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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  
IN RELATION TO DISPOSAL OF EQUITY INTEREST OF  
ASSOCIATED COMPANY  
AND  
ACQUISITION OF CONSIDERATION SHARES**

**THE TRANSACTIONS**

Reference is made to the announcement of the Company dated 15 January 2021 in relation to the framework agreement in relation to the acquisition of equity interests through share issuance by Qianjiang Biochemical entered into among Qianjiang Biochemical, Haining Water Investment Group and the Company.

The Board is pleased to announce that on 6 June 2021, the Company entered into the Equity Acquisition and Share Issuance Agreement with Qianjiang Biochemical and Haining Water Investment Group, pursuant to which the Vendors conditionally agreed to sell the Target Equity, and Qianjiang Biochemical conditionally agreed to acquire the Target Equity at a total consideration of RMB2,103.2 million. Upon completion of the Acquisition, Qianjiang Biochemical will hold 100% equity interest in Zhejiang Haiyun Environmental Protection, 40% equity interest in Capital Water, 40% equity interest in Shikang Water and 40% equity interest in Lvdong Haiyun. On the same date, to specify the relevant arrangements in relation to the profit guarantee undertaking as stipulated in the Equity Acquisition and Share Issuance Agreement, the Company entered into the Profit Guarantee Agreement with Qianjiang Biochemical and Haining Water Investment Group, pursuant to which the Vendors undertook to indemnify Qianjiang Biochemical in the event that Zhejiang Haiyun Environmental Protection fails to achieve any of the Minimum Net Profits for the relevant financial years during the Profit Guarantee Period by way of share buy-back by Qianjiang Biochemical. In the event that the number of shares to be repurchased by Qianjiang Biochemical exceeds the respective number of Consideration Shares held by the Vendors, the remaining amount of the indemnity to be paid to Qianjiang Biochemical arising from the aforesaid circumstances shall be settled by the Vendors in cash.

The Consideration will be settled by Qianjiang Biochemical through the issuance of the Consideration Shares. The Parties agreed that the Issue Price of the Consideration Shares is approximately RMB4.43 per Consideration Share. Based on the Consideration and the Issue Price, the total number of the Consideration Shares is 474,762,979, representing approximately 61.2% of the equity interest of Qianjiang Biochemical as enlarged by the Issuance upon completion of the Transactions (assuming there will be no other change in the registered capital of Qianjiang Biochemical). Upon completion of the Transactions, the Company will cease to hold any equity interest in Zhejiang Haiyun Environmental Protection and will hold approximately 22.6% equity interest in Qianjiang Biochemical (assuming there will be no other change in the registered capital of Qianjiang Biochemical), which will be amounted for as an associated company of the Company.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Zhejiang Haiyun Environmental Protection is held as to 49% by the Company, and hence an associated company of the Company. As the highest of the applicable size test percentage ratios in relation to the Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder exceeds 25% but is less than 75%, the Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder constitute major transactions under Chapter 14 of the Listing Rules, and are subject to reporting, announcement and Shareholders' approval requirements.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the Equity Acquisition and Share Issuance Agreement, the Profit Guarantee Agreement and the transactions contemplated thereunder 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 Equity Acquisition and Share Issuance Agreement and the Profit Guarantee Agreement; 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 Equity Acquisition and Share Issuance Agreement and the Profit Guarantee Agreement.

The Company intends to obtain a written approval for the Equity Acquisition and Share Issuance Agreement and the Profit Guarantee Agreement from the Closely Allied Group which together holds more than 50% of the voting rights at a general meeting. As such, no general meeting will be convened for the purpose of approving the Equity Acquisition and Share Issuance Agreement and the Profit Guarantee Agreement.

A circular containing, among other things, (i) further information about the Transactions; and (ii) other disclosable information under the Listing Rules will be despatched by the Company to the Shareholders in accordance with the Listing Rules and relevant requirements under the Articles of Association on or before 25 June 2021.

