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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 JOINT VENTURE

SHAREHOLDERS' AGREEMENT

Reference is made to the inside information announcement of the Company dated 16 August 2018 in relation to the formal tender award of the PPP Project in relation to the integrated treatment of solid wastes for the Venous Industrial Park in Ganquanpu Economic Development Zone in Urumqi City, Xinjiang Uygur Autonomous Region, the PRC. The project adopts the BOT model (build — operate — transfer).

The Board is pleased to announce that on 18 October 2018 (after trading hours), the Company and Xinjiang Derun entered into the Shareholders' Agreement, pursuant to which the parties to the Shareholders' Agreement agreed to establish the Joint Venture in Ganquanpu Economic Development Zone in Urumqi City, Xinjiang Uygur Autonomous Region, the PRC with a registered capital of RMB132,917,600. Pursuant to the terms of the Shareholders' Agreement, the Joint Venture will be owned as to 90% and 10% by the Company and Xinjiang Derun respectively. The Joint Venture will be responsible for the investment, 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 Shareholders' Agreement is/are more than 5% but all of them are less than 25%, the transactions contemplated under the Shareholders' Agreement constitute 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 16 August 2018 in relation to the formal tender award of the PPP Project in relation to the integrated treatment of solid wastes for the Venous Industrial Park in Ganquanpu Economic Development Zone in Urumqi City, Xinjiang Uygur Autonomous Region. The project adopts the BOT model (build — operate — transfer).

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Shareholders' Agreement

The principal terms of the Shareholders' Agreement are set out below:

(1) Date: 18 October 2018 (after trading hours)

(2) Parties: (i) the Company; and
(ii) Xinjiang Derun.

(3) Scope of business

The scope of business of the Joint Venture covers investment in integrated treatment of solid waste, sludge treatment, water pollution treatment, solid waste treatment, urban water supply, wastewater treatment, wastewater reclamation, solid waste treatment in water industry and other environmental governance projects and management thereof; technical consulting on environment; production and sales of construction materials; sales and installation of environmental protection equipment; development and utilization of distributed photovoltaics. 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 Joint Venture is RMB132,917,600. The details are as follows:

	Amount of capital contribution (RMB)	Shareholding percentage (%)
The Company	119,625,800	90%
Xinjiang Derun	13,291,800	10%
Total	132,917,600	100%

The Company and Xinjiang Derun shall both pay the registered capital in cash in a timely manner according to the stipulations of the by-laws of the Joint Venture. The cash for other constructions shall be funded based on the progress of construction of the PPP Project and requirements from financial institution.

If the investment needs to be increased due to the construction of the PPP Project, any additional registered capital for the Joint Venture shall be borne by the Company (but the maximum registered capital of the Joint Venture shall not exceed RMB150,000,000). If the additional registered capital results in a change to the shareholding proportion of the Joint Venture, the shareholdings of both parties shall be recalculated based on the actual capital contribution of the parties of the Shareholders' Agreement.

(5) Total investment amount

The total estimated investment amount of the PPP Project is approximately RMB398,529,000. The registered capital shall be adjusted based on the adjustment to the total investment amount of the PPP Project (if required).

(6) The board composition and management structure of the Joint Venture

The board of directors of the Joint Venture (the “**Board of Joint Venture**”) shall comprise five directors, while one of whom shall be nominated by Xinjiang Derun, and four of whom shall be nominated by the Company. The chairman shall be a director appointed by the Company, and the directors and the chairman shall have a term of three years and can serve for another term if re-appointed by the appointor. Any appointment or change of directors by the parties to the Joint Venture shall be made by way of a formal notice in writing.

The management of the Joint Venture (the “**Management of Joint Venture**”) implements the general manager accountability system under the leadership of the Board, and shall have one general manager. The senior management shall consist of general manager, deputy general manager, chief financial officer, chief engineer and etc. The senior management of the Joint Venture shall be nominated by the chairman and appointed by the Company upon approval from the Board for a term of three years and subject to re-election.

(7) Supervisor composition of the Joint Venture

The Joint Venture shall have one supervisor for a term of three years and subject to re-election upon expiry. The directors or senior management of the Joint Venture shall not be appointed as the supervisor of the Joint Venture.

(8) Restriction on equity transfer

During the existence of the Joint Venture, the transfer of equity interests from shareholder(s) of the Joint Venture to person(s) other than shareholder(s) is subject to unanimous agreement from all shareholders. For the transfer of equity interests with unanimous agreement from all shareholders, other shareholder(s) shall have the pre-emptive right to such equity interests under the same conditions.

(9) Guarantees of equity and restrictions on equity

Any party of the Joint Venture, if provides a pledge guarantee for the obligation of its own or any third party with any part or whole of the equity interests it holds, shall give notice to and subject to the agreement from the other party. When the pledgee exercises the right of the pledge, the other party shall have the priority to such assigned equity interests under the same conditions.

(10) Profit sharing

During the concession period, the Company and the JV Partner shall share profit in proportion to their respective equity holdings.

