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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)**

**ANNOUNCEMENT  
DISCLOSEABLE TRANSACTION  
ACQUISITION OF 100% EQUITY INTEREST IN  
PJT TECHNOLOGY CO., LIMITED**

The Board is pleased to announce that on 6 November 2015 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Vendors have entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares for a consideration of US\$70,000,000 (equivalent to approximately RMB443,667,000) (subject to adjustment). The Company will, where applicable, make further announcement on adjustment to the amount of the consideration in accordance with requirements of the Listing Rules. Pursuant to the terms of the Acquisition Agreement and as part of the consideration for the Acquisition, the Purchaser shall repay, on behalf of IRIS, a portion of the Outstanding Loan at an amount equivalent to the IRIS Shareholders' Loan to the Bank on the Closing Date, which effectively assigns the IRIS Shareholders' Loan from IRIS to the Purchaser. Upon closing of the Acquisition, the Purchaser will become the creditor to the Target Company with respect to the amount equivalent to the IRIS Shareholders' Loan. Such payment arrangement was agreed by the parties to the Acquisition Agreement in order to facilitate the release of the Pledge from the Bank.

As one or more of the applicable percentage ratios of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

On 6 November 2015, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendors have entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares.

## **THE ACQUISITION AGREEMENT**

The principal terms of the Acquisition Agreement are summarized as follows:

**Date:** 6 November 2015 (after trading hours)

**Parties:** (i) the Purchaser  
(ii) IRIS, NSH, Mr. Wuthikorn, Ms. Kunpawee and POLAR (collectively, as the Vendors)

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the Vendors and their ultimate beneficial owners (where applicable) are third parties independent of the Company and its connected persons.

### **Sale Shares**

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire share capital in the Target Company (i.e. the Sale Shares). The Sale Shares should not be subject to any lien, charge and encumbrance.

As at the date of this announcement, all the Sale Shares have been pledged against the Outstanding Loan together with interests thereof in favour of the Bank pursuant to the Pledge. IRIS had used the amount borrowed under the Outstanding Loan to refinance the existing debts of the Target Company incurred under the IRIS Shareholders' Loan.

### **Repayment of the Outstanding Loan**

Pursuant to the terms of the Acquisition Agreement and as part of the consideration for the Acquisition, the Purchaser should repay, on behalf of IRIS, a portion of the Outstanding Loan at an amount equivalent to the IRIS Shareholders' Loan to the Bank on the Closing Date, which effectively assigns the IRIS Shareholders' Loan from IRIS to the Purchaser. Upon closing of the Acquisition, the Purchaser will

become the creditor to the Target Company with respect to the amount equivalent to the IRIS Shareholders' Loan. Such payment arrangement was agreed by the parties to the Acquisition Agreement in order to facilitate the release of the Pledge from the Bank.

### **Consideration**

The consideration for the Acquisition is US\$70,000,000 (equivalent to approximately RMB443,667,000) (subject to adjustment). The relevant consideration shall be paid by the Purchaser in cash in the following manner:

- (i) On the Commencement Date, the Purchaser shall transfer 3% of the consideration into the account designated by the Vendors (the “**First Payment**”);
- (ii) Within 10 Business Days after the Commencement Date, the Purchaser shall deposit 17% of the consideration into an escrow account, such amount shall then be released to the Vendors after the Purchaser has obtained approval documents from the State-owned Assets Supervision and Administration Commission of Yunnan Province of the PRC, Department of Commerce of Yunnan Province of the PRC and the State Administration of Foreign Exchange of the PRC (the “**Second Payment**”). Such approvals should be obtained within 30 days after the Commencement Date;
- (iii) On the Closing Date and upon fulfilment of the Vendors' obligations, the Purchaser shall pay to:
  - (a) IRIS at an amount of US\$24,000,000 (equivalent to approximately RMB152,114,400);
  - (b) the Bank at the amount equivalent to the IRIS Shareholders' Loan for repayment of the Outstanding Loan; and
  - (c) POLAR at the remaining amount of the consideration after deducting the First Payment, the Second Payment, and amounts payable under sub-clauses (a) and (b) above,

The amount to be paid by the Purchaser to the Bank in accordance with sub-clause (b) above shall be for the settlement of the Outstanding Loan and release of the Pledge over the Sale Shares.

