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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)**

**CONTINUING CONNECTED TRANSACTIONS  
THE PROCUREMENT MASTER AGREEMENT**

Reference is made to the announcement of the Company dated 14 October 2015 (the “**Announcement**”) in relation to the continuing connected transactions under the Original Procurement Master Agreement with Beijing OriginWater and the relevant annual caps for the three years ending 31 December 2017. The Original Procurement Master Agreement will expire on 31 December 2017.

The Board is pleased to announce that on 22 December 2017 (after trading hours), the Company entered into the Procurement Master Agreement with Beijing OriginWater, pursuant to which the Group agreed to purchase membrane ancillary materials from the Beijing OriginWater Group during the term of the Procurement Master Agreement commencing from 1 January 2018 to 31 December 2020.

As at the date of this announcement, Beijing OriginWater holds 24.02% of the total issued share capital of the Company (including Domestic Shares and H Shares), and is a substantial shareholder of the Company. Hence, Beijing OriginWater is a connected person of the Company under Chapter 14A of the Listing Rules. In such case, the Procurement Master Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of applicable percentage ratios (other than the profits ratio) in relation to the Proposed Annual Caps are more than 0.1% but all applicable percentage ratios (other than the profits ratio) are less than 5%, the continuing connected transactions under the Procurement Master Agreement are subject to the reporting, announcement and annual review requirements, but exempt from the requirements of circular and independent Shareholders' approval under Chapter 14A of the Listing Rules.

## INTRODUCTION

The Board is pleased to announce that on 22 December 2017 (after trading hours), the Company entered into the Procurement Master Agreement with Beijing OriginWater, pursuant to which the Group agreed to purchase membrane ancillary materials from the Beijing OriginWater Group during the term of the Procurement Master Agreement commencing from 1 January 2018 to 31 December 2020. The principal terms of the Procurement Master Agreement are as follows:

## THE PROCUREMENT MASTER AGREEMENT

**Date** 22 December 2017 (after trading hours)

**Parties** (1) The Company; and  
(2) Beijing OriginWater

As at the date of this announcement, Beijing OriginWater holds 24.02% of total issued share capital of the Company (including Domestic Shares and H Shares), and is a substantial shareholder of the Company. Hence, Beijing OriginWater is a connected person of the Company under Chapter 14A of the Listing Rules.

**Subject matter** The Group will procure membrane ancillary materials from the Beijing OriginWater Group.

**Term and termination** The Procurement Master Agreement shall have a term of three years commencing from 1 January 2018 and ending on 31 December 2020.

Any party may terminate the Procurement Master Agreement by serving the other party a written notice of not less than 30 days in advance.

**Price determination and pricing policy** The price of the products to be purchased by the Group shall be no less favorable than the market price of relevant product at the time when the individual procurement agreement is entered into. The market price shall be determined in accordance with (i) the price and terms of the type of products quoted by no less than two independent suppliers on normal commercial terms in the ordinary course of businesses in the PRC; or (ii) in the event that (i) is inapplicable, it shall be determined by both parties to the Procurement Master Agreement on an arm's length basis and on normal commercial terms and credit terms.

Based on the above, the Directors (except for Mr. Dai Richeng, the executive Director, and Mr. He Yuanping, the non-executive Director) believe that the aforesaid pricing policy and procedure can ensure the relevant continuing connected transactions will be conducted in accordance with the terms under the Procurement Master Agreement and are of the view that the Procurement Master Agreement was entered into on an arm's length basis and on normal commercial terms, and the terms thereof are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### Historical transaction amounts

The historical transaction amounts in respect of the procurement of membrane ancillary materials between the Group and the Beijing OriginWater Group for the period from the Listing Date to 31 December 2015, the year ended 31 December 2016 and the six months ended 30 June 2017 are set out below:

|   | <b>Historical transaction amounts</b> |                    |                     |
|---|---------------------------------------|--------------------|---------------------|
|   | <b>From the</b>                       | <b>Year ended</b>  | <b>Six months</b>   |
|   | <b>Listing Date to</b>                | <b>31 December</b> | <b>ended</b>        |
|   | <b>31 December</b>                    | <b>2016</b>        | <b>30 June 2017</b> |
|   | <b>2015</b>                           | <b>2016</b>        | <b>30 June 2017</b> |
|   | <i>(RMB'000)</i>                      | <i>(RMB'000)</i>   | <i>(RMB'000)</i>    |
| <b>Historical transaction amounts</b>         |                                       |                    |                     |
| - Procurement of membrane ancillary materials | 4,195                                 | 4,585              | 3,347               |

