

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 100% EQUITY INTEREST IN THE TARGET COMPANY

The Board is pleased to announce that on 11 January 2016 (after trading hours), the Company has entered into the Equity Transfer Agreement with the Vendors, pursuant to which the Company has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares (being 100% of the issued share capital of the Target Company) for a consideration of Hong Kong dollars equivalent of RMB290,641,420 (subject to adjustment). The Company will make further announcement on the adjustment to the amount of consideration in accordance with the requirements of the Listing Rules (if applicable).

As one or more 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 11 January 2016 (after trading hours), the Company has entered into the Equity Transfer Agreement with the Vendors, pursuant to which the Company has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares.

EQUITY TRANSFER AGREEMENT

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

- Date:** 11 January 2016 (after trading hours)
- Parties:** (i) the Company (as purchaser)
- (ii) the Vendors (i.e. Environmental Investment and Rich Investment)

SALE SHARES

Pursuant to the Equity Transfer Agreement, the Company has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares which represent 100% equity interest in the Target Company. The Sale Shares are free of any lien, charge and encumbrance.

CONSIDERATION

The consideration for the Acquisition is Hong Kong dollar equivalent of RMB290,641,420. Such consideration shall be paid by the Company in three installments in the following manner:

- (i) The first installment of consideration which is Hong Kong dollar equivalent of RMB185,000,000 (“**First Installment**”) shall be paid within 45 Business Days after signing the Equity Transfer Agreement and consent to the valuation report has been given by the Board and/or the higher competent administrative authority, and upon satisfaction of the conditions precedent to the First Installment.
- (ii) The second installment of consideration which is Hong Kong dollar equivalent of RMB80,000,000 (“**Second Installment**”) shall be paid on the date of fulfillment of the conditions precedent to the Second Installment.
- (iii) The third installment of consideration which is Hong Kong dollar equivalent of RMB25,641,420 (“**Third Installment**”) shall be paid on the date of fulfillment of the conditions precedent to the Third Installment.

The amount of consideration for the Acquisition may be subject to adjustment with reference to the appraised value of the Target Company as set out in a valuation report of the Target Company approved by the Board and/or the higher competent administrative authority. If the difference between the appraised value and the

consideration is more than 1%, the Vendors are entitled to terminate the Acquisition. The Company will make further announcement on the adjustment to the amount of consideration in accordance with the requirements of the Listing Rules (if applicable).

The consideration for the Acquisition is determined after arm's length negotiation between the Company and the Vendors having taken into consideration a number of relevant factors, among others, (i) the phase I production line constructed and operated by the Target Company has medical waste treatment capacity of 20 tonnes per day; (ii) the phase II production line of the Target Company has medical waste treatment capacity of 60 tonnes per day; (iii) the Target Company has obtained the concession right of a medical waste disposal project based in Harbin and the Harbin Hazardous Waste Operation License (《哈爾濱市危險廢物經營許可證》) issued by the Harbin Municipal Environmental Protection Bureau (哈爾濱環保局); and (iv) the potential business opportunities and development prospects of the Target Company. The consideration for the Acquisition will be financed by debt financing and/or internal resources of the Group.

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 waiver in writing by the Company:

1. Conditions precedent to the First Installment

The following are conditions precedent to the First Installment, including but not limited to:

- (i) the resolutions in relation to the approval for the Acquisition and approval for the Equity Transfer Agreement and any relevant agreements having been passed by each of the parties to the Equity Transfer Agreement in accordance with the relevant laws and regulations;
- (ii) the approval of the Acquisition by the competent authority of commerce having been obtained;
- (iii) the business, financial and legal due diligence on the Target Company having been duly completed by 20 December 2015; and
- (iv) the Vendors having submitted the preliminary environmental assessment information on the new industrial hazardous waste expansion project of the Target Company.

2. Conditions precedent to the Second Installment

The following are conditions precedent to the Second Installment, including but not limited to:

- (i) completion of the transfer of Sale Shares and registration procedure for changes in shareholdings with the industry and commerce administration authority; and
- (ii) completion of business, financial and legal due diligence on all material aspects of the Target Company by the Company, and the relevant issues discovered having been duly resolved in a manner acceptable to the Company.

3. Conditions precedent to the Third Installment

The following are conditions precedent to the Third Installment, including but not limited to:

- (i) the Target Company having obtained all compliance documents, qualification certificates, licenses and approval documents required for the current production and operation, including but not limited to the completion of all environmental impact assessment, environmental inspection for acceptance, project filing or approval for the two incineration system production lines of the Target Company;
- (ii) the Target Company having obtained the title certificates for the Phase II housing in the area where the Project Land is located;
- (iii) the Target Company having completed the environmental impact assessment, environmental inspection for acceptance, project filing or approval procedures for a newly constructed industrial sludge dehydration system with a capacity of 20 tonnes per day.

COMPLETION OF TRANSFER

The Vendors shall immediately complete the procedure of registration for change of shareholdings at the industry and commerce authority within 15 Business Days upon receipt of the First Installment. After the Completion of Transfer, the Target Company will become a wholly-owned subsidiary of the Company. The Target Company will be converted from a foreign-invested joint venture into a domestic enterprise.

DEBT ARRANGEMENTS OF THE TARGET COMPANY

The amount of all indebtedness (audited and adjusted) of the Target Company as at 8 December 2015 disclosed by the Vendors to the Company was RMB74,358,580 which will be borne by the Company. Such indebtedness shall be settled by the Company by making payment to the Target Company within 10 Business Days after the Completion of Transfer. Any other debt which was not disclosed by the Vendors to the Company will be borne by the Vendors.

