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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 THE DISPOSAL EQUITIES**

### **THE DISPOSALS**

Reference is made to announcement of the Company dated 27 December 2023, in relation to the potential disposal of the Disposal Equities by way of public tender through YNEX. As of the date of this announcement, the process of the public tender through YNEX has been completed.

The Board is pleased to announce that on 24 June 2024 (after trading hours), the Company (as vendor) and the Purchaser (as purchaser) entered into: (a) the Wuxi Zhongfa Equity Transaction Agreement, pursuant to which, the Company agreed to sell, and the Purchaser agreed to acquire, 75% equity interest in Wuxi Zhongfa at a consideration of RMB95,900,625; (b) the Wuxi Yunshui Equity Transaction Agreement, pursuant to which, the Company agreed to sell, and the Purchaser agreed to acquire, 100% equity interest in Wuxi Yunshui at a consideration of approximately RMB57,046,016; and (c) the Ehu Yunshui Equity Transaction Agreement, pursuant to which, the Company agreed to sell, and the Purchaser agreed to acquire, 100% equity interest in Ehu Yunshui at a consideration of RMB18,440,300. Upon completion of the Disposals, the Company will cease to have any equity interests in the Disposal Entities.

### **IMPLICATIONS UNDER THE LISTING RULES**

Since the Equity Transaction Agreements are all 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 Rules. As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposals exceeds 25% but is less than 75%, the Disposals constitute a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to reporting, announcement, circular and shareholders' approval requirements.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the Disposal 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 Disposal; 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 Disposal.

The Company intends to obtain a 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.

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 16 July 2024.

**The Disposals may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## THE DISPOSALS

Reference is made to announcement of the Company dated 27 December 2023, in relation to the potential disposal of the Disposal Equities by way of public tender through YNEX. As of the date of this announcement, the process of the public tender through YNEX has been completed.

The Board is pleased to announce that on 24 June 2024 (after trading hours), the Company (as vendor) and the Purchaser (as purchaser) entered into: (a) the Wuxi Zhongfa Equity Transaction Agreement, pursuant to which, the Company agreed to sell, and the Purchaser agreed to acquire, 75% equity interest in Wuxi Zhongfa at a consideration of RMB95,900,625; (b) the Wuxi Yunshui Equity Transaction Agreement, pursuant to which, the Company agreed to sell, and the Purchaser agreed to acquire, 100% equity interest in Wuxi Yunshui at a consideration of approximately RMB57,046,016; and (c) the Ehu Yunshui Equity Transaction Agreement, pursuant to which, the Company agreed to sell, and the Purchaser agreed to acquire, 100% equity interest in Ehu Yunshui at a consideration of RMB18,440,300. Upon completion of the Disposals, the Company will cease to have any equity interests in the Disposal Entities.

The principal terms of the Equity Transaction Agreements are summarized as follows:

## **THE WUXI ZHONGFA EQUITY TRANSACTION AGREEMENT**

**Date:** 24 June 2024 (after trading hours)

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

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

### **Disposal Interest**

Pursuant to the Wuxi Zhongfa Equity Transaction Agreement, the Company has agreed to sell, and the Purchaser has agreed to acquire, 75% interest in Wuxi Zhongfa.

### **Consideration, Payment Terms and Basis of Determining the Consideration**

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 Wuxi Zhongfa Disposal is approximately RMB95,900,625, which was determined with reference to the appraised value of Wuxi Zhongfa as at 31 December 2022 by an independent PRC valuer using the income approach.

### **Payment Method of the Consideration**

The Purchaser shall:

- (i) pay 30% of the consideration to the designated escrow account of YNEX within five working days of signing the Wuxi Zhongfa Equity Transaction Agreement; and
- (ii) pay the remaining 70% of the consideration to the designated bank account of the Vendor within one year of signing the Wuxi Zhongfa Equity Transaction Agreement.

### **Equity Transfer and Registration**

The Company, the Purchaser and Wuxi Zhongfa shall complete the equity registration procedures within 10 business days after all the conditions precedent of the equity registration procedures have been fulfilled.

## **Debts of Wuxi Zhongfa**

The debts and liabilities between Wuxi Zhongfa and the Company and its affiliates as at the Completion Date shall be settled by Wuxi Zhongfa.