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

## **THE TRANSACTIONS**

Reference is made to the announcement of the Company dated 15 January 2021 in relation to the framework agreement in relation to the acquisition of equity interests through share issuance by Qianjiang Biochemical entered into among Qianjiang Biochemical, Haining Water Investment Group and the Company.

The Board is pleased to announce that on 6 June 2021, the Company entered into the Equity Acquisition and Share Issuance Agreement with Qianjiang Biochemical and Haining Water Investment Group, pursuant to which the Vendors conditionally agreed to sell the Target Equity, and Qianjiang Biochemical conditionally agreed to acquire the Target Equity at a total consideration of RMB2,103.2 million. Upon completion of the Acquisition, Qianjiang Biochemical will hold 100% equity interest in Zhejiang Haiyun Environmental Protection, 40% equity interest in Capital Water, 40% equity interest in Shikang Water and 40% equity interest in Lvdong Haiyun. On the same date, to specify the relevant arrangements in relation to the profit guarantee undertaking as stipulated in the Equity Acquisition and Share Issuance Agreement, the Company entered into the Profit Guarantee Agreement with Qianjiang Biochemical and Haining Water Investment Group, pursuant to which the Vendors undertook to indemnify Qianjiang Biochemical in the event that Zhejiang Haiyun Environmental Protection fails to achieve any of the Minimum Net Profits for the relevant financial years during the Profit Guarantee Period by way of share buy-back by Qianjiang Biochemical. In the event that the number of shares to be repurchased by Qianjiang Biochemical exceeds the respective number of Consideration Shares held by the Vendors, the remaining amount of the indemnity to be paid to Qianjiang Biochemical arising from the aforesaid circumstances shall be settled by the Vendors in cash.

The Consideration will be settled by Qianjiang Biochemical through the issuance of the Consideration Shares. The Parties agreed that the Issue Price of the Consideration Shares is approximately RMB4.43 per Consideration Share. Based on the Consideration and the Issue Price, the total number of the Consideration Shares is 474,762,979, representing approximately 61.2% of the equity interest of Qianjiang Biochemical as enlarged by the Issuance upon completion of the Transactions (assuming there will be no other change in the registered capital of Qianjiang Biochemical). Upon completion of the Transactions, the Company will cease to hold any equity interest in Zhejiang Haiyun Environmental Protection and will hold approximately 22.6% equity interest in Qianjiang Biochemical (assuming there will be no other change in the registered capital of Qianjiang Biochemical), which will be amounted for as an associated company of the Company.

## **EQUITY ACQUISITION AND SHARE ISSUANCE AGREEMENT**

The principal terms of the Equity Acquisition and Share Issuance Agreement are set out as follows:

Date: 6 June 2021

Parties: (i) Qianjiang Biochemical;  
(ii) Haining Water Investment Group; and  
(iii) the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Qianjiang Biochemical, Haining Water Investment Group and their respective ultimate beneficial owners is third party independent of the Company and its connected persons (as defined in the Listing Rules) as at the date of this announcement.

Target Equity:

- (i) 49% and 51% equity interest in Zhejiang Haiyun Environmental Protection held by the Company and Haining Water Investment Group, respectively;
- (ii) 40% equity interest in Capital Water held by Haining Water Investment Group;
- (iii) 40% equity interest in Shikang Water held by Haining Water Investment Group; and
- (iv) 40% equity interest in Lvdong Haiyun held by Haining Water Investment Group.

Consideration:

The total consideration for the Target Equity is RMB2,103.2 million, which was determined by the Parties upon arm's length negotiation with reference to the respective appraised values of the Underlying Companies using market approach as at the Valuation Reference Date as set out in the respective valuation reports issued by the independent PRC valuer, among which:

- (i) in respect of the acquisition of 100% equity interest in Zhejiang Haiyun Environmental Protection, the total consideration is RMB1,586 million, comprising the consideration to be paid by Qianjiang Biochemical to the Company and Haining Water Investment Group in the amount of RMB777.14 million and RMB808.86 million, respectively;
- (ii) in respect of the acquisition of 40% equity interest in Capital Water, the consideration to be paid by Qianjiang Biochemical to Haining Water Investment Group is RMB138.8 million;
- (iii) in respect of the acquisition of 40% equity interest in Shikang Water, the consideration to be paid by Qianjiang Biochemical to Haining Water Investment Group is RMB95.6 million; and
- (iv) in respect of the acquisition of 40% equity interest in Lvdong Haiyun, the consideration to be paid by Qianjiang Biochemical to Haining Water Investment Group is RMB282.8 million.

