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YUNNAN WATER

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 4 April 2018 in relation to the formal tender award of the PPP Project in Wuzhi County, Jiaozuo City, Henan Province, the PRC to the Company.

The Board is pleased to announce that on 12 June 2018 (after trading hours), the Company, Wuzhi Investment and YCIH entered into the Joint Venture Agreement, pursuant to which the parties to the Joint Venture Agreement agreed to establish the JV Company in Wuzhi County, Jiaozuo City, Henan Province, the PRC with a registered capital of RMB260,997,600. Pursuant to the terms of the Joint Venture Agreement, the JV Company will be owned as to 89.9% by the Company, 10% by Wuzhi Investment and 0.1% by YCIH. 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 4 April 2018 in relation to the formal tender award of the PPP Project.

The Board is pleased to announce that on 12 June 2018 (after trading hours), the Company, Wuzhi Investment and YCIH entered into the Joint Venture Agreement, pursuant to which the parties to the Joint Venture Agreement agreed to establish the JV Company in Wuzhi County, Jiaozuo City, Henan Province, the PRC with a registered capital of RMB260,997,600. Pursuant to the terms of the Joint Venture Agreement, the JV Company will be owned as to 89.9% by the Company, 10% by Wuzhi Investment and 0.1% by YCIH. 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: 12 June 2018 (after trading hours)

(2) Parties: (i) the Company;

(ii) Wuzhi Investment; and

(iii) YCIH

(3) Scope of business

The scope of business of the JV Company covers urban water supply, wastewater treatment, wastewater reclamation, solid waste treatment in water industry, river regulation and other environmental governance projects and management thereof; technical consulting on environmental governance; sales of environmental protection equipment. 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 RMB260,997,600. The details are as follows:

	Amount of capital contribution <i>(RMB)</i>	Shareholding percentage <i>(%)</i>
The Company	234,662,800	89.9%
Wuzhi Investment	26,099,800	10.0%
YCIH	235,000	0.1%
Total	<u>260,997,600</u>	<u>100%</u>

If any party to the Joint Venture Agreement fails to pay the contribution in full as scheduled according to this agreement or the articles of association of the JV Company, it is required to make up the capital contribution and other parties shall bear joint liability. The party failing to make the capital contribution in full as scheduled is required to pay liquidated damages to the parties which have made the capital contribution in full as scheduled at 0.1% of the outstanding capital.

If any party to the Joint Venture Agreement fails to pay the contribution in full for thirty days overdue, the party shall be deemed to have automatically abandoned the subscription, and other parties, upon approval by the approving authority, may determine the candidates to subscribe for the equity interests which have been abandoned by the said party through negotiation; in case a number of parties want to subscribe for the abandoned equity interests, it is required to exercise the subscription right in proportion to their then respective actual contribution.

The parties to the Joint Venture Agreement shall be accountable to the JV Company to extent of their capital contribution and share the risks, damages and losses arising in the process of establishment of the JV Company in proportion to the capital contribution subscribed for by them. Upon payment of registered capital or delivery of assets as capital contribution, none of the parties is allowed to request refund of capital contribution or withdraw capital contribution unless the first general meeting is not convened as scheduled or it is resolved to not set up the company at the first general meeting.

YCIH has issued a letter of authorization to confirm that it has assigned all its rights under the Joint Venture Agreement to the Company for exercise.

(5) Total investment amount

The total budgeted investment amount of the PPP Project is approximately RMB1,043,990,400. The registered capital of the JV Company represents 25% of the total investment in the PPP Project and will be adjusted based on the total investment in the PPP Project accordingly.

(6) 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. The Company is entitled to nominate two directors and Wuzhi Investment is entitled to nominate one director. The chairman, who will also act as the legal representative of the JV Company, shall be nominated by the Company. Members of the Board of JV Company shall serve a term of three years for each session. The composition of the operation management organisation of the JV Company includes: a general manager, two deputy general managers, a chief financial officer and other persons appointed by the Board. Among which, the general manager shall be nominated by the Company, the deputy general managers shall be recommended by the Company and Wuzhi Investment each, the chief financial officer shall be recommended by the Company, and other senior management members shall be nominated by the general manager or chairman. All members of the senior management shall be appointed or terminated by the Board of JV Company.

Upon establishment of the JV Company, Wuzhi Investment and the Director recommended by it shall have the veto power for significant matters during construction and operation of the PPP Project and other matters affecting public benefit or public security.

(7) Supervisory committee composition of the JV Company

The JV Company will not establish a supervisory committee but will have one supervisor who shall be elected at the general meeting of the JV Company. The supervisor shall serve a term of three years for each session and may be re-elected thereafter.

(8) Restriction on equity transfer

Upon establishment of the JV Company according to law, there shall be no changes in the shareholding of the parties to the Joint Venture Agreement within the construction period and the first two years of operation of the PPP Project, during which adjustments may be made according to national policies in case of other requirements of the State on the structure of shareholding held by the consortium in PPP Project.

(9) 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.

(10) Termination

If the Joint Venture Agreement is unenforceable or the purpose under the Joint Venture Agreement is unachievable due to force majeure, the Joint Venture Agreement may be terminated with the unanimous consent of the parties to the Joint Venture Agreement.

INFORMATION ON THE JV PARTNERS

Wuzhi Investment is a limited liability company established in the PRC. It was funded and established by Wuzhi County Investment Service Centre* (武陟縣投資服務中心). It is principally engaged in investment in and operation of projects which are planned by the government of Wuzhi County and to be implemented; integration of prime assets in the county; operation management of infrastructures, social undertakings and other public welfare projects and tourism resource projects in the jurisdiction of Wuzhi County; land consolidation and development related businesses, etc.

YCIH is a limited liability company established in the PRC. As a state-owned construction enterprise, it possesses a National Housing Construction General Contracting Class 1 Qualification Certificate (國家房屋建築工程施工總承包壹級資質). With various qualifications such as Municipal Public Work Construction Contractor (Class 1) (市政公用工程施工總承包壹級), YCIH is a comprehensive construction enterprise with strong capabilities. It is principally engaged in the businesses of housing construction general contracting, housing and public work construction as well as construction of industrial and civil construction projects.

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 project can provide the Group with a good opportunity to further expand its business in the market of Henan Province, enhance its profitability and improve its influence over the environmental protection industry in Henan Province and achieve cross-regional development. With the project as a stronghold, the Group will continue to expand its footage in the environmental protection projects in Henan Province, the PRC to enhance the profitability of the Group and gradually promote the Group's position in the industry 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;
“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 12 June 2018;
“JV Company”	Wuzhi Yunshui Ecological Development Co., Ltd.* (武陟雲水生態發展有限公司) (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 Wuzhi County, Jiaozuo City, Henan Province, the PRC, pursuant to the Joint Venture Agreement;
“JV Partners”	Wuzhi Investment and YCIH;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PPP Cooperation Contract”	the PPP Project Contract on Wuzhi County Urban Water Transformation And Upgrading Works to be entered into between Wuzhi County Water Resources Bureau (武陟縣水利局) and the JV Company;
“PPP Project”	the PPP project in relation to Wuzhi County urban water transformation and upgrading works in Wuzhi County, Jiaozuo City, Henan Province, the PRC, which was awarded to the Company on 4 April 2018;
“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;
“Wuzhi Investment”	Wuzhi County Investment Group Co., Ltd.* (武陟縣投資集團有限公司), a limited liability company established in the PRC;
“YCIH”	YCIH No.5 Construction Co., Ltd.* (雲南建投第五建設有限公司), a limited liability company established in the PRC;

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

Kunming, the PRC
12 June 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