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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 27 September 2018 in relation to the formal tender award of the PPP project in relation to the domestic wastewater treatment for the government locations of townships and towns in Funan County, Fuyang City, Anhui Province, the PRC. The project is a beautiful countryside construction project and an operational asset project adopting the DBFOT (design — build — finance — operate — transfer) operation mode.

The Board is pleased to announce that on 12 October 2018 (after trading hours), the Company, Funan Huai'an Water, YCIH and FURPDI entered into the Joint Venture Agreement, pursuant to which the parties to the Joint Venture Agreement agreed to establish the JV Company in Funan County, Fuyang City, Anhui Province, the PRC with a registered capital of RMB180,000,000. Pursuant to the terms of the Joint Venture Agreement, the JV Company will be owned as to 89.8% by the Company, 10.0% by Funan Huai'an Water, 0.1% by YCIH and 0.1% by FURPDI. 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 27 September 2018 in relation to the formal tender award of the PPP project in relation to the domestic wastewater treatment for the government locations of townships and towns in Funan County, Fuyang City, Anhui Province, the PRC. Unless otherwise specified herein, capitalized terms used in this announcement shall have the same meanings as those defined in the inside information announcement dated 27 September 2018.

The Board is pleased to announce that on 12 October 2018 (after trading hours), the Company, Funan Huai'an Water, YCIH and FURPDI entered into the Joint Venture Agreement, pursuant to which the parties to the Joint Venture Agreement agreed to establish the JV Company in Funan County, Fuyang City, Anhui Province, the PRC with a registered capital of RMB180,000,000. Pursuant to the terms of the Joint Venture Agreement, the JV Company will be owned as to 89.8% by the Company, 10.0% by Funan Huai'an Water, 0.1% by YCIH and 0.1% by FURPDI. 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:** 12 October 2018 (after trading hours)

**(2) Parties:** (i) the Company;  
(ii) Funan Huai'an Water;  
(iii) YCIH; and  
(iv) FURPDI

## **(3) Scope of business**

The scope of business of the JV Company covers investment in urban water supply, wastewater treatment, wastewater reclamation, solid waste treatment in water industry and other environmental governance projects and management thereof; technical consulting on environmental governance (for items subject to approval in accordance with law, the business activities can only be carried out after obtaining approval from the relevant department). 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 RMB180,000,000. The details are as follows:

	<b>Amount of capital contribution (RMB)</b>	<b>Shareholding percentage (%)</b>
The Company	161,640,000	89.8%
Funan Huai'an Water	18,000,000	10.0%
YCIH	180,000	0.1%
FURPDI	180,000	0.1%
	<hr/>	<hr/>
Total	<u>180,000,000</u>	<u>100%</u>

The parties to the Joint Venture Agreement shall all make capital contribution in cash. All the parties will abide by the applicable laws and requirements of the relevant local authorities in the capital contribution to the registered capital. The parties can make capital contribution in installments according to their subscription proportions without affecting the project financing and construction progress provided that all capital contributions shall be completed during the construction period. If either party delays payment of the capital contribution under the Joint Venture Agreement without justifiable reasons, the party will be deemed to be in default. If the capital contribution by the defaulting party is overdue for more than 60 days, the observant party is entitled to terminate the agreement.

#### **(5) Total investment amount**

The total estimated investment amount of the PPP Project is approximately RMB929,223,400 (subject to the eventual outcome of audit). The registered capital will be adjusted based on the total investment in the PPP Project accordingly.

#### **(6) Equity transfer**

Upon establishment of the JV Company according to law, the People's Government of Funan County is entitled to supervise the change in shareholding of the JV Company. The lock-up period for equity transfer is from the effective date of the PPP Cooperation Contract until the project has operated stably for three years. After the expiry of the lock-up period for equity transfer, the equity transfer of the JV Company shall be carried out in accordance with the relevant requirements of the Company Law.

All parties to the Joint Venture Agreement shall ensure that they will not transfer all or part of the equity interests held by them in the JV Company from the effective date of the PPP Cooperation Contract until the PPP Project passes the final acceptance.

In case of equity transfer, in addition to satisfaction of the above conditions, it is required to firstly invite other parties to the Joint Venture Agreement to acquire the equity interests transferred. Subject to compliance with applicable laws, other parties to the Joint Venture Agreement are entitled to the preemptive right for the equity interests transferred under the same conditions.

The parties to the Joint Venture Agreement who proposed to withdraw from the Joint Venture shall submit a specific equity transfer application to the People's Government of Funan County according to the project conditions. Upon review by the People's Government of Funan County, it is required to proceed with the compliant transfer procedures and procedures for industrial and commercial registration of the changes. The legal obligations of all parties to the Joint Venture Agreement shall not be mitigated or waived due to the changes in shareholding.

#### **(7) 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 five members. The Company is entitled to nominate four directors and Funan Huai'an Water is entitled to nominate one director. The chairman of the JV Company shall be nominated by the Company and elected by the Board of JV Company. The board of the JV Company shall serve a term of three years for each session and subject to re-election upon expiry of the term.

The composition of the operation management organisation of the JV Company includes: a general manager, two deputy general managers, a chief financial officer and other persons appointed by the Board of JV Company. Among which, the general manager shall be nominated by the Company, the deputy general managers shall be appointed by the Company and Funan Huai'an Water each, the chief financial officer shall be appointed by the Company, and Funan Huai'an Water is entitled to appoint a deputy financial manager. The appointment of the abovementioned senior management shall be subject to consideration and approval by the Board of JV Company.