Settlement of the  
Consideration:

Qianjiang Biochemical shall settle the Consideration to the Vendors by means of issue of the Consideration Shares.

### ***Issue Price***

The Consideration Shares to be issued to the Vendors are ordinary RMB-denominated shares with a par value of RMB1.00 each. The Issue Price per Consideration Share is determined based on 90% of the average trading price of the shares of Qianjiang Biochemical for 20 trading days before the Pricing Reference Date, based on which the Issue Price is determined to be approximately RMB4.43 per Consideration Share. The final Issue Price is subject to approval at the general meeting of Qianjiang Biochemical.

### ***Number of Consideration Shares***

Based on the consideration of the Target Equity and the Issue Price as set out above, the total number of the Consideration Shares is 474,762,979, representing approximately 61.2% of the equity interest of Qianjiang Biochemical as enlarged by the Issuance upon completion of the Transactions.

The respective number of the Consideration Shares to be issued to Haining Water Investment Group and the Company is as follows:

- (i) for Haining Water Investment Group: 299,336,343, representing approximately 38.6% of the equity interest of Qianjiang Biochemical as enlarged by the Issuance upon completion of the Transactions; and
- (ii) for the Company: 175,426,636, representing approximately 22.6% of the equity interest of Qianjiang Biochemical as enlarged by the Issuance upon completion of the Transactions.

During the period from the Pricing Reference Date to the date of issue of the Consideration Shares, in case of other ex-right or ex-dividend events such as distribution of dividend, bonus issue, conversion of reserve fund into share capital, etc. occurred on the part of Qianjiang Biochemical, the Issue Price and number of Consideration Shares to be issued shall be adjusted accordingly as required.

The final number of Consideration Shares to be issued by Qianjiang Biochemical to Haining Water Investment Group and the Company in respect of the Acquisition is subject to consideration and approval at the general meeting of Qianjiang Biochemical and approval by the CSRC.

Delivery and transfer of the Target Equity:	<p>After the Equity Acquisition and Share Issuance Agreement becomes effective, the Parties shall make their best efforts to complete the procedures of delivering the Target Equity. From the date of completion of procedures for changes in industrial and commercial registration regarding the transfer of the Target Equity to the name of Qianjiang Biochemical, Qianjiang Biochemical will own 100% equity interest in Zhejiang Haiyun Environmental Protection, 40% equity interest in Capital Water, 40% equity interest in Shikang Water and 40% equity interest in Lvdong Haiyun upon completion of the Transactions.</p> <p>Qianjiang Biochemical shall complete the procedures for applying for securities registration for the Vendors and the procedures for changes in the industrial and commercial registration of Qianjiang Biochemical at the Shanghai Stock Exchange and China Securities Depository and Clearing Corporation Limited, Shanghai Branch within 30 days after obtaining the approval from the CSRC in accordance with the relevant requirements of the CSRC and Shanghai Stock Exchange in respect of the additional shares to be issued by Qianjiang Biochemical to the Vendors. During the process, the Vendors shall provide necessary cooperation to Qianjiang Biochemical.</p>
Transitional Period arrangements:	<p>During the Transitional Period, any gain or loss relating to the Target Equity shall be attributable to or borne by Qianjiang Biochemical.</p>
Accumulated undistributed profit:	<p>Upon completion of the Transactions, the undistributed profit of Qianjiang Biochemical accumulated shall be jointly enjoyed by the new and existing shareholders of Qianjiang Biochemical in proportion to their respective shareholdings in Qianjiang Biochemical upon completion of the Transactions.</p>
Lock-up period of the Consideration Shares:	<p>The respective lock-up period of the Consideration Shares acquired by the Vendors as a result of the issue of the Consideration Shares in respect of the Transactions by Qianjiang Biochemical is agreed as follows:</p> <p>(i) for Haining Water Investment Group: no transfer shall be effected within 36 months from the date of completion of the Issuance. Within 6 months upon completion of the Transactions, if the closing price of the shares of Qianjiang Biochemical for 20 consecutive trading days is lower than the Issue Price, or if the closing price at the end of the 6-month period upon completion of the Transactions is lower than the Issue Price, the lock-up period for the shares of Qianjiang Biochemical acquired by Haining Water Investment Group will be automatically extended for 6 months; and</p>

