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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)

MAJOR TRANSACTION DISPOSAL OF 100% EQUITY INTERESTS IN YEJI YUNSHUI WATER

THE YEJI DISPOSAL

Reference is made to the announcements of the Company dated 25 August 2022 and 20 December 2022 in relation to the potential disposal of the Disposal Assets by way of public tender through YNEX and the disposal of Hyflux Waste Water, respectively. As of the date of this announcement, the process of the public tender in relation to the disposal of Yeji Yunshui Water through YNEX has been completed. The Board is pleased to announce that on 28 December 2022 (after trading hours), the Company (as vendor) and the Purchaser (as purchaser) entered into the Yeji Equity Transaction Agreement, pursuant to which, the Company has agreed to sell, and the Purchaser has agreed to acquire, 100% equity interest in Yeji Yunshui Water at the consideration of RMB87,295,900. Upon completion of the Yeji Disposal, the Company shall cease to have any interest in Yeji Yunshui Water.

IMPLICATIONS UNDER THE LISTING RULES

Since the Yeji Equity Transaction Agreement is entered into within 12 months after the Hyflux Equity Transaction Agreement, and the Equity Transaction Agreements are both entered into with the Purchaser, the Yeji Disposal shall be aggregated together with the Hyflux Disposal to calculate the applicable percentage ratios according to Rule 14.22 of the Listing Rule.

As the highest applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposals, when aggregated, exceeds 25% but is less than 75%, the Disposals constitute major transactions under Chapter 14 of the Listing Rules, and are subject to reporting, announcement and Shareholders' approval requirements.

* For identification purposes only

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the Disposals may be given by way of written Shareholders' approval in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposals; and (2) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who holds or together hold more than 50% of the voting rights at that general meeting to approve the Disposals.

The Company intends to obtain the written Shareholders' approval from Yunnan Green Environmental Protection Industry Group Co., Ltd.* (雲南省綠色環保產業集團有限公司) and Beijing OriginWater Technology Co., Ltd.* (北京碧水源科技股份有限公司), a closely allied group of Shareholders holding an aggregate of 645,407,162 Shares, representing approximately 54.09% of the entire issued share capital of the Company as at the date of this announcement. As such, no general meeting will be convened for the purpose of approving the Disposals.

GENERAL

A circular containing, among other things, (i) further information about the Disposals; and (ii) other disclosable information under the Listing Rules will be despatched by the Company to the Shareholders in accordance with the Listing Rules and relevant requirements under the Articles of Association before 19 January 2023.

THE YEJI DISPOSALS

Reference is made to the announcements of the Company dated 25 August 2022 and 20 December 2022 in relation to the potential disposal of the Disposal Assets by way of public tender through YNEX and the disposal of Hyflux Waste Water, respectively. As of the date of this announcement, the process of the public tender through YNEX has been completed. The Board is pleased to announce that on 28 December 2022 (after trading hours), the Company (as vendor) and the Purchaser (as purchaser) entered into the Yeji Equity Transaction Agreement, pursuant to which, the Company has agreed to sell, and the Purchaser has agreed to acquire, 100% equity interest in Yeji Yunshui Water at the consideration of RMB87,295,900. Upon completion of the Yeji Disposal, the Company shall cease to have any interest in Yeji Yunshui Water.

YEJI EQUITY TRANSACTION AGREEMENT

Date: 28 December 2022 (after trading hours)

Parties: (i) The Company (as vendor); and
(ii) The Purchaser (as purchaser)

Disposal Interest

Under the Yeji Disposal, the Company has agreed to sell, and the Purchaser has agreed to acquire, 100% interest in Yeji Yunshui Water.

Consideration and Basis of Determination

The Company has entrusted YNEX to obtain the equity bidder by way of public tender, and the method of agreement transfer is adopted. The consideration of the Yeji Disposal is RMB87,295,900, which was determined and equivalent to the appraised value of Yeji Yunshui Water as at 31 December 2021 by an independent PRC valuer using the asset-based approach and income approach.