The consideration will be adjusted as follows:

- (i) within 45 days after the Closing Date or such other period as may be mutually agreed in writing by the parties, the Vendors shall assist the Target Company and the Purchaser to prepare and deliver the Completion Accounts for the purpose of the consideration adjustment;
- (ii) pursuant to clause (i) above, the Completion Accounts shall be verified by the independent accountant appointed by the Purchaser, the expenses of which shall be borne by the Purchaser, and subsequently accepted by the Purchaser within 15 Business Days after the date of the receipt of the Completion Accounts;
- (iii) if the Completion Accounts are disputed by the Purchaser by written notice stating the disagreement, reasons and detailed explanation, the parties shall use all reasonable endeavours to resolve the dispute within 15 Business Days of the receipt by the Vendors of the written notice. If the dispute cannot be resolved, the parties shall jointly appoint a reputable independent international firm of accountants to determine the matter(s) in dispute, and the expenses involved shall be borne by the parties equally. The decision of the independent accountant shall be final and binding on both parties;
- (iv) if an adjustment is to be made due to the event described in the preceding sub-clauses, the Purchaser shall notify the Vendors in writing of the amount of the adjustment. The Vendors have to jointly or separately return the adjustment amount to the Purchaser within 10 days after receiving the notice. If the Vendors fails to return the adjustment amount within such period, the Purchaser will charge a default interest until it has been returned in full.

The consideration for the Acquisition was agreed after negotiation between the Purchaser and the Vendors on an arm's length basis and having regard to a number of relevant factors, including (i) the market position of the Target Company; (ii) strategic basis of the Acquisition; (iii) historical financial information of the Target Company; (iv) track record and customer base of the Target Company; and (v) potential business opportunities and development prospect of the Target Company. The consideration shall be settled by debt financing of the Group. The Company will, where applicable, make further announcement on adjustment to the amount of the consideration in accordance with requirements of the Listing Rules.

The Directors consider the terms of the Acquisition Agreement to be fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

## **Conditions Precedent**

Pursuant to the Acquisition Agreement, closing of the Acquisition shall be subject to the fulfillment of, among others, the following conditions by the Closing Date or otherwise waived by the Purchaser:

### **1 Obligations of the Purchaser**

- (i) The Purchaser shall ensure that all necessary approvals required for the Acquisition Agreement and the contemplated transactions thereunder (including but not limited to the acquisition of Sale Shares) have been obtained and in compliance with the provisions under its memorandum and articles of association and the requirements of its internal rules and systems.
- (ii) The Purchaser shall obtain all necessary resolutions (if required) for the Acquisition Agreement and the contemplated transactions thereunder and approval of its board of directors or its shareholders.
- (iii) The Purchaser shall make best efforts to perform, fulfill and observe all relevant agreements, contracts and obligations under the Acquisition Agreement by the Closing Date.

### **2 Obligations of the Vendors**

- (i) The Vendors shall ensure that all necessary approvals required for the Acquisition Agreement and the contemplated transactions thereunder (including but not limited to the acquisition of Sale Shares) have been obtained and in compliance with the laws, the laws of Thailand, the provisions under the memorandum and articles of association of the Vendors and the Target Company, and the requirements of their respective internal rules and systems.
- (ii) The Vendors shall obtain approval from its board of directors or its shareholders on all necessary resolutions in respect of the Acquisition Agreement and the transactions contemplated thereunder.
- (iii) The Vendors shall procure the board of directors or shareholders of the Target Company to approve all resolutions on the replacement of all existing directors, authorized directors and management officers nominated by the Vendors and arrange all relevant outgoing officers to sign resignation letters, and register the information on change of directors with the Department of Commerce on or prior to the Closing Date.

