

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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF THE REMAINING 35% EQUITY INTEREST
IN A NON-WHOLLY OWNED SUBSIDIARY**

Reference is made to the announcement of the Company dated 21 December 2015 in relation to the acquisition of 65% equity interest in the Target Company by the Purchaser from the Vendor at a consideration of RMB292,500,000 pursuant to the Previous Equity Transfer Agreement. The Board is pleased to announce that on 13 February 2018 (after trading hours), the Purchaser has entered into the Equity Transfer Agreement with the Vendor, the Target Company and the Project Company, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares (being the remaining 35% of the issued share capital of the Target Company) at a consideration of RMB200,000,000.

As at the date of this announcement, the Target Company is a non-wholly owned subsidiary of the Company and held as to 65% by the Purchaser and 35% by the Vendor. Upon closing, the Target Company will become a wholly owned subsidiary of the Company.

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

As at the date of this announcement, the Vendor holds 35% equity interest in the Target Company and accordingly is its substantial shareholder. The Vendor is therefore a connected person of the Company at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Accordingly the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (1) the Vendor is a connected person at the subsidiary level; (2) the Board has approved the Acquisition; and (3) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(I) INTRODUCTION

Reference is made to the announcement of the Company dated 21 December 2015 in relation to the acquisition of 65% equity interest in the Target Company by the Purchaser from the Vendor at a consideration of RMB292,500,000 pursuant to the Previous Equity Transfer Agreement. On 13 February 2018 (after trading hours), the Purchaser has entered into the Equity Transfer Agreement with the Vendor, the Target Company and the Project Company, pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares (being the remaining 35% of the issued share capital of the Target Company). As at the date of this announcement, the Target Company is a non-wholly owned subsidiary of the Company and held as to 65% by the Purchaser and 35% by the Vendor.

(II) THE EQUITY TRANSFER AGREEMENT

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

Date: 13 February 2018 (after trading hours)

Parties:

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

The Acquisition

Pursuant to the Equity Transfer Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares (being the remaining 35% 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. Upon Closing, the Target Company will become a wholly-owned subsidiary of the Purchaser.

Consideration and its basis of determination

The amount of consideration for the Acquisition is RMB200,000,000. The consideration shall be paid by the Purchaser in cash to the Vendor on a one-off basis after the Vendor delivers all relevant information and documents in relation to handling the underlying equity change.

The consideration for the Acquisition 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; and (iv) the newly-built projects of the Target Group.

The consideration for the Acquisition shall be settled by debt financing and/or internal resources of the Group.

Closing

Closing shall fall on the fifteenth Business Day after signing of the Equity Transfer Agreement, or such other date as agreed by the Purchaser and the Vendor in writing.

(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 unaudited consolidated accounts of the Target Company, the net assets value attributable to the shareholder of the Target Company as at 31 December 2017 was RMB90,563,674.02.

The audited/(unaudited) net profit (before and after taxation) attributable to shareholders of the Target Company for the two years ended 31 December 2016 and 31 December 2017 is set out below:

	For the year ended 31 December 2016	For the year ended 31 December 2017
	<i>(audited)</i>	<i>(unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax attributable to shareholders of the Target Company	56,690	44,543
Net profit after tax attributable to shareholders of the Target Company	43,942	44,543

(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, with total designed capacity of approximately 180,000 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 of urban area and development zone and the nearby towns in Qingzhou City, Shandong Province, the PRC.

The Vendor is a Singapore citizen, he holds 35% equity interest in the Target Company and is a substantial shareholder at the Target Company as at the date of this announcement. The original purchase cost of the sale shares incurred by the Vendor was approximately RMB43,750,000.

(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 the Acquisition is a good opportunity for the Group to consolidate its control in the Project Company. Upon Closing, the Project Company will become a wholly-owned subsidiary of the Company. The Board considers this would facilitate better implementation of the operating philosophies and strategies of the Company into the Project Company, and hence enables the Group to further expand its business within Shandong Province and also improve its water supply capabilities and boost its profitability.

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 interests of the Company and its Shareholders as a whole.

No Director has a material interest in the Acquisition and none of them is required to abstain from voting on the Board resolution for approving the Acquisition.

(VI) IMPLICATIONS OF THE LISTING RULES

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

As at the date of this announcement, the Vendor holds 35% equity interest in the Target Company and accordingly is its substantial shareholder. The Vendor is therefore a connected person of the Company at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (1) the Vendor is a connected person at the subsidiary level; (2) the Board has approved the Acquisition; and (3) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, the Acquisition is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A 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 and 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”	has the 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 13 February 2018 (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”	Hong Kong Special Administrative Region;

“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange;
“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;
“Previous Equity Transfer Agreement”	the equity interest transfer agreement entered into amongst the Purchaser, the Vendor, the Target Company and the Project Company on 21 December 2015 with respect to the acquisition of 65% equity interest of the Target Company;
“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;
“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”	3,500 ordinary shares of the Target Company in issue, representing 35% 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)”	holder(s) of the Share(s);
“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 held as to 65% by the Purchaser and 35% by the Vendor as at the date of this announcement;

“Target Group” the Target Company and its subsidiaries;
“Vendor” Mr. Wang Zhi, a Singapore citizen; and
“%” per cent.

By order of the Board
Yunnan Water Investment Co., Limited*
Yang Tao
Chairman

Kunming, the PRC,
13 February 2018

As at the date of this announcement, the executive Directors are Mr. Dai Richeng (Vice-chairman) and Mr. Yang Fang, the non-executive Directors are Mr. Yang Tao (Chairman), Ms. Li Bo, Mr. He Yuanping and Mr. Feng Zhuangzhi, and the independent non-executive Directors are Mr. Kwok For Chi, Mr. Hu Song and Mr. Ma Shihao.

* *For identification purposes only*