- (ii) for the Company: no transfer shall be effected within 36 months from the date of completion of the Issuance.

The aforesaid unlocking of Consideration Shares of Qianjiang Biochemical shall be carried out in accordance with the relevant regulations of the CSRC and Shanghai Stock Exchange. If the lock-up period as required under regulatory opinions or relevant regulations of the securities regulatory authorities is longer than the respective lock-up period for Haining Water Investment Group and the Company as set out above, such respective lock-up period shall be adjusted in accordance with the regulatory opinions and relevant regulations of the relevant securities regulatory authorities.

Effective conditions:

The Equity Acquisition and Share Issuance Agreement shall become effective from the date on which it is signed and sealed by the legal representatives and/or authorized representatives of the Parties, which is subject to the fulfillment of all of the following conditions in respect of the Transactions:

1. The board of directors of Qianjiang Biochemical has undergone the statutory procedures to consider the relevant resolution on acquiring the Target Equity from the Vendors by means of issue of the Consideration Shares;
2. The general meeting of Qianjiang Biochemical has undergone the statutory procedures to consider and approve the relevant resolution on acquiring the Target Equity from the Vendors by means of issue of the Consideration Shares;
3. The Company has undergone all necessary internal approval procedures;
4. The competent state-owned assets supervision and administration authority has approved or agreed with the issue of the Consideration Shares to acquire the Target Equity by Qianjiang Biochemical; and
5. The CSRC has approved the issue of the Consideration Shares to acquire the Target Equity by Qianjiang Biochemical.

Profit guarantee undertaking: In respect of Zhejiang Haiyun Environmental Protection, in the event that Zhejiang Haiyun Environmental Protection fails to achieve any of the minimum net profit requirements during the profit guarantee period as undertaken by the Vendors pursuant to the Profit Guarantee Agreement, the Vendors undertake to indemnify Qianjiang Biochemical. On the same date of signing the Equity Acquisition and Share Issuance Agreement, the Parties have entered into the Profit Guarantee Agreement to specify the details and arrangements relating to the guaranteed performance of Zhejiang Haiyun Environmental Protection and the relevant indemnity in case of any shortfall between the actual profits and the Minimum Net Profits of Zhejiang Haiyun Environmental Protection for a relevant financial year/period during the profit guarantee period for three financial years commencing from the financial year where the Transactions are completed (i.e. for three financial years ended 31 December 2023 assuming the Transactions will be completed prior to 31 December 2021).

Upon completion of the Transactions, Qianjiang Biochemical will engage an accounting firm qualified in securities and futures business to issue a special audit opinion on the achievement of the Minimum Net Profits by Zhejiang Haiyun Environmental Protection at the end of each of the relevant financial years comprising the Profit Guarantee Period. In case of any shortfall between the actual profit and the Minimum Net Profit of Zhejiang Haiyun Environmental Protection for the relevant financial year during the Profit Guarantee Period pursuant to the aforesaid special audit opinion, the Vendors shall indemnify Qianjiang Biochemical such shortfall through share buy-back by Qianjiang Biochemical at the share price of RMB1.00 calculated once every financial year during the Profit Guarantee Period.