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the creditors of the aforesaid indebtedness and their ultimate beneficial owners are third parties independent of the Vendors, the Company and their respective connected persons.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability. Its scope of business is primarily, among others, the centralized collection, transportation and harmless treatment of medical, food, animal and plant quarantine inspection solid wastes, and urban household sludge, and road transportation of hazardous goods (hazardous wastes, medical wastes). The Target Company is responsible for the construction and operation of the medical waste treatment and industrial hazardous waste disposal projects in the Limin Economic and Technology Development Zone, Hulan District, Harbin (哈爾濱市呼蘭區利民經濟開發區). The facilities of the projects are constructed in two phases. Phase I includes medical waste incineration facilities with designed capacity of 20 tonnes per day, which were completed and commenced operation in September 2008, and are mainly for the treatment of medical wastes generated by all medical institutions in Harbin. Phase II has a designed capacity of 60 tonnes per day and includes two ABC pyrolysis incineration facilities of 20 tonnes per day and one industrial sludge dehydration facility with treatment capacity of 20 tonnes per day. The total treatment capacity for medical wastes and industrial hazardous wastes will be 80 tonnes per day. The Target Company is one of the foreign-invested enterprises in the PRC granted with concession right for medical waste treatment by the government in early days, and it has obtained the Harbin Hazardous Waste Operation License (《哈爾濱市危險廢棄物經營許可證》) issued by the Harbin Municipal Environmental Protection Bureau, and has become a professional disposal enterprise awarded with medical waste disposal qualification. The scope of service of the Target Company covers nine districts and nine counties in Harbin and the total size of service population is approximately 10 million.

According to the audited accounts of the Target Company, the net asset value attributable to shareholders of the Target Company as at 30 September 2015 was approximately RMB11,620,495.

The audited net profit (before tax and after tax) attributable to shareholders of the Target Company for the two years ended 31 December 2013 and 2014, and the nine months ended 30 September 2015 are set out below:

	For the year ended 31 December 2013 RMB (’000)	For the year ended 31 December 2014 RMB (’000)	For the nine months ended 30 September 2015 RMB (’000)
Net profit/(loss) before tax attributable to shareholders of the Target Company	1,884	347	(10,578)
Net profit/(loss) after tax attributable to shareholders of the Target Company	1,884	347	(10,578)

INFORMATION ON THE VENDORS

The Vendors are two companies incorporated in Hong Kong with limited liability. As at the date of this announcement, 60% equity interest of the Target Company is held by Environmental Investment and 40% equity interest of the Target Company is held by Rich Investment.

Environmental Investment is a company incorporated in Hong Kong with limited liability, and its principal business is investment and operation of domestic environmental protection facilities by using internationally advanced technological equipment and environmental management concepts and models for harmless centralized disposal of various categories of hazardous solid wastes.

Rich Investment is a company incorporated in Hong Kong with limited liability, and its principal business is investment in domestic environmental protection projects, development and research on the production of environmental protection and energy saving new technologies, new technical processes and new products, and the provision of technical development and consultancy and other services.

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the Vendors and their ultimate beneficial owners 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 urban environment integrated service providers 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 services 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 the Group's business operations are based in Yunnan Province, where it has several increasingly mature business segments such as urban raw water, water supply, wastewater treatment and reclaimed water recycling, and is steadily expanding its solid waste treatment business. The Target Company's current projects under construction and operation are located in Harbin, which is the political, economic, cultural and traffic center in the north region of northeast China, and which ranks first in terms of geographic area and second in terms of population among all provincial cities in PRC. The Group will penetrate into northeast China through the Acquisition, thus the Group will be able to expand its business into other regions while increasing its capacity in solid waste treatment. The Acquisition is in line with the Group's corporate strategy of cross-regional development, which is of great strategic significance for the future investment in the expansion of new projects in northeast China.

Based on the aforesaid, 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 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 Vendors in accordance with the terms and conditions of the Equity Transfer Agreement;

“Board”	the Board of Directors;
“Business Day(s)”	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, whose 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”	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;
“Environmental Investment”	Environmental Experts (China) Development & Investment Company Limited (專業環保(中國)投資開發有限公司), a company incorporated in Hong Kong with limited liability and the holder of 60% equity interest in the Target Company as at the date of this announcement;
“Equity Transfer Agreement”	the Equity Transfer Agreement entered into between the Company and the Vendors on 11 January 2016 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 and listed on the Main Board of the Stock Exchange (Stock Code: 6839);
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“Hong Kong dollar(s)”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Long Stop Date”	31 March 2016;
“Project Land”	the land occupied by the medical waste treatment and industrial hazardous waste disposal projects of the Target Company in the Limin Economic and Technology Development Zone, Hulan District, Harbin (哈爾濱市呼蘭區利民經濟開發區)
“PRC/China”	The People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“Rich Investment”	Hong Kong Rich Investment Limited (香港年峰投資有限公司), a company incorporated in Hong Kong with limited liability, which holds 40% equity interest in the Target Company as at the date of this announcement;
“RMB”	Renminbi, the lawful currency of PRC;
“Sale Shares”	the shares representing 100% equity interest in the 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;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Target Company”	Harbin Guo Huan Medical Solid Waste Harmless Centralized Disposal Center Co., Ltd.* (哈爾濱國環醫療固體廢物無害化集中處置中心有限公司), a limited liability company incorporated in the PRC;

“Vendors” Environmental Investment and Rich Investment, which together hold 100% equity interest in the Target Company as at the date of this announcement; and

“%” percentage.

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

Kunming, the PRC
11 January 2016

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*