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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
MASTER SALE AND PURCHASE AGREEMENT FOR
ENGINEERING SERVICES**

INTRODUCTION

The Board is pleased to announce that on 6 November 2015 (after trading hours), the Company entered into the Master Agreement with YMCI, pursuant to which, the Group agreed to provide Engineering Services to YMCI Group in accordance with the terms of the Master Agreement.

THE LISTING RULES IMPLICATIONS

As at the date of this announcement, Yunnan Province Water, a wholly-owned subsidiary of YMCI, and its Concert Parties holding approximately 30.3% of the total issued share capital of the Company (including Domestic Shares and H Shares), is a controlling shareholder of the Company. Hence, YMCI is a connected person of the Company under Chapter 14A of the Listing Rules, and the Master Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Master Agreement exceeded 0.1% but are less than 5%, the transactions contemplated under the Master Agreement are subject to the reporting, announcement and annual review requirements under 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 6 November 2015 (after trading hours), the Company entered into the Master Agreement with YMCI, pursuant to which, the Group agreed to provide Engineering Services to YMCI Group in accordance with the terms of the Master Agreement. The principal terms of the Master Agreement are as follow:

THE MASTER AGREEMENT

Date

6 November 2015 (after trading hours)

Parties

- (1) The Company; and
- (2) YMCI

As at the date of this announcement, Yunnan Province Water, a wholly-owned subsidiary of YMCI, and its Concert Parties holding approximately 30.3% of the total issued share capital of the Company (including Domestic Shares and H Shares), is a controlling shareholder of the Company. Hence, YMCI is a connected person of the Company under Chapter 14A of the Listing Rules.

Term

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

Termination

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

Basis of Pricing and Other Principal Terms

As a framework agreement governing the provision of Engineering Services by the Group to YMCI Group, the Master Agreement sets out the principles and pricing standards for transactions between the parties. In accordance with this framework agreement, the parties will determine the price and the specific terms for the provision of Engineering Services by entering into separate agreements. The parties agreed that the price and the specific terms for the provision of Engineering Services 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 to the Company than those provided to the independent third parties by the Group for the provision of similar engineering services.

PRICING POLICY

The price of the Engineering Services to be provided by the Group shall be determined in accordance with the applicable market prices. The market prices shall be determined in accordance with (i) the price and terms agreed by no less than two independent third parties for the provision of similar engineering services on normal commercial terms in the ordinary course of businesses in or in proximity to the place where such Engineering Services is provided; or (ii) in the event that (i) is inapplicable, it shall be determined by both parties through negotiation on an arm's length basis and on normal commercial terms.

The parties shall determine the market price and terms of each transaction through arm's length negotiation by reference to the aforesaid pricing policy. Therefore, the Directors believe that the aforesaid pricing policy can ensure the relevant continuing connected transactions will be conducted in accordance with the terms provided in the 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.

PROPOSED ANNUAL CAPS

Historical Data

The historical transaction data in respect of the provision of Engineering Services by the Group to the YMCI Group for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 are set out below:

	Year ended 31 December 2013	Year ended 31 December 2014	Six months ended 30 June 2015
Historical transaction amount	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
- Provision of Engineering Services	4,135	5,332	2,933

Proposed Annual Cap

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

	Year ending 31 December		
	2015	2016	2017
	<i>(From the Listing Date)</i>		
Proposed Annual Cap amount	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
- Provision of Engineering Services	48,000	51,000	54,000

Basis for Determining the Proposed Annual Cap

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

- (i) the size and number of water projects expected to be acquired;
- (ii) the amount of Engineering Services expected to be required based on the progress of water projects to be acquired;
- (iii) the price and installment cost of water treatment facilities for each water project;
- (iv) the buffer interval to cope with the impacts of slight fluctuations in prices of water treatment facilities, materials, transportation and relevant services, and inflation.

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 Group is principally engaged in the investment, design, construction, operation and maintenance of municipal water supply and wastewater treatment facilities typically under a concession agreement with local municipal or county government. In addition to undertaking such projects, the Group is also engaged in equipment sales business, involving sales of equipment used in urban sewage treatment, water supply and waste disposal facilities and providing relevant integration services. The corporate strategy of the Group is to base its business in the Yunnan Province, the PRC and to continue to identify investment opportunities to expand its operations gradually into other regions to ensure stable income sources.

