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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

Reference is made to the inside information announcement of the Company dated 21 March 2018 in relation to the formal tender award of the PPP Project in Xuwen County, Zhanjiang City, Guangdong Province, the PRC to the Company.

The Board is pleased to announce that on 4 May 2018 (after trading hours), the Company, Guangdong Yixin and Zhongdu Engineering Design entered into the Joint Venture Agreement, pursuant to which the parties to the Joint Venture Agreement agreed to establish the JV Company in Xuwen County, Zhanjiang City, Guangdong Province, the PRC with a registered capital of RMB380,000,000. Pursuant to the terms of the Joint Venture Agreement, the JV Company will be owned as to 99.82% by the Company, 0.16% by Guangdong Yixin and 0.02% by Zhongdu Engineering Design. The JV Company will be responsible for the investment, financing, construction and operation maintenance businesses of the PPP Project.

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

Reference is made to the inside information announcement of the Company dated 21 March 2018 in relation to the formal tender award of the PPP Project.

The Board is pleased to announce that on 4 May 2018 (after trading hours), the Company, Guangdong Yixin and Zhongdu Engineering Design entered into the Joint Venture Agreement, pursuant to which the parties to the Joint Venture Agreement agreed to establish the JV Company in Xuwen County, Zhanjiang City, Guangdong Province, the PRC with a registered capital of RMB380,000,000. Pursuant to the terms of the Joint Venture Agreement, the JV Company will be owned as to 99.82% by the Company, 0.16% by Guangdong Yixin and 0.02% by Zhongdu Engineering Design. The JV Company will be responsible for the investment, financing, construction and operation maintenance businesses of the PPP Project.

JOINT VENTURE AGREEMENT

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

- (1) Date: 4 May 2018 (after trading hours)
- (2) Parties: (i) the Company;
(ii) Guangdong Yixin; and
(iii) Zhongdu Engineering Design
- (3) Scope of business

The scope of business of the JV Company covers the investment, financing, survey, design, construction and operation maintenance of the municipal and rural wastewater treatment plant and its auxiliary pipeline network. The above-mentioned business scope shall be subject to the final approval by the industrial and commercial registration authority.

(4) Registered capital and capital contribution

The total amount of registered capital of the JV Company is RMB380,000,000. The details are as follows:

	Amount of capital contribution (RMB)	Shareholding percentage (%)
The Company	379,300,000	99.82%
Guangdong Yixin	600,000	0.16%
Zhongdu Engineering Design	<u>100,000</u>	<u>0.02%</u>
Total	<u><u>380,000,000</u></u>	<u><u>100%</u></u>

The Company, Guangdong Yixin and Zhongdu Engineering Design shall all make capital contribution in cash. The three parties will abide by the applicable laws and requirements of the relevant regulatory authorities in the capital contribution. It shall be made in a timely manner satisfying various construction work payment and expense obligations incurred under the PPP Cooperation Contract. The three parties shall also make the capital contribution on a pro-rata basis according to the progress of the PPP Project.

(5) Restriction on equity transfer

After a written notice has been given to other parties of the Joint Venture Agreement, the Company may transfer all or a part of its equity interest in the Joint Venture to any of its subsidiaries. On the date on which the notice of transfer is served, the other parties of the Joint Venture Agreement are deemed to have waived their rights of first refusal and have agreed to the transfer. The other parties of the Joint Venture Agreement also shall not directly or indirectly create any pledge or other encumbrance on all or a part of their equity interest in the JV Company.

(6) Profit sharing

The profit and loss after tax of the JV Company shall be shared according to the respective percentages of capital contribution made by the Company and the JV Partners.

INFORMATION ON THE JV PARTNERS

Guangdong Yixin is a limited liability company established in the PRC and a state-owned provincial enterprise under Guangdong Rising Assets Management Company Limited. It has three Grade I Qualifications for General Contracting, namely of Housing Construction, Municipal Works and Electrical & Mechanical Installation Engineering. It mainly engages in Grade I General Contracting of housing construction, municipal works and electrical & mechanical installation engineering, Grade I Professional Contracting of earthwork, building renovation & decoration and ancient architectural engineering & landscaping, etc.

Zhongdu Engineering Design is a limited liability company established in the PRC. It mainly undertakes business of municipal roads, bridge survey and design, water supply, drainage design, architectural engineering design, project general contracting, etc. It possesses qualifications including, Professional Class A for Engineering Survey, Professional Class A for Municipal Matters (Water Supply, Drainage, Roads and Bridges), Class A for Construction Industry, Professional Class B for Municipal Matters (Environmental Sanitation), Professional Class C for Water Industry (river regulation works, Urban Flood Control), etc.

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the JV Partners and their respective 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, the PRC. The principal businesses of the Group include (i) providing water supply, wastewater treatment and solid waste treatment in various cities in the PRC 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 Directors consider that the implementation of the PPP Project can provide the Group with a good opportunity to further expand its business in the market of Guangdong Province, enhance its profitability and improve its influence over the environmental protection industry in Guangdong Province and achieve cross-regional development. With the PPP Project as a stronghold, the Group will continue to expand its environmental protection project business in Guangdong Province, the PRC to enhance the profitability of the Group by fully utilizing its capital and technological strength.

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;
“Guangdong Yixin”	Guangdong Yixin Great Wall Construction Group Co., Ltd.* (廣東一新長城建築集團有限公司), a limited liability company established in the PRC;
“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 Partners on 4 May 2018;
“JV Company”	Xuwen Yunshui Environmental Protection Management Co., Ltd.* (徐聞縣雲水環保管理有限公司) (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 Xuwen County, Zhanjing City, Guangdong Province, the PRC, pursuant to the Joint Venture Agreement;
“JV Partners”	Guangdong Yixin and Zhongdu Engineering Design;

“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;
“PPP Project”	the PPP project in relation to the construction of wastewater treatment facilities for the entire county in Xuwen County, Zhanjiang City, Guangdong Province, the PRC, which was awarded to the Company on 21 March 2018;
“PPP Cooperation Contract”	the PPP Project Contract on the Whole Advancement of the Construction of Domestic Sewage Treatment Facilities by Xuwen County through the PPP Model (《徐聞縣以PPP模式整縣推進生活污水處理設施建設項目PPP項目合同》) entered into among the Company, JV Partners and Xuwen Bureau of Housing and Urban-Rural Development;
“Zhongdu Engineering Design”	Zhongdu Engineering Design Co., Ltd.* (中都工程設計有限公司), a limited liability company established in the PRC; and
“%”	per cent.

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

Kunming, the PRC
4 May 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*