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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
FORMATION OF THE JV COMPANY**

JOINT VENTURE AGREEMENT

The Board is pleased to announce that on 1 November 2016, Yunnan Water Hong Kong (a wholly-owned subsidiary of the Company) and the JV Partner entered into the Joint Venture Agreement, pursuant to which the parties to the Joint Venture Agreement agreed to establish the JV Company in Penglai, Shandong Province, the PRC with a registered capital of US\$100,000,000. Pursuant to the terms of the Joint Venture Agreement, the JV Company will be owned as to 85% by Yunnan Water Hong Kong and 15% by the JV Partner. The JV Company will be a platform for the investment, financing, construction and operation of environmental protection projects and infrastructure construction projects in Penglai, Shandong Province, the PRC.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios for the transactions contemplated under the Joint Venture Agreement is/are more than 5% but all of them are less than 25%, the transactions contemplated under the Joint Venture Agreement constitute a discloseable transaction of the Company and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 1 November 2016, Yunnan Water Hong Kong (a wholly-owned subsidiary of the Company) and the JV Partner entered into the Joint Venture Agreement, pursuant to which the parties to the Joint Venture Agreement agreed to establish the JV Company in Penglai, Shandong Province, the PRC with a registered capital of US\$100,000,000. Pursuant to the terms of the Joint Venture Agreement, the JV Company will be owned as to 85% by Yunnan Water Hong Kong and 15% by the JV Partner. The JV Company will be a platform for the investment, financing, construction and operation of environmental protection projects and infrastructure construction projects in Penglai, Shandong Province, the PRC.

JOINT VENTURE AGREEMENT

The principal terms of the Joint Venture Agreement are set out below:

- (1) Date: 1 November 2016 (after trading hours)
- (2) Parties: (a) Yunnan Water Hong Kong (a wholly-owned subsidiary of the Company); and

 (b) the JV Partner
- (3) Scope of business and the operating period

The scope of business of the JV Company includes investments in compliance with the law in the areas where the PRC government approved; purchase of machinery and equipment, production of components, spare parts and sales of related products and provision of after-sale services, technical services, enterprise personnel management services and consulting services; engagement in research and development and transfer of high-new technologies and the provision of corresponding technical services; undertaking of service outsourcing business, import, export and wholesale of products, commission agents and related supporting services. The operating period of the JV Company is 30 years.

(4) Registered capital and capital contribution

The total amount of registered capital of the JV Company is US\$100,000,000. The details are as follow:

	Amount of capital contribution (US\$)	Shareholding percentage (%)
Yunnan Water Hong Kong	85,000,000	85%
The JV Partner	<u>15,000,000</u>	<u>15%</u>
Total	<u>100,000,000</u>	<u>100%</u>

Yunnan Water Hong Kong shall pay US\$50,000,000 of the amount of capital contribution before 30 November 2016 in cash and pay the remaining amount by instalment according to project progress. The JV Partner shall pay up all of the capital contribution amount before 1 November 2018 in cash or in the form of land use right.

The capital contribution by Yunnan Water Hong Kong will be funded by internal resources of the Company. The amount of capital contribution to be made by Yunnan Water Hong Kong was determined by Yunnan Water Hong Kong and the JV Partner through arm's length negotiations after considering the expected working capital required for the environmental protection projects, wastewater treatment plants, infrastructure construction projects and other projects to be undertaken by the JV Company.

(5) The board composition and management structure of the JV Company

The board of directors of the JV Company (the “**Board of JV Company**”) will comprise three members. Yunnan Water Hong Kong is entitled to nominate two directors and the JV Partner is entitled to nominate one director. The chairman, who will also act as the legal representative of the JV Company, shall be a director nominated by Yunnan Water Hong Kong. The composition of the senior management of the JV Company includes: a general manager, a financial controller and several deputy general managers. The general manager and the financial controller shall be nominated by Yunnan Water Hong Kong and one deputy general manager shall be nominated by the JV Partner. All members of the senior management shall be appointed or terminated by the Board of JV Company.

(6) Restriction on equity transfer

If either Yunnan Water Hong Kong or the JV Partner proposes to transfer the whole or part of its equity interest, the other party shall have the right of first refusal. Subject to the non-exercise of the right of first refusal, either Yunnan Water Hong Kong or the JV Partner may transfer its equity interest in the JV Company to third party(ies) at no less favourable terms than it offers to the other party to the Joint Venture Agreement. Any transfer in violation of the above shall be void.

