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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 and 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 Interest has not yet been determined, which will be announced when the process of the formal tender commenced, the final Consideration will depend on 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 view of the fact that the Minimum Consideration for the Disposal Interest has not yet been determined, using the net asset value of the Disposal Interest as of 31 December 2020 of RMB293,125,710 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 of the Disposal Interest as of 31 December 2020, is expected to constitute a major transaction of the Company 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 (Assets) which in turn will cease to be subsidiaries (assets) 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 and 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 Interest**

#### ***(1) Honghe Water***

Honghe Water was established on 14 November 2012 and is principally engaged in the investment, construction, operation and management of urban water supply and drainage infrastructure, wastewater treatment facilities and waste innocuous treatment facilities; the investment, construction, operation and management of waste comprehensive development and utilization and its related industry; the consultancy on projects relating to the wastewater treatment and waste innocuous treatment; urban construction, investment in mining industry and asset management; technical consultancy on environmental governance; the sale and lease of environmental electrical and mechanical equipment. As at the date of this announcement, Honghe Water is a 100% wholly-owned subsidiary of the Company.

Set out below is the key audited financial information for the financial year ended 31 December 2019 and the key audited financial information for the financial year ended 31 December 2020 of Honghe Water, both prepared according to the PRC accounting standards.

	<b>For the year ended</b>	
	<b>31 December 2019</b>	<b>31 December 2020</b>
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Operating revenue	51,660,436	54,251,928
Profit before tax	6,334,131	10,551,463
Profit after tax	5,322,780	8,858,474
Total assets	316,748,336	309,914,071
Net assets	127,188,103	133,557,035

**(2) Ludian Water**

Ludian Water was established on 21 October 2009 and is principally engaged in the consultancy, construction, investment, operation and management of water exploitation, wastewater treatment, waste innocuous treatment, waste comprehensive development and utilization and the related projects. As at the date of this announcement, Ludian Water is a 100% wholly-owned subsidiary of the Company.

Set out below is the key audited financial information for the financial year ended 31 December 2019 and the key audited financial information for the financial year ended 31 December 2020 of Ludian Water, both prepared according to the PRC accounting standards.

	<b>For the year ended</b>	
	<b>31 December 2019</b>	<b>31 December 2020</b>
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Operating revenue	4,287,107	4,159,751
Profit before tax	1,182,615	1,211,912
Profit after tax	1,134,956	1,139,621
Total assets	22,761,873	24,296,936
Net assets	12,360,061	11,907,083

### (3) *Shuifu Water*

Shuifu Water was established on 5 May 2011 and is principally engaged in the investment, construction, operation and management of urban drainage infrastructure and waste innocuous treatment facilities; the investment, construction, operation and management of waste comprehensive development and utilization and its related industry; the consultancy on projects relating to the wastewater treatment and waste innocuous treatment; urban construction and asset management. As at the date of this announcement, Shuifu Water is a 100% wholly-owned subsidiary of the Company.

Set out below is the key audited financial information for the financial year ended 31 December 2019 and the key audited financial information for the financial year ended 31 December 2020 of Shuifu Water, both prepared according to the PRC accounting standards.

	<b>For the year ended</b>	
	<b>31 December 2019</b>	<b>31 December 2020</b>
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Operating revenue	5,017,856	5,813,692
Profit before tax	1,844,637	2,663,813
Profit after tax	1,695,719	2,002,765
Total assets	34,069,692	37,486,636
Net assets	15,074,250	15,260,810

### (4) *Weixin Water*

Weixin Water was established on 10 May 2011 and is principally engaged in the investment, construction, operation and management of urban drainage infrastructure and waste innocuous treatment facilities; the investment, construction, operation and management of waste comprehensive development and utilization and its related industry; the consultancy on projects relating to the wastewater treatment and waste innocuous treatment. As at the date of this announcement, Weixin Water is a 100% wholly-owned subsidiary of the Company.

Set out below is the key audited financial information for the financial year ended 31 December 2019 and the key audited financial information for the financial year ended 31 December 2020 of Weixin Water, both prepared according to the PRC accounting standards.

	<b>For the year ended</b>	
	<b>31 December 2019</b>	<b>31 December 2020</b>
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Operating revenue	3,366,505	3,431,616
Profit before tax	742,586	902,082
Profit after tax	705,550	811,720
Total assets	18,680,842	20,177,165
Net assets	6,728,030	6,985,065

**(5) Zhenxiong Water**

Zhenxiong Water was established on 18 August 2011 and is principally engaged in the investment, construction, operation and management of urban drainage infrastructure and waste innocuous treatment facilities; the investment, construction, operation and management of waste comprehensive development and utilization and its related industry; the consultancy on projects relating to the wastewater treatment and waste innocuous treatment; asset management. As at the date of this announcement, Zhenxiong Water is a 100% wholly-owned subsidiary of the Company.

