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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**  
**ACQUISITION OF 97% INTEREST IN**  
**THE TARGET COMPANY**

The Board is pleased to announce that on 13 April 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) has entered into the Share Purchase Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares for the Consideration of RMB376,400,000 (equivalent to approximately US\$54,606,122).

Pursuant to the terms of the Share Purchase Agreement, the Purchaser shall pay the Additional Amount of RMB110,000,000 (equivalent to approximately US\$15,958,200) to the Target Company within ten Business Days after the completion of the registration of the Target Company as the 95% shareholder of the Operating Company for the Target Company to settle the outstanding debts of the Target Group. Further, if Veolia and Kerry CQ (Hohhot) agree to transfer their rights to the Relevant Receivables to the Target Company unconditionally at nil consideration, the Purchaser and the Vendor agree to transfer such rights to the Vendor at nil consideration and procure the Target Company to use the Additional Amount of RMB110,000,000 (equivalent to approximately US\$15,958,200) paid by the Purchaser as aforesaid to settle the Relevant Receivables within ten Business Days after the fulfillment of the following conditions: (i) the Target Company having been registered as the 95% shareholder of the Operating Company; (ii) the Vendor having provided to the Purchaser all necessary legal documents in relation to the transfer of the Relevant Receivables from Veolia and Kerry CQ (Hohhot) to the Target Company; and (iii) the Purchaser having

completed its audit on the amount of the Relevant Receivables with reference to the audited financial information of the Asset Company and the Operating Company and the legal documents as mentioned under sub-paragraph (ii) above, and the Purchaser and the Vendor having agreed on the final amount of the Relevant Receivables. The Purchaser agrees that it shall complete its audit within five Business Days after its receipt of the legal documents provided by the Vendor as mentioned under sub-paragraph (ii) above.

As one of the conditions precedent to the payment of the Third Installment, the Target Company shall be registered as the 95% shareholder of the Operating Company. On 28 March 2017, the Target Company has entered into the Equity Transfer Agreement with Veolia and Kerry CQ (Hohhot), pursuant to which the Target Company has agreed to acquire the 56% and 39% equity interest held by Veolia and Kerry CQ (Hohhot), respectively, in the Operating Company at an aggregate consideration of RMB13,300,000. Further details of the Equity Transfer Agreement have been set out in the paragraph headed “Information of the Parties — Information on the Target Group” below.

As one or more of the applicable percentage ratios of the Acquisition (including the transactions contemplated under the Equity Transfer Agreement) are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

## **THE ACQUISITION**

### **The Share Purchase Agreement**

The principal terms of the Share Purchase Agreement are summarized below:

#### **Date**

13 April 2017 (after trading hours)

#### **Parties**

- (i) the Purchaser (a wholly-owned subsidiary of the Company, as purchaser)
- (ii) the Vendor (as vendor)

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Vendor and the Target Company were third parties independent of the Company and its connected persons 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 97% 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 payment terms**

The Consideration shall be RMB376,400,000 (equivalent to approximately US\$54,606,122). Such Consideration shall be paid by the Company in four installments in US\$ equivalent amount based on the exchange rate of US\$1:RMB6.893 as announced by the People's Bank of China on 6 April 2017 in the following manner:-

- (i) The first installment of the Consideration in the amount of RMB113,846,938.62 (equivalent to approximately US\$16,516,312) (the "**First Installment**") shall be paid with five Business Days after the fulfillment of the condition precedent to the First Installment;
- (ii) The second installment of the Consideration in the amount of RMB187,273,061.38 (equivalent to approximately US\$27,168,586) (the "**Second Installment**") shall be paid within ten Business Days after the fulfillment of the conditions precedent to the Second Installment;
- (iii) The third installment of the Consideration in the amount of RMB37,640,000 (equivalent to approximately US\$5,460,612) (the "**Third Installment**") shall be paid within ten Business Days after the fulfillment of the conditions precedent to the Third Installment; and
- (iv) The fourth installment of the Consideration in the amount of RMB37,640,000 (equivalent to approximately US\$5,460,612) (the "**Forth Installment**") shall be paid within ten Business Days after the fulfillment of the conditions precedent to the Forth Installment.

