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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)

DISCLOSEABLE TRANSACTION: FINANCE LEASE AGREEMENT

FINANCE LEASE AGREEMENT

The Board is pleased to announce that, on 20 February 2020 (after trading hours), Sanming Jinliya 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 Sanming Jinliya at a consideration of RMB300,000,000, which will be paid to Sanming Jinliya by instalments and (ii) lease back the Leased Assets to Sanming Jinliya with the Lease Term for 8 years and a total lease payment of approximately RMB371,474,504.84, the principal and interest of which will be paid by Sanming Jinliya to ABC Financial Leasing in 32 equal 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 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 are subject to the announcement and reporting requirements under the Listing Rules.

FINANCE LEASE AGREEMENT

The Board is pleased to announce that, on 20 February 2020 (after trading hours), Sanming Jinliya entered into the Finance Lease Agreement with ABC Financial Leasing. The principal terms of the Finance Lease Agreement are summarized as follows:

Date: 20 February 2020 (after trading hours)

Parties: (i) Sanming Jinliya (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 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 instalments 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 in the amount as agreed in the Finance Lease Agreement;
3. The Lessor has received other amounts 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 People's Bank of China;
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;
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.

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 above Leased Assets. If not, 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 RMB371,474,504.84, which comprises of (i) the amount of the lease principal in the sum of RMB300,000,000; and (ii) the lease interest of approximately RMB71,474,504.84 calculated at the annual lease interest rate of 4.5% (being the prime rate of over 5-year loan promulgated by the National Interbank Funding Centre on the day before the lease commence date minus 30 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)).

The Lease Term shall be 8 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 three months in 32 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. During the Lease Term, the lease rate shall be renegotiated annually with the corresponding date of the lease commence date for each year 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 minus 30 basis points.

Ownership of the Leased Assets during and after the Lease Term

The Leased Assets are certain power generation facilities and equipment owned by Sanming Jinliya. 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 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

Sanming Jinliya is a company incorporated in the PRC and a controlling subsidiary directly owned by the Company as to 100% and is accounted for as a subsidiary of the Company. It is principally engaged in municipal waste incineration and power generation, investment, construction and management of waste-to-renewable energy projects, development of solid waste treatment technologies, etc.

ABC Financial 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 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). 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

As one or more of the applicable percentage ratios (as defined in the Listing Rules) 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 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:

“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;
“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 China, its H Shares are listed on the Main Board of the Stock Exchange (stock code: 6839);
“Director(s)”	the director(s) of the Company;
“Finance Lease Agreement”	the Finance Lease Agreement dated 20 February 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 RMB300,000,000 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;
“Lease Term”	the lease term of eight years under the Finance Lease Agreement;
“Leased Assets”	certain power generation facilities and equipment owned by Sanming Jinliya, 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”	Sanming Jinliya;
“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.* (三明市金利亞環保科技投資有限公司) a company established in the PRC with limited liability, a controlling subsidiary owned by the Company as to 100%, which is the Lessee under the Finance Lease Agreement;
“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,
20 February 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