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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)

**(I) PROPOSED ISSUANCE OF CORPORATE ONSHORE AND
OFFSHORE DEBT FINANCING INSTRUMENTS; AND
(II) PROVISION OF LOAN GUARANTEE FOR DALI WATER**

This announcement is made by the Company pursuant to the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance and Rule 13.09 of the Listing Rules.

(I) Proposed issuance of Corporate Onshore and Offshore Debt Financing Instruments

Background

According to the needs of business development, in order to optimize the financial structure of the Company and capture favourable market opportunities, the Board has passed the proposal on the issuance of Corporate Onshore and Offshore Debt Financing Instruments on an one-off or multiple issuances or multi tranche issuances bases at the Board meeting held on 28 August 2015. According to the relevant requirements of the Article of Association, the Board has submitted a special resolution to the EGM for consideration and approval (if thought fit) to authorize the issuance of Corporate Onshore and Offshore Debt Financing Instruments by the Company and grant the General Mandate to the Board and the Authorized Committee comprising of authorised persons as authorized by the Board, the particular details are as follows:

1. *Issuing entity, size and method of issuance*

The Company or wholly-owned subsidiaries of the Company will be the issuing entity for the issuance of Corporate Onshore and Offshore Debt Financing Instruments. The Corporate Onshore and Offshore Debt Financing Instruments will be issued on an one-off or multiple issuances or multi tranche issuances bases through public offerings or private placements within or outside the PRC.

The balances of issued Corporate Onshore and Offshore Debt Financing Instruments shall not exceed RMB2,000 million (inclusive of RMB2,000 million, if issued in foreign currencies, the amount shall be converted at the central parity rate published by the People's Bank of China on the date of each issuance) in aggregate, and in compliance with the requirements of the maximum limit for the issuance of Corporate Onshore and Offshore Debt Financing Instruments under the relevant laws and regulations; the type, period and size of the Corporate Onshore and Offshore Debt Financing Instruments will be determined by the Authorized Committee in accordance with market conditions and the capital needs of the Company.

Specific details of each Corporate Onshore and Offshore Debt Financing Instrument, such as the issuing entity, size of issuance, number of tranches, currency, method of issuance as well as listing and trading, will be determined within the aforesaid scope in compliance with the relevant laws and regulations and the opinions and recommendations of the regulatory authorities, the capital needs of the Company and the market conditions at the time of issuance, on the principle of maximizing the interests of the Company.

2. *Types of debt financing instruments*

The issuance of types of Corporate Onshore and Offshore Debt Financing Instruments include:

RMB debt financing instruments include corporate bonds, medium term notes, ordinary bonds, subordinated bonds, subordinated debts, income certificates and other types permitted for issue by the regulatory authorities.

Offshore debt financing instruments include US dollar, Euro and other foreign currencies and offshore RMB corporate bonds, foreign currency notes, commercial papers, bonds, subordinated bonds or structured notes.

Issuances of Corporate Onshore and Offshore Debt Financing Instruments shall not contain provision for conversion into shares, and will not be linked to Shares and any other equity derivatives of the Company.

The types and specific repayment priorities of Corporate Onshore and Offshore Debt Financing Instruments will be determined by the Board or the Authorized Committee in accordance with the relevant requirements and market conditions at the time of issuance.

3. ***Term of debt financing instruments***

The Corporate Onshore and Offshore Debt Financing Instruments will have a term not exceeding 5 years (inclusive of 5 years), the instruments can be of a single term or a hybrid type with multiple terms. The specific term structure and size of each type with different terms will be determined by the Board or the Authorized Committee in accordance with the relevant requirements and market conditions at the time of issuance.

4. ***Interest rate of debt financing instruments***

The interest rate and method of calculation and payment for the issuance of Corporate Onshore and Offshore Debt Financing Instruments will be determined by the Board or the Authorized Committee in consultation with the underwriter (if any), and in accordance with the prevailing domestic and overseas market conditions and the relevant requirements on interest rate management for Corporate Onshore and Offshore Debt Financing Instruments.

5. ***Security and other arrangements***

Corporate Onshore and Offshore Debt Financing Instruments may be issued by the Company or qualified wholly-owned subsidiaries of the Company as the issuing entity, with a (counter) guarantee, letter of support and/or keep-well agreement to be provided by the Company, the wholly-owned subsidiaries and/or a third party, depending on the structure of each issuance. The particular arrangements for the provision of (counter) guarantee, letter of support and/or keep-well agreement, will be determined on the structure of each issuance.

6. ***Use of proceeds***

The proceeds raised from the issuances of Corporate Onshore and Offshore Debt Financing Instruments will be used to meet the daily business operation needs of the Company, for adjustment of the debt structure of the Company, to replenish working capital of the Company and/or for project investment purposes. The specific use will be determined by the Board or the Authorized Committee according to the actual demand for capital by the Company.

