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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)

POTENTIAL MAJOR TRANSACTION THROUGH PUBLIC TENDER

This announcement is made by the Company pursuant to the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance and Rule 13.09 of the Listing Rules.

THE POTENTIAL DISPOSAL

The Company has resolved to dispose of the Disposal Assets. Since the Company is a state-owned enterprise, the Disposal Assets constitute state-owned assets, the disposal of which is required to undergo the process of Public Tender through an approved equity exchange in accordance with the relevant PRC laws and regulations governing the disposal of state-controlled assets. The Potential Disposal will be carried out through YNEX and the successful bidder will enter into the Equity Transaction Agreement with the Company according to the relevant rules and regulations of YNEX.

As at the date of this announcement, the Minimum Consideration (being the initial bidding price) for the Disposal Assets has not yet been determined, which will be announced when the process of the formal tender commenced, the final Consideration will be subject to the final bid price of the Public Tender, but will not be less than the Minimum Consideration in any event.

POTENTIAL IMPLICATIONS OF THE LISTING RULES

In view of the fact that the Minimum Consideration for the Disposal Assets has not yet been determined, using the net asset value of the Disposal Assets as of 31 December 2021 of RMB106,195,117 as the basis of calculation temporarily, the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Potential Disposal is more than 25% but all less than 75%. Therefore, the Potential Disposal, if materialized, based on the net asset value of the Disposal Assets as of 31 December 2021, is expected to constitute a major transaction of the Company which shall be subject to the reporting, announcement, circular, shareholders' approval requirements under Chapter 14 of the Listing Rules. Upon completion of the Potential Disposal, the Company will cease to hold any equity interest in the Underlying Companies which in turn will cease to be subsidiaries of the Company.

As the Potential Disposal may or may not proceed, shareholders and potential investors should exercise caution when dealing in the Shares.

* For identification purposes only

BACKGROUND

The Company has resolved to dispose of the Disposal Assets. Since the Company is a state-owned enterprise, the Disposal Assets constitute state-owned assets, the disposal of which is required to undergo the process of Public Tender through an approved equity exchange in accordance with the relevant PRC laws and regulations governing the disposal of state-controlled assets. The Potential Disposal will be carried out through YNEX and the successful bidder will enter into the Equity Transaction Agreement with the Company according to the relevant rules and regulations of YNEX.

THE POTENTIAL DISPOSAL THROUGH THE PUBLIC TENDER

1. The Disposal Assets

(1) *Hyflux Waste Water (Mingguang)*

Hyflux Waste Water (Mingguang) was established on 28 May 2008 with a registered capital of USD7,930,000. Its business scope includes the construction and operation of wastewater and recycled water treatment plants and the provision of technical consultancy and services for the membrane process. As at the date of this announcement, the Company indirectly held 100% equity interest of Hyflux Waste Water (Mingguang) through its wholly-owned subsidiary, Hyflux Utility WWT (MG) Limited*.

Set out below is the key audited financial information for the financial year ended 31 December 2020 and the key audited financial information for the financial year ended 31 December 2021 of Hyflux Waste Water (Mingguang), both prepared according to the PRC accounting standards.

	For the year ended	
	31 December	31 December
	2020	2021
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Operating revenue	20,034,133	19,934,960
Profit before tax	9,140,135	7,840,330
Profit after tax	6,834,450	5,875,753
Total assets	87,370,831	91,656,659
Net assets	56,237,404	62,113,157

(2) *Yeji Yunshui Water*

Yeji Yunshui Water was established on 17 December 2015 with a registered capital of RMB43,000,000. Its business scope includes the investment of general business projects including urban water supply and drainage, reclaimed water use, industrial wastewater, solid waste treatment and utilization, air pollution and prevention, river basin treatment, soil remediation and other environmental treatment projects, and management or entrusted management and operation of the invested projects or similar projects. As at the date of this announcement, the Company held 100% equity interest in Yeji Yunshui Water.

Set out below is the key audited financial information for the financial year ended 31 December 2020 and the key audited financial information for the financial year ended 31 December 2021 of Yeji Yunshui Water, both prepared according to the PRC accounting standards.

	For the year ended	
	31 December 2020 RMB (audited)	31 December 2021 RMB (audited)
Operating revenue	18,822,534	20,510,803
Profit before tax	3,551,520	4,029,429
Profit after tax	3,551,520	4,029,429
Total assets	135,245,304	146,188,764
Net assets	40,852,532	44,081,960

The total audited assets of the aforesaid Disposal Assets as at 31 December 2021 were RMB237,845,423 and the net assets were RMB106,195,117.

2. Major Terms of the Potential Disposal

A. Qualifications of the Potential Bidders

The potential bidders shall satisfy, including but not limited to, the following descriptions and qualifications:

1. the potential bidder must be a validly existing enterprise incorporated in the PRC; and
2. the potential bidder must not be a connected person (as defined in Chapter 14A of the Listing Rules) of the Company.

B. Date and Procedures of the Public Tender

The Company will have to submit to YNEX the tender notice setting out, inter alia, (i) the Minimum Consideration, which will not be disclosed at time of pre-tender and will be disclosed at the time of formal tender; (ii) the principal terms of the bidding; and (iii) descriptions and qualifications of the potential bidders. As the Company is the controlling shareholder of the Underlying Companies, the tender process will include pre-tender and formal tender. The Company will submit the tender notice to YNEX as soon as practicable.

