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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 IN RELATION TO THE ACQUISITION OF THE PROPERTY SHARE OF PARTNERSHIP**

### **THE TRANSFER**

On 7 April 2020 (after trading hours), the Company entered into the Property Share Transfer Agreement with Eastmoney Securities, pursuant to which the Company has agreed to acquire, and Eastmoney Securities has agreed to transfer the equity interests (representing 79.29% of the property share in the Partnership as at the date of this announcement) at the Transfer Consideration of RMB290,000,000.

### **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Transfer are more than 5% but less than 25%, the Transfer constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements as set out in the Listing Rules.

### **INTRODUCTION**

On 7 April 2020 (after trading hours), the Company entered into the Property Share Transfer Agreement with Eastmoney Securities, pursuant to which the Company has agreed to acquire, and Eastmoney Securities has agreed to transfer the equity interests (representing 79.29% of the property share in the Partnership as at the date of this announcement) at the Transfer Consideration of RMB290,000,000.

# THE PROPERTY SHARE TRANSFER AGREEMENT

The principal terms of the Property Share Transfer Agreement are summarized below:

## Date

7 April 2020 (after trading hours)

## Parties

- (1) the Company (as the purchaser); and
- (2) Eastmoney Securities (as the vendor)

As at the date of this announcement, the beneficial owner of Eastmoney Securities is Mr. Qi Shi, a Chinese citizen.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Eastmoney Securities and its beneficial owner is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

## The Transfer

As at the date of this announcement, Eastmoney Securities and the Company, as limited partners, own 79.29% and 19.52% of the property share in the Partnership, respectively, and Rongxin Yuanchuang, as general partner, owns 1.19% of the property share in the Partnership.

Pursuant to and subject to the terms and conditions set out in the Property Share Transfer Agreement, the Company has agreed to purchase, and Eastmoney Securities has agreed to transfer the equity interests (representing 79.29% of the property share in the Partnership as at the date of this announcement). Upon completion of the Transfer, Eastmoney Securities will withdraw from the Partnership and no longer own any partnership property share in the Partnership, and the Company will own 98.81% of the property share in the Partnership.

## Transfer Consideration and Payment

As at the date of this announcement, Eastmoney Securities's capital commitment to the Partnership is RMB333,000,000, and its paid-up capital contribution is RMB290,000,000.

Pursuant to the Property Share Transfer Agreement, Eastmoney Securities agreed to transfer the paid-up capital contribution of RMB290,000,000 (representing 69.05% of the property share in the Partnership) at par value to the Company, and transfer the remaining unpaid capital contribution of RMB43,000,000 (representing 10.24% of the property share in the Partnership) to the Company on a gratuitous basis, and the Company is not required to pay the consideration for the unpaid capital contribution. Therefore, the consideration paid by the Company for acquisition of the 79.29% of the property share in the Partnership from Eastmoney Securities is RMB290,000,000.

The Company shall pay the acquisition consideration in cash to the bank account designated by Eastmoney Securities as agreed on or before 7 April 2020.

The Transfer Consideration was arrived at after arm's length negotiations between all the parties to the Property Share Transfer Agreement and was on normal commercial terms with reference to and taking into account the capital contribution paid up by Eastmoney Securities. The Company shall finance the Transfer Consideration from its internal resources.

The Directors (including independent non-executive Directors) consider that the Transfer Consideration payable by the Company under the Property Share Transfer Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Statements and Warranties**

Eastmoney Securities makes the following statements and warranties to the Company:

1. Eastmoney Securities has appropriate legal qualifications and legal ability to execute, deliver and fulfill the Property Share Transfer Agreement, and has completed internal approval procedures in accordance with the provisions of its internal governance documents;
2. Eastmoney Securities's execution, delivery and fulfillment of the Property Share Transfer Agreement will not violate any legal requirements and any other restrictive requirements;
3. Eastmoney Securities has completed the approval of its applicable authorities and has taken all necessary actions to obtain authorization to enter into the Property Share Transfer Agreement; and
4. As at the date of this announcement, Eastmoney Securities legally owns the property share in the Partnership, and its capital commitment to the Partnership is not subject to any liens, mortgages, pledges or other third party rights, nor has it been seized or frozen by judicial authorities.

The Company makes the following statements and warranties to Eastmoney Securities:

1. The Company is a legally established and effectively existing enterprise, with appropriate legal qualifications and legal ability to execute, deliver and fulfill the Property Share Transfer Agreement, and has completed the internal approval procedures in accordance with the provisions of its internal governance documents;
2. The execution of the Property Share Transfer Agreement by the Company will not constitute violation of or cause Eastmoney Securities to violate any agreement binding on the Company or any legal requirements and any other restrictive requirements applicable to the Company;
3. As at the date of this announcement, the Company has completed the approval of its applicable authorities to enter into the Property Share Transfer Agreement and has taken all necessary actions to obtain authorization to enter into the Property Share Transfer Agreement.

## **Undertakings**

The parties to the Property Share Transfer Agreement shall take their own reasonable efforts to urge Eastmoney Securities to complete the transfer of the partnership property share as soon as possible, including but not limited to urging the Partnership to convene a meeting of partners to approve the Transfer, etc.

The parties to the Property Share Transfer Agreement have agreed and undertaken that, upon completion of the industrial and commercial registration of changes for the transfer of the partnership property share, Eastmoney Securities will assume liabilities for the limited partnership debt arising from the reasons before its withdrawal from the partnership with the properties recovered by it from the Partnership at withdrawal. Apart from this, Eastmoney Securities will no longer be liable for any debt and liability of the Partnership.

