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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

SHAREHOLDERS AGREEMENT

The Board is pleased to announce that on 23 October 2019 (after trading hours), Tongren City Development and Investment Group, Shiqian Water, Yinjiang Yinfeng Urban and Rural Construction Investment entered into the Shareholders Agreement with the Company and China Urban Construction Design & Research Institute, pursuant to which the parties to the Shareholders Agreement agreed to establish the JV Company in Tongren City, Guizhou Province, the PRC with a registered capital of RMB337,100,000. Pursuant to the terms of the Shareholders Agreement, the JV Company will be owned as to 19.48% by Tongren City Development and Investment Group, 7.56% by Shiqian Water, 2.97% by Yinjiang Yinfeng Urban and Rural Construction Investment, 69.99% by the Company and 0.01% by China Urban Construction Design & Research Institute. The JV Company will be responsible for the investment, financing, construction, operation and maintenance and transfer of the PPP Project and bear risks thereof.

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 transactions of the Company and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

In December 2018, the Company and China Urban Construction Design & Research Institute officially won the PPP Project in Tongren City, Guizhou Province, the PRC, which was granted by Tongren Environmental Protection Bureau* (銅仁市環境保護局) authorized by Tongren Municipal People's Government, Guizhou Province, the PRC* (中國貴州省銅仁市人民政府) by way of open tender. The total budget investment of the project is approximately RMB1,685,530,000. The new subprojects in the project adopt the investment mode of Build-Operate-Transfer (BOT), and the existing projects adopt the investment mode of entrusted operation.

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SHAREHOLDERS AGREEMENT

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

- (1) Date:** 23 October 2019 (after trading hours)
- (2) Parties:** (i) Party A: Tongren City Development and Investment Group;
Shiqian Water; and
Yinjiang Yinfeng Urban and Rural Construction Investment

(ii) Party B: The Company; and
China Urban Construction Design & Research Institute
- (3) Scope of business**

The JV Company is responsible for the projects under the PPP Project Contract, including the financing, investment, construction and operation and maintenance integration services of the county wastewater treatment project, township wastewater treatment project, rural wastewater treatment project and other subprojects. The scope of business of the JV Company shall be subject to the registration with the industrial and commercial registration authority.

(4) Registered capital and capital contribution

The total amount of registered capital of the JV Company is RMB337,100,000. The details are as follows:

| | Amount of capital contribution (RMB) | Shareholding percentage (%) |
|---|--|-----------------------------------|
| Party B: The Company | 235,940,000 | 69.99% |
| China Urban Construction Design & Research Institute | 30,000 | 0.01% |
| Party A: Tongren City Development and Investment Group | 65,660,000 | 19.48% |
| Shiqian Water | 25,470,000 | 7.56% |
| Yinjiang Yinfeng Urban and Rural Construction Investment | 10,000,000 | 2.97% |
| Total | 337,100,000 | 100% |

All the parties to the Shareholders Agreement shall all make capital contribution in cash. The first registered capital shall be transferred to the account of the JV Company within 30 days after the formal signing of the PPP project contract, and the proportion shall be 30% of the total registered capital of the JV Company. The remaining registered capital shall be paid by the parties to the Shareholders Agreement step by step based on their shareholding percentage according to the construction progress and investment needs of the PPP Project.

After the establishment of the JV Company, the funds required for the development of the JV Company may be satisfied by increase of registered capital of the JV Company or make loans or financing to the financial institutions by the parties or other means (“**Shareholders Capital Increase**”). If any of the parties does not agree to increase the registered capital according to its then shareholding proportion, the party may, with the written consent of Yinjiang County Housing and Urban-Rural Development Bureau* (印江縣住建局) and Shiqian County Water Bureau* (石阡縣水務局), make its contribution that should be increased to the registered capital for priority in accordance with the provisions of the applicable laws.

During the operation period, the JV Company shall not reduce its registered capital in principle. If the registered capital do needs to be reduced due to the changes in the total investment or the production and operation scale of the project, it is subject to the written approval of Yinjiang County Housing and Urban-Rural Development Bureau* (印江縣住建局) and Shiqian County Water Bureau* (石阡縣水務局).

