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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 Transaction
Membrane Ancillary Materials Procurement Master Agreement**

INTRODUCTION

The Board is pleased to announce that on 14 October 2015 (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 Beijing OriginWater Group during the period of the Procurement Master Agreement.

IMPLICATIONS OF 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 under Chapter 14A of the Listing Rules, and the Procurement Master Agreement and the transaction contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant applicable percentage ratio related to the Proposed Annual Cap is more than 0.1% but less than 5%, the continuing connected transactions of the Company are subject to the reporting, announcement and annual review requirements pursuant to Chapter 14A of the Listing Rules, but exempt from the requirements of circular (including independent financial advice) and independent shareholders' approval.

INTRODUCTION

The Board is pleased to announce that on 14 October 2015 (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 Beijing OriginWater Group during the period of the Procurement Master Agreement. The principal terms of the Procurement Master Agreement are as follow:

THE PROCUREMENT MASTER AGREEMENT

Date

14 October 2015 (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.

Term

The Procurement Master Agreement will be effective after the signing of both parties and performing respective necessary internal approval procedures. The term of the Procurement Master Agreement will commence from its effective date and end on 31 December 2017.

Termination

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

Basis of Pricing and Other Principal Terms

This is a framework agreement which contains the principles for the Group to purchase membrane ancillary materials from Beijing OriginWater Group, pursuant to which, the parties will determine the purchase price and the specific terms by entering into separate agreements. The parties concur that the purchase price and the specific terms shall be entered into on an arm's length basis and on normal commercial terms by reference to the price and other principal terms no less favourable than those provided by independent third parties to the Group for purchasing similar products.

Pricing Policy

Products to be purchased by the Group shall be determined in accordance with the market price. 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 third parties 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 on an arm's length basis and on normal commercial terms.

The Group requires that any request for the procurement of products shall be reported to the procurement department 30 days in advance and shall not be implemented until approvals are granted by the finance manager, chief financial officer, department head, tender supervision leading group and general manager. For special procurement projects, direct purchases can be made upon approval by the general manager's office.

The parties shall determine the market price and terms of each transaction after arm's length negotiation by reference to the aforesaid pricing policy and procedures. Therefore, the Directors believe that the aforesaid pricing policy and procedure can ensure the relevant continuing connected transactions will be conducted in accordance with the terms provided in the Procurement Master Agreement and entered into on an arm's length basis and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Historical Data

The historical transaction data in respect of the procurement of membrane ancillary materials between the Group and Beijing OriginWater Group for the two years ended 31 December 2013 and 2014 and the period from 1 January 2015 to 30 June 2015 are set out below:

	Historical data		Period from
	Year ended	Year ended	1 January
	31 December	31 December	2015 to
	2013	2014	30 June
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Historical transaction amount			
- Procurement of membrane ancillary materials	71,268	3,414	1,557

Proposed Annual Cap

The table below sets out the Proposed Annual Cap for the years ending 31 December 2015, 2016 and 2017:

	Proposed Annual Cap		
	Year ending 31 December		
	2015	2016	2017
	<i>(From the Listing Date)</i>		
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Continuing connected transactions			
- Procurement of membrane ancillary materials	10,000	25,000	30,000

Basis for Determining the Proposed Annual Cap

The Proposed Annual Cap has been arrived at by the Board after due and careful consideration in accordance with the following:

- (i) the size and number of projects expected to be constructed;
- (ii) the estimated quantity of membrane ancillary materials required based on the size and number of projects to be constructed;
- (iii) the estimated market price of membrane ancillary materials;
- (iv) the buffer interval to cope with the impacts of slight fluctuations in prices of raw materials, transportation and relevant services, etc.

Reasons and Benefits of Entering into the Continuing Connected Transactions

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, is a company with limited liability established on 17 July 2001. The company 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.

The Board believes that the membrane ancillary materials contemplated to be purchased under the Procurement Master Agreement will be used for production to ensure product quality, improve circulation efficiency and keep the Group's technology confidential. The project model of the Group is different from that of Beijing OriginWater Group, therefore the cooperation between the parties may reinforce the strategic partnership between the Group and Beijing OriginWater to generate synergies.

The Board (except for Mr. Wen Jianping and Mr. He Yuanping, the non-executive Directors) believes that the Procurement Master Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group on an arm's length basis and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS OF 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 under Chapter 14A of the Listing Rules, and the Procurement Master Agreement and the transaction contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant applicable percentage ratio related to the Proposed Annual Cap is more than 0.1% but less than 5%, the continuing connected transactions of the Company are subject to the reporting, announcement and annual review requirements pursuant to Chapter 14A of the Listing Rules, but exempt from the requirements of circular (including independent financial advice) and independent shareholders' approval.

Mr. Wen Jianping and Mr. He Yuanping, the non-executive Directors of the Company, are senior management members of Beijing OriginWater, who would be deemed to have material interests in this Procurement Master Agreement, thus they shall abstain from voting on the relevant board resolution of the Company on the Procurement Master Agreement and the transactions contemplated thereunder subject to the relevant requirements under the Listing Rules. Save as disclosed above, none of our Directors have any material interest in the Procurement Master Agreement and the transactions contemplated thereunder.

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), the Controlling Shareholder of the Company, is a limited liability company established in the PRC on 17 July 2001 and 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);
“Director(s)”	the director(s) of the Company;
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules;
“Domestic Share(s)”	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 paid in RMB;
“EPC”	Engineering, Procurement, 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 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 a membrane depending on the membrane pore size, according to which the membranes can be classified as microfiltration, ultrafiltration, nanofiltration and reverse osmosis membranes;
“membrane auxiliary materials”	any materials, equipment and components in relation to membrane production;

“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 14 October 2015 entered into by the Company and Beijing OriginWater relating to the purchase of membrane auxiliary materials by the Group from Beijing OriginWater Group;
“Proposed Annual Cap”	the maximum aggregate annual amounts for the continuing connected transactions;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	Domestic Shares/H Shares of the Company;
“Shareholder(s)”	the holders of the Shares of the Company;
“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*
Xu Lei
Chairman

Kunming, the PRC
14 October 2015

As at the date of this announcement, the executive Directors are Mr. Yu Long, Mr. Liu Xujun and Mr. Huang Yunjian, the non-executive Directors are Mr. Xu Lei (Chairman), Mr. Wen Jianping, Mr. Jiao Jun, Mr. He Yuanping and Mr. Feng Zhuangzhi, and the independent non-executive Directors are Mr. Kwok For Chi, Mr. Ma Shihao, Mr. Ren Gangfeng and Mr. Hu Song.

** For identification purposes only*