Within three months upon the expiration of the Profit Guarantee Period, Qianjiang Biochemical will engage an accounting firm qualified in securities and futures business to conduct an impairment test on Zhejiang Haiyun Environmental Protection and issue a special audit opinion. If the impairment amount of Zhejiang Haiyun Environmental Protection as at the end of the relevant period based on the aforesaid special audit opinion exceeds the sum of the total number of shares repurchased by Qianjiang Biochemical during the Profit Guarantee Period multiplied by the share price of RMB1.00, the Vendors shall indemnify Qianjiang Biochemical by way of share buy-back in accordance with the terms and conditions as stipulated in the Profit Guarantee Agreement.

In the event that the number of shares to be repurchased by Qianjiang Biochemical exceeds the respective number of Consideration Shares held by the Vendors, the remaining amount of the indemnity to be paid to Qianjiang Biochemical arising from the aforesaid circumstances shall be settled by the Vendors in cash.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

Given that Qianjiang Biochemical is a company listed on the Shanghai Stock Exchange, the acquisition of the equity interests in Qianjiang Biochemical through the Transactions will enable the Company to improve the liquidity, and hence quality of its assets and enhance its ability to continue as a going concern, which is in line with the strategic development objective of the Company.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable, and are in the interest of the Company and the Shareholders as a whole.

## **INFORMATION OF THE PARTIES INVOLVED**

### ***Qianjiang Biochemical***

Qianjiang Biochemical is a company established in the PRC whose shares are listed and traded on the Shanghai Stock Exchange (stock code: 600796). The main business of Qianjiang Biochemical includes production of veterinary drug, manufacturing, sales and services of biopesticide, enzyme preparations, gibberellin and citric acid, thermal power and others. Its controlling shareholder is Haining City Asset Management Company\*(海寧市資產經營公司) and its ultimate actual controller is Haining City Finance Bureau\*(海寧市財政局).

### ***Haining Water Investment Group***

Haining Water Investment Group is a company established in the PRC. Its main business includes investment, development, construction, operation and management of water supply and wastewater infrastructure, wastewater treatment infrastructure and water-related projects. Its controlling shareholder is Haining City Asset Management Company\*(海寧市資產經營公司) and its ultimate actual controller is Haining City Finance Bureau\*(海寧市財政局).

### ***The Company***

The Company is one of the leading integrated service providers in the urban wastewater treatment and water supply industry in the PRC. Its principal operations include 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 ZHEJIANG HAIYUN ENVIRONMENTAL PROTECTION AND OTHER UNDERLYING COMPANIES

Zhejiang Haiyun Environmental Protection is a company incorporated in the PRC and is an associated company owned as to 49% by the Company. Its controlling shareholder is Haining Water Investment Group and its ultimate actual controller is Haining City Finance Bureau\*(海寧市財政局). Its main business includes integrated environment protection and treatment, rectification of lakes and rivers, the investment, development, construction, operation and management of water supply and wastewater infrastructure, wastewater treatment infrastructure and environment-related projects, the research and development, design and sales of environmental protection equipment and the development of environmental sanitation technologies.

Set out below is the key unaudited financial information of Zhejiang Haiyun Environmental Protection for the two financial years ended 31 December 2019 and 31 December 2020 prepared according to the PRC accounting standards:

	For the years ended	
	31 December	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,133,259	<b>1,458,713</b>
Net profit before tax	121,123	<b>162,630</b>
Net profit after tax	94,595	<b>114,880</b>

The audited equity of owners of Zhejiang Haiyun Environmental Protection as at 31 December 2020 amounted to approximately RMB1,261 million. The entire equity interest of Zhejiang Haiyun Environmental Protection as at the Valuation Reference Date as appraised by the PRC valuer amounted to RMB1,586 million. As at the date of this announcement, the Company holds 49% equity interest in Zhejiang Haiyun Environmental Protection, which amounted to RMB777.14 million.

