

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**VERY SUBSTANTIAL DISPOSAL AND
CONNECTED TRANSACTION
DEEMED DISPOSAL OF 23.958%
EQUITY INTEREST IN THE TARGET COMPANY**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Reference is made to the announcement of the Company dated 17 June 2020 in relation to the discloseable transaction in respect of the First Capital Increase in the Target Company by YAM (the “**Announcement**”) under the First Capital Injection Agreement.

Following completion of the First Capital Increase and as at the date of this announcement, the Target Company is held as to approximately 80.625% by the Company and approximately 19.375% by YAM, a wholly-owned subsidiary of YPIG. On 31 December 2020 (after trading hours), the Company entered into the Second Capital Injection Agreement and the Supplemental Agreement with YAM and the Target Company, pursuant to which, (i) YAM has agreed to further subscribe for the Subscription Shares (representing approximately 23.958% of the registered capital of the Target Company upon completion of the Second Capital Increase) at the consideration of RMB500,000,000 (comprising newly increased registered capital of approximately RMB261,234,800 and capital reserve of approximately RMB238,765,200), and (ii) as part of the transaction, the Company has agreed to reduce its paid-in capital contribution in the Target Company by RMB42,404,100 from RMB560,000,000 to RMB517,595,900 and convert the sum of RMB42,404,100 from registered capital to capital reserve of the Target Company. Upon completion of the Second Capital Increase, the registered capital of the Target Company will be increased from RMB694,573,800 as at the date of this announcement to RMB913,404,500 and the Target Company will be held as to approximately 56.667% by the Company and approximately 43.333% by YAM, therefore the Target Company will remain as a subsidiary of the Company and its accounts will continue to be consolidated with those of the Group.

Subsequent to the publication of the Announcement, upon completion of the Reorganization, YPIG has become the controlling shareholder of YHTH, one of the controlling shareholders of the Company, and hence YAM, a wholly-owned subsidiary of YPIG, is an associate of YHTH and therefore a connected person of the Company under Rule 14A.07 of the Listing Rules. As such, the Second Capital Injection Agreement, the Supplemental Agreement and the transactions contemplated thereunder constitute connected transactions under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Second Capital Increase pursuant to the Second Capital Injection Agreement and the Supplemental Agreement exceeds 5%, the Second Capital Injection Agreement, the Supplemental Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, on 17 June 2020, the Company entered into the First Capital Injection Agreement with YAM and the Target Company. Since the transactions under the First Capital Injection Agreement were completed within 12 months prior to the date of the Second Capital Injection Agreement and the Supplemental Agreement, the transactions under the First Capital Injection Agreement shall be aggregated to calculate the applicable percentage ratios according to Rule 14.22 of the Listing Rules. Upon completion of the Second Capital Increase, the Group's equity interest in the Target Company will be diluted from approximately 80.625% to approximately 56.667%. As such, the Second Capital Increase pursuant to the Second Capital Injection Agreement and the Supplemental Agreement also constitute a deemed disposal by the Company of approximately 23.958% equity interest in the Target Company under Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules) of the transactions under the First Capital Injection Agreement, the Second Capital Injection Agreement and the Supplemental Agreement on an aggregated basis exceed 75%, the Second Capital Increase under the Second Capital Injection Agreement and the Supplemental Agreement constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules, and therefore is subject to the notification, announcement, circular and Shareholders' approval requirements under the Listing Rules.

A circular containing, among other things, (i) further details of the Second Capital Injection Agreement, the Supplemental Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information as required under the Listing Rules; and (v) a notice convening the EGM, is expected to be despatched to the Shareholders on or around 10 February 2021, which is more than 15 business days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

INTRODUCTION

Reference is made to the announcement of the Company dated 17 June 2020 in relation to the discloseable transaction in respect of the First Capital Increase in the Target Company by YAM.

