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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)**

## **ANNOUNCEMENT DISCLOSEABLE TRANSACTION FORMATION OF THE JV COMPANY**

### **SHAREHOLDERS' AGREEMENT**

Reference is made to the inside information announcement of the Company dated 14 May 2019 in relation to the formal tender award of the PPP Project on the construction of the rural wastewater collection and treatment system project in Longhai City, Fujian Province, the PRC.

The Board is pleased to announce that on 16 September 2019 (after trading hours), Longhai City Construction Investment, the Company, YCIH No.1 WRH and Zhongdu Engineering Design entered into the Shareholders' Agreement, pursuant to which the parties to the Shareholders' Agreement agreed to establish the JV Company in Longhai City, Fujian Province, the PRC with a registered capital of RMB300,000,000. Pursuant to the terms of the Shareholders' Agreement, the JV Company will be owned as to 10% by Longhai City Construction Investment, 89.89% by the Company, 0.1% by YCIH No.1 WRH and 0.01% 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 Shareholders' Agreement is/are more than 5% but all of them are less than 25%, the transactions contemplated under the Shareholders' 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 14 May 2019 in relation to the formal tender award of the PPP Project.

The Board is pleased to announce that on 16 September 2019 (after trading hours), Longhai City Construction Investment, the Company, YCIH No.1 WRH and Zhongdu Engineering Design entered into the Shareholders' Agreement, pursuant to which the parties to the Shareholders' Agreement agreed to establish the JV Company in Longhai City, Fujian Province, the PRC with a registered capital of RMB300,000,000. Pursuant to the terms of the Shareholders' Agreement, the JV Company will be owned as to 10% by Longhai City Construction Investment, 89.89% by the Company, 0.1% by YCIH No.1 WRH and 0.01% 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.

## Shareholders' Agreement

The principal terms of the Shareholders' Agreement are set out below:

**(1) Date:** 16 September 2019 (after trading hours)

**(2) Parties:** (i) Party A: Longhai City Construction Investment;

(ii) Party B: the Company;

YCIH No.1 WRH; and

Zhongdu Engineering Design

**(3) Scope of business**

The JV Company is responsible for the integrated services including investment and financing, construction, operation and maintenance under the PPP Project Contract. The scope of business of the JV Company is ultimately subject to the registration of the industrial and commercial authority.

#### (4) Registered capital and capital contribution

The total amount of registered capital of the JV Company is RMB300,000,000. The details are as follows:

	Amount of capital contribution (RMB)	Shareholding percentage (%)
Longhai City Construction Investment	30,000,000	10%
The Company	269,670,000	89.89%
YCIH No.1 WRH	300,000	0.1%
Zhongdu Engineering Design	30,000	0.01%
Total	300,000,000	100%

The parties shall all make capital contribution in cash and will abide by the applicable laws and requirements of the relevant local authorities in the capital contribution to the registered capital. The capital contribution shall be made in a timely manner satisfying pre-work expenses payment and initial working capital under the agreement. The parties shall make contribution to the registered capital of the JV Company according to their respective ratios of contribution.

As Party B was awarded the project as a Consortium, the members of the Consortium shall make capital contribution in accordance with the Consortium Agreement and the aggregate shareholding percentage of the Consortium is 90%. If any member of the Consortium violates the provisions under the Shareholders' Agreement, all members of the Consortium shall assume joint liability for breach of contract to Party A, upon which the observant parties of the Consortium are entitled to hold the default party liable for breach of contract.

#### (5) Total investment amount

The total estimated investment amount of the PPP Project is approximately RMB1,184,001,000. The specific investment amount shall be subject to various design documents, construction drawings and relevant technical standards and requirements reviewed and approved for the PPP Project.

#### (6) The board composition and management structure of the JV Company

The board of directors of the JV Company (the “**Board of JV Company**”) shall comprise seven directors, while six of them shall be served by the directors recommended by the Company and Longhai City Construction Investment. In addition, there shall be one employee representative director to be elected at the employee representative congress of the JV Company. The term of office of each session of directors shall be three years and the directors shall be eligible for re-election upon expiry of the term.

The management of the JV Company (the “**Management of JV Company**”) shall have one general manager, several deputy general managers (not more than three), one chief financial officer, and one deputy chief financial officer. The general manager and chief financial officer shall be nominated by Party B, and Party A shall nominate one deputy general manager and one deputy chief financial officer. The term of office of each session of senior management shall be three years and the senior management shall be appointed or dismissed by the board of directors and eligible for re-election upon expiry of the term.

#### **(7) Supervisor composition of the JV Company**

The supervisory committee of the JV Company (the “**Supervisory Committee of JV Company**”) shall have one chairman and two supervisors. The chairman shall be recommended by Longhai City Construction Investment, and the Company is entitled to recommend one supervisor and the other supervisor shall be elected at the employee representative congress of the JV Company. The term of office of each session of supervisors shall be three years and the supervisors shall be eligible for re-election upon expiry of the term.