(11) Termination

If the PPP Project of Investment Cooperation Agreement and Concession Agreement are not able to be fulfilled and the Joint Venture is unable to continue its operations due to force majeure, the Shareholders' Agreement can be early terminated, subject to unanimous approval by the Board of the Joint Venture and at the shareholders' meeting of the Joint Venture as well as the approval of the original approving authority and government.

If any party fails to perform or is in material breach of the terms of the Investment Cooperation Agreement and the Concession Agreement, and the obligations required in the Shareholders' Agreement, resulting in the Joint Venture being unable to operate, the defaulting party shall be deemed to terminate the agreement unilaterally, and the other party has the right to claim compensation from the defaulting party, and has the right to apply to the original approving authority and government for early termination of the cooperation under the PPP Project according to the requirements of the Shareholders' Agreement.

During the construction period of the PPP Project, if the Company does not use the registered capital of the Joint Venture and the proceeds from financing of the Joint Venture towards the PPP Project, or does not construct the comprehensive utilization facility of industrial solid wastes according to the requirements of construction approval, the Ganquanpu Management Committee shall have the right to terminate the Investment Cooperation Agreement and to revoke the concession granted to the Company.

INFORMATION ON THE JV PARTNER

Xinjiang Derun is a company established in the PRC with limited liability. It was funded and established by the Ganquanpu Management Committee. Its principal business is equity investment and investment, management and operation of other state-owned assets; construction and management, demolition and resettlement and services of urban infrastructure ancillary projects; land consolidation & development and land management; urban landscaping; environment governance; development & investment and operation & management of commercial facilities in hotels, office buildings, shopping malls and parking lots; property management; market management; construction of constructional engineering; leasing of housing, equipment and sites; non-occupied parking lot services; and warehousing services based on the authorization and entrustment of the Urumqi Ganquanpu Economic Development Zone (Industrial Zone) Management Committee.

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 COOPERATION AGREEMENT

The Group is one of the leading integrated service providers in the municipal wastewater treatment and water supply industry in Yunnan Province, the PRC. The principal business of the Group includes (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 business 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 are of the view that the implementation of the project in the park is conducive to the efficient treatment of the industrial solid wastes and the significant improvement of their utilization rate in the park, thus ensuring that the project will bring good economic benefits to the Group. At the same time, the implementation of the project will expand the Group's business in Xinjiang Uygur Autonomous Region, improve the Group's profitability, enhance the Group's influence in the environmental protection industry in Xinjiang Uygur Autonomous Region and create opportunities for the Group to achieve cross-region development. Leveraging on the strategic support from the project, the Group will continue to expand environmental projects in Xinjiang Uygur Autonomous Region, the PRC to improve its profitability through making full use of its capital and technical strength.

After considering the above factors, the Directors are of the view that the Shareholders' 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 Shareholders' Agreement is/are more than 5% but all of them are less than 25%, the transactions contemplated under the Shareholders' Agreement constitute 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 of Yunnan Water Investment Co., Limited* (雲南水務投資股份有限公司);
“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);
“Concession Agreement”	the Concession Agreement in relation to the PPP Project in respect of the Integrated Treatment of Solid Wastes for the Venous Industrial Park in Ganquanpu Economic Development Zone in Urumqi to be entered into between the Joint Venture and the Management Center for Industries of Ganquanpu Industrial Zone;
“Directors(s)”	the director(s) of the Company;
“Ganquanpu Management”	the Urumqi Ganquanpu Economic Development Zone (Industrial Zone) Management Committee;
“Investment Cooperation Agreement”	the Investment Cooperation Agreement in relation to the PPP Project in respect of the Integrated Treatment of Solid Wastes for the Venous Industrial Park in Ganquanpu Economic Development Zone in Urumqi entered into between the Company and the Management Center for Industries of Ganquanpu Industrial Zone on 18 October 2018;

“Joint Venture”	Xinjiang Yunrun Recycling Economy Co., Ltd.* (新疆雲潤循環經濟有限公司), which is to be established by the Company and Xinjiang Derun according to the Shareholders’ Agreement in Urumqi City, Xinjiang Uygur Autonomous Region (subject to the approval from local government authorities and registration of final name);
“JV Partner” or “Xinjiang Derun”	Xinjiang Derun Economic Construction and Development Co., Ltd.* (新疆德潤經濟建設發展有限公司);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PPP Project”	the PPP project in relation to the integrated treatment of solid wastes for the Venous Industrial Park in Ganquanpu Economic Development Zone in Urumqi, Xinjiang Uygur Autonomous Region, the PRC, which was awarded to the Company on 16 August 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;
“Shareholder(s)”	the holder(s) of Share(s);
“Shareholders’ Agreement”	the Shareholders’ Agreement in relation to the PPP Project in respect of the Integrated Treatment of Solid Wastes for the Venous Industrial Park in Ganquanpu Economic Development Zone in Urumqi entered into between the Company and Xinjiang Derun on 18 October 2018;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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

Kunming, the PRC
18 October 2018

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

* For identification purposes only