YMCI is a limited liability company established in the PRC on 28 April 2005. It holds 100% equity interest in Yunnan Province Water, one of the Company's controlling shareholders. It is principally engaged in the investment and construction of urban roads and infrastructure and the relevant industry operation and management.

The Board believes that the Group has expertise in the construction of water projects and is one of the leading integrated service providers in the municipal wastewater treatment and water supply industries in the Yunnan Province, the PRC, therefore participating in the projects of and cooperating with the YMCI Group will generate synergies, which are beneficial for both parties.

The Board (except for Mr. Liu Xujun, Mr. Huang Yunjian, Mr. Xu Lei and Mr. Jiao Jun, all of which are the Directors) believes that the 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.

THE LISTING RULES IMPLICATIONS

As at the date of this announcement, Yunnan Province Water, a wholly-owned subsidiary of YMCI, and its Concert Parties holding approximately 30.3% of the total issued share capital of the Company (including Domestic Shares and H Shares), is a controlling shareholder of the Company. Hence, YMCI is a connected person of the Company under Chapter 14A of the Listing Rules, and the Master Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Master Agreement exceeded 0.1% but are less than 5%, the transactions contemplated under the Master Agreement are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but exempt from the requirements of circular (including independent financial advice) and independent shareholders' approval.

Mr. Liu Xujun and Mr. Huang Yunjian, the executive Directors, are Concert Parties of Yunnan Province Water; Mr. Xu Lei and Mr. Jiao Jun, the non-executive Directors, are senior management members of YMCI, who would be deemed to have material interests in the Master Agreement, thus they shall abstain from voting on the relevant board resolution of the Company on the Master Agreement and the transactions contemplated thereunder in accordance with the relevant requirements under the Listing Rules. Save as disclosed above, none of the Directors have any material interest in the Master Agreement and the transactions contemplated thereunder.

DEFINITION

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

“Board”	the board of Directors;
“Company”	雲南水務投資股份有限公司 (Yunnan Water Investment Co., Limited*), 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);
“Concert Parties”	Mr. Liu Xujun and Mr. Huang Yunjian, both are executive Directors, and Mr. Wang Yong, a member of the senior management of the Company;

“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules;
“controlling shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“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 paid in RMB;
“Engineering Services”	the engineering services to be provided by the Group to YMCI Group, which include but are not limited to: i) water supply, wastewater treatment and waste disposal engineering; ii) delivery and installation of related equipment and accessories; iii) consultancy service; and iv) financing service;
“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, the date on which the H Shares were listed and traded on the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Master Agreement”	the Master Sale and Purchase Agreement for Engineering Services dated 6 November 2015 entered into between the Company and YMCI in respect of the provision of the Engineering Services by the Group to YMCI Group;
“New Century Dianchi”	雲南新世紀滇池國際文化旅遊會展投資有限公司 (Yunnan New Century Dianchi International Cultural Tourism Convention Investment Co. Ltd.*), a limited liability company established in the PRC, a non wholly-owned subsidiary of YMCI and one of the Company’s connected persons;

“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 People’s Republic of China and Taiwan;
“Proposed Annual Cap”	the maximum aggregate annual amounts for the transactions contemplated under the Master Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	Domestic Shares/H Shares;
“Shareholder(s)”	the holders of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the same meaning ascribed thereto under the Listing Rules;
“YMCI”	雲南省城市建設投資集團有限公司 (Yunnan Metropolitan Construction Investment Co., Ltd.*), a limited liability company established in the PRC on 28 April 2005, which holds 100% equity interest in Yunnan Province Water, one of the controlling shareholders of the Company;
“YMCI Group”	YMCI and its subsidiaries, which for the purpose of this announcement and the Master Agreement, shall exclude New Century Dianchi and its subsidiaries;
“Yunnan Province Water”	雲南省水務產業投資有限公司 (Yunnan Province Water Industry Investment Co., Ltd.*), one of the controlling shareholders of the Company, which is a limited liability company established in the PRC on 22 April 2009; and
“%”	per cent.

By order of the Board
Yunnan Water Investment Co., Limited*
Xu Lei
Chairman

Kunming, the PRC
6 November 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