Each of Capital Water, Shikang Water and Lvdong Haiyun and their respective ultimate beneficial owners is a third party independent of the Company and its connected persons (as defined in the Listing Rules) as at the date of this announcement.

## FINANCIAL EFFECT OF THE TRANSACTIONS

As at the date of this announcement, Zhejiang Haiyun Environmental Protection has been accounted for as an associated company, and its financial results, assets and liabilities have not been consolidated in the accounts of the Group. Following the completion of the Transactions, Zhejiang Haiyun Environmental Protection will no longer be determined as an associated company of the Company. On the other hand, upon completion of the Transactions, the Company will hold approximately 22.6% of the equity interest in Qianjiang Biochemical, which will be treated as an associated company of the Company and its results will be accounted for as interests in associates.

Based on the initial investment in Zhejiang Haiyun Environmental Protection by the Company, being the registered capital of Zhejiang Haiyun Environmental Protection paid up by the Company, of approximately RMB539 million and the consideration of the 49% equity interest in Zhejiang Haiyun Environmental Protection to be paid by Qianjiang Biochemical is RMB777.14 million to be settled by means of the issue of the Consideration Shares of 175,426,636, it is estimated that the Group will record gains of approximately RMB238.14 million from the Transactions.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Zhejiang Haiyun Environmental Protection is held as to 49% by the Company, and hence an associated company of the Company. As the highest of the applicable size test percentage ratios in relation to the Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder exceeds 25% but is less than 75%, the Equity Acquisition and Share Issuance Agreement and the transactions contemplated thereunder constitute major transactions under Chapter 14 of the Listing Rules, and are subject to reporting, announcement and Shareholders' approval requirements.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the Equity Acquisition and Share Issuance Agreement, the Profit Guarantee Agreement and the transactions contemplated thereunder 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 Equity Acquisition and Share Issuance Agreement and the Profit Guarantee Agreement; 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 Equity Acquisition and Share Issuance Agreement and the Profit Guarantee Agreement.

The Company intends to obtain a written approval for the Equity Acquisition and Share Issuance Agreement and the Profit Guarantee Agreement from the Closely Allied Group which together holds more than 50% of the voting rights at a general meeting. As such, no general meeting will be convened for the purpose of approving the Equity Acquisition and Share Issuance Agreement and the Profit Guarantee Agreement.

A circular containing, among other things, (i) further information about the Transactions; 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 25 June 2021.

**The Transactions 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:

“Acquisition”	the acquisition of the Target Equity by Qianjiang Biochemical pursuant to the Equity Acquisition and Share Issuance Agreement;
“Articles of Association”	the articles of association of the Company;
“associated company”	has the same meaning as ascribed to it under the Listing Rules;
“Board of Directors” or “Board”	the board of directors of the Company;
“Capital Water”	Haining Capital Water Co., Limited*(海寧首創水務有限責任公司), a limited liability company established in the PRC and one of the Underlying Companies;
“Closely Allied Group”	the closely allied group of Shareholders comprising (i) Yunnan Province Water with its acting in concert parties (Mr. Liu Xujun, Mr. Huang Yunjian and Mr. Wang Yong); (ii) Beijing OriginWater Technology Co., Ltd.* (北京碧水源科技股份有限公司); and (iii) Caiyun International Investment Limited (彩雲國際投資有限公司), which collectively holds 656,586,162 Shares, representing approximately 55.03% of the total number of Shares in issue of the Company as at the date of this announcement;
“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 same meaning as ascribed to it under the Listing Rules;
“Consideration”	the consideration in the sum of RMB2,103.2 million in relation to the Acquisition to be settled by the issuance of the Consideration Shares pursuant to the Equity Acquisition and Share Issuance Agreement;
“Consideration Shares”	the shares to be issued by Qianjiang Biochemical to Haining Water Investment Group and the Company under the Equity Acquisition and Share Issuance Agreement as the consideration of the Acquisition;
“CSRC”	the China Securities Regulatory Commission;