Payment Terms

The Purchaser shall pay the consideration in two installments:

- (a) 60% of the consideration (i.e. RMB52,377,540) shall be paid to the Company within 5 Working Days from signing of the Yeji Equity Transaction Agreement; and
- (b) 40% of the consideration (i.e. RMB34,918,360) shall be paid to the Company within 7 Working Days after submission of the relevant materials for the change of registration to the responsible industry and commerce authority.

Transition Period

During the period from the transaction reference date (i.e. 31 December 2021) to the completion of the transfer of the interest of Yeji Yunshui Water, the Company is obliged to maintain good management of Yeji Yunshui Water and its shareholder's rights and assets. It is agreed that the Purchaser shall be entitled to the revenue of Yeji Yunshui Water since 1 December 2022.

Completion

Completion is conditional on the obtaining by the Company of the internal approvals for the Yeji Equity Transaction Agreement of all competent authorities (including but not limited to the Shareholders' approval, the board approvals and/or other internal management bodies of the Company). Completion shall take place on the date when the change of registration procedures in the responsible industry and commerce authority completes.

INFORMATION OF THE PURCHASER

The Purchaser is a company established in the PRC with limited liability and, to the best knowledge of the Directors, is primarily engaged in environmental and ecological business fields such as environmental protection in nuclear power stations, water supply and drainage, hazardous and solid waste disposal, water treatment and biomass. The Purchaser is a direct wholly-owned subsidiary of CGN Power Co., Ltd.* (中國廣核電力股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (stock code: 1816) and the A shares of which are listed on the Shenzhen Stock Exchange (stock code: 003816).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules) as at the date of this announcement.

INFORMATION OF THE GROUP

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

INFORMATION OF 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/As at	
	31 December	31 December
	2020	2021
	<i>RMB million</i>	<i>RMB million</i>
	<i>(audited)</i>	<i>(audited)</i>
Operating revenue	18.8	20.5
Profit before tax	3.6	4.0
Profit after tax	3.6	4.0
Total assets	135.2	146.2
Net assets	40.9	44.1

FINANCIAL EFFECT OF THE YEJI DISPOSAL AND USE OF PROCEEDS

Upon completion of the Yeji Disposal, Yeji Yunshui Water will cease to be a subsidiary to be accounted for in the financial results of the Company. The Group is expected to record an unaudited gain on the Yeji Disposal of approximately RMB12.7 million. Such unaudited gain is estimated based on gross proceeds from the Yeji Disposal of approximately RMB87.3 million less the fair value of approximately RMB74.3 million as at 31 December 2021 of the net identifiable asset value of Yeji Yunshui Water calculated continuously from the date of acquisition (being the net asset value calculated on the historical cost basis of approximately RMB44.1 million and an adjustment of approximately RMB30.2 million for the net identifiable asset value continuously calculated), and after deducting the expenses directly attributable to the Yeji Disposal of approximately RMB0.3 million. Please note that the actual gain recorded by the Group from the Yeji Disposal will be subject to the book value of Yeji Yunshui Water accounted for in the financial statements of the Group upon completion of the Yeji Disposal, and may therefore be different from the above amount.

The net proceeds from the Yeji Disposal, after deducting the expenses directly attributable thereto, will amount to approximately RMB87.0 million. It is intended that the net proceeds from the Yeji Disposal will be used for the Group's working capital.

REASONS FOR AND BENEFITS OF THE YEJI DISPOSAL

Based on the strategic development and the internal management needs of the Company, the Company decides to proceed with the Yeji Disposal. The Directors believe that the Yeji Disposal will alleviate the ongoing financial difficulties of the Group and lower the debt level and asset-liability ratio of the Company.

