

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.



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 3 December 2018 in relation to the formal tender award of the PPP Project on the construction of wastewater treatment facilities in the entire city in Luoding (a county-level city), Guangdong Province, the PRC.

The Board is pleased to announce that on 29 January 2019 (after trading hours), the Company, Guangzhou Engineering Contractor and Zhongdu Engineering Design entered into the Joint Venture Agreement, pursuant to which the parties to the Joint Venture Agreement agreed to establish the JV Company in Luoding (a county-level city), Yunfu City, Guangdong Province, the PRC with a registered capital of RMB219,864,800. Pursuant to the terms of the Joint Venture Agreement, the JV Company will be owned as to 99% by the Company, 0.9% by Guangzhou Engineering Contractor and 0.1% by Zhongdu Engineering Design. The JV Company will be responsible for the investment, financing, construction, operation and maintenance and transfer of the PPP Project and take risks thereof.

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 3 December 2018 in relation to the formal tender award of the PPP Project.

The Board is pleased to announce that on 29 January 2019 (after trading hours), the Company, Guangzhou Engineering Contractor and Zhongdu Engineering Design entered into the Joint Venture Agreement, pursuant to which the parties to the Joint Venture Agreement agreed to establish the JV Company in Luoding (a county-level city), Yunfu City, Guangdong Province, the PRC with a registered capital of RMB219,864,800. Pursuant to the terms of the Joint Venture Agreement, the JV Company will be owned as to 99% by the Company, 0.9% by Guangzhou Engineering Contractor and 0.1% by Zhongdu Engineering Design. The JV Company will be responsible for the investment, financing, construction, operation and maintenance and transfer of the PPP Project and take risks thereof.

JOINT VENTURE AGREEMENT

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

Date: 29 January 2019 (after trading hours)

Parties: (i) the Company;
(ii) Guangzhou Engineering Contractor; and
(iii) Zhongdu Engineering Design

Scope of business

The scope of business of the JV Company covers the survey and design, construction and operation and maintenance of environmental facilities; and the investment of urban and rural wastewater treatment plants as well as supporting wastewater treatment pipe networks. The above-mentioned business scope shall be subject to the final approval by the industrial and commercial registration authority.

Registered capital and capital contribution

The total amount of registered capital of the JV Company is RMB219,864,800. The details are as follows:

	Amount of capital contribution (RMB)	Shareholding percentage (%)
The Company	217,666,152	99.0%
Guangzhou Engineering Contractor	1,978,783.2	0.9%
Zhongdu Engineering Design	219,864.8	0.1%
Total	<u>219,864,800</u>	<u>100%</u>

The amount of capital contributions was determined after arm's length negotiations between the parties to the Joint Venture Agreement with reference to the estimated investment amount of the PPP Project of RMB732,882,600 (i.e. the amount of capital contributions represents approximately 30% of the estimated investment amount of the PPP Project). The Company, Guangzhou Engineering Contractor and Zhongdu Engineering Design shall all make capital contribution in cash. All parties will abide by the applicable laws and requirements of the relevant regulatory 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 project funding needs and their respective ratios of contribution. Any additional investment amount needed subsequent to the above-mentioned capital contribution due to actual project funding needs shall be borne by the Company, and the shareholding proportion shall be adjusted accordingly based on the parties' respective accumulated investment amount.

Restriction on equity transfer

Upon a written notice has been given to other parties of the Joint Venture Agreement, the Company may transfer all or a part of its equity interest in the JV Company to any of its subsidiaries. On the date on which the notice of transfer is served, other parties to the Joint Venture Agreement are deemed to have waived their rights of first refusal and have consented to the transfer. Other 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. Other 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 other third parties other than the Company or its related parties. Other parties to 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.

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.

INFORMATION ON THE JV PARTNERS

Guangzhou Engineering Contractor is a limited liability company established in the PRC. It is a state-owned limited liability company with the sole shareholder being Guangzhou Municipal Construction Group Co. Ltd.. As a large state-owned enterprise, Guangzhou Engineering Contractor is engaged in the construction, engineering services and real estate development as its core businesses as well as related businesses such as construction design and property management.

Zhongdu Engineering Design is a limited liability company established in the PRC. It is mainly engaged in urban and rural planning, survey and design, engineering consultancy and project management with Class I qualification for municipal utilities (water supply engineering, sewerage engineering, roads engineering and bridges engineering), Class I qualification for construction, Class I qualification for landscape architectures, Class I qualification for survey, Class II qualification for environmental sanitation, Class II qualification for highways, Class II qualification for water projects, Class III qualification for urban planning and Class III qualification for engineering consultancy.

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 Guangdong Province, enhance its profitability and improve its influence over the environmental protection industry in Guangdong Province and achieve cross-regional development. With the PPP Project as a stronghold, the Group will continue to expand its environmental protection project business in Guangdong 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 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;
“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;
“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;
“Joint Venture Agreement”	the joint venture agreement entered into between the Company and the JV Partners on 29 January 2019;
“JV Company”	Luoding City Yunshui Environmental Protection Co., Ltd.* (羅定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 the Joint Venture Agreement in Luoding (a county-level city), Guangdong Province, the PRC pursuant to the Joint Venture Agreement;

“JV Partners”	Guangzhou Engineering Contractor and Zhongdu Engineering Design;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PPP Cooperation Contract”	the PPP Project Contract in Relation to the PPP Model of Construction of Wastewater Treatment Facilities in the Entire Luoding City* (《羅定市 PPP 模式整市推進污水處理設施建設項目 PPP 項目合同》) entered into between the Company, JV Partners and the Environmental Protection Bureau of Luoding, Yunfu* (雲浮市羅定市環境保護局);
“PPP Project”	the PPP project in relation to the construction of wastewater treatment facilities in the entire city in Luoding (a county-level city), Yunfu City, Guangdong Province, the PRC, which was awarded to the Company on 3 December 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)”	Domestic Shares and/or H Shares;
“Shareholder(s)”	the holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Zhongdu Engineering Design”	Zhongdu Engineering Design Co., Ltd.* (中都工程設計有限公司), 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
29 January 2019

As at the date of this announcement, the executive Directors of the Company are Mr. Yu Long (Vice-chairman) and Mr. Yang Fang, the non-executive Directors of the Company are Mr. Yang Tao (Chairman), Ms. Li Bo, 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