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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 ACQUISITION OF
75.51% EQUITY INTEREST IN HARBIN CHENERGY & HIT
ENVIRONMENTAL TECHNOLOGY CO., LTD.**

On 5 February 2016, the Company received from the Heilongjiang Equity Exchange the Confirmation Notice, which confirmed that the Company (as the purchaser) has won the bid for the acquisition of the Sale Shares through a public bidding process organized and held by the Heilongjiang Equity Exchange, and that the Company is to be the transferee of the Sale Shares of the Target Company. The Target Group is principally engaged in solid waste treatment, water treatment, technology consultation, environmental assessment and manufacture and sale of relevant equipment.

On 21 April 2016, the Company entered into the Equity Transfer Agreement with the Vendors for the purchase of the Sale Shares of the Target Company. The aggregate Consideration is RMB158,000,000. A refundable deposit of RMB158,000,000 was paid by the Company to the Heilongjiang Equity Exchange on 3 February 2016 as surety in order to become a qualified bidder and shall be fully applied to settle the Consideration.

As one or more of the relevant applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Acquisition exceeds 5% but less than 25%, the Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

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THE EQUITY TRANSFER AGREEMENT

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

Date: 21 April 2016 (after trading hours)

Parties: (i) the Company (as purchaser)
(ii) the Vendors (as sellers)

Assets to be acquired

Pursuant to the terms and conditions of the Equity Transfer Agreement, the Company agreed to purchase 43.25% equity interest in the Target Company from Heilongjiang Chenery Investment Group and 32.26% equity interest in the Target Company from Heilongjiang Chenery High-Tech. The Sale Shares are free of any lien, charge and encumbrance.

Conditions precedent and completion

Completion of the Acquisition is conditional upon the repayment of the shareholder's loan in the principal amount of RMB104,310,000 and the accrued interest by the Target Group to Heilongjiang Chenery Investment Group. The Vendors shall coordinate with the Company for the registration of the transfer of the Sale Shares within 15 business days after the repayment of such shareholder's loan.

Consideration

The aggregate Consideration is RMB158,000,000.

The Consideration was financed by internal resources of the Group.

Payment terms for and basis of determining the Consideration

A refundable deposit of RMB158,000,000 was paid by the Company to the Heilongjiang Equity Exchange on 3 February 2016 as surety in order to become a qualified bidder and shall be fully applied to settle the Consideration.

The initial bidding price for the Sale Shares was RMB158,000,000, which was based on the valuation of the net asset value of the Target Company attributable to the Sale Shares as at 30 September 2014. As the Company was the only bidder during the period of public tender on the Heilongjiang Equity Exchange from 13 May 2015 to 4 February 2016, the Consideration was equivalent to the initial bidding price and was the final bidding price for the Sale Shares.

INFORMATION OF THE TARGET GROUP, THE PROPERTIES AND THE LAND

Information of the nature and business of the Target Group

The Target Group is principally engaged in solid waste treatment, water treatment, technology consultation, environmental assessment and manufacture and sale of relevant equipment.

The Target Company is a joint stock limited liability company established on 28 December 2000 in the PRC and its principal business includes general contract projects for water treatment engineering, the manufacturing and sales of environmental protection equipment, technical consulting and environmental assessment services.

As at the date of this announcement, the Target Company directly held two principal subsidiaries comprising (i) 99% equity interest in Heilongjiang Chenery Environmental Technology Service Co., Ltd.* (黑龍江辰能環境技術服務有限公司) (“**Chenery Environmental**”); and (ii) 80% equity interest in Harbin Lvyi Engineering Evaluation and Examination Co., Ltd* (哈爾濱綠怡工程評價與檢測有限責任公司) (“**Lvyi Engineering**”).

Chenery Environmental is a limited liability company established on 12 October 2009 in the PRC and is principally engaged in transport, storage and harmless treatment of hazardous waste, and technology development, transfer and consultation services in respect of treatment of hazardous waste. Chenery Environmental currently holds the hazardous waste business operation license (危險廢物經營許可證) issued by Heilongjiang Provincial Environmental Protection Office (黑龍江省環

境保護廳) with the approved waste treatment capacity of approximately 16,000 tonnes per year and waste incineration disposal capacity of approximately 9,800 tonnes per year. Chenery Environmental is permitted and authorized to operate waste treatment for 39 categories of hazardous waste.