## **Basis of determining the Consideration**

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 treatment plants operated by the Target Group; (ii) the concession rights in respect

of the existing projects of the Target Group; (iii) the geographical coverage of the business of, and the varieties of projects undertaken by, the Target Group; (iv) the value attributable to the Asset Company; and (v) the newly-built projects of the Target Group.

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

### **Other payables**

Pursuant to the terms of the Share Purchase Agreement, the Purchaser shall pay an additional amount of RMB110,000,000 (equivalent to approximately US\$15,958,200) to the Target Company within ten Business Days after the completion of the registration of the Target Company as the 95% shareholder of the Operating Company for the Target Company to settle its outstanding debts of the Target Group (the “**Additional Amount**”). Further, if Veolia and Kerry CQ (Hohhot) agree to transfer their rights to the outstanding sum of not exceeding RMB110,000,000 receivables from the Operating Company and the Asset Company (the “**Relevant Receivables**”) to the Target Company unconditionally at nil consideration, the Purchaser and the Vendor agree to transfer such rights to the Relevant Payables to the Vendor at nil consideration and procure the Target Company to use the Additional Amount of RMB110,000,000 (equivalent to approximately US\$11,958,200) paid by the Purchaser to settle the Relevant Receivables within ten Business Days after the fulfillment of the following conditions: (i) the Target Company having been registered as the 95% shareholder of the Operating Company; (ii) the Vendor having provided to the Purchaser all necessary legal documents in relation to the transfer of the Relevant Receivables from Veolia and Kerry CQ (Hohhot) to the Target Company; and (iii) the Purchaser having completed its audit on the amount of the Relevant Receivables with reference to the audited financial information of the Asset Company and the Operating Company and the legal documents as mentioned under sub-paragraph (ii) above, and the Purchaser and the Vendor having agreed on the final amount of the Relevant Receivables. The Purchaser agrees that it shall complete its audit within five Business Days after its receipt of the legal documents provided by the Vendor as mentioned under sub-paragraph (ii) above.

### **Conditions precedents**

Pursuant to the Share Purchase Agreement, the four installments of payment shall be subject to the fulfillment of the following conditions precedent:

#### **1. Condition precedent to the First Installment**

- (i) The signing of the Share Purchase Agreement; and

- (ii) The Purchaser having obtained all necessary documents in relation to the transfer of the Sale Shares and completed the transfer.

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

- (i) The parties to the Share Purchase Agreement having completed the handover of all documents, equipment and assets of the Target Company in accordance with the terms thereof.

## **3. Conditions precedent to the Third Installment**

- (i) The Target Company having been registered as the 95% shareholder of the Operating Company; and
- (ii) The parties to the Share Purchase Agreement having completed the handover of all documents, equipment and assets of KVV Investment, the Operating Company and the Asset Company in accordance with the terms thereof.

## **4. Conditions precedent to the Third Installment**

- (i) The Operating Company and the Asset Company having reached a consensus regarding the repayment or the waiver of the outstanding debt due to Chunhua Water from the Operating Company and the Asset Company in accordance with the terms of the Share Purchase Agreement.

## **Completion**

Completion shall take place on the within five Business Days from the date of the Share Purchase Agreement.

Immediately before Completion, the Purchaser held a minority interest of 3% in the Target Company, which was acquired by the Purchaser on 10 November 2016 at a nominal consideration of HK\$300. Upon Completion, the Target Company will be a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of which will be consolidated into those of the Group.

## **INFORMATION OF THE PARTIES**

### **Information on the Vendor**

Ms. Zhang Hui, a citizen of Singapore, owned 97% interest in the Target Company as at the date of this announcement and immediately before Completion.

## Information on the Target Group

The Target Company is a limited liability company incorporated in Hong Kong and is an investment holding company. As at the date of this announcement, the Target Company, through its wholly-owned subsidiary, KVV Investment, held 51% of the equity interest in the Asset Company.

Apart from its holding of 51% equity interest in the Asset Company through KVV Investment, the Target Company did not have any major assets and liabilities as at the date of this announcement.

The Asset Company is a sino-foreign joint venture and its principal businesses include the modification of water treatment facility, ownership, operation and maintenance of water treatment facility, purification and treatment of raw water and supply of purified water. The remaining equity interest of the Asset Company was held as to 8.56% by Chunhua Water and 40.44% by Hohhot Water, respectively. The Asset Company has been granted by Chunhua Water the exclusive right to provide the abovementioned services to specified regions in Hohhot, Inner Mongolia, the PRC. As at the date of this announcement, the capacity for the operating plants of the Asset Company was 400,000 tonnes per day. Please refer to the paragraph headed “Financial Information — Financial Information of the Asset Company” for the financial information of the Asset Company.