Following completion of the First Capital Increase and as at the date of this announcement, the Target Company is held as to approximately 80.625% by the Company and approximately 19.375% by YAM, a wholly-owned subsidiary of YPIG. On 31 December 2020 (after trading hours), the Company entered into the Second Capital Injection Agreement and the Supplemental Agreement with YAM and the Target Company, pursuant to which, (i) YAM has agreed to further subscribe for the Subscription Shares (representing approximately 23.958% of the registered capital of the Target Company upon completion of the Second Capital Increase) at the consideration of RMB500,000,000 (comprising newly increased registered capital of approximately RMB261,234,800 and capital reserve of approximately RMB238,765,200), and (ii) as part of the transaction, the Company has agreed to reduce its paid-in capital contribution in the Target Company by RMB42,404,100 from RMB560,000,000 to RMB517,595,900 and convert the sum of RMB42,404,100 from registered capital to capital reserve of the Target Company. Upon completion of the Second Capital Increase, the registered capital of the Target Company will be increased from RMB694,573,800 as at the date of this announcement to RMB913,404,500 and the Target Company will be held as to approximately 56.667% by the Company and approximately 43.333% by YAM, therefore the Target Company will remain as a subsidiary of the Company and its accounts will continue to be consolidated with those of the Group. The principal terms of the Second Capital Injection Agreement and the Supplemental Agreement are summarized as follows:

THE SECOND CAPITAL INJECTION AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

Date

31 December 2020 (after trading hours)

Parties

- (1) the Company;
- (2) YAM; and
- (3) the Target Company.

The Second Capital Increase

Pursuant to and subject to the terms and conditions set out in the Second Capital Injection Agreement and the Supplemental Agreement, (i) YAM has agreed to further subscribe for the Subscription Shares (representing approximately 23.958% of the registered capital of the Target Company upon completion of the Second Capital Increase) at the consideration of RMB500,000,000 (comprising newly increased registered capital of approximately RMB261,234,800 and capital reserve of approximately RMB238,765,200), and (ii) as part of the transaction, the Company has agreed to reduce its paid-in capital contribution in the Target Company by RMB42,404,100 from RMB560,000,000 to RMB517,595,900 and convert the sum of RMB42,404,100 from registered capital to capital reserve of the Target Company.

Conditions Precedent

Upon taking effect of the Second Capital Injection Agreement, the payment of the Subscription Consideration of the Second Capital Increase made by YAM to the Target Company is conditional upon all the following conditions being satisfied or all or part of them being waived by YAM:

1. YAM has completed the due diligence of the Target Company to the satisfaction of YAM.
2. All the relevant review, audit, registration, filing or approval as required by the relevant laws, regulations and regulatory documents, the respective articles of association of all parties to the Second Capital Injection Agreement, for the satisfaction of all relevant requirements and the competent authorities or departments for the Second Capital Increase have been obtained, and the Target Company and the Company have obtained the approval from the competent authorities or departments for the Second Capital Increase.
3. An appraisal agency possessing all valid qualifications as approved by YAM has been selected to complete the asset appraisal of the Target Company, and such appraisal results in respect of the Second Capital Increase have been filed with the competent institutions responsible for the supervision of state-owned assets (if required).
4. Upon completion of the following matters: (i) the Target Company has issued legal and valid written resolutions in accordance with its articles of association, including resolutions of the board of directors, resolutions of the shareholders' meeting or shareholders' decisions, stating that both the Company and YAM have unanimously consented to the Second Capital Increase of RMB500,000,000 by YAM to the Target Company and the Company has waived its subscription rights in respect of the Subscription Shares; and (ii) YAM, the Target Company and the Company have agreed to disclose the information that should be disclosed in accordance with the relevant laws, regulations and regulatory documents in a timely and accurate manner (if required).