#### **(8) Supervisory committee composition of the JV Company**

The supervisory committee of the JV Company (the “**Supervisory Committee of JV Company**”) will comprise three supervisors, and two of whom shall be elected at the general meeting of the JV Company. There will be an employee representative supervisor who shall be elected at the JV Company's employee representative congress, employee congress or other ways. The chairman of the Supervisory Committee of JV Company shall be elected by the majority of the supervisors. The supervisors of the JV Company shall serve a term of three years for each session and subject to re-election upon expiry of the term.

## **(9) Responsibility assumption and profit sharing**

Since the date of establishment of the JV Company, the parties to the JV Company shall assume the responsibilities to the JV Company and share the risks and losses to the extent of their respective subscribed registered capital; the parties shall share profit in proportion to their respective paid-up registered capital.

## **(10) 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 and approval by relevant government authorities.

## **(11) Way of dispute resolution**

For any dispute arising from the performance or interpretation of or in connection to the Joint Venture Agreement, any party to the Joint Venture Agreement shall firstly properly resolve the dispute through friendly negotiation or mediation. If, within 30 days after either party has sent a notice to the other party confirming that the dispute has occurred, the parties to the Joint Venture Agreement fail to resolve the dispute through negotiation or mediation, the dispute shall be subject to arbitration by China International Economic and Trade Arbitration Commission in accordance with the arbitration rules which are in force at the time of the application for arbitration. The place of arbitration shall be in Beijing and the arbitral award shall be final and binding on all parties.

## **INFORMATION ON THE JV PARTNERS**

Funan Huai'an Water is a limited liability company established in the PRC. It is wholly-owned by Funan Limin Development Co., Ltd.\* (阜南縣利民發展有限公司) which is a holding subsidiary of the People's Government of Funan County. The business scope of Funan Huai'an Water is wastewater treatment (For items subject to approval in accordance with law, the business activities can only be carried out after obtaining approval from the relevant department).

YCIH is a limited liability company established in the PRC and a holding subsidiary of Yunnan Construction and Investment Holding Group Co., Ltd.\* (雲南建設投資控股集團有限公司). YCIH has the grade one qualification for general contracting of municipal public works, grade one qualification for professional contracting of highway pavement engineering, grade two qualification for general contracting of highway engineering construction, grade two qualification for general contracting of construction engineering, grade three qualification for general contracting of water conservancy and hydropower engineering, etc. In addition, YCIH has successively participated in the construction of municipal, water conservancy and hydropower projects, and won numerous industry awards and made brilliant achievements.

FURPDI is a limited liability company established in the PRC under the Fuyang Planning Bureau (阜陽市城鄉規劃局). It is mainly engaged in urban and rural planning, municipal engineering and landscape engineering planning works. It is currently in possession of a Class-A qualification for Urban and Rural Planning, a Class-B qualification for Municipal Engineering Designing, a Class-B qualification for Landscape Designing, a Class-A qualification for Engineering Consulting and a Class-B qualification for Construction Designing.

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 municipal environment integrated service providers in 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.

Funan County is a “National Demonstration County of Beautiful Countryside Construction”. The project is a beautiful countryside construction project and an operational asset project adopting the DBFOT (design-build-finance-operate-transfer) operation mode. The project is a new municipal infrastructure construction project under the supervision of the State and Anhui Province and mainly composed of the wastewater treatment plants, auxiliary wastewater pipeline networks, rainwater pipeline networks, auxiliary buildings and auxiliary equipment and intelligent water information systems at the government locations of 23 townships and towns of Funan County, Fuyang City, Anhui Province.

The Directors consider that the implementation of the Project can provide the Group with a good opportunity to further expand its business in the market of Anhui Province, enhance its profitability and improve its influence over the environmental protection industry in Anhui Province and 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 Anhui Province and play a leading and demonstration role for the business development in the entire northern Anhui Province. With the project as a stronghold, the Group will continue to expand its footage in Anhui and other regions. From a point to an area, the Group will continue to expand its footage in the environmental protection projects in Anhui Province, the PRC to enhance its profitability and gradually promote the Group’s position in the industry.

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);
“Company Law”	Company Law of the People’s Republic of China;
“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;
“Funan Huai’an Water”	Funan Huai’an Water Co., Ltd.* ( 阜南縣淮岸水務有限公司 ), a limited liability company established in the PRC;
“FURPDI”	Fuyang Urban and Rural Planning and Design Institute* ( 阜陽市城鄉規劃設計研究院 );
“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 12 October 2018;
“JV Company”	Funan Yunshui Urban and Rural Environmental Protection Technology Co., Ltd.* ( 阜南雲水城鄉環保科技有限公司 ) (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 Funan County, Anhui Province, the PRC, pursuant to the Joint Venture Agreement;

“JV Partners”	Funan Huai’an Water, YCIH and FURPDI;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PPP Cooperation Contract”	the PPP Project Contract on Domestic Wastewater Treatment for the Government Locations of Townships and Towns in Funan County to be entered into between Funan County Housing and Urban-Rural Construction Bureau* (阜南縣住房和城鄉建設局) and the JV Company;
“PPP Project”	the PPP project in relation to the domestic wastewater treatment for the government locations of townships and towns in Funan County, Fuyang City, Anhui Province, the PRC, which was awarded to the Company on 27 September 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;
“YCIH”	Yunnan Railway General Corporation* (雲南省鐵路總公司), a limited liability company established in the PRC.

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

Kunming, the PRC  
12 October 2018

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