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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 60% EQUITY INTEREST IN
THE TARGET COMPANY**

The Board is pleased to announce that on December 18, 2015 (after trading hours), the Company has entered into the Equity Transfer Agreement with the Vendor and the Related Parties, pursuant to which the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares for a consideration of RMB300,000,000 (subject to adjustment as agreed by the Company and the Vendor, and in any event shall not exceed RMB300,000,000).

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 December 18, 2015 (after trading hours), the Company has entered into the Equity Transfer Agreement with the Vendor and the Related Parties, pursuant to which the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares.

EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarized below:

Date: December 18, 2015 (after trading hours)

Parties: (i) the Company (as purchaser)
(ii) the Vendor (as vendor)
(iii) the Related Parties

SALE SHARES

Pursuant to the Equity Transfer Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Sale Shares representing 60% equity interest in the Target Company. The Sale Shares are free of any lien, charge and encumbrance.

EARNEST MONEY

The Company has paid an aggregate sum of RMB80,000,000 as earnest money in respect of the Acquisition (the “**Earnest Money**”) to the Related Parties on September 22 and November 2, 2015 respectively. The Company and the Vendor have agreed that the entire sum of Earnest Money will be refund to the Company by the next day after receiving payment of the First Installment (as defined below).

CONSIDERATION

The amount of consideration for the Acquisition is RMB300,000,000 (subject to adjustment as agreed by the Company and the Vendor, and in any event shall not exceed RMB300,000,000). Such consideration shall be paid by the Company in three installments in the following manner:

- (i) The first installment of consideration in the amount of RMB210,000,000 (the “**First Installment**”) shall be paid on the third Business Day after the fulfilment of the conditions precedent to the First Installment;
- (ii) The second installment of consideration in the amount of RMB40,000,000 (the “**Second Installment**”) shall be paid on the date of fulfilment of the conditions precedent to the Second Installment;

(iii) The third installment of consideration in the amount of RMB50,000,000 (the “**Third Installment**”) shall be paid on the date of fulfilment of the conditions precedent to the Third Installment;

The amount of consideration for the Acquisition was determined by the Company and the Vendor upon arm’s-length negotiations having taken into consideration a number of relevant factors, among others, (i) the capacity of medical waste treatment of 30 tonnes per day of the two production lines currently constructed and operated by the Target Company; (ii) the Target Company holds the hazardous waste operation license by the Kunming Municipal Environmental Protection Bureau, the concession right was granted for 25 years, and it is the only service provider in the municipal area of Kunming city in accordance with the law to collect, transport and incinerate medical wastes generated from medical waste producers; (iii) the track record and existing customer base of the Target Company, including the number of medical institutions, chargeable hospital beds, pharmaceutical plants, pharmaceutical operation units and animal carcass producing units in Kunming city; and (iv) the potential business opportunities and development prospects of the Target Company. The consideration for the Acquisition will be financed by the Group’s debt financing and/or internal resources. The Company will make further announcement on adjustment to the amount of consideration in accordance with the requirements of the Listing Rules (if applicable).

CONDITIONS PRECEDENT

Pursuant to the Equity Transfer Agreement, the above three installments of payment shall be subject to the fulfillment of the following conditions precedent by the Long Stop Date or otherwise waived by the Company in writing:

1. Conditions precedent to the First Installment

- (i) The Vendor has released the Target Company from all equity pledges and equity sequestration, and has completed the procedure for pledge release with the relevant government regulatory authorities and the industry and commerce administration bureaus;
- (ii) If applicable, the obtaining of all third party consents, including but not limited to the approvals from Board and/or the competent regulatory authorities, have been completed;
- (iii) The registration or filing with the industry and commerce registration authority for equity transfer (i.e. change of shareholders) of the Target Company has been completed.

2. **Conditions precedent to the Second Installment**

- (i) The Target Company has completed the procedure for renewal of the Hazardous Waste Operation License;
- (ii) The written confirmation document issued by the Municipal Government of Kunming in respect of the competence of the Kunming Municipal Environmental Protection Bureau to sign the Medical Waste Treatment Concession Agreement and the written confirmation document issued by the Municipal Government of Kunming relating to the legal possession and use of the Project Land and the buildings and ancillary facilities thereon by the Target Company during the concession period have been obtained;
- (iii) The confirmation in writing by the Kunming Municipal Environmental Protection Bureau relating to the consent for the Acquisition and the continuous and legitimate entitlement to the concession right by the Target Company without subject to restriction, termination or cancellation;
- (iv) The Company or its representative has completed the due diligence exercise on the business, law and finance in all material aspects of the Target Company, and the Target Company has duly resolved any relevant issues discovered during this exercise;
- (v) The amended articles of association of the Target Company and changes in directors, supervisors and senior management officers completed the procedures for change or filing with the industry and commerce registration authority for companies, and the contents and formats of all documents submitted for filing with the company registration authority (including but not limited to the Equity Transfer Agreement, resolution of shareholders' general meeting, articles of association, etc.) are satisfactory to the Company, and the procedure for registration have been completed with the industry and commerce registration authority;
- (vi) Up to the date of payment of the Second Installment, no event or situation has happened or occurred which has brought, or will reasonably be expected to bring about, material adverse effect to the Target Company.

3. Conditions precedent to the Third Installment

- (i) The Vendor has demanded or urged other relevant debtors to return to the Target Company certain account receivables as set out in the latest audited report of the Target Company;
- (ii) The Vendor has guaranteed that the actual realised audited net profit of the Target Company for the year of 2015 to be RMB44 million.

