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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)**

**MAJOR TRANSACTION  
DISPOSAL OF 100% EQUITY INTEREST IN  
HONGHE WATER  
AND 100% EQUITY INTEREST IN SHUIFU WATER**

**THE DISPOSALS**

Reference is made to the announcement of the Company dated 28 December 2021 in relation to, among others, the potential disposal of the Disposal Interests by way of public tender through YNEX. As of the date of this announcement, the process of the public tender in relation to the Disposals through YNEX has been completed. The Board is pleased to announce that on 27 February 2023 (after trading hours), the Company (as vendor) and the Purchaser (as purchaser) entered into (a) the Honghe Equity Transaction Agreement, pursuant to which, the Company has agreed to sell, and the Purchaser has agreed to acquire, 100% equity interest in Honghe Water at the consideration of RMB155,400,000; and (b) the Shuifu Equity Transaction Agreement, pursuant to which, the Company has agreed to sell, and the Purchaser has agreed to acquire, 100% equity interest in Shuifu Water at the consideration of RMB28,300,000. Upon completion of the Disposals, the Company shall cease to have any interest in (a) Honghe Water and (b) Shuifu Water.

**IMPLICATIONS UNDER THE LISTING RULES**

Since the Equity Transaction Agreements are both entered into with the Purchaser, the Disposals shall be aggregated together to calculate the applicable percentage ratios according to Rule 14.22 of the Listing Rule. As the highest applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposals exceeds 25% but is less than 75%, the Disposals constitutes a major transaction under Chapter 14 of the Listing Rules, and are subject to reporting, announcement and Shareholders' approval requirements.

\* For identification purposes only

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the Disposals 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 Disposals; and (2) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who holds or together hold more than 50% of the voting rights at that general meeting to approve the Disposals.

On the date of the Equity Transaction Agreements, the Company has obtained the written Shareholders' approval from Yunnan Green Environmental Protection Industry Group Co., Ltd.\* (雲南省綠色環保產業集團有限公司) and Beijing OriginWater Technology Co., Ltd.\* (北京碧水源科技股份有限公司), a closely allied group of Shareholders holding an aggregate of 645,407,162 Shares, representing approximately 54.09% of the entire issued share capital of the Company as at the date of this announcement. As such, no general meeting will be convened for the purpose of approving the Disposals.

## **GENERAL**

A circular containing, among other things, (i) further information about the Disposals; and (ii) other disclosable information under the Listing Rules will be despatched by the Company to the Shareholders in accordance with the Listing Rules and relevant requirements under the Articles of Association on or before 20 March 2023.

## **THE DISPOSALS**

Reference is made to the announcement of the Company dated 28 December 2021 in relation to, among others, the potential disposal of Disposal Interests by way of public tender through YNEX. As of the date of this announcement, the process of the public tender in relation to the Disposals through YNEX has been completed. The Board is pleased to announce that on 27 February 2023 (after trading hours), the Company (as vendor) and the Purchaser (as purchaser) entered into (a) the Honghe Equity Transaction Agreement, pursuant to which, the Company has agreed to sell, and the Purchaser has agreed to acquire, 100% equity interest in Honghe Water at the consideration of RMB155,400,000; and (b) the Shuifu Equity Transaction Agreement, pursuant to which, the Company has agreed to sell, and the Purchaser has agreed to acquire, 100% equity interest in Shuifu Water at the consideration of RMB28,300,000. Upon completion of the Disposals, the Company shall cease to have any interest in (a) Honghe Water and (b) Shuifu Water.

# **HONGHE EQUITY TRANSACTION AGREEMENT**

**Date:** 27 February 2023 (after trading hours)

**Parties:** (i) the Company (as vendor); and  
(ii) the Purchaser (as purchaser)

## **Disposal Interest**

Under the Honghe Disposal, the Company has agreed to sell, and the Purchaser has agreed to acquire, 100% interest in Honghe Water.

## **Consideration and Basis of Determination**

The Company has entrusted YNEX to obtain the equity bidder by way of public tender, and the method of agreement transfer is adopted. The consideration of the Honghe Disposal is RMB155,400,000, which was determined and equivalent to the appraised value of Honghe Water as at 31 December 2021 by an independent PRC valuer using the income approach.

## **Payment Method of the Consideration**

The Purchaser shall pay the consideration in a one-off payment of RMB155,400,000 to the designated bank account of the Company within 5 Working Days from the effective date of the Honghe Equity Transaction Agreement. According to the Honghe Equity Transaction Agreement, the Honghe Equity Transaction Agreement shall be effective from the date when it is signed and sealed by the legal representatives of both parties, and shall take effect from the date when the Company's Shareholders approve the Honghe Disposal.

## **Equity Transfer and Registration**

The Company shall assist the Purchaser to complete the transfer of the interest of Honghe Water and attend to the change of registration procedures within 30 Working Days from the date of payment of consideration.

