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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 AGREEMENTS

Reference is made to the inside information announcement of the Company dated 19 September 2018 in relation to the formal tender award of the PPP Project in relation to the whole package of water purification facilities in Xinyi City, Maoming City, Guangdong Province, the PRC. The PPP Project, comprising PPP Project I and PPP Project II, will adopt the DBFOT (design — build — finance — operate — transfer) operation mode.

The Board is pleased to announce that on 21 November 2018 (after trading hours), the Company entered into Joint Venture Agreements with Maoming WCHC and GZEP respectively, pursuant to which the parties to Joint Venture Agreements agreed to establish JV Company I and JV Company II in Xinyi City, Maoming City, Guangdong Province, the PRC.

Pursuant to the terms of Joint Venture Agreement I, JV Company I will be established with a registered capital of RMB168,750,000 and will be owned as to 99.4% by the Company, 0.5% by Maoming WCHC and 0.1% by GZEP. JV Company I will be responsible for the investment, financing, construction and operation maintenance businesses of PPP Project I.

Pursuant to the terms of Joint Venture Agreement II, JV Company II will be established with a registered capital of RMB192,890,000 and will be owned as to 99.4% by the Company, 0.5% by Maoming WCHC and 0.1% by GZEP. JV Company II will be responsible for the investment, financing, construction and operation maintenance businesses of PPP Project II.

IMPLICATIONS OF THE LISTING RULES

As Joint Venture Agreement I and Joint Venture Agreement II have been entered into between the same parties in respect of the same project, they will be aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratios for the transactions contemplated under the Joint Venture Agreements in aggregate is/are more than 5% but all of them are less than 25%, the transactions contemplated under the Joint Venture Agreements constitute discloseable transactions 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 19 September 2018 in relation to the formal tender award of the PPP Project in relation to the whole package of water purification facilities in Xinyi City, Maoming City, Guangdong Province, the PRC. The PPP Project, comprising PPP Project I and PPP Project II, will adopt the DBFOT (design — build — finance — operate — transfer) operation mode.

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Pursuant to the terms of Joint Venture Agreement I, JV Company I will be established with a registered capital of RMB168,750,000 and will be owned as to 99.4% by the Company, 0.5% by Maoming WCHC and 0.1% by GZEP. JV Company I will be responsible for the investment, financing, construction and operation maintenance businesses of PPP Project I.

Pursuant to the terms of Joint Venture Agreement II, JV Company II will be established with a registered capital of RMB192,890,000 and will be owned as to 99.4% by the Company, 0.5% by Maoming WCHC and 0.1% by GZEP. JV Company II will be responsible for the investment, financing, construction and operation maintenance businesses of PPP Project II.

JOINT VENTURE AGREEMENT I

The principal terms of Joint Venture Agreement I are set out below:

(1) Date: 21 November 2018 (after trading hours)

(2) Parties: (i) the Company;
(ii) Maoming WCHC; and
(iii) GZEP

(3) Scope of business

The scope of business of JV Company I covers the investment, survey, design, construction and operation maintenance of wastewater treatment projects and wastewater treatment engineering. The above-mentioned scope of business 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 JV Company I is RMB168,750,000. The details are as follows:

	Amount of capital contribution (RMB)	Shareholding percentage (%)
The Company	167,737,500	99.4%
Maoming WCHC	843,750	0.5%
GZEP	168,750	0.1%
Total	<u>168,750,000</u>	<u>100%</u>

The parties to Joint Venture Agreement I shall all make capital contribution in cash. All 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 agreement of the PPP Project I. The parties to Joint Venture Agreement I shall make contribution to the registered capital of JV Company I according to the actual funding needs of PPP Project I and their respective ratios of contribution.

(5) Total investment amount

The total estimated investment amount of PPP Project I is approximately RMB562,490,000 (subject to the eventual outcome of audit). The construction funds in need for PPP Project I, other than the registered capital of JV Company I, shall be satisfied by JV Company I through financing.

(6) Equity transfer

Upon establishment of JV Company I according to law, the Company may transfer all or part of its equity interest in JV Company I to any of its subsidiaries, and inform other parties to Joint Venture Agreement I in writing. On the date on which the notice of transfer is served, other parties to Joint Venture Agreement I are deemed to have waived their rights of first refusal and have agreed to the transfer. The parties to Joint Venture Agreement I 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.

After obtaining written approval from the Bureau of Housing and Urban-Rural Development of Xinyi City* (信宜市住房和城乡建设局), the Company is entitled to acquire the equity interest in JV Company I from other parties. The parties to Joint Venture Agreement I, excluding the Company, shall not assign, transfer or deliver all or part of their equity interest in JV Company I directly or indirectly to third parties other than the Company or its connected parties. The parties to Joint Venture Agreement I, excluding the Company, also shall not directly or indirectly create any pledge or other encumbrance on all or part of their equity interest in JV Company I.

(7) Dispute resolution

The formulation, validity, interpretation and implementation of Joint Venture Agreement I shall be governed by the PRC laws and regulations. Any dispute among parties to Joint Venture Agreement I arising from or in connection to Joint Venture Agreement I, shall be referred to the coordination committee of PPP Project I for a resolution through negotiation. The unanimous resolution of the project coordination committee shall be binding on all parties to Joint Venture Agreement I. If the project coordination committee fails to resolve the dispute through negotiation within 20 days, the parties to Joint Venture Agreement I shall be entitled to refer the dispute to the People's Court having jurisdiction at the place where PPP Project I locates for a resolution.

