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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 IN RELATION TO THE ACQUISITION OF 50% INTEREST IN GALAXY NEWSRING PTE. LTD.**

#### **THE ACQUISITION**

The Board is pleased to announce that on 28 July 2016 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company), the Company (as the guarantor of the Purchaser) and the Vendor entered into the SPA, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell the Sale Shares at the consideration of US\$100,000,000. Pursuant to the terms of the SPA, the Company (as the guarantor of the Purchaser) has agreed to guarantee the due and punctual performance and observance of all of the obligations, commitments, undertaking and warranties of the Purchaser under the SPA and to procure the issuance of the New Performance Bond (as defined below) of US\$15,000,000 to the Vendor.

#### **LISTING RULES IMPLICATION**

Since one or more of the applicable percentage ratios (as defined under the Listing Rules) of the Acquisition is/are more than 5% but less than 25%, accordingly the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

*As the Acquisition is subject to fulfillment of certain conditions precedent set out in the SPA and therefore may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.*

## **INTRODUCTION**

The Board is pleased to announce that on 28 July 2016 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company), the Company (as the guarantor of the Purchaser) and the Vendor entered into the SPA, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares at the consideration of US\$100,000,000. Pursuant to the terms of the SPA, the Company (as the guarantor of the Purchaser) has agreed to guarantee the due and punctual performance and observance of all of the obligations, commitments, undertaking and warranties of the Purchaser under the SPA and to procure the issuance of the New Performance Bond (as defined below) of US\$15,000,000 to the Vendor.

## **THE ACQUISITION**

### **The SPA**

The principal terms and conditions of the SPA were summarized as follows:

**Date:** 28 July 2016 (after trading hours)

**Parties:**

- (1) The Purchaser
- (2) The Vendor
- (3) The Company (as the guarantor of the Purchaser)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor, the Target Company and their respective ultimate beneficial owners were third parties independent of the Company and its connected persons (as defined in the Listing Rules) as at the date of this announcement.

### **Sale Shares**

The Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 50% of the issued share capital of the Target Company as at the date of this announcement, free from all encumbrances, and together with all rights and benefits attaching and accruing thereto.

## **Consideration and basis of determining the Consideration**

The Consideration shall be US\$100,000,000.

The Consideration was agreed after negotiation between the Purchaser and the Vendor on an arm's length basis and having regard to a number of relevant factors, including (i) the scale of, and the economic benefits attributed to, the water supply, waste water treatment and reclaimed water plants operated by the Target Group; (ii) the concession rights in respect of the existing projects of the Target Group; (iii) the extensive geographical coverage of the business of, and the varieties of projects undertaken by, the Target Group; and (iv) the newly-built projects of the Target Group.

The Consideration will be settled by debt financing of the Group.

## **Performance Bond, New Performance Bond and Deposit**

On 25 May 2016, the Company has procured the issuance of the performance bond (the "**Performance Bond**") to the Vendor under which the Vendor has the right to issue a written demand of payment of a guaranteed amount of up to US\$15,000,000 if the Vendor declares that (a) the SPA has not been signed by the Company and the Vendor within 16 weeks or any extended period agreed by the Company and the Vendor from the date of the Performance Bond and such failure is on the Company's account; or (b) after the signing of the SPA, the Company fails to provide the New Performance Bond (as defined below) in accordance with the SPA.

Pursuant to the terms of the SPA, on or before the date falling the fifth Business Day after the date of the SPA (the "**New Performance Bond Due Date**"), each of the Company and the Purchaser shall (unless Completion has already occurred) procure the issuance of a new performance bond (the "**New Performance Bond**") under which the Vendor has the right to issue a written demand of payment of a guaranteed amount of up to US\$15,000,000 if the Vendor declares that the Acquisition has failed to complete and such failure to complete is on the account of a breach of the SPA by the Company until whichever of the following event first occurs: (i) earlier release by the Vendor in writing, together with the return of the original New Performance Bond for cancellation; (ii) Completion has taken place as confirmed by the Vendor in writing; and (iii) 28 January 2017 at 5:00 p.m. (Hong Kong time).