- (iv) The Vendors shall make best efforts to perform, fulfill and observe all relevant agreements, contracts and obligations under the Acquisition Agreement by the Closing Date, and shall undertake that during the period from the Commencement Date to the Closing Date, no material adverse effects on the Target Company has occurred.
- (v) The Vendors shall obtain all necessary approvals from the bank, creditor, Phuket Island Municipal Council and the Royal Forestry Department and approvals required by any third parties with respect to the change of shareholders in the Target Company pursuant to the relevant laws or any terms of agreement.
- (vi) The Vendors shall arrange the Target Company to obtain written consent or letter of permission from the Royal Forestry Department and the Phuket Island Municipal Council, stating: (i) the current business operated by the Target Company (including the operations carried out pursuant to the Incinerator Agreement and the PPAs) is permitted to be completed within the forestry conservation zone, and (ii) the longest term (including the renewal period for the operation of the Target Company business using the forestry conservation zone) shall be at least up to 2038.

## **Closing**

Subject to the fulfilment or waiver of all the conditions under the Acquisition Agreement, closing of the Acquisition shall occur on the Closing Date. Upon closing of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Purchaser.

## **INFORMATION ON THE TARGET COMPANY**

The Target Company was established as a limited company in Thailand in 2003. Its major business is waste-to-energy generation. The Target Company has obtained the concession right of waste-to-energy generation from the Phuket Island Municipal Council of Thailand for a term from 2009 to 2023 and the Target Company is entitled to renew the agreement upon expiry by approximately 15 years up to 2038.

According to the audited accounts of the Target Company, the net assets of the Target Company as at 31 December 2014 is THB786,836,357 (equivalent to approximately RMB140,528,973).

The audited financial information of the Target Company for the two years ended 31 December 2013 and 2014 is set out below:

	<b>For the year ended 31 December 2013 THB/(equivalent amount in RMB)</b>	<b>For the year ended 31 December 2014 THB/(equivalent amount in RMB)</b>
Net profit before tax	65,853,580/(11,761,449)	17,085,813/(3,051,526)
Net profit after tax	65,887,226/(11,767,458)	17,618,650/(3,146,691)

## **INFORMATION ON THE VENDORS**

IRIS is a limited liability company incorporated under the laws of Malaysia with shares listed on the ACE Market of Bursa Malaysia Securities Berhad. It owns 51% equity interest in the Target Company as at the date of this announcement. IRIS is a global solutions provider with core expertise in digital identity, business, farming and environmental solutions.

NSH is a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of IRIS. It owns 24% equity interest in the Target Company as at the date of this announcement. Its principal business is investment holding.

Mr. Wuthikorn, a citizen of Thailand, owns 13.84% equity interest in the Target Company as at the date of this announcement.

Ms. Kunpawee, a citizen of Thailand, owns 11.16% equity interest in the Target Company as at the date of this announcement.

POLAR is a company incorporated under the laws of British Virgin Islands. Its principal business is in the provision of IT services. POLAR is the legal and beneficial owner of the 1,850,000 ordinary shares in Target Company under the shares purchase agreement dated 1 October 2015 between Mr. Wuthikorn, Ms. Kunpawee and POLAR. POLAR has duly purchased such ordinary shares from Mr. Wuthikorn and Ms. Kunpawee, the instruments of the share transfer were executed by POLAR and Mr. Wuthikorn together with Ms. Kunpawee, reflecting the share transfer to POLAR. As at the date of this announcement, the aforesaid share transfer transaction is ongoing and the new share certificates shall be issued to POLAR after the release of the Pledge by the Bank.

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the Vendors and their ultimate beneficial owners (where applicable) are third parties independent of the Company and its connected persons.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Purchaser is a company incorporated in Hong Kong with limited liability and is principally engaged in the business of provision of water treatment equipment, technical services and investment. The Purchaser is a wholly-owned subsidiary of the Company. The Group is one of the leading integrated service providers in urban sewage water treatment and water supply industries in Yunnan Province of the PRC, its principal businesses include water supply, sewage water treatment and solid waste treatment in cities, investment, construction and management service in environmental projects, sales of equipment and other environmental related services. The corporate strategy of the Group is to operate business based in Yunnan Province and seek investment opportunities continuously to expand business gradually to other regions to secure a stable source of income.

The Board considers that the Acquisition is a breakthrough for the Group to expand into the waste treatment industry in Thailand. Since the Target Company is the only power generation plant completely using municipal household waste, it will have enormous exemplary effect in the market of Thailand. Upon implementation of the Acquisition, it will have important implications on the Group's future development in the solid waste treatment industry in Thailand and will be favorable to the development of water projects, which are consistent with the corporate strategies of the Group.