Joint Venture Agreement II

Parties and principal terms of Joint Venture Agreement II are identical to those of Joint Venture Agreement I, except for the followings:

(1) Registered capital and capital contribution

The total amount of registered capital of JV Company II is RMB192,890,000. The details are as follows:

	Amount of capital contribution (RMB)	Shareholding percentage (%)
The Company	191,732,660	99.4%
Maoming WCHC	964,450	0.5%
GZEP	192,890	0.1%
Total	<u>192,890,000</u>	<u>100%</u>

(2) Total investment amount

The total estimated investment amount of PPP Project II is approximately RMB642,950,000 (subject to the eventual outcome of audit). The construction funds in need for PPP Project II, other than the registered capital of JV Company II, shall be satisfied by JV Company II through financing.

INFORMATION ON THE JV PARTNERS

Maoming WCHC is a limited liability company established in the PRC. It is a wholly state-owned enterprise approved by the Ministry of Construction with grade two qualification for general contracting of water conservancy and hydropower engineering, grade two qualification for general contracting of housing construction engineering, grade two qualification for general contracting of municipal public works, grade three qualification for professional contracting of power transmission and distribution engineering, grade three qualification for professional contracting of mechanical and electrical equipment installation engineering, and etc.

GZEP is affiliated to Guangzhou Environmental Protection Bureau. The scope of business of GZEP covers environmental engineering, design and general contracting of municipal engineering, operation of environmental protection facilities, engineering consulting, environmental impact assessment, safety assessment, clean production audit, environmental protection equipment manufacturing and other aspects. It has the Grade A qualification for national environmental engineering design, Grade B qualification for environmental impact assessment, Grade B qualification for municipal engineering design and grade two qualification for general contracting of municipal public works.

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 protection 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 PPP Project is an operating wastewater treatment project and is mainly composed of two projects in relation to the whole package of water purification facilities in the east area and west area of Xinyi City, including aggregately construction of more than 10 new water purification facilities and auxiliary wastewater collection pipeline networks for towns and more than 1,000 new rural water purification facilities and auxiliary wastewater collection pipeline networks. The projects in the east and west areas undertake the business of entrusted operation of the original water purification facilities and auxiliary wastewater collection pipeline networks for towns and rural areas.

The main income of the PPP Project is derived from the wastewater treatment service charge and pipeline network service charge. The new construction in the PPP Project adopts the design — build — finance — operate — transfer (“DBFOT”) model. The completed projects or projects under construction as constructed with the investment by the government shall be subject to entrusted operation by the Company and consortium, therefore the PPP Project adopts the model in combination of DBFOT and O&M (Operations & Maintenance), pursuant to which, the Company shall be responsible for completing survey, design, construction, operation and maintenance for the PPP Project to give full play to the Company’s technological and operational superiority.

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 Guangdong Province, enhance its profitability and improve its influence over the environmental protection industry in Guangdong Province and achieve cross-regional development. The implementation of the PPP Project can effectively improve the situation of disorderly discharge and insufficient treatment capacity of domestic wastewater in the existing towns and rural areas in Xinyi City, practically protect the water environment quality within the jurisdiction, and have great positive effects on improvement of the health and ecological environment as well as the quality of life for the people of the whole city. The PPP Project can make full use of the practical experience of the Group in undertaking projects of wastewater treatment facilities in other districts in Maoming City. From a point to an area, the Group will continue to expand its footage in the environmental protection projects in Guangdong Province, the PRC to enhance its profitability.

After considering the above factors, the Directors are of the view that Joint Venture Agreements were entered into after arm’s length negotiations and on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

As Joint Venture Agreement I and Joint Venture Agreement II have been entered into between the same parties in respect of the same project, they will be aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratios for the transactions contemplated under the Joint Venture Agreements in aggregate is/are more than 5% but all of them are less than 25%, the transactions contemplated under the Joint Venture Agreements constitute discloseable transactions 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;
“GZEP”	Guangzhou Environmental Protection Engineering Co., Ltd.* (廣州市環境保護工程設計院有限公司), a limited liability company established in the PRC;
“Joint Venture Agreement I”	the joint venture agreement entered into between the Company and the JV Partners on 21 November 2018 in respect of PPP Project I;
“Joint Venture Agreement II”	the joint venture agreement entered into between the Company and the JV Partners on 21 November 2018 in respect of PPP Project II;
“Joint Venture Agreements”	the Joint Venture Agreement I and the Joint Venture Agreement II;
“JV Company I”	Xinyi City Yunshui Environmental Protection Co., Ltd.* (信宜市雲水環保有限公司) (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 Joint Venture Agreement I in Xinyi City, Maoming City, Guangdong Province, the PRC pursuant to Joint Venture Agreement I;
“JV Company II”	Xinyi City Yunshui Water Co., Ltd.* (信宜市雲水水務有限公司) (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 Joint Venture Agreement II in Xinyi City, Maoming City, Guangdong Province, the PRC pursuant to Joint Venture Agreement II;
“JV Partners”	Maoming WCHC and GZEP;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Maoming WCHC”	Maoming Jianjiang River Basin Water Conservancy and Hydropower Construction and Installation Engineering Co., Ltd.* (茂名市鑾江流域水利水電建築安裝工程有限公司), a limited liability company established in the PRC;

“PPP Project”	the PPP project in relation to the whole package of water purification facilities in Xinyi City, Maoming City, Guangdong Province, the PRC, which was awarded to the Company on 19 September 2018 comprising PPP Project I and PPP Project II;
“PPP Project I”	the whole package of water purification facilities in the east area of Xinyi City, Maoming City, Guangdong Province, being the subcontracted package I;
“PPP Project II”	the whole package of water purification facilities in the west area of Xinyi City, Maoming City, Guangdong Province, being the subcontracted package II;
“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
21 November 2018

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

* For identification purposes only