7. ***Issuing price***

The issuing price of the Corporate Onshore and Offshore Debt Financing Instruments will be determined by the Board or the Authorized Committee in accordance with the market conditions at the time of issue and in compliance with the requirements of the relevant laws and regulations.

8. *Targets of issue*

The targets of issue for the Corporate Onshore and Offshore Debt Financing Instruments are onshore and offshore institutional investors and/or individual investors and/or other qualified investors who satisfy the subscription conditions.

The Corporate Onshore and Offshore Debt Financing Instruments issued may be placed to shareholders of the Company, the specific arrangements for placement (including whether placement will be made, the placement proportion, etc.) will be determined by the Board or the Authorized Committee in accordance with the market conditions at the time of issue and in compliance with the requirements of the relevant laws and regulations.

9. *Listing of debt financing instruments*

The relevant matters relating to the application for listing (if relevant) of the Corporate Onshore and Offshore Debt Financing Instruments will be determined by the Board or the Authorized Committee in accordance with the requirements of domestic and overseas laws and regulations and requirements of the regulatory authorities depending on the actual conditions of the Company as well as the prevailing domestic and foreign market conditions.

10. *Safeguard measures for debt repayment of the debt financing instruments*

In the event of an anticipated failure in the repayment of principal and interest of debt financing instruments or a failure in the repayment of principal and interest of debt financing instruments on due dates, the Company may adopt the following measures in accordance with the mandatory requirements (if applicable) under the laws, regulations or regulatory documents:

- (1) Increase the proportion of optional surplus accumulation fund and that of the ordinary risk reserve during the term of the debt financing instrument to mitigate repayment risk;
- (2) Not to distribute profits to Shareholders;
- (3) Suspend temporarily the implementation of capital expenditure projects, such as material external investments, mergers and acquisitions;
- (4) Reduce or cease the payment of salaries and bonus to directors and senior management; and
- (5) Freeze job transfer of key responsible persons.

11. *Validity period of resolutions*

Resolutions for issuance of Corporate Onshore and Offshore Debt Financing Instruments passed at the EGM shall be valid for 36 months from the date when it has been considered and approved at the relevant EGM.

If the Board or the Authorized Committee has decided the issuance or partial issuance of the Corporate Onshore and Offshore Debt Financing Instruments within the term of authorization, and the Company has obtained approval, permission, filing or registration (if applicable) on the issuances with the regulatory authority within the term of authorization, the Company may complete the relevant issuance or partial issuance of the relevant Corporate Onshore and Offshore Debt Financing Instruments within the validity period of such approval, permission, filing or registration.

12. *Authorization for the issuances of Corporate Onshore and Offshore Debt Financing Instruments*

In order to effectively coordinate specific matters relating to the issuances of Corporate Onshore and Offshore Debt Financing Instruments during issuance, the Board will propose to the EGM to authorize the Board, and the Board to further authorize the Authorized Committee to carry out all matters for the issuance of Corporate Onshore and Offshore Debt Financing Instruments in accordance with the requirements of the relevant laws and regulations, opinions and recommendations of the regulatory authority, under the framework and principles considered and approved by the EGM and upholding the principle of maximization of benefits for the Company, including but not limited to:

- (1) formulating and adjusting of specific plans for the issuances of the Corporate Onshore and Offshore Debt Financing Instruments in accordance with the applicable laws, regulations and relevant provisions from the regulatory authorities as well as the resolutions passed at the EGM for such purposes, and based on the actual conditions of the Company and the relevant debt markets, including, without limitation, suitable issuing entity, timing of issuance, place of issuance, specific amount, total consideration and method of issuance, specific type, terms and conditions of issuance, targets and duration, whether to issue on an one-off, multiple issuances, multi-tranche issuances and number of issuances or multiple-type issuances basis and, if on multiple issuances, multi-tranche issuances or multiple-type issuances bases, the size and term of each issuance, tranche and type, the ways in which the nominal value and interest rate are determined, currency (including offshore RMB), pricing method, issuance arrangements, letter of (counter) guarantee or (counter) guarantee agreement, letter of support or

keep-well arrangement, rating arrangement, details of guarantee, duration of repayment of principal and payment of interests, specific methods of application and purchase, inclusion of the terms relating to repurchase or redemption, specific placement arrangement, use of proceeds, registration, listing of the Corporate Onshore and Offshore Debt Financing Instruments and place of listing, measures to mitigate repayment risks, measures to ensure debt repayment, etc. and all matters relating to the issuances of the Corporate Onshore and Offshore Debt Financing Instruments;