From Completion Date, the Vendor shall provide guarantee (in proportion to its equity in Wuxi Zhongfa) for the debts owed by Wuxi Zhongfa to the Company and its affiliated companies. Accordingly, the Company shall also provide guarantee for the debts owed by its affiliated companies to Wuxi Zhongfa. The final settlement of debts and claims shall be performed in accordance with their respective contracts. If the contracts expire, they shall be extended according to the original contract terms until the debts and claims are settled. If settlement is not completed within the agreed period, the Company and/or the Purchaser shall pay the relevant debt to the other party. Such debts will be calculated on a daily basis based on five-year loan prime rate until the date of repayment.

## **Effective Date of the Wuxi Zhongfa Equity Transaction Agreement**

The Wuxi Zhongfa Equity Transaction Agreement shall be effective from the date on which the Company has obtained approval from its relevant decision-making body and the State-Owned Assets Administration Department.

## **Completion of the Wuxi Zhongfa Disposal**

Completion of the Wuxi Zhongfa Disposal is conditional on the obtaining and completion of all necessary authorization, approval and internal company decision-making procedures, including the completion of guarantee procedures regarding the provision of guarantees by the Company and the Purchaser. The Wuxi Zhongfa Disposal is conditional on approval by the Company's shareholders.

## **THE WUXI YUNSHUI EQUITY TRANSACTION AGREEMENT**

**Date:** 24 June 2024 (after trading hours)

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

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

## **Disposal Interest**

Pursuant to the Wuxi Yunshui Equity Transaction Agreement, the Company has agreed to sell, and the Purchaser has agreed to acquire, 100% interest in Wuxi Yunshui.

## **Consideration, Payment Terms and Basis of Determining the Consideration**

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 Wuxi Yunshui Disposal is approximately RMB57,046,016 which, which was determined with reference to the appraised value of Wuxi Yunshui as at 31 December 2022 by an independent PRC valuer using the income approach.

## **Payment Method of the Consideration**

The Purchaser shall:

- (i) pay 30% of the consideration to the designated escrow account of YNEX within five working days of signing the Wuxi Yunshui Equity Transaction Agreement; and
- (ii) pay the remaining 70% of the consideration to the designated bank account of the Company within one year of signing the Wuxi Yunshui Equity Transaction Agreement.

## **Equity Transfer and Registration**

The Company, the Purchaser and Wuxi Yunshui shall complete the equity registration procedures within 10 business days after all the conditions precedent of the equity registration procedures have been fulfilled.

## **Debts of Wuxi Yunshui**

The debts and liabilities between Wuxi Yunshui and the Company and its affiliates as at the Completion Date shall be settled by Wuxi Yunshui.

From Completion Date, the Vendor shall provide guarantee (in proportion to its equity in Wuxi Yunshui) for the debts owed by Wuxi Yunshui to the Company and its affiliated companies. Accordingly, the Company shall also provide guarantee for the debts owed by its affiliated companies to Wuxi Yunshui. The final settlement of debts and claims shall be performed in accordance with their respective contracts. If the contracts expire, they shall be extended according to the original contract terms until the debts and claims are settled. If settlement is not completed within the agreed period, the Company and/or the Purchaser shall pay the relevant debt to the other party. Such debts will be calculated on a daily basis based on five-year loan prime rate until the date of repayment.

## **Effective Date of the Wuxi Yunshui Equity Transaction Agreement**

The Wuxi Yunshui Equity Transaction Agreement shall be effective from the date on which the Company has obtained approval from its relevant decision-making body and the State-Owned Assets Administration Department.

## **Completion of the Wuxi Yunshui Disposal**

Completion of the Wuxi Yunshui Disposal is conditional on the obtaining and completion of all necessary authorization, approval and internal company decision-making procedures, including the completion of guarantee procedures regarding the provision of guarantees by the Company and the Purchaser. The Wuxi Yunshui Disposal is conditional on approval by the Company's shareholders.

## **THE EHU YUNSHUI EQUITY TRANSACTION AGREEMENT**

**Date:** 24 June 2024 (after trading hours)

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

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

## **Disposal Interest**

Pursuant to the Ehu Yunshui Equity Transaction Agreement, the Company has agreed to sell, and the Purchaser has agreed to acquire, 100% interest in Ehu Yunshui.