## Historical annual caps

The historical annual caps for the transactions contemplated under the Original Procurement Master Agreement for the period from the Listing Date to 31 December 2015, the year ended 31 December 2016 and for the year ending 31 December 2017 are set out below:

|                                     | <b>Historical annual caps for the<br/>year ended/ending 31 December<br/>2015</b> |                  |                  |
|-------------------------------------|--|------------------|------------------|
| <b>(since the<br/>Listing Date)</b> | <b>2016</b>  | <b>2017</b>      |                  |
| <i>(RMB'000)</i>                    | <i>(RMB'000)</i>   | <i>(RMB'000)</i> | <i>(RMB'000)</i> |

### The historical annual caps

|   |        |        |        |
|---|--------|--------|--------|
| - Procurement of membrane ancillary materials | 10,000 | 25,000 | 30,000 |
|---|--------|--------|--------|

As at the date of this announcement, the actual transaction amounts did not exceed the historical annual caps for the transactions contemplated under the Original Procurement Master Agreement as set out in the above.

## Proposed Annual Caps

The table below sets out the Proposed Annual Caps for the transactions contemplated under the Procurement Master Agreement for the three years ending 31 December 2020:

|  | <b>Proposed Annual Caps<br/>Year ending 31 December</b> |                  |                  |
|--|---|------------------|------------------|
|  | <b>2018</b>   | <b>2019</b>      | <b>2020</b>      |
|  | <i>(RMB'000)</i>  | <i>(RMB'000)</i> | <i>(RMB'000)</i> |

### The Proposed Annual Caps

|   |        |        |        |
|---|--------|--------|--------|
| - Procurement of membrane ancillary materials | 30,000 | 30,000 | 30,000 |
|---|--------|--------|--------|

In arriving at the above Proposed Annual Caps, the Directors have taken into account a number of factors, in particular: (i) the size and number of projects expected to be constructed by the Group; (ii) the estimated quantity of membrane ancillary materials required by the Group; and (iii) the estimated market price of membrane ancillary materials.

## **IMPLEMENTATION AGREEMENTS**

It is expected that the Group will enter into individual procurement agreement with the Beijing OriginWater Group from time to time and as necessary. The individual procurement agreement is expected to contain more detailed terms of the transactions which should reflect the binding principles, guidelines and terms and conditions as provided for under the Procurement Master Agreement.

As the individual procurement agreement provides for the purchases and sales of membrane ancillary materials under the Procurement Master Agreement, such individual procurement agreement, when entered into, will not constitute a new category of connected transactions and will be within the ambit of the Procurement Master Agreement and the Proposed Annual Caps. The Company will comply with the relevant Listing Rules if and when the amount of transactions contemplated under the Procurement Master Agreement is likely to exceed the Proposed Annuals Caps.

## **REASONS FOR ENTERING INTO THE PROCUREMENT MASTER AGREEMENT**

The Group has from time to time purchased membrane ancillary materials from the Beijing OriginWater Group. The Beijing OriginWater Group has provided stable supply of membrane ancillary materials in accordance with the quality requirements and standards as required by the Group in order to ensure the product quality of the Group and enhance the recycling efficiency and confidentiality of the Group's technologies. Moreover, after taking into account the prices quoted by the Beijing OriginWater Group as compared to those quoted by independent suppliers, the Directors (except for Mr. Dai Richeng, the executive Director, and Mr. He Yuanping the non-executive Director) consider that it is in the interests of the Group and the Shareholders as a whole to enter into the Procurement Master Agreement and continue to procure membrane ancillary materials from the Beijing OriginWater Group.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Beijing OriginWater holds 24.02% of total issued share capital of the Company (including Domestic Shares and H Shares), and is a substantial shareholder of the Company. Hence, Beijing OriginWater is a connected person of the Company. In such case, the transactions contemplated under the Procurement Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of applicable percentage ratio (other than the profits ratio) in relation to the Proposed Annual Caps are more than 0.1% but all applicable percentage ratios (other than the profits ratio) are less than 5%, the continuing connected transactions under the Procurement Master Agreement are subject to the reporting, announcement and annual review requirements, but exempt from the requirements of circular and independent shareholders' approval under Chapter 14A of the Listing Rules.

The Directors (except for Mr. Dai Richeng, the executive Director, and Mr. He Yuanping, the non-executive Director, but including the independent non-executive Directors) consider that terms of the Procurement Master Agreement (i) are entered into on an arm's length basis; (ii) will be on normal commercial terms or on terms no less favorable than the terms made available from independent suppliers to the Group under the prevailing local market conditions; (iii) are in the usual and ordinary business of course of the Group; and (iv) are fair and reasonable and in the interests of the Company and the Shareholders as a whole ; and based on the above, the Proposed Annual Caps for the three years ending 31 December 2020 thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Dai Richeng, an executive Director, and Mr. He Yuanping, a non-executive Director, are directors of Beijing OriginWater and are materially interested in the Procurement Master Agreement and have abstained from voting on the relevant Board resolutions approving the Procurement Master Agreement. Except for Mr. Dai Richeng and Mr. He Yuanping, none of the Directors is materially interested in the Procurement Master Agreement and the transactions contemplated thereunder.