The unique tourism resources and the economic model in Phuket Island facilitate local citizens and government to place utmost importance on municipal waste problems, therefore, the government has promulgated relevant preferential policies to support the implementation of municipal waste-to-energy generation projects. Also, with growing number of tourists in future, the total volume of waste is expected to increase accordingly. These factors are favorable for the potential growth of the Target Company.

After taking the above factors into account, the Directors consider the terms of the Acquisition Agreement to be fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

## **IMPLICATIONS OF THE LISTING RULES**

As one or more of the applicable percentage ratios of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.



## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the terms and conditions of the Acquisition Agreement;
“Acquisition Agreement”	the agreement entered into by the Purchaser and the Vendors on 6 November 2015 in respect of the Acquisition;
“Bank”	Standard Chartered Bank Offshore Labuan;
“Board”	the Board of Directors;
“Business Day”	a day which is not Saturday and Sunday;
“Closing Date”	the date on which closing of the Acquisition takes place which shall be mutually agreed by the parties to the Acquisition Agreement but shall not be later than 31 December 2015;
“Commencement Date”	the date of execution of the Acquisition Agreement;
“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 China, its H Shares are listed on the Main Board of the Stock Exchange (stock code: 6839);
“Completion Accounts”	a reviewed balance sheet together with profit and loss account and cash flow account for the Target Company as at the Closing Date;
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“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 issued ordinary shares at the 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);
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Incinerator Agreement”	the agreement entered into between the Purchaser and the Phuket Municipality which permitted the Target Company to build and operate an incineration plant;
“IRIS Shareholders’ Loan”	the shareholder loan granted by IRIS to the Target Company pursuant to two loan agreements between IRIS and the Target Company dated 20 June 2014;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Outstanding Loan”	the US\$35,000,000 loan facilities extended under the facility agreement dated 12 May 2014 entered into between the Bank and IRIS. The exact outstanding amount and interest shall be verified with the Bank after the Commencement Date;
“Phuket”	the Phuket Island of Thailand;
“Pledge”	the pledge over the Sale Shares by IRIS in favour of the Bank pursuant to the Outstanding Loan;
“PPAs”	certain power purchase agreements pursuant to which the Target Company agreed to sell and the Provincial Electricity Authority, the Ministry of Energy, Thailand agreed to buy the electricity generated by the Target Company’s incinerator plant;
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Regions of the People’s Republic of China and Taiwan;
“Purchaser”	Yunnan Water (Hong Kong) Company Limited, a limited liability company incorporated in Hong Kong, which is a wholly-owned subsidiary of the Company;

“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	7,400,000 ordinary shares at the nominal value of THB100 per share in the paid-up capital of the Target Company, representing the entire share capital of the Target Company;
“Share(s)”	Domestic Share(s) and/or H Share(s);
“Shareholder(s)”	the holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the same meaning ascribed to it under the Listing Rules;
“Target Company”	PJT Technology Co., Limited, a limited company incorporated in Thailand;
“THB”	Thai baht, the lawful currency of Thailand;
“Thailand”	the Kingdom of Thailand;
“US\$”	US dollar, the lawful currency of the United States;
“Vendors”	IRIS Corporation Berhad (“ <b>IRIS</b> ”), Northern Shine Holdings Limited (“ <b>NSH</b> ”), Mr. Wuthikorn Aphichatabut (“ <b>Mr. Wuthikorn</b> ”), Ms. Kunpawee Chaosiwongthep (“ <b>Ms. Kunpawee</b> ”) and POLAR Success Limited (“ <b>POLAR</b> ”); and
“%”	per cent.

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

Kunming, the PRC,  
6 November 2015

*For the purpose of this announcement and for illustration purpose only, any amount denominated in US\$ or THB is converted into RMB at the estimated exchange rates of US\$1.00 to RMB6.3381 or THB1.00 to RMB0.1786. Such conversion shall not be taken as a representation that any US\$, THB or RMB denominated amount could have been or may be converted according to the exchange rates as specified above.*

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

*\* For identification purposes only*