## **Consideration, Payment Terms and Basis of Determining the Consideration**

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 Ehu Yunshui Disposal is approximately RMB18,440,300 which, which was determined with reference to the appraised value of Ehu Yunshui as at 31 December 2022 by an independent PRC valuer using the income approach.

## **Payment Method of the Consideration**

The Purchaser shall:

- (i) pay 30% of the consideration to the designated escrow account of YNEX within five working days of signing the Ehu Yunshui Equity Transaction Agreement; and
- (ii) pay the remaining 70% of the consideration to the designated bank account of the Company within one year of signing the Ehu Yunshui Equity Transaction Agreement.

## **Equity Transfer and Registration**

The Company, the Purchaser and Ehu Yunshui shall complete the equity registration procedures within 10 business days after all the conditions precedent of the equity registration procedures have been fulfilled.

## **Debts of Ehu Yunshui**

The debts and liabilities between Ehu Yunshui and the Company and its affiliates as at the Completion Date shall be settled by Ehu Yunshui.

From Completion Date, the Vendor shall provide guarantee (in proportion to its equity in Ehu Yunshui) for the debts owed by Ehu Yunshui to the Company and its affiliated companies. Accordingly, the Company shall also provide guarantee for the debts owed by its affiliated companies to Ehu Yunshui. The final settlement of debts and claims shall be performed in accordance with their respective contracts. If the contracts expire, they shall be extended according to the original contract terms until the debts and claims are settled. If settlement is not completed within the agreed period, the Company and/or the Purchaser shall pay the relevant debt to the other party. Such debts will be calculated on a daily basis based on five-year loan prime rate until the date of repayment.

## **Effective Date of the Ehu Yunshui Equity Transaction Agreement**

The Ehu Yunshui Equity Transaction Agreement shall be effective from the date on which the Company has obtained approval from its relevant decision-making body and the State-Owned Assets Administration Department.

## **Completion of the Ehu Yunshui Disposal**

Completion of the Ehu Yunshui Disposal is conditional on the obtaining and completion of all necessary authorization, approval and internal company decision-making procedures, including the completion of guarantee procedures regarding the provision of guarantees by the Company and the Purchaser. The Ehu Yunshui Disposal is conditional on approval by the Company's shareholders.



## **PROFIT FORECAST REQUIREMENTS UNDER THE LISTING RULES**

The valuations of the Disposal Equities (the “**Valuations**”) were conducted by Vocation (Beijing) International Assets Appraisal Co., Ltd. (沃克森(北京)國際資產評估有限公司) (the “**Valuer**”), an independent PRC valuer, using an income-based approach. Accordingly, the Valuations constitute a profit forecast under Rule 14.61 of the Listing Rules. This announcement is therefore subject to the requirements under Rules 14.60A and 14.62 of the Listing Rules in relation to profit forecast. For the purpose of complying with Rules 14.60A and 14.62 of the Listing Rules, the details of the principal assumptions, including commercial assumptions, upon which the Valuations were based are as follows:

### **Basic Assumptions regarding the Disposal Entities**

#### ***1. Transaction Assumption***

The transaction assumption assumes that all the assets and liabilities to be valued are in the course of transaction and the valuation assessed by the Valuer is based on a simulated market which involves the transaction conditions of the assets to be valued. The transaction assumption is one of the most fundamental assumptions for the performance of asset valuation.

#### ***2. Open Market Assumption***

The open market assumption assumes that the parties to the assets transaction or the proposed assets transaction in the market have equal bargaining power and have the opportunities and time to obtain sufficient market information in order to make a rational judgment on the assets, including their functions, uses and transaction prices. The basis of open market assumption is that the assets can be traded openly in the market.

#### ***3. Asset Going-concern Assumption***

The asset going-concern assumption means that the valuation method, parameters and basis shall be determined on the premise that the valued assets will be continuously used in consistence with their current functions and methods, scale, frequency and environment of application, or used on the basis of certain changes thereof.

#### ***4. Corporate Going-concern Assumption***

The corporate going-concern assumption assumes that businesses of the valued entities will continuously operate and maintain the same operation method as its currently operates.