5. The relevant agreements in respect of the Second Capital Increase, including but not limited to the legal documents such as the Second Capital Injection Agreement, have been signed by all parties and come into effect, and no default has occurred, or the default has been resolved or waived to the satisfaction of YAM since the date of signing.
6. The Company has reached a written consensus with YAM on the revised contents of the articles of association of the Target Company in respect of the Second Capital Increase (the contents therein must reflect and conform to those as agreed in the Second Capital Injection Agreement).
7. As at the completion date as stipulated in the Second Capital Injection Agreement, the representations, guarantees and undertakings made by the Target Company and the Company under the Second Capital Injection Agreement remain to be true, complete and accurate.
8. As at the completion date as stipulated in the Second Capital Injection Agreement, the financial conditions, business operations and asset conditions of the Target Company and the Company have not experienced any material adverse changes since the signing of the Second Capital Injection Agreement.
9. YAM has internally approved its investment decisions in relation to the Second Capital Increase.
10. The Target Company and the Company have provided YAM with written confirmations executed by their respective legal representatives or authorized representatives with their respective company seals affixed confirming the satisfaction of all conditions precedent with the relevant supporting documents (the contents therein must be approved by YAM).
11. YAM is entitled to decide to pay all or part of the Subscription Consideration in advance according to the actual situation if the above conditions precedent are not fully satisfied, and YAM's early payment of the Subscription Consideration does not constitute a waiver of any of its rights under the Second Capital Injection Agreement, nor does it constitute an affirmation or waiver of other parties' non-performance of their respective contractual obligations, nor a flawed performance of YAM's contractual obligations under the Second Capital Injection Agreement.

Payment of Subscription Consideration and Completion

As agreed by all parties to the Second Capital Injection Agreement, subject to the fulfillment of all conditions precedent as confirmed by YAM, the conditions precedent have been fully or partially waived in writing by YAM, or in accordance with the terms under clause 3.2(11) of the Second Capital Injection Agreement, YAM may settle the Subscription Consideration in cash in one lump sum by transferring the Subscription Consideration to the bank account opened by the Target Company in accordance with terms of the Second Capital Injection Agreement. The completion of the Second Capital Increase shall take place on the payment date of the Subscription Consideration.

Basis of determination of the Subscription Consideration

The Subscription Consideration is determined after arm's length negotiation among the parties to the Second Capital Injection Agreement on normal commercial terms with reference to the value of the net assets of the Target Company as at the valuation reference date, i.e. 30 June 2020, as appraised by the independent third-party valuer in the PRC using the asset-based approach.

Corporate Governance of the Target Company Subsequent to Completion

From and inclusive of the completion date of the Second Capital Increase, YAM is entitled to exercise its shareholders' rights to participate in the Target Company's governance and management without compromising its interests. The resolutions made by the Target Company's shareholders and the board of directors shall not prejudice the legitimate rights and interests of YAM. The Target Company shall implement the contents in relation to corporate governance of the Target Company as stipulated in clause 7 of the Second Capital Injection Agreement by modifying the Target Company's articles of association, and at the same time the Company shall ensure the implementation of the same.

1. Shareholders' meeting of the Target Company

The shareholders' meeting of the Target Company is composed of the Company and YAM. The legitimate rights of shareholders shall be protected.

2. Board of directors of the Target Company

From and inclusive of the completion date of the Second Capital Increase, the board of directors of the Target Company shall consist of 3 members, of which YAM shall have the right to nominate 1 director and the Company shall have the right to nominate 2 directors. Each party has the right to remove or change the directors nominated by itself, and the notice of the removal or change of directors shall be effective after being served on the Target Company. Each party and their nominated directors or proxies should ensure that they would vote in favour of the aforesaid matters at the general meeting and the meeting of the board of directors of the Target Company to facilitate the election of the directors nominated by the party entitled to nominate.

The term of office of each director of the board of directors of the Target Company is three years commencing on the passing date of resolutions at the shareholders' meeting of the Target Company. The members of the board of directors whose terms expire may be re-elected. In the event that there are vacancies on the board of directors arising from the change, resignation, incapacity or death of directors, the original nominating party of such directors may nominate the successors, and each party shall prompt the shareholders' meeting of the Target Company to elect such successors as members of the board of directors of the Target Company to complete the term of office of such directors.

Profit Distribution

Since the financial year in which the completion of the Second Capital Increase takes place, the distributable profits of the Target Company shall be distributed to the shareholders of the Target Company according to their contribution ratios of the registered capital of the Target Company. Such profit distribution shall be paid in cash.

Protection of YAM's Shareholder's Rights

1. Introduction of new investors

From and inclusive of the completion date of the Second Capital Increase, any increase in the registered capital of the Target Company shall be subject to a unanimous consent in writing from both YAM and the Company, and the introduction of any new investor to the Target Company shall be subject to a unanimous resolution passed at the general meeting of the Target Company.

