

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 65% EQUITY INTEREST IN
THE TARGET COMPANY**

The Board is pleased to announce that on 21 December 2015 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) has entered into the Equity Transfer Agreement with the Vendor, the Target Company and the Project Company, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares (being 65% of the issued share capital of the Target Company) for a consideration of US dollars equivalent of RMB292,500,000.

As 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.

(I) INTRODUCTION

On 21 December 2015 (after trading hours) the Purchaser (a wholly-owned subsidiary of the Company) has entered into the Equity Transfer Agreement with the Vendor, the Target Company and the Project Company, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares. Closing shall be subject to the fulfillment of the specific conditions precedent set out in the sub-paragraph headed “Conditions Precedent” below.

(II) THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarized as follows:

Date: 21 December 2015 (after trading hours)

Parties: (i) the Purchaser
(ii) the Vendor
(iii) the Target Company
(iv) the Project Company

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

The Acquisition

Pursuant to the Equity Transfer Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares (being 65% of the issued share capital of the Target Company as at the date of this announcement). The Sale Shares should be free of any lien, charge and encumbrance, and shall rank *pari passu* in all respects with all other shares of the Target Company in issue. Following Closing, the Target Company will be owned as to 65% by the Purchaser and 35% by the Vendor, the Target Company will become a non-wholly owned subsidiary of the Purchaser, and its financial results will be consolidated into the consolidated financial statements of the Group.

Earnest Money and Equity Pledge

On 16 July 2015, the Company has paid a refundable earnest money of RMB40,000,000 (the “**Earnest Money**”) to the Project Company in respect of the Acquisition. On 10 July 2015, as a guarantee for the Earnest Money, the Target Company pledged its 100% equity interest in the Project Company to the Company.

The Project Company shall fully refund the Earnest Money to the Purchaser within 30 Business Days after the Vendor received the First Installment of Consideration (as defined below). The Company will release the abovementioned pledge of 100% equity interest in the Project Company within 10 Business Days upon receiving refund of the Earnest Money from the Project Company.

Consideration

The amount of consideration for the Acquisition is RMB292,500,000, payable in US dollars equivalent amount. The consideration shall be paid by the Purchaser in cash by two installments in the following manner:

- (i) to pay US dollars equivalent of RMB200,000,000 on the tenth Business Day after the Phase I Conditions Precedent are fulfilled or waived by the Purchaser in writing, or on the date agreed by the Purchaser and the Vendor in writing (the “**First Installment of Consideration**”); and
- (ii) to pay US dollars equivalent of RMB92,500,000 on the tenth Business Day after the Phase II Conditions Precedent are fulfilled or waived by the Purchaser in writing, or on the date agreed by the Purchaser and the Vendor in writing (the “**Second Installment of Consideration**”).

The actual US dollars amount of consideration payable will be determined based on the central parity rate of RMB against US dollars announced by The Hongkong and Shanghai Banking Corporation Limited on the Signing Date.

The consideration for the Acquisition was agreed after negotiation between the parties to the Equity Transfer Agreement on an arm’s length basis and having considered a number of relevant factors, including (i) the capacity and efficiency of water supply of the four water plants owned by the Project Company; (ii) the concession rights held by the Target Company for the municipal water supply project owned by the Project Company in Qingzhou City, Weifang, Shandong Province, the PRC; (iii) historical financial information of the Target Company and the Project Company; and (iv) track record and customer base of the Target Company. The consideration for the Acquisition shall be settled by debt financing and/or internal resources of the Group.

Conditions Precedent

Pursuant to the Equity Transfer Agreement, payments of the First Installment of Consideration and the Second Installment of Consideration shall be subject to the fulfillment of, among others, the following specific conditions precedent:

Phase I Conditions Precedent

- (i) the Purchaser shall obtain the approval for the Equity Transfer Agreement and the transactions contemplated thereunder from its board of directors and/or higher authorities; and

- (ii) after the financial and legal professional bodies have completed their due diligence on the Target Company and the Project Company, there is no major event which would affect the Acquisition (the “**Phase I Conditions Precedent**”).

Phase II Conditions Precedent

- (i) the Phase I Conditions Precedent being fulfilled or otherwise waived by the Purchaser in writing; and
- (ii) the registration of the Sale Shares having been transferred to the name of the Purchaser (the “**Phase II Conditions Precedent**”).

