

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 11 January 2018 in relation to the formal tender award of the PPP Project in Qinyang City, Henan Province, the PRC to the Company.

The Board is pleased to announce that on 24 January 2018 (after trading hours), the Company, Qinbei Construction 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 Qinyang City, Henan Province, the PRC with a registered capital of RMB442,003,000. Pursuant to the terms of the Joint Venture Agreement, the JV Company will be owned as to 89.9% by the Company, 10% by Qinbei Construction 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 11 January 2018 in relation to the formal tender award of the PPP Project.

The Board is pleased to announce that on 24 January 2018 (after trading hours), the Company, Qinbei Construction 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 Qinyang City, Henan Province, the PRC with a registered capital of RMB442,003,000. Pursuant to the terms of the Joint Venture Agreement, the JV Company will be owned as to 89.9% by the Company, 10% by Qinbei Construction 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: 24 January 2018 (after trading hours)

(2) Parties: (i) the Company;

(ii) Qinbei Construction; and

(iii) YCIH

(3) Scope of business

The scope of business of the JV Company includes the investment, financing, construction, operation and management of water resources, urban water supply, wastewater treatment, reusable water, solid waste treatment and ecological water system projects. 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 RMB442,003,000. The details are as follows:

	<b>Amount of capital contribution (RMB)</b>	<b>Shareholding percentage (%)</b>
The Company	397,360,700	89.9%
Qinbei Construction	44,200,300	10.0%
YCIH	<u>442,000</u>	<u>0.1%</u>
Total	<u><u>442,003,000</u></u>	<u><u>100%</u></u>

The Company, Qinbei Construction and YCIH shall all make capital contribution in cash, and all the parties must complete the corresponding capital contribution in four installments according to their respective contribution proportion based on the implementation progress of the PPP Project during the period from the establishment date of the JV Company to 31 December 2020.

If any party to the Joint Venture Agreement fails to pay the contribution as stipulated in the Joint Venture Agreement without any justifiable reason and also fails to pay the contribution within fifteen days after being urged by the other parties, the party shall be deemed to have breached the agreement. In addition to performing its contribution obligation under the agreement, the breaching party shall also assume breach liability with the other parties that comply with the contribution obligation and indemnify the observant parties for any direct and indirect losses that they have suffered as a result of the breach.

If any party to the Joint Venture Agreement fails to pay the contribution as stipulated in the Joint Venture Agreement without any justifiable reason and also fails to make full payment of the contribution within thirty days upon receipt of a written notice from any observant party requiring the full payment of such contribution, the observant parties shall have the right to request the termination of the Joint Venture Agreement and the dissolution of the JV Company and to proceed with the termination of the liquidation of the JV Company pursuant to the articles of association of the JV Company.

If the JV Company intends to increase the registered capital, the parties to the Joint Venture Agreement shall have the right to subscribe for the increased registered capital according to their actual paid-up shareholding proportion in the JV Company at that time. If any of the parties does not subscribe according to its actual shareholding proportion at that time, with the written consent of Qinyang Development Bureau, the other parties may preferentially subscribe for the contribution that such party is entitled to subscribe for, and the shareholding structure of the JV Company shall be adjusted accordingly.

The JV Company shall not reduce its registered capital within the operating period of the JV Company. In the event that reducing the registered capital is necessary due to changes in the total investment in the PPP Project, the approval of the Qinyang Development Bureau must be obtained and the relevant legal proceedings must be performed.

The capital contribution by the Company will be funded by internal resources of the Company. The amount of capital contribution to be made by the Company was determined by the Company through arm's length negotiations after taking into account the expected working capital required for urban water comprehensive treatment works projects to be undertaken by the JV Company.

(5) Total investment amount

The total estimated investment amount of the PPP Project is approximately RMB1,767,973,000, subject to the actual determination of the audit department of Qinbei City. The difference between the total investment amount and the registered capital shall be financed by project financing.

(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 Qinbei Construction 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 and may be re-elected thereafter. The composition of the senior management of the JV Company includes: a general manager, a deputy general manager, a financial officer and other persons appointed by the Board. Among which, the general manager shall be nominated by the Company. All members of the senior management shall be appointed or terminated by the Board of JV Company.