## **Taxation**

Other than the expenses incurred by the procedures for industrial and commercial registration of changes for the transfer of partnership property share which shall be borne by the Partnership, the taxes and other expenditures incurred by the Transfer shall be borne by the parties to the Property Share Transfer Agreement according to law.

## **INFORMATION ON THE PARTIES**

### **The Company**

The Company is one of the leading integrated service providers in the urban sewage treatment and water supply industry in the PRC. Its principal operations include investment, construction and management services in relation to urban water supply, sewage treatment, solid waste treatment and environmental governance projects, equipment sales and other environmental protection related services. The corporate strategy of the Company is to base its business in Yunnan Province and continue to identify investment opportunities to expand its operations gradually into other regions to ensure stable income sources.

### **Eastmoney Securities**

Eastmoney Securities is a limited liability company incorporated in the PRC and its beneficial owner is Mr. Qi Shi, a Chinese citizen. To the best knowledge of the Directors, the principal businesses of Eastmoney Securities are securities brokerage, securities investment consulting, securities underwriting and sponsorship, etc.

As at the date of this announcement, Shandong Tengyue is owned as to 51% by the Company and 46.06% by the Partnership. Eastmoney Securities owns 79.29% of property share in the Partnership. Therefore, Eastmoney Securities is an indirect substantial shareholder of Shandong Tengyue. According to relevant calculations, Shandong Tengyue is an insignificant subsidiary of the Company. Pursuant to Rule 14A.09 of the Listing Rules, as Eastmoney Securities does not constitute a connected person of the Company at the subsidiary level, the Transfer does not constitute a connected transaction of the Company.

# INFORMATION ON THE PARTNERSHIP

## Partnership

The Partnership is a limited partnership incorporated in the PRC. As at the date of this announcement, the Partnership holds 46.06% of the shares of Shandong Tengyue.

## Shandong Tengyue

Shandong Tengyue is an indirectly controlled subsidiary of the Company and is owned as to 51%, 46.06%, 2.65% and 0.29% by Yunnan Solid Waste Investment Co., Ltd., a wholly-owned subsidiary of the Company, the Partnership, Shandong Duoying Energy Conservation and Environment Protection Industrial Investment Co., Ltd. and Shandong Rongdao Investment Co., Ltd., respectively, as at the date of this announcement. Shandong Tengyue is principally engaged in comprehensive treatment and technology research and development of hazardous wastes (including medical waste).

## Financial Information of the Partnership

Set out below is a summary of the audited consolidated financial information of the Partnership for the two financial years ended 31 December 2019 and 2018 prepared in accordance with the PRC accounting standards:

	<b>For the year ended 31 December 2019 RMB'000</b>	For the year ended 31 December 2018 RMB'000
Net profit/(loss) before tax and extraordinary items	<b>(8,799.19)</b>	(22,891.86)
Net profit/(loss) after tax and extraordinary items	<b>(8,799.19)</b>	(22,891.86)

According to the audited consolidated financial information of the Partnership, the net asset value and total asset value of the Partnership as at 31 December 2019 was approximately RMB316.51 million and RMB379.68 million, respectively.

## REASONS FOR AND BENEFITS OF THE TRANSFER

Through the Transfer, the Company can indirectly increase its equity interests in Shandong Tengyue. Leveraging on the leading expertise and solid experience in the field of solid waste, the Company will facilitate Shandong Tengyue to achieve greater promotion in terms of operation of professional and refined projects in the future, to create greater value for shareholders.

The Directors consider that the terms and conditions of the Property Share Transfer Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Transfer are more than 5% but less than 25%, the Transfer constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements as set out in the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“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, its H Shares are listed on the Main Board of the Stock Exchange (Stock Code: 6839);
“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;
“Eastmoney Securities”	Eastmoney Securities Co., Ltd.* (東方財富證券股份有限公司) (formerly known as Tibet Eastmoney Securities Co., Ltd.* (西藏東方財富證券股份有限公司)), a limited liability company incorporated in the PRC;
“H Share(s)”	overseas listed foreign ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange;
“Partnership”	Jinan Yuanchuang Yunteng Equity Investment Partnership (Limited Partnership), a limited partnership established in the PRC;
“Property Share Transfer Agreement”	the Agreement on Transfer of Property Share in Jinan Yuanchuang Yunteng Equity Investment Partnership (Limited Partnership) entered into between (i) the Company and (ii) Eastmoney Securities in relation to the Transfer on 7 April 2020;

“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Rongxin Yuanchuang”	Beijing Rongxin Yuanchuang Investment Management Co., Ltd.* (北京融新源創投資管理有限公司), a limited liability company incorporated in the PRC;
“Shandong Tengyue”	Shandong Tengyue Chemical Hazardous Waste Research & Treatment Co., Ltd* (山東騰躍化學危險廢物研究處理有限公司), a limited liability company incorporated in the PRC;
“Share(s)”	Domestic Shares and/or H Shares;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary/(ies)”	has the meaning ascribed to it under the Listing Rules;
“Transfer”	the Company’s acquisition of the 79.29% of the property share held by Eastmoney Securities in the Partnership in accordance with the terms and conditions under the Property Share Transfer Agreement;
“Transfer Consideration”	the consideration of RMB290,000,000 payable by the Company to Eastmoney Securities in relation to the Transfer; and
“%”	percent.

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

Kunming, the PRC,  
7 April 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