## **General Assumptions regarding the Disposal Entities**

1. From the valuation reference date, there are no significant changes in the macro environment, that is, the political, economic and social environment, etc. of the appraised entity's principal place of business and the region in which its business is conducted.
2. Except those laws, rules and regulations already enacted or enacted but not yet enforced by the government of the appraised entity's principal place of business and the region on or before the valuation reference date, there are no significant changes in such laws, rules and regulations that may materially and adversely affect the appraised entity and its business operation during the income period.
3. From the valuation reference date, there are no significant changes to the currency exchange rate, interest rate, tax rate and inflation that will cause material adverse effects on the business condition of the appraised entity during the income period (considering the changes to the currency exchange rate between the valuation reference date and the valuation report date).
4. From the valuation reference date, there are no material adverse effects on the appraised entity caused by other force majeure factors beyond the control of human and unforeseeable factors.
5. The appraised entity and all assets of the appraised entity will continue to be used in accordance with the current purpose and manner in the income forecast period.
6. The accounting policies adopted by the appraised entity during the income forecast period are consistent, continuous and comparable with those adopted as at the valuation reference date in all material respects.
7. The appraised entity and the business operation of the appraised entity will fulfill all legal and regulatory requirements necessary to conduct its business during the income forecast period.
8. The management of the appraised entity is diligent and responsible, with adequate management skills and good professional ethics; and during the income forecast period, subject to the key management personnel and technical staff on the valuation reference date, there are no significant changes that may affect the business operation of the appraised entity, that the management team will develop stably, and there are no significant changes to the management policies that may affect the business operation of the appraised entity.

9. The information provided by the principal and the appraised entity are true, complete, reliable, with no reason to suspect that any material information has been withheld or omitted, and it is assumed that defected matters or contingent matters that may affect valuation result may not be detected even if the valuer has performed all necessary valuation procedures.
10. There will be no litigation, pledge or guarantee etc., that will cause material adverse effected to the business performance of the appraised entity during the income forecast period.

#### **Specific Assumptions regarding Wuxi Yunshui and Ehu Yunshui**

1. Except with evidence that there will be material change to the fixed asset investment on the valuation reference date, there will be no significant investment activities on fixed assets that will cause material adverse effects in the business operation of the appraised entity during the income forecast period, the production capacity of the entity's products will be evaluated on the valuation reference date.
2. The valuation does not include any effects/changes on the value of the appraised entity caused by its investment of outbound/foreign investment after the valuation reference date.
3. The net profit (after taxation) and the revenue of the appraised entity will remain consistent in general, that is, there will be no material adjustment on perpetual difference and temporal difference during the income forecast period.
4. The turnover of receivables and payables shall remain consistent during the income forecast period in comparison to the settlement history, where no significant difference in default during the income forecast period in comparison to the settlement history.
5. The cash inflow and cash outflow will occur regularly during the income forecast period, and not to recognize revenue during a single point in time in a financial year.

#### **Specific Assumptions regarding Wuxi Zhongfa**

1. Except with evidence that there will be material change to the fixed asset investment on the valuation reference date, there will be no significant investment activities on fixed assets that will cause material adverse effects in the business operation of the appraised entity during the income forecast period, the production capacity of the entity's products will be evaluated on the valuation reference date.
2. The valuation does not include any effects/changes on the value of the appraised entity caused by its investment of outbound/foreign investment after the valuation reference date.

3. The net profit (after taxation) and the revenue of the appraised entity will remain consistent in general, that is, there will be no material adjustment on perpetual difference and temporal difference during the income forecast period.
4. The turnover of receivables and payables shall remain consistent during the income forecast period in comparison to the settlement history, where no significant difference in default during the income forecast period in comparison to the settlement history.
5. The cash inflow and cash outflow will occur regularly during the income forecast period, and not to recognize revenue during a single point in time in a financial year.
6. The water price adjustment of sewage treatment in accordance with the internal policy of Wuxi Zhongfa will begin on 1 April 2024.

### **Confirmations**

Moore CPA Limited has been engaged by the Company to review the calculations of the discounted future cash flows upon which the Valuations were based on, which do not involve the adoption of accounting policies and the appropriateness and validity of the assumptions.

