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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 24 July 2018 in relation to the formal tender award of the PPP project in relation to the whole package of domestic wastewater treatment facilities in Jiexi County, Jieyang City, Guangdong Province, the PRC. After integration of wastewater treatment facilities and supporting pipeline network in towns as well as the scattered wastewater treatment facilities and supporting pipeline networks in rural areas in Jiexi County, Jieyang City, the project will be implemented as whole package in the model of design-build-finance-operate-transfer (DBFOT).

The Board is pleased to announce that on 6 September 2018 (after trading hours), the Company and Guangzhou Engineering Contractor entered into the Joint Venture Agreement, pursuant to which the parties to the Joint Venture Agreement agreed to establish the JV Company in Jiexi County, Jieyang City, Guangdong Province, the PRC with a registered capital of RMB176,000,000. Pursuant to the terms of the Joint Venture Agreement, the JV Company will be owned as to 99.0% by the Company and 1.0% by Guangzhou Engineering Contractor. 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 24 July 2018 in relation to the formal tender award of the PPP project in relation to the whole package of domestic wastewater treatment facilities in Jiexi County, Jieyang City, Guangdong Province, the PRC.

The Board is pleased to announce that on 6 September 2018 (after trading hours), the Company and Guangzhou Engineering Contractor entered into the Joint Venture Agreement, pursuant to which the parties to the Joint Venture Agreement agreed to establish the JV Company in Jiexi County, Jieyang City, Guangdong Province, the PRC with a registered capital of RMB176,000,000. Pursuant to the terms of the Joint Venture Agreement, the JV Company will be owned as to 99.0% by the Company and 1.0% by Guangzhou Engineering Contractor. 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: 6 September 2018 (after trading hours)

(2) Parties: (i) the Company; and
(ii) Guangzhou Engineering Contractor

(3) Scope of business

The scope of business of the JV Company covers the investment, survey, design, construction and operation maintenance of wastewater treatment projects and wastewater treatment engineering. 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 RMB176,000,000. The details are as follows:

	Amount of capital contribution (RMB)	Shareholding percentage (%)
The Company	174,240,000	99.0%
Guangzhou Engineering Contractor	<u>1,760,000</u>	<u>1.0%</u>
Total	<u><u>176,000,000</u></u>	<u><u>100%</u></u>

The parties to the Joint Venture Agreement shall all make capital contribution in cash. Both parties will abide by the applicable laws and requirements of the relevant local authorities in the capital contribution to the registered capital. It shall be made in a timely manner satisfying various construction work payment and initial working capital under the PPP Cooperation Contract. The parties to the Joint Venture Agreement shall make contribution to the registered capital of the JV Company according to the actual funding needs of the project and their respective ratios of contribution.

(5) Total investment amount

The total budgeted investment amount of the PPP Project is approximately RMB726,709,300, including approximately RMB160,729,000 as total investment in subproject 1 of domestic wastewater treatment for provincial poverty-stricken villages (the construction investment cost comes from the special funds for poverty alleviation of the government) and approximately RMB565,980,300 as total investment in subproject 2 of renovation and construction of wastewater treatment facilities in towns and villages, which will be raised by the JV Company. The registered capital of the JV Company represents approximately 31.1% of the total investment in subproject 2 under the PPP Project and the registered capital will be adjusted based on the adjustments to the total investment in the PPP Project.

(6) Equity transfer

Upon establishment of the JV Company according to law, the Company may transfer all or a part of its equity interest in the JV Company to any of its subsidiaries, and inform the other party to the Joint Venture Agreement in writing. On the date on which the notice of transfer is served, the other party of the Joint Venture Agreement is deemed to have waived its rights of first refusal and have agreed to the transfer. The parties to the Joint Venture Agreement shall assist in signing the legal documents including the resolution of the general meeting in relation to approval of the equity transfer and assist in the registration of the change in relation to the equity transfer.

The parties to the Joint Venture Agreement shall not assign, transfer or deliver all or part of their equity interest in the JV Company directly or indirectly to third parties other than the Company or its connected parties. The other parties of the Joint Venture Agreement also shall not directly or indirectly create any pledge or other encumbrance on all or a part of their equity interest in the JV Company.

(7) 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 Partner.

(8) 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 PARTNER

Guangzhou Engineering Contractor is a limited liability company established in the PRC. It is a wholly state-owned enterprise approved by the Ministry of Construction with the class 1 qualification for general contracting of construction engineering, class 1 qualification for general contracting of municipal public works, class 1 qualification for professional contracting of foundation engineering, and class 1 qualification for professional contracting of building decoration engineering, and has the right to engage in foreign trade as approved by the Ministry of Foreign Trade and Economic Cooperation.

The scope of business of Guangzhou Engineering Contractor mainly includes general contracting of domestic and foreign housing construction engineering and municipal public works, engineering technology consulting, engineering cost consulting; comprehensive development of real estate, sale and lease of commercial buildings, real estate agency services and property management; construction engineering supervision and etc.; Guangzhou Engineering Contractor's business footprint covers all regions of Guangdong Province and various cities and regions in China.

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the JV Partner and its ultimate beneficial owner (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 project mainly involves investment, design, construction and operation of the construction projects of domestic wastewater treatment facilities and supporting rainwater and sewage diversion pipeline network and supporting collection pipeline network in 303 villages of 13 townships and towns in Jiexi County, Jieyang City, all of which are operational assets. After integration of wastewater treatment facilities and supporting pipeline network in towns as well as the scattered wastewater treatment facilities and supporting pipeline networks in rural areas in Jiexi County, Jieyang City, the project will be implemented as whole package in the model of design-build-finance-operate-transfer (DBFOT). The implementation of the project will basically satisfy the wastewater treatment requirements of Jiexi County, Jieyang City.

The Directors consider that the implementation of the project can improve the existing situation of the disorderly discharge and poor treatment capacity of domestic wastewater in the towns and rural areas of Jiexi County, effectively solve the problem of water pollution and continuously meet the rising requirements of the residents in towns and rural areas of Jiexi County on living environment and life quality, and the project will can provide the Group with a good opportunity to further expand its business in the market of Guangdong Province, enhance the Group's profitability and improve its influence over the environmental protection industry in Guangdong 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 Guangdong 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;
“Guangzhou Engineering Contractor”	Guangzhou Engineering Contractor Group Co., Ltd.* (廣州工程總承包集團有限公司), a limited liability company established in the PRC;
“Joint Venture Agreement”	the Joint Venture Agreement entered into between the Company and the JV Partners on 6 September 2018;
“JV Company”	Jiexi Yunshuiqing Environmental Protection Co., Ltd.* (揭西縣雲水清環保有限公司) (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 Jiexi County, Jieyang City, Guangdong Province, the PRC;
“JV Partner”	Guangzhou Engineering Contractor;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PPP Cooperation Contract”	the PPP Project contract on whole package of domestic wastewater treatment facilities in Jiexi County to be entered into between Jiexi County Housing and Urban-Rural Construction Bureau* (揭西縣住房和城鄉建設局) and the JV Company;

“PPP Project”	the PPP project in relation to whole package of domestic wastewater treatment facilities in Jiexi County, Jieyang City, Guangdong Province, the PRC, which was awarded to the Company on 24 July 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;

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

Kunming, the PRC
6 September 2018

As at the date of this announcement, the executive Directors are Mr. He Yuanping and Mr. Yang Fang, the nonexecutive 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*