## **Completion**

Completion shall take place on the date when the change of registration procedures in the responsible industry and commerce authority completes.

# SHUIFU EQUITY TRANSACTION AGREEMENT

**Date:** 27 February 2023 (after trading hours)

**Parties:** (i) the Company (as vendor); and  
(ii) the Purchaser (as purchaser)

## Disposal Interest

Under the Shuifu Disposal, the Company has agreed to sell, and the Purchaser has agreed to acquire, 100% interest in Shuifu Water.

## Consideration and Basis of Determination

The Company has entrusted YNEX to obtain the equity bidder by way of public tender, and the method of agreement transfer is adopted. The consideration of the Shuifu Disposal is RMB28,300,000 which was determined and equivalent to the appraised value of Shuifu Water as at 31 December 2021 by an independent PRC valuer using the income approach.

## Payment Method of the Consideration

The Purchaser shall pay the consideration in a one-off payment of RMB28,300,000 to the designated bank account of the Company within 5 Working Days from the effective date of the Shuifu Equity Transaction Agreement. According to the Shuifu Equity Transaction Agreement, the Shuifu Equity Transaction Agreement shall be effective from the date when it is signed and sealed by the legal representatives of both parties, and shall take effect from the date when the Company's Shareholders approve the Shuifu Disposal.

## Equity Transfer and Registration

The Company shall assist the Purchaser to complete the transfer of the interest of Shuifu Water and attend to the change of registration procedures within 30 Working Days from the date of payment of consideration.

## Completion

Completion shall take place on the date when the change of registration procedures in the responsible industry and commerce authority completes.

## INFORMATION OF THE PURCHASER

The Purchaser is a company established in the PRC with limited liability and, to the best knowledge of the Directors, is primarily engaged in investment holding and consultancy services. The Purchaser is a direct wholly-owned subsidiary of Beijing Enterprises Water Group Limited (北控水務集團有限公司), a company incorporated in the Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00371).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules) as at the date of this announcement.

## INFORMATION OF THE GROUP

The Group is one of the leading integrated service providers in the urban wastewater treatment and water supply industry in the PRC. The major business of the Company includes the investment, construction and management services in relation to urban water supply, wastewater treatment, solid waste treatment and environmental governance projects, equipment sales and other environmental protection related services.

## INFORMATION OF HONGHE WATER

Honghe Water was established on 14 November 2012 with a registered share capital of RMB115,500,000. It is principally engaged in the investment, construction, operation and management of urban water supply and drainage infrastructure, wastewater treatment facilities and waste innocuous treatment facilities; the investment, construction, operation and management of waste comprehensive development and utilization and its related industry; the consultancy on projects relating to the wastewater treatment and waste innocuous treatment; urban construction, investment in mining industry and asset management; technical consultancy on environmental governance; the sale and lease of environmental electrical and mechanical equipment. As at the date of this announcement, Honghe Water is a 100% wholly-owned subsidiary of the Company.

Set out below is the key financial information for the financial years ended 31 December 2021 and 2022 of Honghe Water, both prepared according to the PRC accounting standards.

	<b>For the year ended/As at</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2021</b>	<b>2022</b>
	<i>RMB million</i>	<i>RMB million</i>
	<i>(audited)</i>	<i>(unaudited)</i>
Operating revenue	55.0	92.7
Profit before tax	19.1	23.7
Profit after tax	15.7	19.9
Total assets	395.2	416.6
Net assets	167.4	167.8

## INFORMATION OF SHUIFU WATER

Shuifu Water was established on 5 May 2011 with a registered share capital of RMB7,500,000. It is principally engaged in the investment, construction, operation and management of urban water drainage infrastructure and waste innocuous treatment facilities; the investment, construction, operation and management of waste comprehensive development and utilization and its related industry; the consultancy on projects relating to the wastewater treatment and waste innocuous treatment; urban construction and asset management. As at the date of this announcements, Shuifu Water is a 100% wholly-owned subsidiary of the Company.

Set out below is the key financial information for the financial years ended 31 December 2021 and 2022 of Shuifu Water, both prepared according to the PRC accounting standards.

	<b>For the year ended/As at</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2021</b>	<b>2022</b>
	<i>RMB million</i>	<i>RMB million</i>
	<i>(audited)</i>	<i>(unaudited)</i>
Operating revenue	6.2	6.0
Profit before tax	(0.2)	3.4
Profit after tax	(0.3)	2.8
Total assets	49.1	43.2
Net assets	27.8	30.7

## FINANCIAL EFFECT OF THE DISPOSALS AND USE OF PROCEEDS

Upon completion of the Disposals, each of Honghe Water and Shuifu Water will cease to be a subsidiary to be accounted for in the financial results of the Company. The Group is expected to record an unaudited loss on the Disposals of approximately RMB14.9 million. Such unaudited loss is estimated based on gross proceeds from the Disposals of approximately RMB183.7 million less the net asset value of the Disposal Interests of approximately RMB198.5 million as at 31 December 2022, and after deducting the expenses directly attributable to the Disposals in aggregate of approximately RMB0.1 million. Please note that the actual loss recorded by the Group from the Disposals will be subject to the book values of the Disposal Interests accounted for in the financial statements of the Group upon completion of the Disposals, and may therefore be different from the above amount.