The Board has reviewed and considered the Valuations including the principal assumptions upon which the Valuations were based. The Board has also considered the reports from Moore CPA Limited. On the basis of the foregoing, the Board is of the opinion that the Valuations have been made after due and careful enquiry.

A letter from the Board and reports from Moore CPA Limited are included in the appendices to this announcement for the purpose of Rules 14.60A and 14.62 of the Listing Rules.

### **Experts and Consents**

The qualifications of the Valuer and Moore CPA Limited are as follows:

<b>Name</b>	<b>Qualifications</b>
Vocation (Beijing) International Assets Appraisal Co., Ltd. (沃克森(北京)國際資產評估有限公司)	Professional Valuer
Moore CPA Limited	Certified Public Accountants

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of the Valuer and Moore CPA Limited is a third party independent of the Group and is not a connected person of the Group. As at the date of this announcement, neither of the Valuer and Moore CPA Limited has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group. As at the date of this announcement, each of the Valuer and Moore CPA Limited does not have any direct or indirect interests in any assets which have been since 31 December 2023 (the date to which the latest published annual result of the Group were made up) acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group. Each of the Valuer and Moore CPA Limited has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its opinion and advice in its report/letter and all references to its name in the form and context in which it appears in this announcement.

## **INFORMATION OF THE PURCHASER**

The Purchaser was incorporated in the PRC in June 2020 and is principally engaged in sewage treatment and recycling, water environment pollution prevention and control services, and intelligent water system development.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **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 THE DISPOSAL ENTITIES**

### **Wuxi Zhongfa**

Wuxi Zhongfa is a company incorporated in the PRC with limited liability and, as at the date of this announcement, is owned as to 75% by the Company. The principal business of Wuxi Zhongfa is investment in and construction, operation and management of environment governance projects using self-owned capital, development and sale of green products and ordinary freight (projects required approval according to law shall operate only after approval by relevant departments).

Set out below is the key audited financial information for the financial years ended 31 December 2022 and 2023 of Wuxi Zhongfa, prepared according to the PRC accounting standards:

	<b>For the year ended / As at</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2022</b>	<b>2023</b>
	<i>(audited)</i>	<i>(audited)</i>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Operating revenue	56,106	49,017
Loss before tax	(6,417)	(75,738)
Loss after tax	(11,886)	(82,870)
Total assets	417,684	328,090
Total liabilities	206,946	200,222
Net assets	210,738	127,868

### **Wuxi Yunshui**

Wuxi Yunshui is a company incorporated in the PRC with limited liability and, as at the date of this announcement, is a wholly-owned subsidiary of the Company. The principal business of Wuxi Yunshui is investment in and construction, operation and management of environment governance projects using self-owned capital and development and sale of green products (projects required approval according to law shall operate only after approval by relevant departments).

Set out below is the key audited financial information for the financial years ended 31 December 2022 and 2023 of Wuxi Yunshui, prepared according to the PRC accounting standards:

	<b>For the year ended / As at</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2022</b>	<b>2023</b>
	<i>(audited)</i>	<i>(audited)</i>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Operating revenue	21,198	24,927
Profit before tax	11,105	10,080
Profit after tax	10,812	8,163
Total assets	115,147	117,341
Total liabilities	78,496	72,527
Net assets	36,651	44,814

## Ehu Yunshui

Ehu Yunshui is a company incorporated in the PRC with limited liability and, as at the date of this announcement, is a wholly-owned subsidiary of the Company. The principal business of Ehu Yunshui is investment in and construction, operation and management of environment governance projects using self-owned capital and development and sale of green products (projects required approval according to law shall operate only after approval by relevant departments).

Set out below is the key audited financial information for the financial years ended 31 December 2022 and 2023 of Ehu Yunshui, prepared according to the PRC accounting standards:

	<b>For the year ended / As at</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2022</b>	<b>2023</b>
	<i>(audited)</i>	<i>(audited)</i>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Operating revenue	7,454	8,705
Profit before tax	2,623	3,213
Profit after tax	1,601	1,951
Total assets	47,403	47,058
Total liabilities	31,630	29,334
Net assets	15,773	17,724

## FINANCIAL EFFECT OF THE DISPOSALS AND USE OF PROCEEDS

Upon completion of the Disposals, the Company will cease to have any equity interest in the Disposal Entities.