2. Transfer restrictions

Upon taking effect of the Second Capital Injection Agreement and during the period when YAM is a shareholder of the Target Company, the Company shall not, whether directly or indirectly, sell, offer, assign, pledge, create any encumbrance or otherwise dispose of any equity interest in the Target Company held by the Company without any prior consent from YAM irrespective of the exercise of its rights of first refusal (the “**Transfer Restrictions**”).

3. Right of co-sale

Subject to the Transfer Restrictions, if the Company intends to transfer any of its equity interest in the Target Company to an independent third party with the prior written consent from YAM, the Company shall issue a notice of co-sale of equity interest 30 days prior to the intended transfer to allow YAM to participate in the co-sale of its equity interest in the Target Company subject to the proportion as stipulated in the Second Capital Injection Agreement. If YAM opts to exercise its right of co-sale, YAM shall notify the Company within 20 business days after the Company has arrived written agreement with the proposed transferee on the intended transfer of the equity interest held by the Company in the Target Company in writing.

Cancellation of the Second Capital Injection Agreement

In the event that the Second Capital Injection Agreement is cancelled, the parties to the Second Capital Injection Agreement shall return the Subscription Consideration received from the other party in accordance with the principles of fairness, reasonableness and integrity. Except as otherwise stipulated in the Second Capital Injection Agreement, the Target Company and the Company shall be jointly and severally liable for the refund to YAM of all the Subscription Consideration paid by it. For any outstanding payment overdue, 0.05% of the Subscription Consideration as liquidated damages shall be paid by the aforesaid parties to YAM on a daily basis commencing on the overdue date until all the aforesaid amount including the liquidated damages charged to the Company/the Target Company is settled in full by the Company/the Target Company.

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 the 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.

YAM

YAM is a limited liability company established in the PRC and a wholly-owned subsidiary of YPIG, and YPIG is held as to 90% by Yunnan SASAC. The main businesses of YAM include asset acquisition and disposal, asset operation and management as well as economic consulting and services. Upon completion of the Reorganization, YPIG has become the controlling shareholder of YHTH, one of the controlling shareholders of the Company, and hence YAM, a wholly-owned subsidiary of YPIG, is an associate of YHTH and therefore a connected person of the Company.

The Target Company

The Target Company is a limited liability company established in the PRC. As at the date of this announcement and prior to the completion of the Second Capital Increase, the Target Company is a non wholly-owned subsidiary of the Company which is owned as to approximately 80.625% by the Company and approximately 19.375% by YAM. The Target Company's principal business covers municipal public works, environmental protection engineering, engineering technology consulting, membrane products, membrane components and related equipment manufacturing.

Shareholding Structure of the Target Company

The changes in the shareholding structure of the Target Company before and after the completion of the Second Capital Increase are set out in the following table:

Name of shareholder	Before the Second Capital Increase		After the Second Capital Increase	
	Contribution amount (RMB in ten thousands)	Approximate shareholding (%)	Contribution amount (RMB in ten thousands)	Approximate shareholding (%)
The Company	56,000.00	80.625	51,759.59	56.667
YAM	13,457.38	19.375	39,580.86	43.333
Total	<u>69,457.38</u>	<u>100.000</u>	<u>91,340.45</u>	<u>100.000</u>

Financial Information of the Target Company

The following is the key audited financial information of the Target Company for the two financial years ended 31 December 2018 and 2019, prepared in accordance with the PRC accounting standards:

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2019 RMB'000
Net profit before tax and non-recurring items	257,613	214,450
Net profit after tax and non-recurring items	196,837	173,747

According to the audited consolidated financial information of the Target Company, as at 31 December 2019, the book value of the net assets and total assets of the Target Company amounted to approximately RMB882.9 million and RMB4,255.9 million, respectively. The entire equity interest of the Target Company as at 30 June 2020 as appraised by the independent valuer in the PRC amounted to RMB1,587,012,000, and the approximately 23.958% equity interest in the Target Company held by the Company as at the date of this announcement and prior to the Second Capital Increase amounted to approximately RMB380,216,000 accordingly.