Save for the Original Procurement Master Agreement and the Procurement Master Agreement, to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the members of the Group has entered into other continuing connected transactions with the Beijing OriginWater Group.

## **GENERAL INFORMATION OF THE PARTIES TO THE PROCUREMENT MASTER AGREEMENT**

The Group is one of the leading integrated service providers in the urban sewage treatment and water supply industry in the PRC. Its principal operations include investment, construction and management services in relation to urban water supply, sewage treatment, solid waste treatment and environmental governance projects, equipment sales and other environmental protection related services. The corporate strategy of the Group is to base its business in Yunnan Province and continue to identify investment opportunities to expand its operations gradually into other regions to ensure stable income sources.

Beijing OriginWater, a substantial shareholder of the Company holding 24.02% of the total issued share capital of the Company, is a limited liability company established in the PRC on 17 July 2001 and its shares are listed on the Shenzhen Stock Exchange. It is primarily engaged in the design, sales and manufacturing of equipment (particularly membrane) used in urban sewage treatment and solid waste treatment facilities based on EPC and equipment sales and the provision of system integration services.

## **Definition**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

|                             |  |
|-----------------------------|--|
| “Beijing OriginWater”       | Beijing OriginWater Technology Co., Ltd. (北京碧水源科技股份有限公司), a substantial shareholder of the Company (including both Domestic Shares and H Shares), is a limited liability company established in the PRC on 17 July 2001 and its shares are listed on the Shenzhen Stock Exchange (stock code: 300070); |
| “Beijing OriginWater Group” | Beijing OriginWater and its subsidiaries;  |
| “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 company with limited liability incorporated in the PRC, the H Shares of which are listed on the main board of the Stock Exchange (stock code: 06839);  |
| “connected person(s)”       | has the same meaning ascribed thereto under the Listing Rules;   |
| “Domestic Share(s)”         | the issued ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as fully-paid in RMB;  |
| “Director(s)”               | the director(s) of the Company;  |
| “EPC”                       | engineering, procurement and construction;   |
| “Group”                     | the Company and its subsidiaries;  |

|   |   |
|---|---|
| “H Share(s)”                            | the issued ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, and are listed on the main board of the Stock Exchange (stock code: 06839);  |
| “Hong Kong”                             | the Hong Kong Special Administrative Region of the PRC;   |
| “Listing Date”                          | 27 May 2015, when H Shares were listed and traded on the Stock Exchange;  |
| “Listing Rules”                         | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time;   |
| “membrane”                              | a selective barrier that allows the passage of certain constituents and retains other constituents found in the liquid with the degree of selectivity of membranes depending on the membrane pore size, according to which the membranes can be classified as microfiltration, ultrafiltration, nanofiltration and reverse osmosis membranes; |
| “membrane ancillary materials”          | any materials, equipment and components in relation to membrane production;   |
| “Original Procurement Master Agreement” | the agreement dated 14 October 2015 entered into by the Company and Beijing OriginWater relating to the purchase of membrane ancillary materials by the Group from the Beijing OriginWater Group which will expire on 31 December 2017;   |
| “PRC”                                   | the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;   |
| “Procurement Master Agreement”          | the agreement dated 22 December 2017 entered into by the Company and Beijing OriginWater relating to the purchase of membrane ancillary materials by the Group from the Beijing OriginWater Group;  |
| “Proposed Annual Caps”                  | the maximum aggregate annual amounts for the transactions contemplated under the Procurement Master Agreement;  |



|                              |  |
|------------------------------|--|
| “RMB”                        | Renminbi, the lawful currency of the PRC;                          |
| “Share(s)”                   | Domestic Shares/H Shares;  |
| “Shareholder(s)”             | the holders of the Shares;   |
| “substantial shareholder(s)” | has the same meaning ascribed thereto under the Listing Rules;     |
| “Stock Exchange”             | The Stock Exchange of Hong Kong Limited;                           |
| “subsidiary(ies)”            | has the same meaning ascribed thereto under the Listing Rules; and |
| “%”                          | per cent.  |

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

Kunming, the PRC  
22 December 2017

*As at the date of this announcement, the executive Directors are Mr. Dai Richeng (Vice-chairman) and Mr. Yang Fang, the non-executive Directors are Mr. Yang Tao (Chairman), Ms. Li Bo, Mr. He Yuanping and Mr. Feng Zhuangzhi, and the independent non-executive Directors are Mr. Kwok For Chi, Mr. Hu Song and Mr. Ma Shihao.*

\* *For identification purposes only*