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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 AGREEMENT

The Board is pleased to announce that, on 17 December 2019 (after trading hours), the Company and Ningde Zhangwan Waste Incineration entered into the Finance Lease Agreement with SPDB Financial Leasing, pursuant to which, SPDB Financial Leasing has agreed to, among other things, (i) acquire the Leased Assets from the Company and Ningde Zhangwan Waste Incineration at a consideration of RMB200,000,000, which will be paid to the Company in one lump sum and (ii) lease back the Leased Assets to the Company and Ningde Zhangwan Waste Incineration with the Lease Term for 60 months and a total lease payment of RMB236,750,000, which will be paid by the Company to SPDB Financial Leasing in 20 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 17 December 2019 (after trading hours), the Company and Ningde Zhangwan Waste Incineration entered into the Finance Lease Agreement with SPDB Financing Leasing. The principal terms of the Finance Lease Agreement are summarized as follows:

Date: 17 December 2019 (after trading hours)

Parties: (i) the Company and Ningde Zhangwan Waste Incineration (together as the Lessees); and
(ii) SPDB Financial Leasing (as the Lessor)

Sale of the Leased Assets to the Lessor

Pursuant to the Finance Lease Agreement, the Lessees agreed to sell and the Lessor agreed to purchase the Leased Assets at the consideration of RMB200,000,000, 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 in one lump sum by the Lessor to the Company within five working days after satisfaction of the conditions precedent as set out in the Finance Lease Agreement and described below.

Conditions precedent

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

1. The Lessor has received a signed version of the Finance Lease Agreement and other legal documents related thereto, and such documents have become effective;
2. If the Finance Lease Agreement stipulates that the Lessees or other guarantors shall provide guarantee in relation to the Finance Lease Agreement and it is required to proceed with guarantee registration procedures under laws or the agreement, the Lessor has received such guarantee registration certification documents;
3. The Lessees have completed the internal and external authorization, approval or filing procedures required to sign and perform the Finance Lease Agreement, and the Lessor has received the original versions of the relevant certification documents evidencing completion of the aforementioned procedures;
4. The Lessor has received the title certificate provided by the Lessees, which proves the Leased Assets belongs to the Lessees;
5. The Lessor has received the amount paid by the Lessees as agreed in the Finance Lease Agreement;

6. The Lessees have cooperated with the Lessor to complete the financial lease registration in “the registration system for finance lease” of the People’s Bank of China’s Credit Reference Centre as required by the Lessor;
7. The Lessor has received the Acceptance of the Leased Assets signed by the Lessees;
8. The Lessor has received the payment application issued by the Lessees with specification of the payment amount.

Transfer and delivery of the Leased Assets

The ownership of the Leased Assets will be transferred from the Lessees to the Lessor from the date of payment of the consideration by the Lessor to the Lessees, while the Lessees should immediately sign the Certificate of Ownership Transfer (to the Lessor). As the Leased Assets have already been possessed by the Lessees, the Lessees shall issue the Acceptance of Leased Assets to the Lessor at the same time as the Lessor pays the consideration of the Leased Assets, and on the date of issuance, the Lessor shall be deemed to have delivered the Leased Assets to the Lessor in accordance with the Finance Lease Agreement. The delivery of the Leased Assets to the Lessees is also considered as the Lessees accepting the Leased Assets on the status at the material time.

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 total lease payment of approximately RMB236,750,000, which comprises of (i) the amount of the lease principal in the sum of RMB200,000,000; and (ii) the lease interest of approximately RMB36,750,000 calculated at the annual lease interest rate of 7.00% (with reference to the benchmark interest rate (the “**Benchmark Interest Rate**”) of RMB loans issued by the People’s Bank of China from time to time for the same period as the Lease Term, subject to adjustment). The lease payment under the Finance Lease Agreement was agreed by the parties to the Finance Lease Agreement with reference to the average market interest rate and the terms of the transaction after arm’s length negotiations.

The Lease Term shall commence from the date when the consideration is settled in accordance with the Finance Lease Agreement and last for 60 months. The lease payment shall be paid by the Company (on behalf of the Lessees) in 20 installments during the Lease Term and the amount of lease payment for each installment shall be referred to the Finance Lease Agreement. During the Lease Term, if any adjustment was made to the Benchmark Interest Rate by the People’s Bank of China, the Lessor shall make adjustment of same direction and same extent to the lease interest in accordance with the Finance Lease Agreement. The lease payment amount prior to the lease interest adjustment date shall remain unchanged, and the undue rent from the lease interest adjustment date shall be charged based on the adjusted lease payment amount.

Ownership of the Leased Assets during and after the Lease Term

The Leased Assets are certain power generation facilities and equipment owned by Ningde Zhangwan Waste Incineration. 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 and performance of other obligations by the Lessees under the Finance Lease Agreement, the Lessor shall assign the ownership of the Leased Assets back to the Lessees at a nominal price of RMB1.

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

The Group is one of the leading integrated service providers in urban sewage water treatment and water supply industries in Yunnan Province of the PRC. The principal activities of the Group include (i) provision of water supply, sewage treatment and solid waste treatment services in a number of cities in China and Southeast Asia; (ii) investment, construction and management of environmental protection projects; and (iii) sales of equipment and other environmental protection related services.

Ningde Zhangwan Waste Incineration is a company incorporated in the PRC and a controlling subsidiary indirectly 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.

SPDB 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 SPDB Financial Leasing is Shanghai Pudong Development Bank Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600000.SH). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, SPDB 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:

“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 17 December 2019 between the Lessor and the Lessees, pursuant to which the Lessees agreed to sell the Leased Assets to the Lessor at the consideration of RMB200,000,000 and the Lessor agreed to leaseback 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;
“Leased Assets”	certain power generation facilities and equipment owned by Ningde Zhangwan Waste Incineration, which will be sold by the Lessees to the Lessor and shall be leased back to the Lessees according to the Finance Lease Agreement;
“Lease Term”	the lease term of 60 months under the Finance Lease Agreement;
“Lessees”	the Company and Ningde Zhangwan Waste Incineration;
“Lessor”	SPDB Financial Leasing;
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange (as amended from time to time);

“Ningde Zhangwan Waste Incineration”	Ningde Zhangwan Waste Incineration and Power Generation Co., Ltd.* (寧德漳灣垃圾焚燒發電有限公司), a company established in the PRC with limited liability, a controlling subsidiary indirectly owned by the Company as to 100%, which, together with the Company, are Lessees under the Finance Lease Agreement;
“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;
“SPDB Financial Leasing”	SPDB Financial Leasing Co., Ltd.* (浦銀金融租賃股份有限公司), a company established in the PRC with limited liability, being the Lessor 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;
“%”	per cent.

By order of the Board
Yunnan Water Investment Co., Limited*
Yang Tao
Chairman

Kunming, the PRC,
17 December 2019

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