In the event that the Phase I Conditions Precedent and Phase II Conditions Precedent are not fully fulfilled or otherwise waived by the Purchaser in writing within 30 Business Days and 60 Business Days from the Signing Date, respectively, the Purchaser has the right to terminate the Equity Transfer Agreement immediately without assuming any obligations for breaching contract.

In the event that item (i) of Phase I Conditions Precedent set out above is not fulfilled within the 60 Business Days from the Signing Date, the Vendor has the right to terminate the Equity Transfer Agreement without assuming any obligations for breaching contract.

Closing

Closing shall fall on the tenth Business Day after the Phase II Conditions Precedent being fulfilled or otherwise waived by the Purchaser in writing, or such other date as agreed by the Purchaser and the Vendor in writing. Upon Closing, the Target Company will become a non-wholly owned subsidiary of the Purchaser.

(III) INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company incorporated in Hong Kong, and its principal business is water and related industry investment. The Target Company holds the 100% equity interests in the Project Company as at the date of this announcement.

According to the audited consolidated accounts of the Target Company, the net assets value attributable to the shareholder of the Target Company as at 31 March 2015 was RMB29,926,677.

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

	For the year ended 31 December 2013 RMB'000	For the year ended 31 December 2014 RMB'000
Net profit before tax attributable to shareholders of the Target Company	33,445	46,585
Net profit after tax attributable to shareholders of the Target Company	25,082	44,401

(IV) INFORMATION ON THE PROJECT COMPANY AND THE VENDOR

The Project Company is a limited liability company incorporated in the PRC, and its principal business is tap water supply, tap water engineering construction, water meter calibration and maintenance. The Project Company operates four water supply plants, and their design capacity is approximately 180,000 tonnes, among which the currently completed capacity is approximately 80,000 tonnes. According to the Urban Water Supply Concession Agreement entered with the Municipal Government of Qingzhou, the Project Company is the sole tap water supplier in Qingzhou City urban area and development zone and the nearby towns.

The Vendor is a Singapore citizen, he holds 100% equity interest in the Target Company as at the date of this announcement.

(V) 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 supply of water treatment equipment, provision of 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 believes that, through the Acquisition, the Group will be able to further expand its business to Shandong Province and also improve its water supply capabilities and boost its profitability. The Group may make full use of its experience in financing, technology and operation and management of projects in the Acquisition, and take the advantages as an integrated provider in water supply industry. Upon the implementation of the project, the Group has enhanced its position in water industry in Shandong province, which is consistent with the corporate strategies for multi-regional development of the Group.

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

(VI) IMPLICATIONS OF THE LISTING RULES

As 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.

(VII) 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 Vendor pursuant to the terms and conditions of the Equity Transfer Agreement;
“Board”	the Board of Directors;
“Business Day”	a day on which banks are open in the PRC to the general public for business (except Saturday, Sunday or public holiday in the PRC);
“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);
“Closing”	closing of the Acquisition in accordance with the terms of the Equity Transfer Agreement;

“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;
“Equity Transfer Agreement”	the agreement entered into amongst the Purchaser, the Vendor, the Target Company and the Project Company on 21 December 2015 (after trading hours) in respect of 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 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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Project Company”	Huize Water (Qingzhou) Company Limited* (暉澤水務(青州)有限公司), a limited liability company incorporated in the PRC, held as to 100% by the Target Company as at the date of this announcement;
“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”	6,500 ordinary shares of the Target Company in issue, representing 65% of the issued share capital of the Target Company as at the date of this announcement;

“Share(s)”	Domestic Share(s) and/or H Share(s);
“Shareholder(s)”	the holder(s) of Shares;
“Signing Date”	21 December 2015, the date on which the Equity Transfer Agreement is signed;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules;
“Target Company”	Future International Group Co., Limited, a limited liability company incorporated in Hong Kong, being a company wholly-owned by the Vendor as at the date of this announcement;
“US dollar(s)”	US dollar(s), the lawful currency of the United States;
“Vendor”	Mr. Wang Zhi, a Singapore citizen; and
“%”	per cent.

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

Kunming, the PRC,
21 December 2015

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*