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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)**

**DISCLOSEABLE TRANSACTION  
IN RELATION TO THE SUBSCRIPTION OF NEWLY INCREASED  
EQUITY INTERESTS OF SHANDONG TENG YUE CHEMICAL  
HAZARDOUS WASTE RESEARCH & TREATMENT CO., LTD**

On 17 September 2015 (after trading hours), the Company entered into the Investment Agreement with the Original Shareholders of the Target Company and the Target Company, pursuant to which the Company has agreed to conditionally subscribe for equity interests which represent 51% of the enlarged registered capital of the Target Company by making an investment of approximately RMB416.33 million (the “**Subscription Amounts**”) (including newly increased registered capital of approximately RMB55.37 million and capital reserve of approximately RMB360.96 million).

Final subscription amounts shall be subject to review and approval of the SASAC. In the event that the Subscription Amounts shall be subject to adjustment, the Company will make further announcement in respect of adjustment of the Subscription Amounts in accordance with the Listing Rules and comply with the relevant requirements thereunder (if applicable). The Company will fund the Subscription Amounts from internal resources.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Subscription are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements as set out in the Listing Rules.

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### **Investment Agreement**

Date: 17 September 2015 (after trading hours)

Parties:

- (1) the Original Shareholders of the Target Company
- (2) the Company
- (3) the Target Company

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, all of the Original Shareholders of the Target Company and their ultimate beneficial owners (if applicable) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

### **Target Equity Interests to be Subscribed for:**

Pursuant to and subject to the terms and conditions set out in the Investment Agreement, the Company has agreed to subscribe for the new equity interests which represent 51% of the registered capital of the Target Company upon the fulfillment of all conditions precedent. Upon the completion of the Subscription, the Target Company will become a non-wholly owned subsidiary of the Company.

### **Conditions Precedent:**

Completion of the Investment Agreement shall be subject to and conditional upon the following conditions precedent of the Target Company being satisfied or otherwise waived by the Company in writing:

- (1) the Company having conducted its due diligence exercise on the Target Company in respect of its business, finance and legal status;

- (2) the Parties having signed all necessary documents in relation to the Subscription, including but not limited to the Investment Agreement and articles of association of the Target Company amended in such form and substance to the approval of the Company and the Original Shareholders of the Target Company;
- (3) the Target Company having taken all necessary actions in relation to the Subscription, including but not limited to the resolution of the shareholders of the Target Company being presented to resolve and approve the articles of association of the Target Company amended for the Subscription;
- (4) approval by the Company's internal investment decision-making body and approval by / filing with the competent state-owned assets administration department being obtained and completed for the Company to conduct the transactions contemplated under the Investment Agreement;
- (5) Feng Zezheng (馮澤正) having transferred his 70% equity interests in Dongying Taiji Environmental to the Target Company and having completed change of business registration, and Feng Zezheng having duly fulfilled his capital contribution obligation for Dongying Taiji Environmental;
- (6) representations and warranties made by the Original Shareholders of the Target Company and the Target Company in the Investment Agreement being true, accurate and complete, and any commitment and convention set out in the Investment Agreement that should be observed or performed by them on or before the completion date of the Subscription having been observed or performed in all material respects;
- (7) there being no occurrence of events in the Target Company and companies controlled by it or in which it has controlling interest, partnerships and other entities which could have significant adverse effects;
- (8) the Target Company having obtained approval from Shandong Development and Reform Commission in respect of its investment projects scale enlargement and having re-applied for and obtained the environmental impact assessment approval;
- (9) the Target company and its core technical staff and key employees (the scope and the list subject to the approval by the Company) having signed confidentiality agreements, non-competition agreements and intellectual property ownership agreements in such form and substance to the satisfaction of the Company.

(collectively “**conditions precedent**”)

In the event that the conditions precedent (not including items (1) and (4)) are not fully fulfilled within the sixty (60) business days following the day on which the Investment Agreement is signed or otherwise waived by the Company in writing the Company has the right to terminate the Investment Agreement without incurring any obligations for breaching contract.

**Subscription Amounts and Payment of the Subscription:**

The Subscription Amounts for the Target Equity Interests are approximately RMB416.33 million, of which approximately RMB55.37 million will be used as the registered capital of the Target Company and the remaining balance of approximately RMB360.96 million will be included into the capital reserve of the Target Company. The Subscription Amounts were arrived at after arm's length negotiations between all the Parties and were on normal commercial terms with reference to and taking into account the evaluation of the net assets of the Target Company. Final subscription amounts shall be subject to review and approval of the SASAC. In the event that the Subscription Amounts shall be subject to adjustment, the Company will make further announcement in respect of adjustment of the Subscription Amounts in accordance with the Listing Rules and comply with the relevant requirements thereunder (if applicable). The Company will fund the Subscription Amounts from internal resources.

