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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)

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 Interest. Since the Company is a state-owned enterprise, the Disposal Interest constitutes a state-owned asset, the disposal of which is required to undergo the public tender process 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 the Shanghai Assets Exchange and the successful bidder will enter into the Equity Transaction Agreement with the Company according to the relevant rules and regulations of the Shanghai Assets Exchange.

As at the date of this announcement, the Minimum Consideration (being the initial bidding price) for the Disposal Interest has not yet been determined, which will be announced when the process of the formal tender commences, the final consideration will depend on the final bidding 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 view of the fact that the Minimum Consideration for the Disposal Interest has not yet been determined, using the audited net asset value of the Disposal Interest as of 31 December 2021 of RMB155,725,138 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 audited net asset of the Disposal Interest 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 Company which in turn will cease to be a subsidiary 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 Interest. Since the Company is a state-owned enterprise, the Disposal Interest constitutes a state-owned asset, the disposal of which is required to undergo the public tender process 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 the Shanghai Assets Exchange and the successful bidder will enter into the Equity Transaction Agreement with the Company according to the relevant rules and regulations of the Shanghai Assets Exchange.

THE POTENTIAL DISPOSAL THROUGH THE PUBLIC TENDER

1. The Disposal Interest

Yunshui Technology was established on 26 August 2020 and is principally engaged in the investment and operation of urban water supply and drainage infrastructure. As at the date of this announcement, Yunshui Technology is a wholly-owned subsidiary of Yunnan Water (Hong Kong) which is in turn a wholly-owned subsidiary of the Company, Yunshui Technology is an indirect wholly-owned subsidiary of the Company.

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

	For the year ended	
	31 December	31 December
	2019	2020
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Operating revenue	104,575,875	117,347,324
Profit before tax	39,409,657	25,371,012
Profit after tax	28,737,849	19,291,086
Total assets	595,359,756	613,568,426
Total liabilities	334,978,407	457,843,288
Net assets	260,381,349	155,725,138

2. Major Terms of the Potential Disposal

A. Date and Procedures of the Public Tender

The Company shall submit to the Shanghai Assets Exchange the tender notice setting out, *inter alia*, (i) the Minimum Consideration, which will not be disclosed at the 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 Company, the tender process will include pre-tender and formal tender. The Company will submit the tender notice to the Shanghai Assets Exchange 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 Interest and register themselves as interested bidders. Upon the expiry of the Publication Period, the Shanghai Assets Exchange will notify the Company of the identity of the successful bidder. Upon the notification of the successful bidder (being the highest bidder) by the Shanghai Assets Exchange, the Company shall enter into the Equity Transaction Agreement with such successful bidder.

As at the date of this announcement, material particulars of the Equity Transaction Agreement including the bidder(s), final consideration, payment, delivery and transfer time have 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 Interest has not yet been determined, which will be announced when the process of the formal tender commences, the final consideration will depend on the final bidding 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 determined by the transferor and transferee of the Disposal Interest.

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 Interest has not yet been determined, using the audited net asset value of the Disposal Interest as of 31 December 2021 of RMB155,725,138 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 audited net asset of the Disposal Interest 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 Company which in turn will cease to be a subsidiary 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 Interest payable by the transferee under the Equity Transaction Agreement;
“Director(s)”	the director(s) of the Company;
“Disposal Interest”	the 100% equity interest in Yunshui Technology 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 Interest according to the rules and regulations of the Shanghai Assets Exchange;
“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 Interest, 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 commences;
“Potential Disposal”	the potential disposal of the Disposal Interest 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 the Shanghai Assets Exchange;

“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 Interest and register themselves as interested bidders;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shanghai Assets Exchange”	Shanghai United Assets and Equity Exchange Co., Ltd.* (上海聯合產權交易所有限公司), an institution authorised by the Shanghai Municipal State-owned Assets Supervision and Administration Commission to transact assets and equity of state-owned enterprises under the Shanghai Municipal Government;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Underlying Company”	Yunshui Technology, which is a wholly-owned subsidiary of the Company;
“Working Day(s)”	a day other than Saturday, Sunday and statutory holidays in the PRC, on which commercial banks in the PRC are open for normal business;
“Yunshui Technology”	Yunshui Technology Co., Ltd.* (雲水科技有限公司), a company incorporated in the PRC with limited liability;
“Yunnan Water (Hong Kong)”	Yunnan Water (Hong Kong) Company Limited, a company incorporated in the Hong Kong Special Administrative Region of the PRC with limited liability; and
“%”	per cent;

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

Kunming, the PRC
6 May 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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