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

The board of directors of the JV Company (the “**Board of the JV Company**”) shall comprise seven directors. Party A (Tongren City Development and Investment Group, Shiqian Water and Yinjiang Yinfeng Urban and Rural Construction Investment) is entitled to nominate one director each and Party B (the Company and China Urban Construction Design & Research Institute) is entitled to nominate a total of four directors. The chairman shall be a director nominated by Party B and the vice chairman shall be a director nominated by Party A. Directors are appointed for a term of three years and are eligible for re-election.

The composition of the management of the JV Company (the “**Management of the JV Company**”) includes: one general manager, several deputy general managers, one chief financial officer, one deputy financial officer and one chief engineer. The general manager and the chief financial officer shall be nominated by Party B, the deputy general manager and deputy financial officer shall be nominated by Party A each. All members of the senior management shall be appointed for a term of three years, and shall be appointed or terminated by the Board and may be re-elected.

(6) Supervisory committee composition of the JV Company

The supervisory committee of the JV Company (the “**Supervisory Committee of the JV Company**”) shall comprise three supervisors. Of which, one supervisor shall be nominated by Party A and one supervisor shall be nominated by the Party B. One of supervisors shall be employee supervisor. The Supervisory Committee of the JV Company shall have one chairman and shall be the supervisor nominated by Party A. Supervisor are appointed for a term of three years and are eligible for re-election.

(7) Restriction on equity transfer

During the construction period of the PPP Project, the JV Company’ shareholding shall not be changed other than the Shareholders Capital Increase. Subsequent to five years after the PPP Project has entered into the operation period, the JV Company’ shareholding may only be changed with the written consent of Yinjiang County Housing and Urban-Rural Development Bureau* (印江縣住建局) and Shiqian County Water Bureau* (石阡縣水務局).

No party to the Shareholders' Agreement may transfer, mortgage, pledge, give or otherwise dispose of all or part of its equity in the JV Company or any other interest without the written consent of Yinjiang County Housing and Urban-Rural Development Bureau* (印江縣住建局) and Shiqian County Water Bureau* (石阡縣水務局).

(8) Profit sharing

When the JV Company distributes the after-tax profit of the current year, 10% of the profit should be provided as its statutory reserve fund. If the statutory reserve fund in aggregate reaches more than 50% of the its registered capital, no further provision may be required. After the JV Company making up the losses and providing the provident fund, the profit after tax shall be distributed by the parties according to their respective proportion of paid-in contribution.

INFORMATION OF THE PARTIES TO THE SHAREHOLDERS AGREEMENT

Tongren City Development and Investment Group is a wholly state-owned limited liability company established in the PRC. Its shareholder is Tongren State-owned Assets Supervision and Administration Bureau* (銅仁市國有資產監督管理局), which is a large-scale state-owned enterprise mainly engaged in urban infrastructure construction, real estate development, water conservancy facilities construction, urban and rural water supply and drainage, and wastewater treatment. It is the capital representative of Tongren Municipal People's Government* (銅仁市人民政府).

Shiqian Water is a state-controlled company with limited liability established in the PRC. Its business mainly includes urban and rural water supply and drainage, watershed development and management, urban flood control, wastewater treatment and water environment management. It is the capital representative of Shiqian County People's Government* (石阡縣人民政府).

Yinjiang Yinfeng Urban and Rural Construction Investment is a state-controlled company with limited liability established in the PRC. Its business mainly includes investment in, development and utilization of urban infrastructure construction. It is the capital representative of Yinjiang Tujia and Miao Autonomous County People's Government* (印江土家族苗族自治縣人民政府).

China Urban Construction Design & Research Institute is a limited liability company established in the PRC and is a comprehensive scientific research and design unit for urban construction. It has professional Grade A qualifications for municipal public utilities (sanitation, drainage, water supply, etc.), construction engineering, urban planning, and general contracting, and Grade B qualifications for thermal power generation and tourism planning, as well as qualifications for foreign economic cooperation.