The Publication Period will be 20 Working Days from the date of the pre-tender notice and 20 Working Days from the date of the formal tender notice. During the Publication Period, qualified bidders may indicate their intention to purchase the Disposal Assets and register themselves as interested bidders. Upon the expiry of the Publication Period, YNEX will notify the Company of the identity of the successful bidder. Upon the notification of the successful bidder (being the highest bidder) by YNEX, the Company is required to enter into the Equity Transaction Agreement with such successful bidder.

As at the date of this announcement, material information of the Equity Transaction Agreement, including the bidder(s), final Consideration, payment, delivery and transfer time, has not been determined. The Company will enter into the Equity Transaction Agreement upon confirmation of the successful bidder and perform its relevant approval procedures and information disclosure obligations. As at the date of this announcement, no agreement has been entered into between the Group and any other party in relation to the Potential Disposal.

C. Consideration

As at the date of this announcement, the Minimum Consideration (being the initial bidding price) for the Disposal Assets has not yet been determined, which will be announced when the process of the formal tender commenced, the final Consideration will be subject to the final bid price of the Public Tender, but will not be less than the Minimum Consideration in any event.

The payment of the Consideration shall be made in accordance with the time and method agreed in the Equity Transaction Agreement in the manner otherwise determined by the transferor and transferee of the Disposal Assets.

REASONS FOR AND BENEFITS OF THE POTENTIAL DISPOSAL

The Directors are of the view that the Potential Disposal and the transactions contemplated thereunder will be on normal commercial terms which are fair and reasonable and in the interest of the Company and the shareholders as a whole.

INFORMATION ABOUT THE GROUP

The Group is one of the leading integrated service providers in the municipal wastewater treatment and water supply industries in the PRC. The major business of the Company includes investment, construction and management services for urban water supply, wastewater treatment, solid waste treatment and environmental governance projects; sales of equipment and other environmental protection related services.

POTENTIAL IMPLICATIONS OF THE LISTING RULES

In view of the fact that the Minimum Consideration for the Disposal Assets has not yet been determined, using the net asset value of the Disposal Assets as of 31 December 2021 of RMB106,195,117 as the basis of calculation temporarily, the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Potential Disposal is more than 25% but all less than 75%. Therefore, the Potential Disposal, if materialized, based on the net asset value of the Disposal Assets as of 31 December 2021, is expected to constitute a major transaction of the Company which shall be subject to the reporting, announcement, circular, shareholders' approval requirements under Chapter 14 of the Listing Rules. Upon completion of the Potential Disposal, the Company will cease to hold any equity interest in the Underlying Companies which in turn will cease to be subsidiaries of the Company.

As the Potential Disposal may or may not proceed, shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the meanings below in 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);
“Consideration”	the consideration for the Disposal Assets payable by the transferee under the Equity Transaction Agreement;
“Director(s)”	the director(s) of the Company;
“Disposal Assets”	the 100% equity interest in Hyflux Waste Water (Mingguang) indirectly held by the Company through its wholly-owned subsidiary, Hyflux Utility WWT (MG) Limited* (凱發新泉公用事業污水(明光)有限公司), and the 100% equity interest in Yeji Yunshui Water directly held by the Company;
“Equity Transaction Agreement”	an equity transaction agreement to be entered into between the Company and the successful bidder of the Public Tender in respect of the Disposal Assets according to the rules and regulations of YNEX;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Hyflux Waste Water (Mingguang)”	Hyflux NewSpring Waste Water Treatment (Mingguang) Co., Ltd.* (凱發污水處理(明光)有限公司), a company incorporated in the PRC with limited liability;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Minimum Consideration”	the minimum consideration for the Disposal Assets, as of the date of this announcement, the Minimum Consideration has not yet been determined, which will be announced when the process of the formal tender commenced;
“Potential Disposal”	the potential disposal of the Disposal Assets by the Group;
“PRC” or “State”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“Public Tender”	the public tender for the Potential Disposal through YNEX;
“Publication Period”	the publication period (including the pre-tender period and the formal tender period) for the Public Tender during which qualified bidders may indicate their intention to purchase the Disposal Assets and register themselves as interested bidders;
“RMB”	Renminbi, the lawful currency of the PRC;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Underlying Companies”	Hyflux Waste Water (Mingguang) and Yeji Yunshui Water;
“Working Day(s)”	a day other than Saturday, Sunday and statutory holiday in the PRC, on which commercial banks in the PRC are open for normal business;
“Yeji Yunshui Water”	Lu’an Yeji Yunshui Water Investment Co., Ltd.* (六安市葉集區雲水水務投資有限公司), a company incorporated in the PRC with limited liability;
“YNEX”	Yunnan Equity Exchange Co., Ltd., an institution authorised by the Yunnan Provincial State-owned Assets Supervision and Administration Commission to transact assets and equity of state-owned enterprises under the Yunnan Provincial Government; and
“%”	per cent.

By order of the Board
Yunnan Water Investment Co., Limited*
Yu Long
Acting Chairman

Kunming, the PRC
25 August 2022

As at the date of this announcement, the executive directors of the Company are Mr. Yu Long (Acting Chairman) and Mr. Zhou Zhimi, the non-executive directors of the Company are Mr. Dai Richeng, Mr. Chen Yong and Mr. Liu Hui, and the independent non-executive directors of the Company are Mr. Liu Shuen Kong, Mr. Zhou Beihai and Mr. Zhong Wei.

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