The Directors (including independent non-executive Directors) consider that the Subscription Amounts payable by the Company under the Investment Agreement is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Company will pay Subscription Amounts to the Target Company in the following manners and term:

- (1) First instalment: within ten (10) business days after the conditions precedent (1) to (7) being satisfied or waived, the Company shall pay RMB216.33 million into a bank account designated in writing by the Target Company.
- (2) Second instalment: upon the conditions precedent (8) to (9) being fully satisfied or waived, the Company shall pay RMB200 million into a bank account designated in writing by the Target Company.

### **Nomination of Directors and Financial Staff:**

After completion of the Subscription, the board of directors of the Target Company will consist of 7 directors, of which, the Founding Shareholders of the Target Company will be entitled to nominate 2 directors, Shandong Duoying and Jinan Duoying will be entitled to nominate 1 director, and the Company will be entitled to nominate 4 directors. The chairman will be appointed among the directors nominated by the Company. The general manager is recommended by the Founding Shareholders of the Target Company.

Financial controller of the Target Company will be recommended by the Company and appointed by the board of directors of the Target Company. The financial controller will carry out the work based on the positions and responsibilities set by the Target Company, and will have the rights of supervision and suggestion in respect of financial matters for violating resolutions of board of directors or shareholders' meeting.

### **Other undertakings:**

- (a) Shandong Duoying and Jinan Duoying confirm and undertake that waive their rights to procure the Founding Shareholders of the Target Company to assume default liabilities for their past default or to require the Founding Shareholders of the Target Company to repurchase according to the stipulations of investment agreement and its supplemental agreement entered into by Shandong Duoying and Jinan Duoying with the Founding Shareholders of the Target Company and the relevant parties when Shandong Duoying and Jinan Duoying each invested in the Target Company.
- (b) The Founding Shareholders of the Target Company undertake that as for debts such as the receivables of the Target Company outstanding as of the completion date, which were shown in the latest audited account of the Target Company covering the accounting period as of 31 May 2015, the Founding Shareholders of the Target Company shall assume joint and several liability for payment obligations. As the guarantee for the performance of such payment obligations in the capacity of Founding Shareholders of the Target Company, the Founding Shareholders of the Target Company agree to create the pledge option for the Company in respect of their shareholdings in the Target Company (the value of pledged shareholdings shall be the same as the value of payment obligations). If such payment obligations have not yet fully settled within 3 months upon the expiry of performance period of payment obligations, the Founding Shareholders of the Target Company shall transfer such pledged shareholdings of the Target Company to the Company at nil consideration as the Company's compensation upon the request of the Company.

- (c) The Original Shareholders of the Target Company and the Target Company undertake that the Company shall not assume any liabilities, obligations or losses in respect of matters of the Target Company made prior to the completion date, including losses suffered indirectly by the Company due to any liabilities, obligations or losses assumed by the Target Company after the completion date, and agree that indemnify the Company or Target Company (subject to the Company's option) and hold the Company harmless from and against any liabilities, obligations or losses, directly and indirectly, assumed by the Company.
- (d) The Parties agree that the profit and loss during the period between 31 May 2015 and the completion date of business registration should be assumed or entitled by the Parties in the proportion of respective shareholdings after the Subscription.

**Termination:**

The Investment Agreement shall terminate under the following circumstances:

- (1) by unanimous consent among all the Parties in writing;
- (2) in the event that the conditions precedent (not including items (1) and (4)) are not fully satisfied within the sixty (60) business days following the day on which the Investment Agreement is signed or otherwise waived by the Company in writing and the Company chooses to terminate the Investment Agreement;
- (3) breach of the provisions of laws and regulations or Investment Agreement or related terms thereunder.

**Completion:**

The Subscription will be officially completed after the last condition precedent is satisfied or waived in accordance with the Investment Agreement on the date when the Target Company receives the new business license issued by Administration of Industry & Commerce where the Subscription is duly recorded.

**Information of the Target Company**

The Target Company is a limited liability company incorporated in the PRC and its registered capital immediately before Completion is RMB53.20 million. The main business scope of the Target Company includes environmental consultancy, operation and management of environmental facilities, remediation of soils contaminated and tailrace dredging engineering. For items subject to approval pursuant to laws, operation could only be commenced upon approval by relevant authorities.

## Shareholding Structure of the Target Company

The following table sets out changes in the shareholdings ratio of the Target Company as at the date of this announcement and immediately upon completion of the Subscription:

Name of the Shareholders	As at the date of this announcement		Immediately upon completion of the Subscription	
	Amount of Contribution (RMB million)	Shareholdings Ratio <i>approx.</i> (%)	Amount of Contribution (RMB million)	Shareholdings Ratio <i>approx.</i> (%)
Feng Chenghu	35.00	65.80	35.00	32.24
Zheng Fuqin	7.50	14.10	7.50	6.91
Feng Zezheng	7.50	14.10	7.50	6.91
Shandong Duoying	2.88	5.40	2.88	2.65
Jinan Duoying	0.32	0.60	0.32	0.29
The Company	<u>—</u>	<u>—</u>	<u>55.37</u>	<u>51.00</u>
Total	<u>53.20</u>	<u>100.00</u>	<u>108.57</u>	<u>100.00</u>