- (2) determining and engaging intermediary agency, signing, executing, amending and completing all agreements and documents relating to the issuances of the Corporate Onshore and Offshore Debt Financing Instruments, and disclosing (if applicable) the relevant information in accordance with the relevant laws, regulations and the listing rules of the exchanges on which the Company's securities are listed;
- (3) selecting and engaging trustee(s) and clearance/settlement manager(s) for the issuances of the Corporate Onshore and Offshore Debt Financing Instruments, executing the trust agreement(s) and clearance/settlement management agreement(s) and (if applicable) formulating rules for meetings of the holders of the Corporate Onshore and Offshore Debt Financing Instruments;
- (4) undertaking all applications and filings as well as listing matters with regard to the issuances of the Corporate Onshore and Offshore Debt Financing Instruments, including, without limitation, signing, preparing, revising and submitting relevant applications and filings materials relating to the issuances and listings of the Corporate Onshore and Offshore Debt Financing Instruments and applications and filings of materials in respect of any (counter) guarantee, letter of support or keep-well agreement to be provided by the Company, the issuing entity and/or a third party, and signing the relevant applications and filing documents and other legal documents (if applicable);
- (5) making relevant adjustments to matters relating to the issuances of the Corporate Onshore and Offshore Debt Financing Instruments in accordance with the opinions and changes in the policies of the regulatory authorities or the changes in market conditions, or determining whether to continue with all or part of the work in respect of the issuances of the Corporate Onshore and Offshore Debt Financing Instruments in accordance with the actual situation, unless re-approval by the Shareholders at general meeting is otherwise required pursuant to the relevant laws, regulations and the Articles of Association; and

- (6) dealing with other matters in relation to the issuances of the Corporate Onshore and Offshore Debt Financing Instruments.

The above-mentioned authorisation shall remain valid and effective on and from the date when the Shareholders at the EGM have approved and passed the resolutions to the date when the resolutions passed at the EGM approving the Corporate Onshore and Offshore Debt Financing Instruments cease to be effective or to the date when matters authorized above have been completed.

Issuance of the Corporate Onshore and Offshore Debt Financing Instruments is subject to approval by the EGM and obtaining approvals from the relevant government department or regulatory authority of the PRC, Shareholders and investors should exercise caution when dealing in the Shares and other securities of the Company.

(II) Provision of loan guarantee for Dali Water

On 28 August 2015, the Board passed a resolution for the provision of guarantee, with joint and several liabilities, of not more than RMB 250 million in respect of a fixed asset loan for Dali Water, a subsidiary of the Company. To ensure the smooth payment of construction funds for the Sewage Treatment Project of the Hundred Villages in Er Hai Lake and repayment of borrowings from shareholders at the preliminary stage of the project. Dali Water intended to apply for a fixed asset loan of RMB250 million from the Bank of Communications, Dali Branch, for a term of eight years, at an interest rate of 10% above the benchmark interest rate of the same term, and secured by the guarantee, with joint and several liabilities, provided by the Company. Since the current gearing ratio of Dali Water is over 70%, according to the relevant requirements of the Articles of Association, the intended loan guarantee is subject to approval by Shareholders in the form of ordinary resolution.

Basic information of Dali Water

Name of guaranteed party:	Dali Water
Place of registration:	Ershuichang Road, North District, Xiaguan Township, Dali
Legal representative:	Yu Long
Registered capital:	RMB200 million

Scope of business:	Tap water production and supply, construction of water supply and drainage facilities, development and utilization of water products, maintenance and treatment of drainage pipeline, sewage and waste residue, water supply and drainage pipeline and water heating equipment, hardware and construction material operations, integrated services for water supply and drainage projects, survey and design for water supply and drainage projects
Credit rating:	Grade 5 by internal ratings (comprising 15 Grades in total with Grade 1 as the highest) of the Bank of Communications
Significant contingent matter affecting solvency of guarantor:	Nil
Shareholding structure:	The Company owns 45% equity interest in Dali Water. The remaining equity interests are held by Dali Asset Company, Dali Travel Resort State-owned Asset Operation Co., Ltd. (大理省級旅遊度假區國有資產經營有限責任公司) and Dali Dongcheng Urban Engineering Co., Ltd. (大理東城市政工程有限責任公司) as to 25%, 15% and 15% respectively. Our Company controls 70% voting rights in Dali Water pursuant to an acting in concert agreement dated 9 April 2014 entered into between the Company and Dali Asset Company

Unaudited financial information:

Unit: RMB million

Item	As at 30 June 2015	As at 31 December 2014
Total assets	1,357.64	1,231.21
Total liabilities	1006.25	886.28
Short-term borrowings	418.00	320.00
Total current liabilities	697.95	579.14
Net assets	351.39	344.93

	For the six months ended 30 June 2015	For the year ended 31 December 2014
Revenue	46.93	87.15
Net profit	6.46	36.31

Major contents of the guarantee agreement

Currently, the Company has not entered into any relevant guarantee agreement, the above approved limit of guarantee is only an intended amount of guarantee to be provided, the actual guarantee amount provided within the above guarantee limit will depend on the guarantee agreement signed with the relevant financial institution. The Company will timely perform its information disclosure obligation according to the guarantee agreement actually signed.