(7) Profit and loss sharing

The profit and loss after tax and other expenses or contributions of the JV Company shall be shared according to the respective percentages of capital contribution made by Yunnan Water Hong Kong and the JV Partner.

(8) Supervisory committee composition of the JV Company

The supervisory committee of the JV Company shall comprise three supervisors, of which one supervisor will be appointed by Yunnan Water Hong Kong, one supervisor will be appointed by the JV Partner, and the remaining one will be chosen by the staff representatives. The chairman of the supervisory committee shall be appointed by the JV Partner.

Information on the JV Partner

The JV Partner is a limited liability company established in the PRC and is a wholly state-owned enterprise whose establishment was approved by the Municipal Government of Penglai. It is a construction contractor for urban public facilities and key projects authorized by the Municipal Government of Penglai. Its principal businesses include urban construction, development and investment, and urban asset operation; operation and management of water conservancy facilities and agricultural water conservancy and irrigation systems; integrated development, investment, construction, management and land consolidation services for agricultural land; construction of water supply facilities and earthwork engineering services for water conservancy projects.

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the JV Partner and its ultimate beneficial owners (if applicable) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Reasons for and benefits of the Joint Venture Agreement

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 Southeast Asia; (ii) investment, construction and management of environmental projects; and (iii) sales of equipment and other environmental protection 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 to secure a stable source of income.

The JV Company will be a platform for the investment, financing, construction, operation and management of water environment projects and infrastructure construction projects in Penglai, Shandong Province, the PRC. The JV Partner, a wholly state-owned enterprise whose establishment was approved by the Municipal Government of Penglai, is a construction contractor for urban public facilities and key projects authorized by the Municipal Government of Penglai and is responsible for the operation and development of urban infrastructure assets. The Group has rich experience in environmental control projects such as urban wastewater treatment and tap water supply projects. Through cooperation, the parties to the Joint Venture Agreement will sort out and integrate existing water projects in Penglai, thereby quickly and effectively revitalize existing water and related environmental assets in Penglai. Located near the Bohai Sea and the Yellow Sea, Penglai is well-known as the “Fairyland on Earth” and is a famous coastal tourism city in China. The JV Company will cooperate with the Municipal Government of Penglai in the joint river control of the Hua River, the Huangshui River and the Pingshan River, with a view to building Penglai into a comprehensive city in Shandong Province integrating tourism culture and ecological environment.

The Directors believe that the strengths and experiences of the parties to the Joint Venture Agreement, in conjunction with the market demand to optimize and integrate water, river control and other environmental protection projects in the region, will ensure effective cooperation between the parties to the Joint Venture Agreement in implementing environmental protection projects and infrastructure construction projects. The strategic cooperation between the Company and the JV Partner will play a complementary role in developing overall environmental protection projects and infrastructure construction projects within Penglai, Shandong Province, while generating favorable economic benefits.

After considering the above factors, the Directors are of the view that the Joint Venture Agreement was entered into after arm's length negotiations and on normal commercial terms, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios for the transactions contemplated under the Joint Venture Agreement is/are more than 5% but all of them are less than 25%, the transactions contemplated under the Joint Venture Agreement constitute a discloseable transaction of the Company and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the following meanings in this announcement.

“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);
“Director(s)”	the director(s) of the Company;
“Domestic Share(s)”	the issued ordinary shares at the nominal value of RMB1.00 each 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 each in the share capital of the Company, which are listed on the Main Board of the Stock Exchange (stock code: 6839);
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Joint Venture Agreement”	the joint venture agreement entered into between the Company and the JV Partner on 1 November 2016;

“JV Company”	Shandong Yunshui Xianjing Environmental Protection Investment Company, Ltd.* (山東雲水仙境環保投資有限公司) (subject to the final name as approved and registered by the local government authority), a limited liability company to be established by the parties to the Joint Venture Agreement in Penglai, Shandong Province, the PRC, pursuant to the Joint Venture Agreement;
“JV Partner”	Penglai Urban Construction Investment Group Co., Ltd.* (蓬萊市城市建設投資集團有限公司), a limited liability company established in the PRC;
“Listing Rules”	the Rules Governing the Listing of 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 Region of the People’s Republic of China and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	the Domestic Shares and/or H Shares;
“Shareholder(s)”	the holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	the lawful currency of the United States of America;
“Yunnan Water Hong Kong”	Yunnan Water (Hong Kong) Company Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company; and
“%”	per cent.

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

Kunming, PRC
1 November 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. Ma Shihao, Mr. Ren Gangfeng and Mr. Hu Song.

* For identification purposes only