REASONS FOR AND BENEFITS OF THE SECOND CAPITAL INCREASE

The Directors consider that, the Group may reduce the asset-liability ratio of both the Target Company and the Group itself and supplement the working capital of the Group through the Second Capital Increase, and the Directors (excluding the independent non-executive Directors whose views will be set out in the circular to be despatched to the Shareholders after having considered the advice of the Independent Financial Adviser) are of the view that the terms and conditions of the Second Capital Injection Agreement and the Supplemental Agreement are established on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders as a whole.

FINANCIAL EFFECT OF THE SECOND CAPITAL INCREASE

The Second Capital Increase pursuant to the Second Capital Injection Agreement and the Supplemental Agreement constitute a deemed disposal of a non wholly-owned subsidiary by the Company of approximately 23.958% equity interest in the Target Company.

Upon completion of the Second Capital Increase, the Target Company will remain as a non wholly-owned subsidiary of the Company. As such, the Target Company and its operating results, assets and liabilities will continue to be consolidated in the financial statements of the Group. As the respective Second Capital Increase in the Target Company by YAM and the Company as the existing shareholders of the Target Company are equity transactions, no gain/loss will be reported in the Company's consolidated statement of profit or loss.

The proceeds from Second Capital Increase will be used as working capital of the Target Company and the Group.

IMPLICATIONS OF THE LISTING RULES

Subsequent to the publication of the Announcement, upon completion of the Reorganization, YPIG has become the controlling shareholder of YHTH, one of the controlling shareholders of the Company, and hence YAM, a wholly-owned subsidiary of YPIG, is an associate of YHTH and therefore a connected person of the Company under Rule 14A.07 of the Listing Rules. As such, the Second Capital Injection Agreement, the Supplemental Agreement and the transactions contemplated thereunder constitute connected transactions under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Second Capital Increase pursuant to the Second Capital Injection Agreement and the Supplemental Agreement exceeds 5%, the Second Capital Injection Agreement, the Supplemental Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, on 17 June 2020, the Company entered into the First Capital Injection Agreement with YAM and the Target Company. Since the transactions under the First Capital Injection Agreement were completed within 12 months prior to the date of the Second Capital Injection Agreement and the Supplemental Agreement, the transactions under the First Capital Injection Agreement shall be aggregated to calculate the applicable percentage ratios according to Rule 14.22 of the Listing Rules. Upon completion of the Second Capital Increase, the Group's equity interest in the Target Company will be diluted from approximately 80.625% to approximately 56.667%. As such, the Second Capital Increase pursuant to the Second Capital Injection Agreement and the Supplemental Agreement also constitute a deemed disposal by the Company of approximately 23.958% equity interest in the Target Company under Rule 14.29 of the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) of the transactions under the First Capital Injection Agreement, the Second Capital Injection Agreement and the Supplemental Agreement on an aggregated basis exceed 75%, the Second Capital Increase under the Second Capital Injection Agreement and the Supplemental Agreement constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules, and therefore is subject to the notification, announcement, circular and Shareholders' approval requirements under the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders in respect of the Second Capital Increase.

In this regard, the Company has appointed Opus Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Second Capital Increase.

EGM

The Independent Shareholders will consider and, if thought fit, approve the Second Capital Increase at the EGM.

YHTH and its associates have material interests in the Second Capital Injection Agreement, the Supplemental Agreement and the transactions contemplated thereunder and will therefore be required to abstain from voting on the resolutions at the EGM. As at the date of this announcement, YHTH holds or controls the voting rights in respect of approximately 30.30% of the total issued Shares. Save as disclosed in this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Second Capital Increase, therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

A circular containing, among other things, (i) further details of the Second Capital Injection Agreement, the Supplemental Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information as required under the Listing Rules; and (v) a notice convening the EGM, is expected to be despatched to the Shareholders on or around 10 February 2021 which is more than 15 business days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

DEFINITIONS

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

“associate(s)” has the meaning ascribed thereto under the Hong Kong Listing Rules;