Reasons for the guarantee

Having considered that Dali Water is a significant subsidiary of the Company, and that the Company's provision of guarantee will have no material and adverse impact on the Group's overall financial condition. The Board is of the view that the guarantee is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board passed a resolution for the provision of guarantee, with joint and several liabilities, of not more than RMB 250 million in respect of a fixed asset loan for Dali Water, a subsidiary of the Company, and proposed for consideration and approval at the EGM of the Company by special resolution.

Cumulative external guarantee amount and overdue guarantee amount

As at date of this announcement, the Company had not provided any external guarantee.

EGM

An EGM will be held by the Company for the purpose of seeking approval from Shareholders on the special resolution of granting the General Mandate for the issuance of Corporate Onshore and Offshore Debt Financing Instruments by the Company and ordinary resolution of the provision of loan guarantee to Dali Water. Voting at the EGM will be carried out by way of poll.

A circular containing further information relating to the details on the General Mandate for issuance of Corporate Onshore and Offshore Debt Financing Instruments by the Company and provision of loan guarantee to Dali Water, will be dispatched to Shareholders in due course.

Definition

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

“Articles of Association”	Articles of Association of the Company;
“Authorized Committee”	The working group authorized by the Board for the purpose of the current issuance of Corporate Onshore and Offshore Debt Financing Instruments;
“Board”	The Board of Directors of the Company;
“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 China, its H Shares are listed on the Main Board of the Stock Exchange;
“Corporate Onshore and Offshore Debt Financing Instruments”	Corporate Onshore and Offshore Debt Financing Instruments, including but not limited to corporate bonds and medium term note programs issued onshore, and debt financing instruments issued offshore such as foreign currency (such as USD and Euro) and RMB denominated corporate bonds issued offshore;
“Dali Water”	Dali Water Industry Investment Co., Ltd. (大理水務產業投資有限公司), a subsidiary of the Company, its 45% equity interest is owned by the Company. The remaining equity interests are held by Dali Asset Company, Dali Travel Resort State-owned Asset Operation Co., Ltd. (大理省級旅遊度假區國有資產經營有限責任公司) and Dali Dongcheng Urban Engineering Co., Ltd. (大理市東城區市政工程有限責任公司) as to 25%, 15% and 15% respectively. The Company controls 70% voting rights in Dali Water pursuant to an acting in concert agreement dated 9 April 2014 entered into between the Company and Dali Asset Company;

“Dali Asset Company”	Dali State-owned Asset Operation Co. Ltd. (大理市國有資產經營有限責任公司), a limited liability company established in the PRC which holds 25% equity interest in the Company and is the connected person of the Company;
“Directors”	Directors of the Company;
“Domestic Shares”	Ordinary shares issued by the Company with a nominal value of RMB1.00 each, which are subscribed in RMB or credited as fully paid;
“EGM”	The extraordinary general meeting of the Company;
“Group”	The Company and its subsidiaries;
“H Shares”	Overseas listed foreign-invested ordinary Shares with a nominal value of RMB1.00 each in the share capital of the Company, such Shares are listed on the Main Board of the Stock Exchange (stock code: 6839);
“Listing Rules”	Rules governing the listing of securities on the Stock Exchange (as amended from time to time);
“PRC”	The People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of China;
“Shares”	Shares of the Company;
“Shareholders”	Shareholders of the Company;
“General Mandate”	The general mandate proposed to be granted by Shareholders to the Board and the Authorized Committee at the EGM, pursuant to which the Board and the Authorized Committee were authorized to effect the issuance of Corporate Onshore and Offshore Debt Financing Instruments;

“Stock Exchange”

The Stock Exchange of Hong Kong Limited; and

“%”

percentage.

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

Kunming, the PRC,

28 August 2015

As at the date of this announcement, the executive directors of the Company are Mr. Yu Long, Mr. Liu Xujun and Mr. Huang Yunjian, the non-executive directors of the Company are Mr. Xu Lei (Chairman), Mr. Wen Jianping, Mr. Jiao Jun, Mr. He Yuanping and Mr. Feng Zhuangzhi, and the independent non-executive directors of the Company are Mr. Kwok For Chi, Mr. Ma Shihao, Mr. Ren Gangfeng and Mr. Hu Song.

** For identification purposes only*