On 28 March 2017, the Target Company has entered into the equity transfer agreement (the “**Equity Transfer Agreement**”) with Veolia and Kerry CQ (Hohhot), pursuant to which the Target Company has agreed to acquire the 56% and 39% equity interest held by Veolia and Kerry CQ (Hohhot), respectively, in the Operating Company at an aggregate consideration of RMB13,300,000. The completion of such acquisition is expected to take place on the payment date of the Second Installment, subject to the fulfillment of the following conditions:

1. The opening of an escrow account within one week after signing of the Equity Transfer Agreement and the payment of 10% of the consideration into the escrow account within ten Business Days upon (i) the signing of a sale and purchase agreement in relation to KVV Investment; and (ii) the opening of the escrow account; and (iii) Veolia and Kerry CQ (Hohhot) not having committed any material breach or delay in fulfilling their respective material obligations under the Equity Transfer Agreement; and

2. The payment of 90% of the consideration into the escrow account within ten Business Days upon (i) Chunhua Water having given its consent or having been deemed to have given its consent under the cooperation agreement entered into between Chunhua Water and the Operating Company; (ii) the relevant documents relating to the transfer of the equity interest having been signed and the parties thereto having delivered such documents to the lawyers to hold the same in escrow; and (iii) the parties thereto not having committed any material breach or delay in fulfilling their respective material obligations under the Equity Transfer Agreement.

Upon completion of the above-mentioned acquisition, the Target Company will be held as to 95% by the Target Company and 5% by Chunhua Water.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Veolia, Kerry CQ (Hohhot) and their respective ultimate beneficial owners were third parties independent of the Company and its connected persons as at the date of this announcement.

### **Information on the Operating Company**

The Operating Company is a sino-foreign joint venture and its principal businesses includes the provision of operation, management and maintenance services of the wastewater treatment facilities and supply of treated water. After completion of the Equity Transfer Agreement, the Operating Company will be held as to 95% by the Target Company and 5% by Chunhua Water. Please refer to the paragraph headed "Financial Information — Financial Information of the Operating Company" for the financial information of the Operating Company.

### **Information on Veolia**

Veolia is a private company incorporated in France. It provides delegated management of water and wastewater services for municipal and industrial clients. It also designs the technological solutions and builds the facilities required for these services.

### **Information on Kerry CQ (Hohhot)**

Kerry CQ (Hohhot) is a limited liability company incorporated in Hong Kong and its principal business is investment holding.

## FINANCIAL INFORMATION

### Financial information of the Asset Company

Set out below is a summary of the audited financial information of the Asset Company for the two financial years ended 31 December 2015 and 2016 prepared in accordance with the PRC accounting standards:

|                       | <b>For the year ended<br/>31 December 2015</b> | <b>For the year ended<br/>31 December 2016</b> |
|-----------------------|--|--|
|                       | <i>RMB</i>                                     | <i>RMB</i>                                     |
| Net profit before tax | 12,210,436.39                                  | 13,901,206.67                                  |
| Net profit after tax  | 10,250,790.21                                  | 11,784,641.39                                  |

According to the audited financial information of the Asset Company, the net asset value of the Asset Company as at 31 December 2016 was RMB295,904,970.89.

### Financial information of the Operating Company

Set out below is a summary of the audited financial information of the Operating Company for the two financial years ended 31 December 2015 and 2016 prepared in accordance with the PRC accounting standards:

|                                | <b>For the year ended<br/>31 December 2015</b> | <b>For the year ended<br/>31 December 2016</b> |
|--------------------------------|--|--|
|                                | <i>RMB</i>                                     | <i>RMB</i>                                     |
| Net profit / (loss) before tax | (147,059)                                      | 134,570  |
| Net (loss) after tax           | (1,003,183)                                    | (920,640)                                      |

According to the audited financial information of the Operating Company, the net asset value of the Operating Company as at 31 December 2016 was RMB72,498,650.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is one of the leading integrated service providers in urban wastewater treatment and water supply industries in Yunnan Province of the PRC. The principal businesses of the Group include (i) providing water supply, wastewater 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.