“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;
“Equity Acquisition and Share Issuance Agreement”	the share issuance and asset acquisition agreement (《發行股份購買資產的協議》) dated 6 June 2021 entered into among Qianjiang Biochemical, Haining Water Investment Group and the Company;
“Haining Water Investment Group”	Haining Municipal Water Investment Group Co., Limited*(海寧市水務投資集團有限公司);
“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;
“Issuance”	the issuance of the Consideration Shares by Qianjiang Biochemical pursuant to the Equity Acquisition and Share Issuance Agreement;
“Issue Price”	the issue price of RMB4.43 per Consideration Share as determined based on 90% of the average trading price of the shares of Qianjiang Biochemical for 20 trading days before the Pricing Reference Date;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Lvdong Haiyun”	Haining Lvdong Haiyun Environmental Protection Energy Co., Ltd*(海寧綠動海雲環保能源有限公司), a limited liability company established in the PRC and one of the Underlying Companies;
“Minimum Net Profits”	net profits attributable to the owners of the parent company of RMB115,000,000, RMB127,000,000 and RMB142,000,000 of Zhejiang Haiyun Environmental Protection for the three financial years ended 31 December 2023, respectively, as stipulated in the Profit Guarantee Agreement;
“Parties”	the parties to the Equity Acquisition and Share Issuance Agreement, being Qianjiang Biochemical, Haining Water Investment Group and the Company;
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;

“Pricing Reference Date”	the announcement date of the resolutions of the first board meeting of Qianjiang Biochemical to consider issues related to the Transactions;
“Profit Guarantee Agreement”	the profit forecast of equity acquired through share issuance and indemnity agreement (《發行股份購買資產的盈利預測補償協議》) dated 6 June 2021 entered into among Qianjiang Biochemical, Haining Water Investment Group and the Company;
“Profit Guarantee Period”	for three financial years commencing from the date of completion of the Transactions, and in the context of this announcement, refers to the three years ended 31 December 2023, assuming the Transactions will be completed prior to 31 December 2021 as stipulated in the Profit Guarantee Agreement;
“Qianjiang Biochemical”	Zhejiang Qianjiang Biochemical Co., Ltd.*(浙江錢江生物化學股份有限公司), a limited liability company established in the PRC, whose shares are listed and traded on the Shanghai Stock Exchange (stock code: 600796);
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	the Domestic Shares and/or H Shares;
“Shareholder(s)”	the holder(s) of the Share(s);
“Shikang Water”	Haining Shikang Water Printing Co., Ltd.*(海寧實康水務有限公司), a limited liability company established in the PRC and one of the Underlying Companies;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Equity”	51% equity interest in Zhejiang Haiyun Environmental Protection, 40% equity interest in Capital Water, 40% equity interest in Shikang Water, 40% equity interest in Lvdong Haiyun held by Haining Water Investment Group, and 49% equity interest in Zhejiang Haiyun Environmental Protection held by the Company;
“Transactions”	the Acquisition and the Issuance;
“Transitional Period”	the period from the day following the Valuation Reference Date to the date of change of the industrial and commercial registration regarding the transfer of the Target Equity under the Transactions to name of Qianjiang Biochemical (inclusive);
“Underlying Companies”	Zhejiang Haiyun Environmental Protection, Capital Water, Shikang Water and Lvdong Haiyun;

“Valuation Reference Date”	31 December 2020;
“Vendors”	Haining Water Investment Group and the Company;
“Zhejiang Haiyun Environmental Protection”	Zhejiang Haiyun Environmental Protection Company Limited*( 浙江海雲環保有限公司 ), a limited liability company established in the PRC and one of the Underlying Companies, 49% equity interest in which is held by the Company as at the date of this announcement; and
“%”	per cent.

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

Kunming, the PRC  
6 June 2021

*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. Li Jialong (Chairman), Ms. Li Bo, Mr. Dai Richeng and Mr. Chen Yong, and the independent non-executive Directors are Mr. Liu Shuen Kong, Mr. Zhong Wei and Mr. Zhou Beihai.*

\* *For identification purposes only*