(7) Supervisory committee composition of the JV Company

The JV Company will not establish a supervisory committee but will have one supervisor to be nominated by Qinbei Construction, who shall serve a term of three years for each session and may be re-elected thereafter.

(8) Restriction on equity transfer

Without the approvals at the general meeting of the JV Company and Qinyang Development Bureau, any party to the Joint Venture Agreement shall not transfer, mortgage, pledge, gift or otherwise dispose of its equity interests, whether in whole or in parts in the JV Company.

The Company shall transfer its equity interests in the JV Company in compliance with the provisions in relation to the shareholding changes of the JV Company as set out in the PPP Cooperation Contract, including but not limited to the time limit for equity transfer, the conditions for equity transferees and the written consent of the Qinyang Development Bureau prior to the equity transfer.

Qinbei Construction shall have the right to transfer its equity interests in the JV Company to third parties pursuant to the relevant state-owned assets management requirements or the reasonable request of the Qinyang City Government without prior consent of the Company. However, it must notify the Company in writing within ten working days after the equity transfer decision is made.

(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

Upon the occurrence of any of the following events, any party to the Joint Venture Agreement may notify the other parties in writing to request the dissolution of the JV Company, and within thirty days of the written notice, all the parties to the Joint Venture Agreement shall procure the Board of JV Company to make a resolution to terminate the JV Company, and thereafter the JV Company can be dissolved, subject to the approval of the relevant approval authorities including the Qinyang Development Bureau:

- (a) the representation and warranties made to the JV Company by the relevant party to the Joint Venture Agreement is proved to be not true and accurate at the time it was made;

- (b) any party to the Joint Venture Agreement violates the Joint Venture Agreement or the articles of association of the JV Company, causing significant losses to other parties or rendering the JV Company unable to continue its operation, and such breaching party has not remedied the breach within thirty days upon receipt of written notice;
- (c) the JV Company fails to formally sign the PPP Cooperation Contract with the Qinyang Development Bureau within seven working days since the date of obtaining the business license for legal person without any justifiable reason and has not signed the contract within thirty days after being urged by the Qinyang Development Bureau;
- (d) any party to the Joint Venture Agreement declares itself in bankruptcy, suspension or liquidation proceedings, or has its business license revoked;
- (e) any force majeure event as stipulated in the PPP Cooperation Contract occurs within the operating period of the JV Company, and the JV Company and the Qinyang Development Bureau fail to reach an agreement on the continuing performance of the PPP Cooperation Contract within ninety days since the date of such force majeure event;
- (f) the JV Company is revoked according to law, is ordered to close down, has its business license revoked or declares bankruptcy;
- (g) the PPP Cooperation Contract is terminated in advance, etc.

## **INFORMATION ON THE JV PARTNERS**

Qinbei Construction is a limited liability company established in the PRC. It was funded and established jointly by Qinyang State-owned Assets Supervision and Administration Office\* (沁陽市國有資產監督管理辦公室) and CCB Principal Capital Management Co., Ltd.\* (建信資本管理有限責任公司). It is principally engaged in the businesses of investment, operation and construction of urban infrastructure projects; rehabilitation works of abandoned villages, abandoned mines and demolished lands for coal in Qinyang city under the entrustment of municipal government.

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 PPP 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 PPP 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 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 24 January 2018;
“JV Company”	Qinyang Yunhuai Water Co., Ltd. Ltd.* (沁陽市雲懷水務有限公司) (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 Qinyang City, Henan Province, the PRC, pursuant to the Joint Venture Agreement;
“JV Partners”	Qinbei Construction and YCIH ;
“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;



“Qinbei Construction”	Qinyang Qinbei Construction Investment Co., Ltd.* (沁陽市沁北建設投資有限公司), a limited liability company established in the PRC;
“Qinyang Development Bureau”	Qinyang Housing and Urban-Rural Development Bureau (沁陽市住房和城鄉建設局);
“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 Qinyang urban water comprehensive treatment works in Qinyang City, Henan Province, the PRC, which was awarded to the Company on 11 January 2018;
“PPP Cooperation Contract”	the Qinyang Urban Water System Comprehensive Treatment Works PPP Project Contract (《沁陽市城區水系綜合治理工程PPP項目合同》) to be entered into between Qinyang Development Bureau and the JV Company;
“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; and
“%”	per cent.

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

Kunming, the PRC  
24 January 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*