#### **(8) Restriction on equity transfer**

Upon approval at the general meeting of the JV Company and written consent of the People’s Government of Longhai City, the Company may transfer all or part of the equity interests held in the JV Company. However, the transferee shall meet the basic conditions on technical capability, financial credit, operating experience, etc. under the PPP Project Contract and shall expressly state in writing that, upon becoming a shareholder of the JV Company, it will urge and ensure that the JV Company will continue to undertake the obligations under the PPP Project Contract.

#### **(9) Profit sharing**

When the JV Company distributes the after-tax profit for the current year, 10% of the profit shall be allocated to the company’s statutory reserve fund. When the aggregate amount of the statutory reserve fund has reached 50% or more of the company’s registered capital, further allocations are not required. The remaining profits after tax after the company has made up its losses and allocated to its reserve funds may be distributed to the parties in proportion to their actual capital contribution.

### **INFORMATION ON THE JV PARTNERS**

Longhai City Construction Investment is a limited liability company established in the PRC. It is a state-owned limited liability company with the sole shareholder being Longhai City Construction Investment and Development Group. As a large state-owned enterprise, Longhai City Construction Investment is mainly engaged in construction and operation of urban and rural infrastructures, construction facilities construction, real estate development, property services and land consolidation and development.

YCIH No.1 WRH is a limited liability company established in the PRC. It is a state-owned limited liability company controlled by Yunnan Construction and Investment Holding Group Co., Ltd. As a large state-owned enterprise, YCIH No.1 WRH is mainly engaged in water conservancy and hydropower engineering construction, constructional engineering construction, municipal engineering construction, professional contracting of environmental engineering, etc.

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 SHAREHOLDERS' 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 is significant to the improvement of construction of rural infrastructural facilities and living environment in Longhai City, and can provide the Group with a good opportunity to further expand its business in the market of Fujian region, enhance its profitability and improve its influence over the environmental protection industry in Fujian region and to achieve cross-regional development. The project can make full use of the practical experience of the Group in undertaking wastewater treatment projects in other districts in Fujian, achieve synergic effect and improve the refinement level of wastewater treatment management to enhance its profitability.

After considering the above factors, the Directors are of the view that the Shareholders' 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 Shareholders' Agreement is/are more than 5% but all of them are less than 25%, the transactions contemplated under the Shareholders' 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);
“Consortium”	Party B to the Shareholders’ Agreement, i.e. the Company, YCIH No.1 WRH and Zhongdu Engineering Design;
“Consortium Agreement”	the Consortium Agreement in relation to the Rural Wastewater Collection and Treatment System Project in Longhai City entered into among the members of the Consortium on 7 December 2018;
“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;
“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;
“JV Company”	Longhai Yunshui Environmental Protection Engineering Co., Ltd.* (龍海市雲水環保工程有限公司) (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 Shareholders’ Agreement in Longhai City, Fujian Province, the PRC pursuant to the Shareholders’ Agreement;
“JV Partners”	Longhai City Construction Investment, YCIH No.1 WRH and Zhongdu Engineering Design;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Longhai City Construction Investment”	Longhai City Construction Investment and Development Co., Ltd.* (龍海市城市建設投資開發有限公司)



“PPP Project”	the PPP Project in relation to the construction of the rural wastewater collection and treatment system project in Longhai City, Fujian Province, the PRC, which was awarded to the Company on 14 May 2019;
“PPP Project Contract”	the PPP Project Contract in relation to the Rural Wastewater Collection and Treatment System Project in Longhai City (Bangshan Town, Haicheng Town, Dongyuan Town and Zini Town) entered into among the Company, the Consortium and the Bureau of Housing and Urban Rural Construction of Longhai City;
“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);
“Shareholders’ Agreement”	the Shareholders’ Agreement in relation to the PPP Project in respect of Construction of the Rural Wastewater Collection and Treatment System Project in Longhai City (Bangshan Town, Haicheng Town, Dongyuan Town and Zini Town) among Longhai City Construction Investment and Development Co., Ltd. and Yunnan Water Investment Co., Limited, YCIH No.1 Water Resources and Hydropower Construction Co., Ltd. and Zhongdu Engineering Design Co., Ltd. entered into between the Company and JV Partners on 16 September 2019;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“YCIH”	Yunnan Construction and Investment Holding Group Co., Ltd.* (雲南省建設投資控股集團有限公司);
“YCIH No. 1 WRH”	YCIH No. 1 Water Resources and Hydropower Construction Co., Ltd.* (雲南建投第一水利水電建設有限公司); and

“Zhongdu Engineering  
Design”

Zhongdu Engineering Design Co., Ltd.\* (中都工程設計有限公司).

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

Kunming, the PRC  
16 September 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. Chen Yong, 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*