The Directors are of the view that the Yeji Disposal is on normal commercial terms which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

Since the Yeji Equity Transaction Agreement is entered into within 12 months after the Hyflux Equity Transaction Agreement, and the Equity Transaction Agreements are both entered into with the Purchaser, the Yeji Disposal shall be aggregated together with the Hyflux Disposal to calculate the applicable percentage ratios according to Rule 14.22 of the Listing Rule.

As the highest applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposals, when aggregated, exceeds 25% but is less than 75%, the Disposals constitute major transactions under Chapter 14 of the Listing Rules, and are subject to reporting, announcement and Shareholders' approval requirements.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the Disposals may be given by way of written Shareholders' approval in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposals; and (2) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who holds or together hold more than 50% of the voting rights at that general meeting to approve the Disposals.

The Company intends to obtain the written Shareholders' approval from Yunnan Green Environmental Protection Industry Group Co., Ltd.* (雲南省綠色環保產業集團有限公司) and Beijing OriginWater Technology Co., Ltd.* (北京碧水源科技股份有限公司), a closely allied group of Shareholders holding an aggregate of 645,407,162 Shares, representing approximately 54.09% of the entire issued share capital of the Company as at the date of this announcement. As such, no general meeting will be convened for the purpose of approving the Disposals.

GENERAL

A circular containing, among other things, (i) further information about the Disposals; and (ii) other disclosable information under the Listing Rules will be despatched by the Company to the Shareholders in accordance with the Listing Rules and relevant requirements under the Articles of Association before 19 January 2023.

DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the meanings below in this announcement:

“Articles of Association”	the articles of association of the Company;
“Board”	the board of Directors of the Company;
“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);
“Director(s)”	the director(s) of the Company;
“Disposals”	the Hyflux Disposal and the Yeji Disposal;
“Disposal Assets”	the 100% equity interest in Hyflux Waste Water, and the 100% equity interest in Yeji Yunshui Water;
“Domestic Share(s)”	the issued ordinary shares at the nominal value of RMB1.00 per share in the share capital of the Company which are subscribed for or credited as paid up in RMB;

“Group”	the Company and its subsidiaries;
“H Share(s)”	the overseas listed foreign-invested ordinary shares of the Company with a nominal value of RMB1.00 per share in the share capital of the Company, which are listed on the Main Board of the Stock Exchange (stock code: 6839.HK) and subscribed for and traded in Hong Kong dollars;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Hyflux Disposal”	the disposal of 100% equity interest by Hyflux Utility to the Purchaser in accordance with the terms and conditions of the Hyflux Equity Transaction Agreement;
“Hyflux Equity Transaction Agreement”	the sale and purchase agreement dated 20 December 2022, together with its supplemental agreement, entered into between Hyflux Utility and the Purchaser in relation to the Hyflux Disposal;
“Hyflux Utility”	Hyflux Utility WWT (MG) Limited (凱發新泉公用事業污水 (明光) 有限公司), a company incorporated in Singapore with limited liability;
“Hyflux Waste Water”	Hyflux NewSpring Waste Water Treatment (Mingguang) Co., Ltd.* (凱發污水處理 (明光) 有限公司), a company established in the PRC with limited liability;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“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;
“Purchaser”	CGN Environmental Protection Industry Co. Ltd. (中廣核環保產業有限公司), a limited liability company established in the PRC and the purchaser of the Disposal Assets;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	the Domestic Shares and/or H Shares;
“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Working Day”	a day other than Saturday, Sunday and statutory holiday in the PRC;

“Yeji Disposal”	the disposal of 100% equity interest by Yeji Yunshui Water to the Purchaser in accordance with the terms and conditions of the Yeji Equity Transaction Agreement;
“Yeji Equity Transaction Agreement”	the sale and purchase agreement dated 28 December 2022, together with its supplemental agreement, entered into between the Company and the Purchaser in relation to the Yeji Disposal;
“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 established 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
28 December 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.

* For identification purposes only