The Group is expected to record an unaudited gain on the Disposals of approximately RMB10,962,390. Such unaudited gain is estimated based on gross proceeds from the Disposals of approximately RMB171,386,941 less the net asset value of the Disposal Equities of approximately RMB158,439,000 as at 31 December 2023, and after deducting the expenses directly attributable to the Disposals in aggregate of approximately RMB1,985,551.

Please note that the actual gain recorded by the Group from the Disposals will be subject to the book values of the Disposal Equities 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 RMB169,401,390. It is intended that the net proceeds from the Disposal 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 (including independent non-executive 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 UNDER THE LISTING RULES**

Since the Equity Transaction Agreements are all 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 Rules. As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposals exceeds 25% but is less than 75%, the Disposals constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement, circular and shareholders' approval requirements.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the Disposal 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 Disposal; 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 Disposal.

The Company intends to obtain a 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.

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 16 July 2024.

**The Disposals may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**



## DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the following meanings 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, its H Shares are listed on the Main Board of the Stock Exchange (stock code: 6839.HK);
“Completion Date”	the date on which the equity transfer registration is completed;
“Director(s)”	the director(s) of the Company;
“Disposals”	the Wuxi Zhongfa Disposal, Wuxi Yunshui Disposal and Ehu Yunshui Disposal;
“Disposal Equities”	the 75% equity interest in Wuxi Zhongfa, the 100% equity interest in Wuxi Yunshui and the 100% equity interest in Ehu Yunshui held by the Company;
“Disposal Entities”	Wuxi Zhongfa, Wuxi Yunshui and Ehu Yunshui;
“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;
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Disposals and the transactions contemplated thereunder;
“Ehu Yunshui”	Wuxi Ehu Yunshui Water Investment Co., Ltd.* (無錫鵝湖雲水水務投資有限公司), a company incorporated in the PRC with limited liability;
“Ehu Yunshui Disposal”	the disposal of 100% equity interest in Ehu Yunshui by the Company to Purchaser in accordance with the terms and conditions of the Ehu Yunshui Equity Transaction Agreement;
“Ehu Yunshui Equity Transaction Agreement”	the agreement dated 24 June 2024 entered into between the Vendor and Purchaser in relation to the Ehu Yunshui Disposal;

“Equity Transaction Agreements”	the Wuxi Zhongfa Equity Transaction Agreement, the Wuxi Yunshui Equity Transaction Agreement, the Ehu Yunshui Equity Transaction Agreement and its supplemental agreement;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Purchaser”	Wuxi Pinghu Jingshui Technology Co., Ltd.* (無錫坪湖淨水科技有限公司), a limited liability company incorporated in the PRC and the purchaser under the Equity Transaction Agreements;
“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 PRC;
“Share(s)”	the Domestic Shares and/or H Shares;
“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Wuxi Yunshui”	Wuxi Yunshui Water Investment Co., Ltd.* (無錫雲水水務投資有限公司), a company incorporated in the PRC with limited liability;
“Wuxi Yunshui Disposal”	the disposal of 100% equity interest in Wuxi Yunshui by the Company to Purchaser in accordance with the terms and conditions of the Wuxi Yunshui Equity Transaction Agreement;
“Wuxi Yunshui Equity Transaction Agreement”	the agreement dated 24 June 2024 entered into between the Vendor and Purchaser in relation to Wuxi Yunshui Disposal;

“Wuxi Zhongfa”	Wuxi Zhongfa Water Investment Co., Ltd.* (無錫中發水務投資有限公司), a company incorporated in the PRC with limited liability;
“Wuxi Zhongfa Disposal”	the disposal of 75% equity interest in Wuxi Zhongfa by the Company to Purchaser in accordance with the terms and conditions of the Wuxi Zhongfa Equity Transaction Agreement;
“Wuxi Zhongfa Equity Transaction Agreement”	the agreement dated 24 June 2024 entered into between the Vendor and Purchaser in relation to the Wuxi Zhongfa Disposal;
“YNEX”	Yunnan Equity Exchange Co., Ltd.; and
“%”	per cent.