Pursuant to the terms of the SPA, if for any reason the New Performance Bond is not issued on the New Performance Bond Due Date, the Purchaser shall pay the deposit (the "**Deposit**") in the amount of US\$15,000,000 to the Vendor within ten (10) Business Days of the New Performance Bond Due Date to secure its and the Company's obligations under the SPA. If the Purchaser fails to comply with such obligations, the Vendor shall have the right to terminate the SPA, in which case the provisions of the SPA (other than the surviving provisions) shall from such date cease and determine.

## **Payment terms**

The Consideration shall be paid by the Purchaser on the Completion Date (less the Deposit if the Deposit was paid pursuant to the terms of the SPA as disclosed in the above).

## **Conditions Precedent**

Completion is subject to the fulfillment of the following conditions precedent:

- (a) the obtaining of the consent of the Existing Lenders to effect the transfer of the Sale Shares from the Vendor to the Purchaser;
- (b) as of the Completion Date, the Vendor shall have executed and followed all the covenants and undertakings made under the SPA in all aspects to the extent that such covenants and undertakings made under the SPA are required to be executed and followed by it prior to or on the Completion Date (other than those set out under certain provisions); and
- (c) Hyflux not giving the purchase notice under the Joint Venture Agreement within the offer period as stipulated under the Joint Venture Agreement.

The Vendor may at any time waive the conditions precedent set out in paragraphs (a) and (c) above in whole or in part and conditionally or unconditionally by notice in writing to the Purchaser. The Purchaser may at any time waive the condition precedent set out in paragraph (b) above in whole or in part and conditionally or unconditionally by notice in writing to the Vendor.

If the above conditions precedent have been fulfilled or waived (if applicable) on or before the Long Stop Date, then the provisions of the SPA (other than the surviving provisions) shall from such date cease and determine and no party shall have any claim against any other party for costs, damages, compensation or otherwise, save in respect of any antecedent breach of the SPA.

## **Financing Arrangements**

Pursuant to the terms of the SPA, after the date of the SPA, the Company and the Purchaser shall use their best endeavours to procure independent financial institution(s) to make financing arrangements (including but not limited to a loan) for an amount of US\$112,300,000 which is equal to the estimated outstanding amount of the loan under the Facility Agreement (inclusive of interest but excluding other costs) as at 26 September 2016 (the “**Outstanding Amount**”) to the Target Company on terms satisfactory to the Vendor and/or the Existing Lenders on or before 26 September 2016 for the purpose of obtaining the consent of the Existing Lenders to

effect the transfer of the Sale Share from the Vendor to the Purchaser and repayment of the outstanding amount of the loan under the Facility Agreement on 26 September 2016 (the “**Purchaser Financing Arrangement**”), except that if Hyflux commits to make financing arrangements (including but not limited to a loan) on or before 26 September 2016 for an amount equal to 50% of the Outstanding Amount to the Target Company on terms satisfactory to the Existing Lenders for the purpose of repayment of the Outstanding Amount under the Facility Agreement, the amount of the Purchaser Financing Arrangement to be made by the Purchaser and the Company shall be reduced to 50% of the Outstanding Amount.

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, Hyflux as well as its ultimate beneficial owners (where applicable) were third parties independent of the Company and its connected persons (as defined in the Listing Rules) as at the date of this announcement.

### **Co-Sale Notice**

Pursuant to the terms of the SPA, if Hyflux serves the Co-Sale Notice within 45 days of receipt of the Outside Offer Notice, the Purchaser shall purchase all of the Hyflux Shares at the same commercial terms as those agreed in the SPA.

To the best understanding of the Company, Hyflux has confirmed that they will not serve the Co-Sale Notice.

### **Completion**

Subject to the fulfillment or waiver of all the conditions precedent under the SPA, Completion shall occur on the Completion Date.

