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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)

VERY SUBSTANTIAL DISPOSAL 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 Interests. Since the Company is a state-owned enterprise, the Disposal Interests 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 Interests 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 Interests has not yet been determined, using the audited net asset value of the Disposal Interests as of 31 December 2022 of RMB310,190,900.42 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 75%. Therefore, the Potential Disposal, if materialized, based on the audited net asset value of the Disposal Interests as of 31 December 2022, is expected to constitute a very substantial 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 Interests. Since the Company is a state-owned enterprise, the Disposal Interests 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 Interests

Haifeng Yunshui, established on 11 August 2020, is the implementation entity of the county-wide bundled PPP Project for the Domestic Wastewater Treatment Facilities in Haifeng County. As at the date of this announcement, Haifeng Yunshui is a subsidiary in which the Company holds 99.98% interest.

Set out below is the key audited financial information for the financial year ended 31 December 2022 and the key audited financial information for the financial year ended 31 December 2021 of Haifeng Yunshui, both prepared according to the PRC Accounting Standards.

	For the year ended	
	31 December 2021	31 December 2022
	RMB	RMB
	(audited)	(audited)
Operating revenue	272,129,362	23,685,406
Profit before tax	0	12,372,531
Profit after tax	0	9,769,924
Total assets	385,548,731	575,132,290
Total liabilities	311,548,731	466,157,366
Net assets	74,000,000	108,974,924

Longhai Yunshui, established on 16 September 2019, is the implementation entity of the PPP project for the Construction Project of Rural Sewage Collection and Treatment System in Longhai City (Bangshan Town, Haicheng Town, Dongyuan Town and Zini Town). As at the date of this announcement, Longhai Yunshui Technology Co., Ltd. is a subsidiary in which the Company holds 89.89% interest.

Set out below is the key audited financial information for the financial year ended 31 December 2022 and the key audited financial information for the financial year ended 31 December 2021 of Longhai Yunshui prepared according to the PRC accounting standards.

	31 December 2021 RMB (audited)	31 December 2022 RMB (audited)
Operating revenue	188,491,394	103,956,057
Profit before tax	7,916,639	34,385,439
Profit after taxation	5,937,479	26,805,724
Total assets	549,600,456	645,829,259
Total liabilities	400,720,202	444,613,282
Net assets	148,880,253	201,215,977

2. Major Terms of the Potential Disposal

A. 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 Interests and register themselves as interested bidders. Upon 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.

B. Consideration

As at the date of this announcement, the Minimum Consideration (being the initial bidding price) for the Disposal Interests 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 Interests.

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 Interests has not yet been determined, using the audited net asset value of the Disposal Interests as of 31 December 2022 of RMB310,190,900.42 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 75%. Therefore, the Potential Disposal, if materialized, based on the audited net asset value of the Disposal Interests as of 31 December 2022, is expected to constitute a very substantial 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 Interests payable by the transferee under the Equity Transaction Agreement;
“Director(s)”	the director(s) of the Company;
“Disposal Interests”	99.98% equity interest in Haifeng Yunshui and 89.89% equity interest in Longhai Yunshui 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 Interests according to the rules and regulations of YNEX;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Minimum Consideration”	the minimum consideration for the Disposal Interests, 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 Interests 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 Interests and register themselves as interested bidders;

“RMB”	Renminbi, the lawful currency of the PRC;
“YNEX”	Yunnan Equity Exchange Co., Ltd.;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Underlying Companies”	Haifeng Yunshui and Longhai Yunshui, subsidiaries of the Company
“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;
“Haifeng Yunshui”	Haifeng Yunshui Technology Co., Ltd. (海豐雲水科技有限公司), a company incorporated in the PRC with limited liability. As at the date of this announcement, the Company held 99.98% equity interest.
“LongHai Yunshui”	Longhai Yunshui Environmental Protection Engineering Co., Ltd. (龍海市雲水環保工程有限公司), a company incorporated in the PRC with limited liability. As at the date of this announcement, the Company held 89.89% equity interest; and
“%”	per cent.

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

Kunming, the PRC
30 October 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Liu Jianjun (Vice-Chairman), Mr. Liu Hui and Mr. Zhou Zhimi, the non-executive Directors of the Company are Mr. Mei Wei (Chairman), Mr. Dai Richeng and Mr. Chen Yong, 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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