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

Kunming, the PRC

24 June 2024

*As at the date of this announcement, the executive directors are Mr. Zheng Guangfeng (Vice-Chairman), Mr. Liu Hui and Mr. Zhou Zhimi, the non-executive directors are Mr. Mei Wei (Chairman), Mr. Dai Richeng and Mr. Chen Yong, and the independent non-executive directors are Mr. Liu Shuen Kong, Mr Zhou Beihai and Mr. Zhong Wei.*

*\* For identification purposes only*

**APPENDIX I — LETTER FROM MOORE CPA LIMITED RELATING TO THE  
PROFIT FORECAST**

*The following is the text of a report received from Moore CPA Limited for the purpose of incorporation in this announcement.*

The Board of Directors  
Yunnan Water Investment Co., Limited  
2089 Haiyuan Bei Road  
Gaoxin District  
Kunming, Yunnan  
PRC

**Strictly Private & Confidential**

Dear Sirs,

**INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED  
FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATIONS OF  
THE EQUITY INTERESTS IN THE TARGET COMPANIES (AS DEFINED BELOW)**

*To the Board of Directors of Yunnan Water Investment Co., Limited*

We have examined the calculations of the discounted future estimated cash flows on which the valuations prepared by Vocation (Beijing) International Assets Appraisal Co., Ltd. dated 20 December 2023 in respect of the equity interests in Wuxi Zhongfa Water Investment Co., Ltd., Wuxi Yunshui Water Investment Co., Ltd. and Wuxi Ehu Yunshui Water Investment Co., Ltd. (collectively referred to as the “**Target Companies**”), as at 31 December 2022 (the “**Valuations**”) are based. The Valuations, prepared in connection with the Target Companies are set out in the announcement dated 24 June 2024 (the “**Announcement**”) to be issued by Yunnan Water Investment Co., Limited (the “**Company**”). The Valuations which are based on the discounted future estimated cash flows are regarded as profit forecasts under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

*Directors’ Responsibilities*

The directors of the Company (the “**Directors**”) are solely responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Directors and set out in the Announcement (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuations and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

## *Reporting Accountant's Independence and Quality Management*

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## *Reporting Accountant's Responsibilities*

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuations are based and to report solely to you, as a body, as required by Rule 14.60A(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our engagement in accordance with the terms of our engagement letter dated 6 June 2024 and Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company’s management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of the Target Companies. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Because the Valuations relate to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuations and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

*Opinion*

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Yours faithfully,

**Moore CPA Limited**

*Certified Public Accountants*

**Pak Chi Yan**

Practising Certificate Number: P06923

Hong Kong, 24 June 2024

**APPENDIX II — LETTER FROM THE BOARD RELATING THE PROFIT  
FORECAST**

*The following is the text of a letter from the Board for the purpose of incorporation in 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)**

24 June 2024

Listing Division  
The Stock Exchange of Hong Kong Limited  
12/F, Two Exchange Square  
8 Connaught Place Central  
Hong Kong

Dear Sirs,

**RE: ANNOUNCEMENT —  
MAJOR TRANSACTION  
DISPOSAL OF THE DISPOSAL EQUITIES**

We, Yunnan Water Investment Co., Limited (the “**Company**”) (stock code: 6839), refer to the announcement of the Company dated 24 June 2024 (the “**Announcement**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

We refer to the Valuations conducted by Vocation (Beijing) International Assets Appraisal Co., Ltd. (沃克森(北京)國際資產評估有限公司), an independent valuer. The Valuations adopt the income approach, which is based on the discounted cash flow forecast and is regarded as a profit forecast under Rule 14.61 of the Listing Rules. We have discussed with the Valuer the different aspects upon which the Valuations were prepared (including the principal and commercial assumptions) and have reviewed the Valuations for which the Valuer is responsible.



Pursuant to Rule 14.62 of the Listing Rules, we have also engaged Moore CPA Limited, acting as the Company's reporting accountants, to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (which does not involve the adoption of accounting policies), and considered the report from Moore CPA Limited which was prepared in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants, as set out in Appendix I to the Announcement.

On the basis of the above, we confirm that the Valuations have been made after due and careful enquiry by us.

Yours faithfully,  
On behalf of the Board  
**Yunnan Water Investment Co., Limited\***  
**Mei Wei**  
*Chairman*

*\* For identification purposes only*