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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)**

## SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement of Yunnan Water Investment Co., Limited\* (the “**Company**”) dated 16 April 2021 in relation to the continuing connected transactions relating to the procurement master agreement (the “**Announcement**”). Capitalized terms used in this announcement shall have the meanings as those defined in the Announcement unless otherwise specifies.

Further to the information as disclosed in the Announcement, the Company wishes to provide its shareholders and the public with the additional information in relation to the Procurement Master Agreement.

### **(I) Price determination and pricing policy**

As Beijing OriginWater is one of the very few suppliers of this type of membrane ancillary materials in the current market in the PRC, the Company considers that there will be no similar third parties that are highly comparable in the circumstances. Therefore, for the price determination policy, “(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” in the paragraph headed “Price determination and pricing policy” in the Announcement is not applicable, and the price determination policy shall be based on “(ii) in the event that (i) is inapplicable, it shall be determined by both parties to the Procurement Master Agreement on fair and reasonable basis and on normal commercial terms and credit terms”. The Company and Beijing OriginWater have negotiated on the unit price of membrane ancillary materials to ensure that the unit price of membrane ancillary materials will not be higher than the average unit price for the last three years as compared to the historical unit prices, and Beijing OriginWater has confirmed with the Company that the procurement unit price of the Company is comparable to the unit price of similar membrane ancillary materials sold by it to other customers. Accordingly, the Directors of the Company believe that the procurement unit price of membrane ancillary materials as determined in the above manner is determined on reasonable and fair basis and on normal commercial terms.

The Company will also adopt an appropriate internal approval mechanism to ensure that the unit price of membrane ancillary materials maintains at a stable level each year prior to the conclusion of the relevant transaction. In the event that the price of membrane ancillary materials obtained by the Company is higher than the average unit price for the last three

years, or the procurement cost and profit margin is unreasonable, the Company will conduct procurement feasibility analysis through relevant departments including the bidding and procurement department, internal control department, legal department, finance department, etc., and prudently determine whether to continue the relevant transaction through the approval of the general manager's office or the Board. The Company will endeavour to further negotiate with Beijing OriginWater on more favorable terms so as to comply with the Company's pricing principles as disclosed above.

## **(II) Proposed Annual Caps**

Based on historical transaction amounts and taking into account the actual needs of the Company in the next three years, the proposed annual cap is RMB30,000,000 for each year, with reference to the following factors:

- (i) *Business needs in the next three years.* As of 31 December 2020, the Group had 57 water treatment projects under construction with the designed daily treatment capacity of approximately 1.99 million tonnes, representing a significant increase as compared to the past three years. Most of the abovementioned projects will require membrane ancillary materials and will be successively put into operation in the next three years. Based on historical unit prices and considering that the Company will obtain other new projects in the next three years, the total amount of membrane ancillary materials to be purchased is expected to further increase.
- (ii) *It cannot be ruled out that during the period of concentrated construction, the transaction amount may be exceptionally high in a particular year.* In view of the fact that in the past three years, the Company has experienced concentrated construction of projects in a particular year, which has resulted in a surge in demand for membrane ancillary materials and an exceptionally high transaction amount of membrane ancillary materials, with the transaction amount reached RMB20,540,000 in 2018. At present, the Company cannot accurately estimate the proportion or manner of expected total transaction amount for the three years ended 31 December 2023 to be incurred in the next three years, which means that it cannot be ruled out that the transaction amount may be high in a particular year in the next three years. Therefore, the Company is of the view that the proposed annual cap setting at RMB30,000,000 for the sake of prudence is a reasonable value that can adequately cover the actual needs of the Company under the foreseeable circumstances.

**Save as disclosed above, all other information set out in the Announcement remain unchanged.**

By order of the Board  
**Yunnan Water Investment Co., Limited\***  
**Li Jialong**  
*Chairman*

Kunming, the PRC  
6 May 2021

*As at the date of this announcement, the executive Directors are Mr. Yu Long (Vice-chairman) and Mr. Yang Fang, the non-executive Directors are Mr. Li Jialong (Chairman), Ms. Li Bo, Mr. Dai Richeng and Mr. Chen Yong, and the independent non-executive Directors are Mr. Liu Shuen Kong, Mr. Zhou Beihai and Mr. Zhong Wei.*

\* For identification purposes only