## Financial Information of the Target Company

The total audited assets of the Target Company as at 31 May 2015 amounted to approximately RMB299 million. The net profit before and after tax and extraordinary items of the Target Company for the two years ended 31 December 2013 and 2014 are as follows:

	For the year ended 31 December 2014 <i>approx.</i> RMB million	For the year ended 31 December 2013 <i>approx.</i> RMB million
Net profit/(loss) before tax and extraordinary items	12.94	(37.76)
Net profit/(loss) after tax and extraordinary items	<u>9.52</u>	<u>(33.26)</u>

## **Reasons for and Benefits of the Subscription**

The Company is of the view that the risks involved in the Subscription are low and there is a possibility of gaining excess return in such investment project. The Target Company enjoys a good overall economic benefit, and its static after-tax investment payback period, internal financial yield curve, financial net present value and such other indicators are all in compliance with this investment's gaining requirement. Through the implementation of the project, the advantages in both the Company and the Target Company in respect of market resources, capital, technical and operating management as well as other respects can be fully utilized to achieve cross-regional development, allowing the Company to further penetrate into the market of hazardous waste treatment in Shandong Province and therefore to increase the profitability to a large extent.

The Directors consider that the terms and conditions of the Subscription are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **Listing Rules Implications**

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Subscription are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements as set out in the Listing Rules.

## **Definitions**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“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 company with limited liability incorporated in the PRC, the H Shares of which are listed on the main board of the Stock Exchange (stock code: 06839). Its business comprises four main segments, namely wastewater treatment, water supply, construction and equipment sales and others, which comprises O&M wastewater treatment and municipal waste disposal projects. These four segments cover the full spectrum of the water industry, ranging from raw water supply, tap water supply and wastewater treatment to engineering services, equipment sales and system integration;
“Director(s)”	the director(s) of the Company;
“Dongying Taiji Environmental”	Dongying Taiji Environmental Science and Technology Co., Ltd* (東營太極環保科技有限公司), a company established under the laws of China and mainly engages in development of environmental technology and consultancy services; operation and management of environmental facilities; remediation of contaminated soil; dredging construction. The controlling interest of 70% in this company will be owned by the Target Company;
“Feng Zezheng”	Feng Zezheng, one of the Founding Shareholders of the Target Company;
“Founding Shareholders of the Target Company”	Feng Chenghu, Zheng Fuqin and Feng Zezheng;
“H Share(s)”	overseas listed foreign ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each;
“Investment Agreement”	investment agreement dated 17 September 2015 among (i) the Original Shareholders of the Target Company; (ii) the Company and (iii) the Target Company in relation to subscription of the Target Equity Interests;

“Jinan Duoying”	Jinan Yuanchuang Duoying Equity Investment Management Co., Ltd* (濟南源創多盈股權投資管理有限公司), a limited liability company incorporated and subsisting under the laws of the PRC, holding approximately 0.6% interest of the Target Company as at the date of this announcement, whose main business comprises entrusted management of equity investment enterprises, engaged in asset management and related advisory services;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Original Shareholders of the Target Company”	the Founding Shareholders of the Target Company, Shangdong Duoying and Jinan Duoying;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SASAC”	State-owned Assets Supervision and Administration Commission of Yunnan Provincial People’s Government;
“Shandong Duoying”	Shandong Duoying Energy Conservation and Environmental Protection Venture Capital Management Co., Ltd* (山東多盈節能環保產業創業投資有限公司), a limited liability company incorporated and subsisting under the laws of the PRC, holding approximately 5.4% interest of the Target Company as at the date of this announcement, whose main business comprises venture capital investment; venture investment advisory business; provision of venture management services to venture companies;
“Share(s)”	shares of the Company;
“Shareholder(s)”	holders of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Subscription”	the subscription of the Target Equity Interests from the Target Company by the Company pursuant to the Investment Agreement;
“Target Company”	Shandong Tengyue Chemical Hazardous Waste Research & Treatment Co., Ltd* (山東騰躍化學危險廢物研究處理有限公司), a limited liability company incorporated and subsisting in the PRC;
“Target Equity Interests”	new equity interests to be subscribed by the Company, 51% of the registered capital of the Target Company on a fully-diluted basis; and
“%”	percent.

By Order of the Board  
**Yunnan Water Investment Co., Limited\***  
**Xu Lei**  
*Chairman*

Kunming, PRC,  
17 September 2015

*As at the date of this announcement, the executive directors of the Company are Mr. Yu Long, Mr. Liu Xujun and Mr. Huang Yunjian, the non-executive directors of the Company are Mr. Xu Lei (Chairman), Mr. Wen Jianping, Mr. Jiao Jun, Mr. He Yuanping and Mr. Feng Zhuangzhi, and the independent non-executive directors of the Company are Mr. Kwok For Chi, Mr. Ma Shihao, Mr. Ren Gangfeng and Mr. Hu Song.*

\* *For identification only*