In line with the corporate strategy of the Group to expand its business to further develop and penetrate into the local market, the Group intends to expand its business to the water treatment sector in Inner Mongolia, the PRC. The Acquisition signifies as the first acquisition of water treatment facilities in Inner Mongolia and serves as the gateway to further business opportunities in the environmental protection industry in Inner Mongolia, the PRC and hence, further expanding the Group's footprint in the water industry in the PRC and enhancing the Group's profitability. After taking the above factors into account, the Directors consider that the terms of the Share Purchase 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 (including the transactions under the Equity Transfer Agreement) are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

## **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 in accordance with the terms and conditions of the Share Purchase Agreement   |
| “Asset Company”   | Hohhot Chunhua KVV Water Treatment Co., Ltd.* (呼和浩特春華嘉威水務有限責任公司), a sino-foreign joint venture established in the PRC which was owned as to 51% by KVV Investment, 8.5% by Chunhua Water and 40.44% by Hohhot Water as at date of this announcement |
| “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  |

|                       |   |
|-----------------------|---|
| “Chunhua Water”       | Hohhot Chunhua Water Development Co., Limited* (呼和浩特春華水務開發集團有限責任公司), a limited liability company established in the PRC which is owned by an independent third party                                      |
| “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) |
| “Completion”          | completion of the Acquisition   |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules  |
| “Consideration”       | the consideration in the sum of RMB376,400,000 payable by the Purchaser to the Vendor for the Acquisition   |
| “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   |
| “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)                            |
| “HK\$”                | Hong Kong dollars, the lawful currency of Hong Kong   |
| “Hong Kong”           | the Hong Kong Special Administrative Region of the PRC  |
| “Hohhot Water”        | Hohhot Water Co., Ltd.* (呼和浩特市自來水公司), a limited liability company established in the PRC which is a wholly-owned subsidiary of Chunhua Water  |
| “Kerry CQ (Hohhot)”   | Kerry CQ Water (Hohhot) Limited, a limited company incorporated in Hong Kong  |
| “KVV Investment”      | KVV Investment Company Limited, a limited liability company incorporated in Hong Kong   |
| “Listing Rules”       | the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time   |

|                            |   |
|----------------------------|---|
| “Operating Company”        | Hohhot Chunhua VWK Water Operation Company Limited* (呼和浩特春華嘉威水務營運有限責任公司), a sino-foreign joint venture established in the PRC which was owned as to 56% by Veolia, 39% by Kerry CQ (Hohhot) and 5% by Chunhua Water as at date of this announcement |
| “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  |
| “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 PRC  |
| “Sale Shares”              | the shares representing 97% interest in the issued share capital of the Target Company as at the date of this announcement  |
| “Share(s)”                 | Domestic Shares and/or H Shares   |
| “Shareholder(s)”           | holder(s) of Share(s)   |
| “Share Purchase Agreement” | the share purchase agreement entered into between the Purchaser and the Vendor on 13 April 2017 with respect 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”           | Pan Asia International (Sishui) Co., Limited, a limited liability company incorporated in Hong Kong which was owned as to 97% by the Vendor and 3% by the Purchaser as at the date of this announcement   |
| “Target Group”             | the Target Company and its subsidiaries   |
| “US\$”                     | United States dollars, the lawful currency of the United States of America  |
| “Vendor”                   | Ms. Zhang Hui   |

“Veolia” Veolia Eau — Compagnie Generale Des Eaux S.C.A, a private company incorporated in France

“%” per cent.

By Order of the Board of  
**Yunnan Water Investment Co., Limited\***  
**Jiao Jun**  
*Acting Chairman*

Kunming, the PRC  
13 April 2017

*As at the date of this announcement, the executive Directors are Mr. Yu Long, Mr. Liu Xujun, Mr. Huang Yunjian and Mr. Dai Richeng, the non-executive Directors are Mr. Jiao Jun (Acting Chairman), 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 the purpose of this announcement and illustration only, conversions of US\$ into RMB, is based on the approximate exchange rate of US\$1.0:RMB6.893. No representation is made that any amount in US\$ or RMB could be or could have been converted at the above rate or at any other rates.*

*\* For identification purposes only*