Upon Completion, as the Group will hold not more than 50% interest in the Target Company and the Group will have no control over the board of the Target Company, the Target Company will not become a subsidiary of the Company and its financial results will not be consolidated into the consolidated financial statements of the Company.

## **INFORMATION ON THE VENDOR AND THE TARGET GROUP**

### **Information on the Vendor**

The Vendor is a limited liability company incorporated in Japan, the shares of which are listed on the Tokyo Stock Exchange (stock code: 8031). The Vendor is a general trading company and has operating groups including iron and steel, non-ferrous metals, machinery, chemicals, foods, energy, textiles, and general merchandise. It also operates real estate and overseas development projects.

### **Information on the Target Group**

The Target Company is a limited liability company incorporated in Singapore. Its principal businesses include carrying out the origination, investment, development, construction, operation and maintenance of water supply, waste water treatment and reclaimed water plants.

As at the date of this announcement, the Target Group owns 36 principal operating subsidiaries incorporated in Singapore, Hong Kong, British Virgin Islands and the PRC and operates 24 water supply, waste water treatment and reclaimed water plants in various provinces in the PRC. Based on the concession agreements entered into between the Target Group and the relevant government authorities, the total construction capacity for the above-mentioned 24 plants under such concession agreements is 1,540,000 tonnes per day. As at the date of this announcement, the capacity for the operating plants has reached 920,000 tonnes per day and the capacity for the plants to be built or under construction is 620,000 tonnes per day.

## **FINANCIAL INFORMATION OF THE TARGET GROUP**

Set out below is the audited consolidated financial information of the Target Group for the two years ended 31 December 2014 and 2015.

	<b>For the year ended 31 December 2015 (Audited) US\$'000</b>	<b>For the year ended 31 December 2014 (Audited) US\$'000</b>
Loss before taxation	15,571	5,318
Loss after taxation	15,308	6,227

## **REASONS AND BENEFITS FOR 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 of the Group include (i) providing water supply, sewage water treatment and solid waste treatment in various PRC cities and South East Asia; (ii) investment, construction and management of environmental projects; and (iii) sales of equipment and other environmental related services. The corporate strategy of the Group is to operate its businesses based in Yunnan Province while continuing to seek investment opportunities to expand its business to other regions for a stable source of income.

As at the date of this announcement, the Target Group owns 36 principal operating subsidiaries incorporated in Singapore, Hong Kong, British Virgin Islands and the PRC and operates 24 water supply, waste water treatment reclaimed water plants in various provinces in the PRC. Based on the concession agreements entered into between the Target Group and the relevant government authorities, the total construction capacity for the above-mentioned 24 plants under such concession agreements is 1,540,000 tonnes per day. As at the date of this announcement, the capacity for the operating plants has reached 920,000 tonnes per day and the capacity for the plants to be built or under construction is 620,000 tonnes per day. In light of the growing trend in the merger and acquisition activities of companies operating in the environmental industry in the PRC, the Board is of the view that the Acquisition would enable the Group to expand its geographical coverage and at the same time, to expand rapidly the water supply and drainage network and ensure a stable and sustainable growth of the Group's income. Further, the Acquisition would also enable the Group to fully utilise its capital and technologies as well as leverage its experience in project management and operation to reinforce the Group's position as an integrated service provider in water supply and drainage business. Upon Completion, the Group will have a more balanced business portfolio in terms of geographical coverage and thereby, enhancing the Group's overall competitiveness in the water industry in the PRC.

After taking the above factors into account, the Directors consider that the terms and conditions of the SPA are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS OF THE LISTING RULES**

Since one or more of the applicable percentage ratios (as defined under the Listing Rules) of the Acquisition is/are more than 5% but less than 25%, accordingly the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.