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the parties to the Shareholders Agreement 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 SHAREHOLDERS AGREEMENT

The Group is one of the leading integrated service providers in the urban wastewater treatment and water supply industry in Yunnan Province, the PRC. The principal business of the Group includes (i) provision of water supply, wastewater treatment and solid waste treatment in a number of cities in China and in Southeast Asia; (ii) investment, construction and management of environmental protection projects; and (iii) sales of equipment and other environmental related services. The Group's corporate strategy is based in Yunnan Province and continues to identify investment opportunities and expand its business to other regions to secure a stable source of income.

The Directors believe that the implementation of the PPP Project is of great significance for improving the urban and rural infrastructure construction and living environment in Tongren City. It also can provide a good opportunity for the Group to further expand its business in the Guizhou market, improve its profitability, strengthen its influence on the environmental protection industry

in Guizhou and achieve cross-regional development. The project can give full play to the Group's practical experience in undertaking wastewater treatment projects in other districts of Guizhou, and exert synergies to improve the refined level of wastewater treatment management and enhance the Group's profitability.

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

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DEFINITIONS

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

| | |
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| “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 Shares” | the ordinary shares in issue in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed in RMB or credited as fully paid; |
| “H Shares” | the ordinary shares in issue in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange (stock code: 6839); |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC; |
| “JV Company” | Tongren City Yunshui Environment Co., Ltd.* (銅仁市雲水環境有限公司) (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 Shareholders Agreement in Tongren City, Guizhou Province, the PRC pursuant to the Shareholders Agreement; |

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|---|--|
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “PPP Project” | the PPP project in relation to the municipal residential wastewater treatment in Yinjiang County and Shiqian County, Tongren City, Guizhou Province, the PRC, which was awarded to the Company; |
| “PPP Project Contract” | the PPP Project Contract in Relation to the Municipal Residential Wastewater Treatment in Yinjiang County and Shiqian County of Tongren City* (《銅仁市印江縣石阡縣城鄉生活污水治理PPP項目合同》) about to be entered into between the JV Company and Tongren Environmental Protection Bureau* (銅仁市環保局), Yinjiang County Housing and Urban-Rural Development Bureau* (印江縣住建局) and Shiqian County Water Bureau* (石阡縣水務局); |
| “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)” | Domestic Shares and/or H Shares; |
| “Shareholder(s)” | the holder(s) of Share(s); |
| “Shareholders Agreement” | the Shareholders Agreement in Relation to the PPP Project of Municipal Residential Wastewater Treatment in Yinjiang County and Shiqian County of Tongren City* (《銅仁市印江縣石阡縣城鄉生活污水治理PPP項目股東協議》) entered into between the Company and Tongren City Development and Investment Group, Shiqian Water, Yinjiang Yinfeng Urban and Rural Construction Investment and China Urban Construction Design & Research Institute on 23 October 2019; |
| “Shiqian Water” | Guizhou Province Shiqian County Water Investment Co., Ltd.* (貴州省石阡縣水務投資有限責任公司), which performs the obligations of capital contribution on behalf of Shiqian County People’s Government; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Tongren City Development and Investment Group” | Guizhou Tongren City Development and Investment Group Co., Ltd.* (貴州省銅仁市城市開發投資集團有限公司), which performs the obligations of capital contribution on behalf of Tongren Municipal People’s Government; and |

“Yinjiang Yinfeng Urban
and Rural Construction
Investment”

Guizhou Province Yinjiang Autonomous County Yinfeng Municipal Urban and Rural Construction Investment Group Co., Ltd.* (貴州省印江自治縣銀豐城鄉建設投資集團有限公司), which performs the obligations of capital contribution on behalf of Yinjiang Tujia and Miao Autonomous County People’s Government.

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

Kunming, the PRC
23 October 2019

As at the date of this announcement, the executive Directors are Mr. Yu Long (Vice Chairman) and Mr. Yang Fang, the non-executive Directors are Mr. Yang Tao (Chairman), Ms. Li Bo, Mr. He Yuanping and Mr. Chen Yong, and the independent non-executive Directors are Mr. Liu Shuen Kong, Mr. Hu Song and Mr. Ma Shihao.

** For identification purposes only*