date.

In the external relationship with the Lessor, Lessee B1 and Lessee II, as joint lessees, shall assume the joint responsibility in respect of rent payment and all of other obligations under the Finance Lease Agreement B, and the Lessor has the right to directly require any of the two parties to fulfill all the obligations. In the internal relationship, Lessee II provides Lessee B with undertaking that it will take the first responsibility to make rent payment and fulfill other obligations to the Lessor; if it fails to settle such obligations, Lessee B will be responsible for settling them, but the order in such an internal relationship should not lead to any conflict with the Lessor.

Purchase of the Leased Asset B upon the Expiration of the Lease Term

Upon the expiration of the Lease Term under Finance Lease Agreement B, Lessee B can purchase the Leased Asset B at the final purchase price of RMB100.00 after it has paid all the amounts payable under the Finance Lease Agreement B. After Lessee B has paid the rent and all the amounts payable under the Finance Lease Agreement B and the final purchase price, the Lessor shall transfer the ownership of the Leased Asset B to Lessee B. The Lessor undertakes to sign and deliver transfer documents related to the ownership of the Leased Asset B Lessee B requires in a timely manner. Lessee B shall be responsible for handling all procedures for registering the change of the ownership of Leased Asset B that are required by laws and regulations and bear all related expenses. The ownership of the Leased Asset B is transferred to Lessee B after Lessee B has received transfer documents related to the ownership of the Leased Asset B signed or delivered by the Lessor, or after all procedures for registering the change of ownership (depending on the nature of the Leased Asset B) in accordance with the law. The Leased Asset B is transferred in the current state at the time when the aforesaid ownership transfer documents are signed, and the Lessor shall not have any guarantee.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENT

The terms of Finance Lease Agreement A and Finance Lease Agreement B 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 arrangement, and that the terms and conditions of Finance Lease Agreement A and Finance Lease Agreement B 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

Shandong Qingzheng is a company incorporated in the PRC and a subsidiary indirectly held by the Company as to 100%, and is accounted for as a subsidiary of the Company. Its principal businesses include tap water production and supply, investment, construction and operation of water supply and drainage projects, development of wastewater treatment and purification technology, and consultation services.

Shandong Binxin is a company incorporated in the PRC and a subsidiary indirectly held by the Company as to 100%, and is accounted for as a subsidiary of the Company. Its principal businesses include comprehensive protection and utilization of water resources, water conservancy and supply, urban industrial water supply, wastewater treatment and reclaimed water recycling.

AVIC International Leasing is a limited liability company incorporated in the PRC and primarily engaged in finance lease business and financial services in the PRC. The controlling shareholder of AVIC International Leasing is AVIC Capital Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600705.SH)), and the controlling shareholder of AVIC Capital Co., Ltd. is Aviation Industry Corporation of China, Ltd.. The ultimate beneficial owner of AVIC International

Leasing is State-owned Assets Supervision and Administration Commission of the State Council. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, AVIC International 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 A and the Finance Lease Agreement B 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.

DEFINITIONS

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

“AVIC International Leasing”	AVIC International Leasing Co., Ltd., a limited liability company established in the PRC and the Lessor under the Finance Lease Agreement;
“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 the PRC, whose H Shares are listed on the Main Board of the Stock Exchange (stock code: 6839);
“Consultation Service Agreement A”	the Consultation Service Agreement entered into by the Company, Shandong Qingzheng, AVIC International Leasing on 7 August 2020;
“Consultation Service Agreement B”	the Consultation Service Agreement entered into by the Company, Shandong Qingzheng, AVIC International Leasing on 7 August 2020;
“Director(s)”	the director(s) of the Company;
“Finance Lease Agreement A”	the Finance Lease Agreement entered into by the Company, Shandong Qingzheng, AVIC International Leasing on 7 August 2020, pursuant to which, the Lessor has agreed to lease back the Leased Asset A to Lessee A during the Lease Term;
“Finance Lease Agreement B”	the Finance Lease Agreement entered into by the Company, Shandong Binxin, AVIC International Leasing on 7 August 2020, pursuant to which, the Lessor has agreed to lease back the Leased Asset B to Lessee B during the Lease Term;

“Group”	the Company and all of its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Lease Inception Date”	the date on which the Lessor pays the first installment of transfer consideration to the Lessee as agreed in the Transfer Agreement, starting from the lease inception date and ending on the corresponding day of the 60th month after the lease inception date (if there is no corresponding day in the month, the last day of the month prevails).
“Lease Term”	the lease term of five years (60 months) under the Finance Lease Agreement A and the Finance Lease Agreement B;
“Leased Asset A”	the equipment of Shandong Qingzheng, including but not limited to auxiliary devices and pipe network of Shandong Jinan Qingzheng Water Plant (山東濟南清正自來水廠), auxiliary devices and pipe network of Jinan New Material Industrial Park Wastewater Treatment Plant (濟南新材料產業園污水廠), which will be sold by Lessee A to the Lessor and leased back to Lessee A in accordance with the Finance Lease Agreement A;
“Leased Asset B”	the equipment of Shandong Binxin, including but not limited to auxiliary devices and pipe network of Binzhou High-Tech Zone Wastewater Treatment Plant (濱州高新區污水處理廠), which will be sold by Lessee B to the Lessor and leased back to Lessee B in accordance with the Finance Lease Agreement B;
“Lessee A”	Shandong Qingzheng (Lessee A1) and the Company (Lessee II);
“Lessee B”	Shandong Binxin (Lessee B1) and the Company (Lessee II);
“Lessor”	AVIC International 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;
“Shandong Binxin”	Shandong Binzhou Binxin Environment Investment Co., Ltd. (山東濱州濱新環境投資有限公司), a limited liability company established in the PRC and a holding subsidiary indirectly held by the Company as to 100%;

“Shandong Qingzheng”	Shandong Qingzheng New Material Industrial Park Water Treatment Co., Ltd. (山東清正新材料產業園水處理有限公司), a limited liability company established in the PRC and a holding subsidiary indirectly held by the Company as to 100%;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Transfer Agreement A”	the Transfer Agreement entered into by the Company, Shandong Qingzheng, AVIC International Leasing on 7 August 2020, pursuant to which, Lessee A has agreed to sell the Leased Asset A to the Lessor at the consideration of RMB90,000,000;
“Transfer Agreement B”	the Transfer Agreement entered into by the Company, Shandong Binxin, AVIC International Leasing on 7 August 2020, pursuant to which, Lessee B has agreed to sell the Leased Asset B to the Lessor at the consideration of RMB160,000,000; and
“%”	per cent.

By Order of the Board
Yunnan Water Investment Co., Limited*
Li Jialong
Chairman

Kunming, the PRC
7 August 2020

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

* *For identification purposes only*