Lvyi Engineering is a limited liability company established on 21 March 2003 in the PRC and is principally engaged in engineering evaluation and examination services. Lvyi Engineering has grade A qualification certificate in the PRC in the areas of environmental impact assessment, safe production evaluation and occupational health evaluation in the PRC.

The Properties

The Properties consist of (i) a biological hydrogen production plant situated at Honghu Road & Qingshan Road, Yingbin Road Centre Zone, Daoli District, Harbin City, Heilongjiang Province, the PRC (中國黑龍江省哈爾濱市道裡區迎賓路集中區洪湖路及青山路生物制氫廠房) with a gross floor area of approximately 2,077.27 sq.m.; (ii) a multi-use complex for biological hydrogen production demonstration project situated at Honghu Road & Qingshan Road, Yingbin Road Centre Zone, Daoli District, Harbin City, Heilongjiang Province, the PRC (中國黑龍江省哈爾濱市道裡區迎賓路集中區洪湖路及青山路生物制氫示範工程綜合樓) with a gross floor area of approximately 5,429.82 sq.m.; (iii) an integrated effluent treatment plant situated at Honghu Road & Qingshan Road, Yingbin Road Centre Zone, Daoli District, Harbin City, Heilongjiang Province, the PRC (中國黑龍江省哈爾濱市道裡區迎賓路集中區洪湖路及青山路廢水綜合處理廠) with a gross floor area of approximately 1,584 sq.m.; and (iv) a building situated at 405-510-1/3-24-DZ, Yangming District, Mudanjiang City, Heilongjiang Province, the PRC (中國黑龍江省牡丹江市陽明區405-510-1/3-24-DZ) with a gross floor area of approximately 4,580.01 sq.m..

The Land

The Land is situated at Honghu Road & Qingshan Road, Yingbin Road Centre Zone, Daoli District, Harbin City, Heilongjiang Province, the PRC (中國黑龍江省哈爾濱開發區迎賓路集中區洪湖路、青山路) with a total gross area of approximately 20,025 sq.m.. Currently, the biological hydrogen production plant, the biological hydrogen production demonstration project and the integrated effluent treatment plant, as referred to under sub-paragraph headed “The Properties” in this announcement, are located on the Land.

Financial information of the Target Group

Set out below is a summary of the audited consolidated financial information of the Target Group for the two financial years ended 31 December 2014 and 2015 prepared in accordance with the PRC accounting standards:

	For the financial year ended	
	31 December	
	2015	2014
	<i>RMB</i>	<i>RMB</i>
Loss before taxation and extraordinary items	16,174,189.81	33,628,585.55
Loss after taxation and extraordinary items	16,792,902.27	32,907,005.25

According to the audited consolidated financial information of the Target Group, the net asset value attributable to shareholders of the Target Company as at 31 December 2015 was approximately RMB156,670,000.

According to the information obtained by the Company from the Heilongjiang Equity Exchange, the net asset value of the Target Company as at 30 September 2014 as valued by an independent valuer engaged by the Vendors was approximately RMB207,000,000.

INFORMATION OF THE VENDORS

As at the date of this announcement, 43.25% equity interest in the Target Company is held by Heilongjiang Chenery Investment Group and 32.26% equity interest in the Target Company is held by Heilongjiang Chenery High-Tech. To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the remaining 24.49% equity interest in the Target Company is held by third parties independent of the Company and its connected persons as at the date of this announcement.

Heilongjiang Chenery Investment Group is a wholly state-owned limited liability company established on 22 April 1992 in the PRC with limited liability, and is principally engaged in operation and management of state-owned assets as authorised by the provincial government, investment and investment management.

Heilongjiang Chenery High-Tech is a limited liability company established on 28 August 2001 in the PRC, and is principally engaged in investment in high-tech industry, assets management and consultation service, provision of consultation service in financing for high-tech enterprises; project investment and information consultation in relation to high and new technology; entrusted assets management for enterprises and capital operation.

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, each of the Vendors and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons as at the date of this announcement.

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 and its 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 Group's current projects under construction and operation are located in Harbin, which is the political, economic, cultural and traffic center in the northern part of Northeast China, and which ranks the first in terms of geographic area and the second in terms of population among all provincial cities in the PRC.

Through the Acquisition, and together with the acquisition of 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) (“**Guo Huan**”) as disclosed in the Company's announcement dated 11 January 2016, the Group will integrate the solid waste treatment business of the Target Company and Guo Huan to further expand the business scale of its solid waste treatment segment. Meanwhile, the Group will be able to strengthen its market position in solid waste treatment segment in Heilongjiang Province, especially in the business sector of medical waste disposal and hazardous 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.

LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Acquisition exceeds 5% but less than 25%, the Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

DEFINITIONS

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;
“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);
“Confirmation Notice”	the confirmation notice dated 5 February 2016 issued by the Heilongjiang Equity Exchange in respect of the successful bid by the Company to acquire the Sale Shares;
“connected person(s)”	has the same meaning ascribed to it in the Listing Rules;
“Consideration”	the consideration payable by the Company for the Acquisition;
“Directors”	the directors of the Company;
“Equity Transfer Agreement”	the Equity Transfer Agreement entered into amongst the Company and the Vendors on 21 April 2016 in respect of the Acquisition;
“Group”	the Company and its subsidiaries;
“Heilongjiang Chenery Investment Group”	Heilongjiang Chenery Investment Group Company Limited* (黑龍江辰能投資集團有限責任公司), a wholly state-owned limited liability company established on 22 April 1992 in the PRC;
“Heilongjiang Chenery High-Tech”	Heilongjiang Chenery Hit High-Tech Venture Capital Co., Ltd* (黑龍江辰能哈工大高科技風險投資有限公司), a limited liability company established on 28 August 2001 in the PRC;

“Heilongjiang Equity Exchange”	Heilongjiang United Assets and Equity Exchange* (黑龍江聯合產權交易所), an entity responsible for organizing and holding the public bidding for the acquisition of the 75.51% equity interest in the Target Company and through which the payment of the Consideration is to be settled, and whose business is to provide services for assets and equity transactions in Heilongjiang, the PRC;
“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;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Land”	the piece of land owned by the Target Company situated at Honghu Road & Qingshan Road, Yingbin Road Centre Zone, Daoli District, Harbin City, Heilongjiang Province, the PRC (中國黑龍江省哈爾濱開發區迎賓路集中區洪湖路及青山路);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“PRC”	The People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan;

“Properties”	the properties owned by the Target Company which consist of (i) a biological hydrogen production plant situated at Honghu Road & Qingshan Road, Yingbin Road Centre Zone, Daoli District, Harbin City, Heilongjiang Province, the PRC (中國黑龍江省哈爾濱市道裡區迎賓路集中區洪湖路及青山路生物制氫廠房) with a gross floor area of approximately 2,077.27 sq.m.; (ii) a multi-use complex for biological hydrogen production demonstration project situated at Honghu Road & Qingshan Road, Yingbin Road Centre Zone, Daoli District, Harbin City, Heilongjiang Province, the PRC (中國黑龍江省哈爾濱市道裡區迎賓路集中區洪湖路及青山路生物制氫示範工程綜合樓) with a gross floor area of approximately 5,429.82 sq.m.; (iii) an integrated effluent treatment plant situated at Honghu Road & Qingshan Road, Yingbin Road Centre Zone, Daoli District, Harbin City, Heilongjiang Province, the PRC (中國黑龍江省哈爾濱市道裡區迎賓路集中區洪湖路及青山路廢水綜合處理廠) with a gross floor area of approximately 1,584 sq.m.; and (iv) a building situated at 405-510-1/3-24-DZ, Yangming District, Mudanjiang City, Heilongjiang Province, the PRC (中國黑龍江省牡丹江市陽明區405-510-1/3-24-DZ) with a gross floor area of approximately 4,580.01 sq.m.;
“RMB”	Renminbi, the lawful currency of PRC;
“Sale Shares”	the shares representing 75.51% equity interest in the share capital of the Target Company as held by the Vendors as at the date of this announcement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Target Company”	Harbin Chenenergy & Hit Environmental Technology Co., Ltd.* (哈爾濱辰能工大環保科技股份有限公司), a joint stock limited liability company established on 28 December 2000 in the PRC;
“Target Group”	the Target Company and its subsidiaries;

“Vendors” Heilongjiang Chenery Investment Group and Heilongjiang Chenery High-Tech, which together hold 75.51% equity interest in the Target Company as at the date of this announcement;

“sq.m.” square meters; and

“%” per cent

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

Kunming, the PRC
21 April 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. Jiao Jun, Mr. He Yuanping and Mr. Feng Zhuangzhi, and the independent non-executive Directors are Mr. Kwok For Chi, Mr. Hu Song, Mr. Ma Shihao and Mr. Ren Gangfeng.

** For identification purposes only*