*As the Acquisition is subject to fulfillment of certain conditions precedent set out in the SPA and therefore may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.*

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser in accordance with terms and conditions of the SPA;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday or Sunday) on which commercial banks are open for business in Singapore, the PRC, Hong Kong and Japan;
“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);
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the SPA;
“Completion Date”	the fifteenth (15th) Business Days after the date on which all of the conditions precedents to the SPA are fulfilled or waived, or such other date as may be agreed by the parties thereto in writing;
“Consideration”	the aggregate consideration in the sum of US\$100,000,000 payable by the Purchaser to the Vendor for the Acquisition;
“Co-Sale Notice”	a notice served by a non-transferring shareholder on a transferring shareholder requiring the transferring shareholder to procure the third party to acquire all (but not some only) of its shares on the same terms as those offered for the transferring shareholder’s shares under the Joint Venture Agreement;
“Director(s)”	the director(s) of the Company;



“Domestic Shares”	the issued ordinary shares at the nominal value of RMB1.00 per share in the share capital of the Company, which are subscribed or credited as fully paid in RMB;
“Existing Lenders”	Natixis, Singapore Branch, Bangkok Bank Public Company Limited, Singapore Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Singapore Branch, First Gulf Bank PJSC, Singapore Branch and Standard Chartered Bank, Singapore Branch;
“Facility Agreement”	the facility agreement dated 26 September 2013 in relation to US\$20,000,000 revolving loan facility and US\$150,000,000 term loan facility entered into by the Target Company and the Existing Lenders;
“Group”	the Company and its subsidiaries;
“H Shares”	the overseas listed foreign-invested ordinary shares of the Company with a 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) and subscribed for and traded in Hong Kong dollars;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hyflux”	Hyflux Asset Management Pte. Ltd., a limited liability company incorporated in Singapore and the legal and beneficial owner of the Hyflux Shares as at the date of this announcement;
“Hyflux Shares”	the 195,296,428 ordinary shares in the capital of the Target Company of which Hyflux is the legal and beneficial owner, representing 50% of the issued share capital of the Target Company as at the date of this announcement;
“Joint Venture Agreement”	the joint venture agreement dated 2 August 2010 entered into between the Target Company, Hyflux and the Vendor in relation to the operation of the Target Company;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	the date falling six (6) months from the date of the SPA which may be extended once by the Vendor at its discretion and may be further extended by mutual consent of the parties to the SPA, provided however, that the Long Stop Date shall be the twentieth (20th) Business Day after the expiry of the Termination Notice Period if all of the conditions precedents to the SPA are fulfilled or waived prior to the expiry of the Termination Notice Period (if applicable);
“Outside Offer Notice”	a notice served by a transferring shareholder on the non-transferring shareholder in relation to an offer from a third party for transferring its shares of the Target Company under the Joint Venture Agreement;
“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 and a wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	the 195,296,428 ordinary shares in the capital of the Target Company legally and beneficially owned by the Vendor, representing 50% of the entire issued share capital of the Target Company as at the date of this announcement;
“Shareholders”	the holders of the Shares;
“Shares”	the Domestic Shares and/or the H Shares;
“SPA”	the conditional sale and purchase agreement dated 28 July 2016 entered into among the Purchaser, the Company and the Vendor in relation to the Acquisition;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“subsidiary/(ies)”	has the meaning ascribed to it under the Listing Rules;
“Target Company”	Galaxy NewSpring Pte. Ltd., a limited liability company incorporated in Singapore;
“Target Group”	the Target Company and its subsidiaries;
“Termination Notice Period”	three Business Days upon the expiry of a period of sixty (60) days from the date on which the breach of the warranties given by the Vendor under the SPA and the amount of impact on the net asset value of the Target Group being acknowledged or agreed by the Vendor or determined by an accounting firm in accordance with the terms of the SPA, on or before the Completion;
“US\$”	United States dollar(s), the lawful currency of the United States of America;
“Vendor”	Mitsui & Co., Ltd, a limited liability company incorporated in Japan, the shares of which are listed on the Tokyo Stock Exchange (stock code: 8031); and
“%”	per cent.

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

Kunming, the PRC  
28 July 2016

*As at the date of this announcement, the executive Directors are Mr. Yu Long, Mr. Dai Richeng, 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*