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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 INTEREST IN GONGYI WATER**

### **THE DISPOSAL**

Reference is made to announcement of the Company dated 1 November 2023, in relation to the potential disposal of the Disposal Interests by way of public tender through YNEX. As of the date of this announcement, the process of the public tender through YNEX has been completed.

The Board is pleased to announce that on 12 July 2024 (after trading hours), the Company (as vendor) and the Purchaser (as purchaser) entered into the Equity Transaction Agreement, pursuant to which, the Company agreed to sell and the Purchaser agreed to acquire 89.995% equity interest in Gongyi Water, at a consideration of RMB67,374,000. Upon completion of the Disposal, the Company will cease to have any equity interests in Gongyi Water.

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

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

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 Disposal.

A circular containing, among other things, (i) further information about the Disposal; 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 2 August 2024.

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

## **THE DISPOSAL**

Reference is made to announcement of the Company dated 1 November 2023, in relation to the potential disposal of the Disposal Interests by way of public tender through YNEX. As of the date of this announcement, the process of the public tender through YNEX has been completed.

The Board is pleased to announce that on 12 July 2024 (after trading hours), the Company (as vendor) and the Purchaser (as purchaser) entered into the Equity Transaction Agreement, pursuant to which the Company agreed to sell and the Purchaser agreed to acquire 89.995% equity interest in Gongyi Water, at a consideration of approximately RMB67,374,000.

As at the date of this announcement, Gongyi Water is owned as to 89.995% by the Company. Upon completion of the Disposal, the Company will cease to have any equity interests in Gongyi Water.

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

## **THE EQUITY TRANSACTION AGREEMENT**

**Date:** 12 July 2024 (after trading hours)

**Parties:** (i) the Company (as vendor); and  
(ii) the Purchaser (as 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 Equity Transaction Agreement, the Company has agreed to sell, and the Purchaser has agreed to acquire, 89.995% interest in Gongyi Water.

### **Consideration 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 Disposal is RMB67,374,000, which was determined through and based on the final bidding price of the Public Tender. The minimum consideration of the Public Tender was determined with reference to the appraised value of the Disposal Interests as at 31 May 2023 by an independent PRC valuer using the income approach while the consideration of the Disposal was based on the final bidding price of the Public Tender. Since the Purchaser was the only qualified bidder in the Public Tender, the consideration of the Disposal is equivalent to the minimum consideration of the Public Tender and hence equivalent to the appraised value of the Disposal Interests.

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

Consideration of the Disposal shall be settled in the following manner:

- (i) RMB53,000,000 of the consideration shall be offset by the earnest money in the equivalent amount paid by the Purchaser to the Company before signing the Equity Transaction Agreement; and
- (ii) the remaining RMB14,374,000 of the consideration shall be paid by the Purchaser to the designated account of the Company.

## **Equity Transfer and Registration**

The Company and Gongyi Water shall complete the equity transfer within 30 days after fulfilment of the conditions for registration procedures.

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

The Equity Transaction Agreement shall be effective upon signing and from the date on which the Company has obtained necessary approval from its Shareholders.

## **Completion of the Disposal**

Completion of the Disposal is conditional on (i) the Purchaser has fully settled the consideration of the Disposal pursuant to the Equity Transaction Agreement; and (ii) all relevant materials required for change registration with the industrial and commercial bureau are ready.

Gongyi Water shall continue to subsist all its claims and debts, and shall be entitled to decide whether to continue performance of its existing contracts after completion of the Disposal.

## **INFORMATION OF THE PURCHASER**

The Purchaser is a company incorporated in the PRC with limited liability and is actually controlled by Gongyi City State-owned Assets Investment and Operation Co., Ltd., a solely state-owned enterprise. The Purchaser is principally engaged in the production and supply of tap water, construction of water conservancy and hydropower.

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 GONGYI WATER

Gongyi Water is a company incorporated in the PRC with limited liability and is owned as to 89.995% by the Company. Gongyi Water is principally engaged in tap water production (for projects requiring approval according to laws, the business activities can only be carried out upon approval from relevant authorities).

The financial information of Gongyi Water for the two years ended 31 December 2022 and 2023 are set out as follows:

|                          | <b>For the year ended</b> |                    |
|--------------------------|---------------------------|--------------------|
|                          | <b>31 December</b>        |                    |
|                          | <b>2022</b>               | <b>2023</b>        |
|                          | <i>(unaudited)</i>        | <i>(unaudited)</i> |
|                          | <i>(RMB)</i>              | <i>(RMB)</i>       |
| Operating revenue        | 46,252,149                | 39,406,794         |
| Profit/(loss) before tax | 954,059                   | (3,646,844)        |
| Profit/(loss) after tax  | (4,664,220)               | (7,475,908)        |
| Total assets             | 97,077,654                | 89,605,017         |
| Total liabilities        | 60,277,876                | 51,779,244         |
| Net assets               | 36,799,778                | 37,825,773         |

## FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

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

The Group is expected to record an unaudited gain on the Disposal of approximately RMB29,180,729. Such unaudited gain is estimated based on gross proceeds from the Disposal of approximately RMB67,374,000 less the net asset value of the Disposal Interests of approximately RMB37,825,773 as at 31 December 2023, and after deducting the expenses directly attributable to the Disposal in aggregate of approximately RMB367,498.

Please note that the actual gain/loss recorded by the Group from the Disposal will be subject to the book value of the Disposal Interests accounted for in the financial statements of the Group upon completion of the Disposal, and may therefore be different from the above amount.

The net proceeds from the Disposal, after deducting the expenses directly attributable thereto, will amount to approximately RMB67,006,502. It is intended that the net proceeds from the Disposal will be used for repayment of debts and the Group's working capital.

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

Based on the strategic development and the internal management needs of the Company, the Company has decided to proceed with the Disposal. The Directors believe that the Disposal 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 Disposal and the transactions contemplated thereunder 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**

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## DEFINITIONS

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

|                                |   |
|--------------------------------|---|
| “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);   |
| “Director(s)”                  | the director(s) of the Company;   |
| “Disposal”                     | the disposal of the Disposal Interests by the Company to the Purchaser in accordance with the terms and conditions of the Equity Transaction Agreement;   |
| “Disposal Interests”           | 89.995% equity interest in Gongyi Water held by 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 Transaction Agreement” | the agreement and its supplemental agreement both dated 12 July 2024, entered into between the Company and the Purchaser in relation to the Disposal;   |
| “Group”                        | the Company and its subsidiaries;   |
| “Gongyi Water”                 | Gongyi Water Resources Co., Ltd.* (鞏義市水務有限公司), a company incorporated in the PRC with limited liability;  |
| “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;  |
| “Public Tender”                | the public tender for the Disposal through YNEX;  |

|                  |  |
|------------------|--|
| “Purchaser”      | Gongyi Yuansheng Water Co., Ltd.* (鞏義市源盛水務有限公司), a limited liability company incorporated in the PRC and the purchaser under the Equity Transaction Agreement; |
| “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 the 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;   |
| “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  
12 July 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*