If the above conditions precedent are not fulfilled by the Long Stop Date due to changes in laws or force majeure factors, upon confirmation by the Company, the fulfilment time for the relevant conditions precedent may be postponed accordingly or otherwise waived. If the Vendor is still unable to fulfil such conditions precedent upon expiry of the postponement, the Company shall be entitled to terminate the Acquisition by the issuance of a notice in writing to the Vendor.

COMPLETION OF TRANSFER

The Transfer Date shall be the date the Company has paid the First Installment (i.e. the third Business Day after the registration procedure for change of shareholdings of the Target Company at the industry and commerce authority has been completed.) After Completion of Transfer, the Company will hold 60% equity interest in the Target Company, and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Group.

INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability company incorporated in the PRC, its scope of business is primarily medical waste treatment, technical consultancy in environmental protection areas, technical services, technical development, and sales of environmental protection materials, environmental protection equipment, wires and cables, etc.

According to the audited financial information of the Target Company, the net asset value attributable to the shareholders of the Target Company as at June 30, 2015 was approximately RMB125,412,000.

The audited net profit (before and after taxation) attributable to the shareholders of the Target Company for the two years ended December 31, 2013 and 2014 is set out below:

| | For the year ended December 31, 2013 | For the year ended December 31, 2014 |
|--|---|---|
| | RMB | RMB |
| | (’000) | (’000) |
| Net profit before tax attributable to the shareholders of the Target Company | 42,138 | 47,186 |
| Net profit after tax attributable to the shareholders of the Target Company | 35,870 | 42,372 |

INFORMATION OF THE VENDOR AND THE RELATED PARTIES

The Vendor is a limited liability company incorporated in the PRC, which is primarily engaged in the production and sales of wires and cables, PVC cable materials, metal wires, rubber products, electric motors, electric assisted bicycles, motor car accessories, tractor accessories and lighting electric components, and sales of environmental protection equipment and technical treatment, etc. As at the date of this announcement, the Vendor holds 100% equity interest in the Target Company.

Mr. Jiang Zhengyun, Mrs. Jiang Xiao Sasa and Mr. Lin Tianxiao previously held 80%, 10% and 10% equity interest in the Target Company, respectively and they are all citizens of the PRC. To facilitate the Acquisition, Mr. Jiang Zhengyun, Mrs. Jiang Xiao Sasa and Mr. Lin Tianxiao transferred their respective equity interests in the Target Company to the Vendor respectively and completed the relevant procedure of registration for change of shareholdings at the industry and commerce administration bureau of Yunnan Province on December 15, 2015.

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

REASONS FOR AND BENEFITS OF THE ACQUISITION

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, the 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 seeking investment opportunities continuously to expand business gradually to other regions to secure a stable source of income.

The Board considers that Yunnan Province is a business base of the Group, in order to further develop and penetrate into the local market, the Group intends to expand its business from the water sector to the solid waste treatment sector in Yunnan Province. The Acquisition will have significant implications on the Group for the future development of medical waste treatment business in the market of Yunnan Province, and is consistent with the business and development strategy of the Group.

After taking the above factors into account, the Directors consider that the terms of the Equity Transfer Agreement are fair and reasonable and 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.

DEFINITION

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

| | |
|----------------|---|
| “Acquisition” | the acquisition of the Sale Shares by the Company from the Vendor in accordance with the terms and conditions of the Equity Transfer Agreement; |
| “Board” | the board of Directors; |
| “Business Day” | any day other than a Saturday, Sunday or statutory holiday announced by the PRC government from time to time; |

| | |
|-----------------------------|--|
| “Completion of Transfer” | completion of the equity transfer under the Equity Transfer 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 the PRC, its H Shares are listed on the Main Board of the Stock Exchange (Stock Code: 6839); |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules; |
| “Directors” | the directors 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 Renminbi; |
| “Equity Transfer Agreement” | the equity interest transfer agreement entered into amongst the Company, Vendor and the Related Parties on December 18, 2015 with respect to the Acquisition; |
| “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 and listed on the Main Board of the Stock Exchange (Stock Code: 6839); |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time; |
| “Long Stop Date” | March 31, 2016; |
| “Project Land” | the land occupied by the Target Company for use as medical waste centralized treatment centre with a site area of 61.15 mu; |
| “PRC” | The People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan; |
| “Related Parties” | Mr. Jiang Zhengyun (江正雲), Mrs. Jiang Xiao Sasa (江曉洒洒) and Mr. Lin Tianxiao (林田笑), collectively; |

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| “RMB” | Renminbi, the lawful currency of China; |
| “Sale Shares” | the shares representing 60% equity interest in the share capital of the Target Company; |
| “Shares” | Domestic Shares and/or H Shares; |
| “Shareholder(s)” | the holder(s) of the Shares; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “subsidiary/(ies)” | has the meaning ascribed to it under the Listing Rules |
| “Target Company” | Yunnan Zhengxiao Environmental Protection Investment Co., Ltd.* (雲南正曉環保投資有限公司), a limited liability company incorporated in the PRC; |
| “Transfer Date” | the date when Completion of Transfer occurs, which is the third Business Day after completion of the industry and commerce registration procedure for change of shareholdings of the Target Company; |
| “Vendor” | Yunnan Zhengxiao Cables Co., Ltd.* (雲南正曉電纜有限公司), a limited liability company incorporated in the PRC, which holds 100% equity interest in the Target Company; and |
| “%” | percentage. |

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

Kunming, the PRC
December 20, 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 purposes only*