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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)

TRANSACTIONS
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 Equities. Since the Company is a state-owned enterprise, the Disposal Equities 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 Disposal Equities has completed the process of the pre-tender and carried out formal tender through YNEX on 26 December 2023. The Minimum Consideration (being the initial bidding price) for the Disposal Equities has been determined at RMB95,900,625.00 for 75% equity interest in Wuxi Zhongfa, RMB 57,046,016.11 for 100% equity interest in Wuxi Yunshui and RMB18,440,300 for 100% equity interest in Ehu Yunshui in accordance with the filing results of the evaluated value of the Disposal Equities as of 31 December 2022 by the competent authorities. 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.

* For identification purposes only

POTENTIAL IMPLICATIONS OF THE LISTING RULES

In accordance with the Minimum Consideration for the Disposal Equities, the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the potential disposal of 75% equity interest in Wuxi Zhongfa is more than 25% but all less than 75%, the potential disposal of 75% equity interest in Wuxi Zhongfa (if materialized) is therefore 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. The highest applicable percentage ratio (as defined in the Listing Rules) in respect of the potential disposal of 100% equity interest in Wuxi Yunshui is more than 5% but all less than 25%. The potential disposal of 100% equity interest in Wuxi Yunshui (if materialized) is expected to constitute a discloseable transaction of the Company which shall be subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. The highest applicable percentage ratio (as defined in the Listing Rules) in respect of the potential disposal of 100% equity interest in Ehu Yunshui is more than 5% but all less than 25%. The potential disposal of 100% equity interest in Ehu Yunshui (if materialized) is expected to constitute a discloseable transaction of the Company which shall be subject to the notification and announcement 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.

BACKGROUND

The Company has resolved to dispose of the Disposal Equities. Since the Company is a state-owned enterprise, the Disposal Equities 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 Equities

Wuxi Zhongfa was established on 5 July 2006, and the registered address was Nianyu Village, Anzhen Town, Xishan District, Wuxi (無錫市錫山區安鎮鎮年餘村), with a registered capital of RMB134 million. As at the date of this announcement, Wuxi Zhongfa is a 75%-owned subsidiary of the Company.

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 Wuxi Zhongfa, both prepared according to the PRC accounting standards.

	For the year ended	
	31 December	31 December
	2021	2022
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Operating revenue	74925,519	56,106,484
Profit before tax	9,285,595	-15,384,459
Profit after tax	6,959,527	-15,531,430
Total assets	679,188,277	418,464,134
Total liabilities	466,309,625	221,116,912
Net assets	212,878,652	197,347,222

According to the filing results of the evaluated value of Wuxi Zhongfa as of 31 December 2022 by the competent authorities, the Minimum Consideration (being the initial bidding price) for 75% equity interest in Wuxi Zhongfa was RMB95,900,625.00.

Wuxi Yunshui was established on 30 September 2017, and the registered address was Antai Er Road, Anzhen Town, Xishan District, Wuxi (無錫市錫山區安鎮鎮安泰二路), with a registered capital of RMB17 million. As at the date of this announcement, Wuxi Yunshui is a wholly-owned subsidiary of the Company.

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 Wuxi Yunshui, both prepared according to the PRC accounting standards.

	31 December	31 December
	2021	2022
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Operating revenue	11,479,643	21,197,652
Profit before tax	2,516,601	11,362,670
Profit after tax	2,211,671	10,812,480
Total assets	112,935,375	114,850,530
Total liabilities	87,346,472	78,449,147
Net assets	25,588,903	36,401,383

According to the filing results of the evaluated value of Wuxi Yunshui as of 31 December 2022 by the competent authorities, the Minimum Consideration (being the initial bidding price) for 100% equity interest in Wuxi Yunshui was RMB57,046,016.11.

Ehu Yunshui was established on 19 December 2017, and the registered address was Ganlu Qunlian Village, Ehu Town, Xishan District, Wuxi (無錫市錫山區鵝湖鎮甘露群聯村), with a registered capital of RMB10 million. As at the date of this announcement, Ehu Yunshui is a wholly-owned subsidiary of the Company.

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 Ehu Yunshui, both prepared according to the PRC accounting standards.

	31 December 2021	31 December 2022
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Operating revenue	5,398,706	7,453,797
Profit before tax	1,486,956	2,623,928
Profit after tax	1,486,956	2,623,928
Total assets	45,415,076	47,469,603
Total liabilities	31,243,445	30,674,044
Net assets	14,171,631	16,795,559

According to the filing results of the evaluated value of Ehu Yunshui as of 31 December 2022 by the competent authorities, the Minimum Consideration (being the initial bidding price) for 100% equity interest in Ehu Yunshui was RMB18,440,300.

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 include pre-tender and formal tender.

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 Equities 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.

B. Consideration

As at the date of this announcement, the Minimum Consideration (being the initial bidding price) for the Disposal Equities has been determined at RMB171,386,934.49, 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 Equities.

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 accordance with the Minimum Consideration for the Disposal Equities, the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the potential disposal of 75% equity interest in Wuxi Zhongfa is more than 25% but all less than 75%, the potential disposal of 75% equity interest in Wuxi Zhongfa (if materialized) is therefore 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. The highest applicable percentage ratio (as defined in the Listing Rules) in respect of the potential disposal of 100% equity interest in Wuxi Yunshui is more than 5% but all less than 25%. The potential disposal of 100% equity interest in Wuxi Yunshui (if materialized) is expected to constitute a discloseable transaction of the Company which shall be subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. The highest applicable percentage ratio (as defined in the Listing Rules) in respect of the potential disposal of 100% equity interest in Ehu Yunshui is more than 5% but all less than 25%. The potential disposal of 100% equity interest in Ehu Yunshui (if materialized) is expected to constitute a discloseable transaction of the Company which shall be subject to the notification and announcement 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 following meanings 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 Equities payable by the transferee under the Equity Transaction Agreement;
“Director(s)”	the director(s) of the Company;
“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;
“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. As at the date of this announcement, the Company held its 100% equity interest;

“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 Equities 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 Equities, as of the date of this announcement, the Minimum Consideration was determined in accordance with the filing results of the evaluated value of the Disposal Equities as of 31 December 2022 by the competent authorities;
“Potential Disposal”	the potential disposal of the Disposal Equities 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 Equities 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”	Wuxi Zhongfa, Wuxi Yunshui and Ehu 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;
“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. As at the date of this announcement, the Company held its 100% equity interest;

“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. As at the date of this announcement, the Company held its 75% equity interest;

“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
27 December 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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