The net proceeds from the Disposals, after deducting the expenses directly attributable thereto, will amount to approximately RMB183.6 million. It is intended that the net proceeds from the Disposals will be used for the Group's working capital.

## REASONS FOR AND BENEFITS OF THE DISPOSALS

Based on the strategic development and the internal management needs of the Company, the Company decides to proceed with the Disposals. The Directors believe that the Disposals will alleviate the ongoing financial difficulties of the Group and lower the debt level and asset-liability ratio of the Company.



The Directors are of the view that the Disposals are on normal commercial terms which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **IMPLICATIONS OF THE LISTING RULES**

Since the Equity Transaction Agreements are both entered into with the Purchaser, the Disposals shall be aggregated together to calculate the applicable percentage ratios according to Rule 14.22 of the Listing Rule. As the highest applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposals exceed 25% but is less than 75%, the Disposals constitute a major transaction under Chapter 14 of the Listing Rules, and are subject to reporting, announcement and Shareholders' approval requirements.

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On the date of the Equity Transaction Agreements, the Company has obtained the written Shareholders' approval from Yunnan Green Environmental Protection Industry Group Co., Ltd.\* (雲南省綠色環保產業集團有限公司) and Beijing OriginWater Technology Co., Ltd.\* (北京碧水源科技股份有限公司), a closely allied group of Shareholders holding an aggregate of 645,407,162 Shares, representing approximately 54.09% of the entire issued share capital of the Company as at the date of this announcement. As such, no general meeting will be convened for the purpose of approving the Disposals.

## **GENERAL**

A circular containing, among other things, (i) further information about the Disposals; and (ii) other disclosable information under the Listing Rules will be despatched by the Company to the Shareholders in accordance with the Listing Rules and relevant requirements under the Articles of Association before 20 March 2023.

## **DEFINITIONS**

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

“Articles of Association”	the articles of association of the Company;
“Board”	the board of Directors of the Company;
“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;
“Disposals”	the Honghe Disposal and the Shuifu Disposal;
“Disposal Interests”	the 100% equity interest in Honghe Water directly held by the Company and the 100% equity interest in Shuifu Water directly held by the Company;
“Equity Transaction Agreements”	the Honghe Equity Transaction Agreement and the Shuifu Equity Transaction Agreement;
“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;
“Group”	the Company and its subsidiaries;
“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;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Honghe Disposal”	the disposal of 100% equity interest by the Company to the Purchaser in accordance with the terms and conditions of the Honghe Equity Transaction Agreement;
“Honghe Equity Transaction Agreement”	the sale and purchase agreement dated 27 February 2023 entered into between the Company and the Purchaser in relation to the Honghe Disposal;
“Honghe Water”	Honghe Water Industry Investment Co., Ltd.* (紅河州水務產業投資有限公司);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC” or “State”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“Purchaser”	Beijing Enterprises Water Group (China) Investment Limited* (北控水務(中國)投資有限公司), a limited liability company established in the PRC and the purchaser of the Disposal Interests;



“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	the Domestic Shares and/or H Shares;
“Shareholder(s)”	the holder(s) of the Share(s);
“Shuifu Disposal”	the disposal of 100% equity interest by the Company to the Purchaser in accordance with the terms and conditions of the Shuifu Equity Transaction Agreement;
“Shuifu Equity Transaction Agreement”	the sale and purchase agreement dated 27 February 2023 entered into between the Company and the Purchaser in relation to the Shuifu Disposal;
“Shuifu Water”	Shuifu Water Industry Investment Co., Ltd.* (水富縣水務產業投資有限公司);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Working Day”	a day other than Saturday, Sunday and statutory holiday in the PRC;
“YNEX”	Yunnan Equity Exchange Co., Ltd., an institution authorised by the Yunnan Provincial State-owned Assets Supervision and Administration Commission to transact assets and equity of state-owned enterprises under the Yunnan Provincial Government; and
“%”	per cent.

By order of the Board  
**Yunnan Water Investment Co., Limited\***  
**Mei Wei**  
*Chairman*

Kunming, the PRC  
27 February 2023

*As at the date of this announcement, the executive directors of the Company are Mr. Yu Long and Mr. Zhou Zhimi, the non-executive directors of the Company are Mr. Mei Wei, Mr. Dai Richeng, Mr. Chen Yong and Mr. Liu Hui, and the independent non-executive directors of the Company are Mr. Liu Shuen Kong, Mr. Zhou Beihai and Mr. Zhong Wei.*

\* For identification purposes only