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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**

Reference is made to the announcement of the Company dated 6 November 2015 (the “**Announcement**”) in relation to the continuing connected transactions under the Original Master Sale and Purchase Agreement with YMCI and the relevant annual caps for the three years ending 31 December 2017. The Original Master Sale and Purchase Agreement will expire on 31 December 2017.

The Board is pleased to announce that on 29 December 2017 (after trading hours), the Company entered into the Master Sale and Purchase Agreement with YMCI, pursuant to which the Group agreed to provide the Engineering Services to the YMCI Group during the term of the Master Sale and Purchase Agreement commencing from 1 January 2018 to 31 December 2020.

As at the date of this announcement, YMCI (together with its concert parties) holds approximately 31% of the total issued share capital of the Company (including Domestic Shares and H Shares), and is a controlling shareholder of the Company. Hence, YMCI is a connected person of the Company under Chapter 14A of the Listing Rules. In such case, the Master Sale and Purchase 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 Master Sale and Purchase 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 29 December 2017 (after trading hours), the Company entered into the Master Sale and Purchase Agreement with YMCI, pursuant to which the Group agreed to provide the Engineering Services to the YMCI Group during the term of the Master Sale and Purchase 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 29 December 2017 (after trading hours)

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

As at the date of this announcement, YMCI (together with its concert parties) holds approximately 31% of the total issued share capital of the Company (including Domestic Shares and H Shares), and is a controlling shareholder of the Company. Hence, YMCI is a connected person of the Company under Chapter 14A of the Listing Rules.

Subject matter The Group will provide the Engineering Services to the YMCI Group.

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

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

Fee determination and pricing policy The fee of the Engineering Services to be provided by the Group shall be determined in accordance with the market rates of the relevant engineering services at the time when the individual sale and purchase agreement is entered into. The market rates shall be determined in accordance with (i) the fees and terms quoted by no

less than two independent third parties engaging in the provision of similar engineering services on normal commercial terms in the ordinary course of businesses in the region(s) or in proximity to the region(s) where such Engineering Services are to be provided; or (ii) in the event that (i) is inapplicable, it shall be determined by both parties to the Master Sale and Purchase Agreement on an arm's length basis and on normal commercial terms.

Based on the above, the Directors (except for Mr. Yang Tao, a 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 Master Sale and Purchase Agreement and are of the view that the Master Sale and Purchase 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 provision of the Engineering Services by the Group to the YMCI 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>Six months</b>		
<b>Listing Date to</b>	<b>Year ended</b>	<b>ended</b>	
<b>31 December</b>	<b>31 December</b>	<b>30 June</b>	
<b>2015</b>	<b>2016</b>	<b>2017</b>	
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	

### **Historical transaction amounts**

— Provision of the Engineering Services	18,455	4,670	197
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## Historical annual caps

The historical annual caps for the transactions contemplated under the Original Master Sale and Purchase 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 year ended/ending 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>(since the Listing Date)</b>		
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>

### The historical annual caps

— Provision of the Engineering Services	48,000	51,000	54,000
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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 Master Sale and Purchase 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 Master Sale and Purchase Agreement for the three years ending 31 December 2020:

	<b>Proposed Annual Caps for the 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

— Provision of the Engineering Services	54,000	54,000	54,000
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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 water projects expected to be acquired by the YMCI Group; (ii) the amount of the Engineering Services expected to be required based on the progress of water projects to be acquired by the

YMCI Group; (iii) the prices and installment costs of water treatment facilities for each water project; and (iv) a reasonable buffer to allow for the prices of water treatment facilities, materials, transportation and relevant services.

## **IMPLEMENTATION AGREEMENTS**

It is expected that the Group will enter into individual sale and purchase agreement with the YMCI Group from time to time and as necessary. The individual sale and purchase 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 Master Sale and Purchase Agreement.

As the individual sale and purchase agreement provides for the provision of the Engineering Services under the Master Sale and Purchase Agreement, such individual sale and purchase agreement, when entered into, will not constitute a new category of connected transactions and will be within the ambit of the Master Sale and Purchase 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 Master Sale and Purchase Agreement is likely to exceed the Proposed Annual Caps.

## **REASONS FOR ENTERING INTO THE MASTER SALE AND PURCHASE AGREEMENT**

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 water projects of and cooperating with the YMCI Group will generate synergies which the Board believes are beneficial for both parties.

The Board (except for Mr. Yang Tao, a non-executive Director) believes that the Master Sale and Purchase Agreement and the transactions contemplated thereunder were 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 UNDER THE LISTING RULES**

As at the date of this announcement, YMCI (together with its concert parties) holds approximately 31% of the total issued share capital of the Company (including Domestic Shares and H Shares), and 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 Sale and Purchase Agreement and the transactions contemplated thereunder 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 Master Sale and Purchase 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. Yang Tao, a non-executive Director, but including the independent non-executive Directors) consider that terms of the Master Sale and Purchase Agreement were (i) entered into on an arm's length basis; (ii) on normal commercial terms or on terms no less favorable than the terms made available to the Group by other independent customers of the Group for provision of similar engineering services under the prevailing local market conditions; (iii) were in the ordinary and usual course of business of the Group; and (iv) were 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 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Yang Tao, a non-executive Director, is a director of YMCI and is materially interested in the the Master Sale and Purchase Agreement and has abstained from voting on the relevant Board resolutions approving the Master Sale and Purchase Agreement. Except for Mr. Yang Tao, none of the Directors is materially interested in the Master Sale and Purchase Agreement and the transactions contemplated thereunder.

Save for the Original Master Sale and Purchase Agreement and the Master Sale and Purchase 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 YMCI Group.

## **GENERAL INFORMATION OF THE PARTIES TO THE MASTER SALE AND PURCHASE 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 the Yunnan Province and 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 principal businesses of the YMCI Group include the investment and construction of urban roads and infrastructure and the relevant industry operation and management, the investment, construction and management of water supply and drainage and pipe network, and investment and construction of urban service projects (including schools and hospitals).

### **Definition**

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

“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;

“controlling shareholder(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;
“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 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;
“Master Sale and Purchase Agreement”	the Master Sale and Purchase Agreement dated 29 December 2017 entered into between the Company and YMCI in respect of the provision of the Engineering Services by the Group to the 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 TourismConvention 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;
“Original Master Sale and Purchase Agreement”	the Master Sale and Purchase Agreement dated 6 November 2015 entered into between the Company and YMCI in respect of the provision of the Engineering Services by the Group to the YMCI Group;
“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;
“Proposed Annual Caps”	the maximum aggregate annual amounts for the transactions contemplated under the Master Sale and Purchase 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;
“YMCI Group”	YMCI and its subsidiaries, which for the purpose of this announcement and the Master Sale and Purchase 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.\*), a limited liability company established in the PRC on 22 April 2009, one of the controlling shareholders of the Company; and

“%”

per cent.

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

Kunming, the PRC  
29 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*