Set out below is the key audited financial information for the financial year ended 31 December 2019 and the key audited financial information for the financial year ended 31 December 2020 of Zhenxiong Water, both prepared according to the PRC accounting standards.

	<b>For the year ended</b>	
	<b>31 December 2019</b>	<b>31 December 2020</b>
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Operating revenue	8,527,178	9,857,539
Profit before tax	5,632,582	6,861,581
Profit after tax	4,749,839	5,830,820
Total assets	66,321,758	72,264,312
Net assets	37,609,729	36,539,629

**(6) Hyflux NewSpring (Chongqing)**

Hyflux NewSpring (Chongqing) was established on 25 May 2011 and is principally engaged in the wastewater treatment, the production and sales of recycled water and the provision of technical consultancy and services for the membrane process. As at the date of this announcement, Hyflux NewSpring (Chongqing) is a 100% wholly-owned subsidiary of the Company.

Set out below is the key audited financial information for the financial year ended 31 December 2019 and the key audited financial information for the financial year ended 31 December 2020 of Hyflux NewSpring (Chongqing), both prepared according to the PRC accounting standards.

	<b>For the year ended</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2019</b>	<b>2020</b>
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Operating revenue	10,827,196	12,765,071
Profit before tax	85,261	2,804,380
Profit after tax	83,623	2,804,380
Total assets	89,871,921	87,458,890
Net assets	35,382,644	38,187,024

**(7) Datunhai Project**

The Datunhai Project of the Company is mainly responsible for the treatment of the wastewater from two cities, namely Gejiu and Mengzi, within the Datunhai area. Since the tender transaction of the Datunhai Project is an act of enterprise asset transfer, there is no need for pre-tender according to “Supervision and Management Measures for Enterprises State-owned Assets” and it will be formally tendered as one of the Disposal Interest thereafter. Set out below is the key unaudited financial information for the financial year ended 31 December 2019 and the key unaudited financial information for the financial year ended 31 December 2020 of the Datunhai Project, both prepared according to the PRC accounting standards.

	<b>For the year ended</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2019</b>	<b>2020</b>
	<i>RMB</i>	<i>RMB</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Operating revenue	4,686,685	7,416,110
Operating profit	1,215,341	3,544,819
Total assets	59,610,898	59,116,998
Net assets	53,153,051	50,689,064

The total assets of the aforesaid Disposal Interest as at 31 December 2020 were RMB610,715,008 and the net assets were RMB293,125,710 (all financial information of the underlying companies have been audited except for that of the Datunhai Project).

## **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 to 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 (Assets), the tender process will include pre-tender (except for the Datunhai Project) 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 Interest 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 Interest has not yet been determined, which will be announced when the process of the formal tender commenced, the final Consideration will depend on 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 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 net asset value of the Disposal Interest as of 31 December 2020 of RMB293,125,710 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 of the Disposal Interest as of 31 December 2020, is expected to constitute a major transaction of the Company 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 (Assets) which in turn will cease to be subsidiaries (assets) 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;
“Datunhai Project”	Diannan Central City Datunhai Wastewater Treatment Project of the Company;
“Director(s)”	the director(s) of the Company;
“Disposal Interest”	the 100% equity interest in Honghe Water, the 100% equity interest in Ludian Water, the 100% equity interest in Shuifu Water, the 100% equity interest in Weixin Water, the 100% equity interest in Zhenxiong Water, the 100% equity interest in Hyflux NewSpring (Chongqing) and the Datunhai Project 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 YNEX;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Honghe Water”	Honghe Water Industry Investment Co., Ltd. (紅河州水務產業投資有限公司), a company incorporated in the PRC with limited liability;
“Hyflux NewSpring (Chongqing)”	Hyflux NewSpring GaoYang Sewage Disposal (Chongqing) Co., Ltd.* (凱發新泉高陽污水處理(重慶)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;
“Ludian Water”	Ludian Water Industry Investment Co., Ltd. (魯甸縣水務產業投資有限公司), a company incorporated in the PRC with limited liability;

“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 commenced;
“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 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 Interest and register themselves as interested bidders;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shuifu Water”	Shuifu Water Industry Investment Co., Ltd. (水富縣水務產業投資有限公司), a company incorporated in the PRC with limited liability;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Underlying Companies (Assets)”	Honghe Water, Ludian Water, Shuifu Water, Weixin Water, Zhenxiong Water, Hyflux NewSpring (Chongqing) and the Datunhai Project, all of which are wholly-owned (or held) by the Company as at the date of this announcement;
“Weixin Water”	Weixin Water Industry Investment Co., Ltd. (威信縣水務產業投資有限公司), a company incorporated in the PRC with limited liability;
“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;
“YNEX”	Yunnan Equity Exchange Co., Ltd.* (雲南產權交易所有限公司), 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;

“Zhenxiong Water”

Zhenxiong Water Industry Investment Co., Ltd. (鎮雄縣水務產業投資有限公司), a company incorporated in 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  
28 December 2021

*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.*

\* *For identification purposes only*