“Board of Directors” or “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);
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Domestic Shares”	the ordinary shares in issue in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed in RMB or credited as fully paid;
“EGM”	the extraordinary general meeting of the Company to consider and, if thought fit, approve, among other things, the Second Capital Injection Agreement, the Supplemental Agreement and the transactions contemplated thereunder;
“First Capital Increase”	the subscription of equity interests in the Target Company by YAM under the terms and conditions of the First Capital Injection Agreement;
“First Capital Injection Agreement”	the capital injection agreement dated 17 June 2020 entered into among (i) the Company; (ii) YAM; and (iii) the Target Company in respect of the First Capital Increase;
“Group”	the Company and its subsidiaries;
“H Shares”	the overseas-listed ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	a committee under the Board of Directors which is set up for the purpose of advising the Independent Shareholders on the Guarantees, including independent non-executive Directors, namely Mr. Liu Shuen Kong, Mr. Zhong Wei and Mr. Zhou Beihai;

“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance, being the independent financial adviser as appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Second Capital Increase;
“Independent Shareholders”	Shareholders other than YHTH and its associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Reorganization”	the completion of the transfer of 50.59% equity interest in YHTH to YPIG by Yunnan SASAC as stated in the announcement of the Company dated 20 August 2020, upon which, YHTH is 50.59%, 40.00%, 5.62% and 3.79% owned by YPIG, Yunnan SASAC, Yunnan Provincial Department of Finance and Yunnan Construction and Investment Holding Group Co., Ltd.* (雲南省建設投資控股集團有限公司), respectively;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Capital Increase”	the subscription of equity interests in the Target Company by YAM under the terms and conditions of the Second Capital Injection Agreement and the Supplemental Agreement;
“Second Capital Injection Agreement”	the capital injection agreement dated 31 December 2020 entered into among (i) the Company; (ii) YAM; and (iii) the Target Company in respect of the Second Capital Increase;
“Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Share(s)”	Domestic Shares and/or H Shares;
“Shareholder(s)”	the holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Subscription Consideration”	the consideration of RMB500,000,000 payable by YAM to the Target Company for the Subscription Shares pursuant to the terms and conditions of the Second Capital Injection Agreement and the Supplemental Agreement;
“Subscription Shares”	23.958% equity interest in the Target Company legally and beneficially owned by the Company to be subscribed by YAM pursuant to the terms and conditions of the Second Capital Injection Agreement and the Supplemental Agreement;
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules;
“Supplemental Agreement”	the supplemental agreement dated 31 December 2020 entered into among (i) the Company; (ii) YAM; and (iii) the Target Company in accordance with the terms of the Second Capital Injection Agreement, for the purpose of further specifying certain terms under the Second Capital Injection Agreement;
“Target Company”	Yunnan Yunshui Construction & Engineering Co., Ltd* (雲南雲水建設工程有限公司), a limited liability company incorporated in the PRC and a non-wholly owned subsidiary of Company;
“YAM”	Yunnan Asset Management Co., Ltd.* (雲南省資產管理有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of YPIG;
“YHTH”	Yunnan Health&Cultural Tourism Holding Group Co., Ltd.*(雲南省康旅控股集團有限公司) (formerly known as Yunnan Metropolitan Construction Investment Group Co., Ltd.*(雲南省城市建設投資集團有限公司)), a limited liability company established in the PRC, one of the controlling shareholders of the Company which is held as to 50.59% by YPIG, 40.00% by Yunnan SASAC, 5.62% by Yunnan Provincial Department of Finance and 3.79% by Yunnan Construction and Investment Holding Group Co., Ltd.* (雲南省建設投資控股集團有限公司) upon completion of the Reorganization;
“YPIG”	Yunnan Province Investment Holding Group Co., Ltd.*(雲南省投資控股集團有限公司), a limited liability company incorporated in the PRC which is 90% owned by Yunnan SASAC;

“Yunnan SASAC”

State-owned Assets Supervision and Administration Commission of the State Council of the PRC of Yunnan Province; and

“%”

per cent.

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

Kunming, the PRC
31 December 2020

As at the date of this announcement, the executive Directors of the Company are Mr. Yu Long (Vice-chairman) and Mr. Yang Fang, the non-executive Directors of the Company are Mr. Li Jialong (Chairman), Ms. Li Bo, Mr. Dai Richeng and Mr. Chen Yong, and the independent non-executive Directors of the Company are Mr. Liu Shuen Kong, Mr. Zhong Wei and Mr. Zhou Beihai.

** For identification purposes only*