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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)

**VERY SUBSTANTIAL DISPOSAL
IN RELATION TO THE DISPOSAL OF 100%
INTEREST IN
THE TARGET COMPANY**

THE DISPOSAL

Reference is made to the announcement of the Company dated 6 May 2022, in relation to the potential disposal of 100% equity interest held by the Company in the Target Company by way of public tender through Shanghai Assets Exchange. As of the date of this announcement, the process of the public tender through Shanghai Assets Exchange has been completed.

The Board is pleased to announce that on 3 November 2022 (after trading hours), Yunnan Water (Hong Kong), a wholly-owned subsidiary of the Company (as vendor) and Global Environment Investment (as purchaser) entered into the Equity Transaction Agreement, pursuant to which, Yunnan Water (Hong Kong) has agreed to sell, and Global Environment Investment has agreed to acquire, the Disposal Interest at the Consideration of RMB296,259,700.

Upon completion of the Disposal, Yunnan Water (Hong Kong) will cease to have any equity interest in the Target Company and the Target Company will cease to be a subsidiary to be accounted for in the financial results of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement, circular and shareholders' approval requirements.

EGM AND CIRCULAR

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Disposal. To the best of the Directors' knowledge, no Shareholder or any of their respective associates has any material interest in the Disposal and accordingly, none of the Shareholders is required to abstain from voting in respect of the ordinary resolution to approve the Disposal at the EGM.

A circular containing, among other things, (i) further details of the Disposal; (ii) the pro forma financial information of the remaining Group; (iii) notice of the EGM; and (iv) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 24 November 2022.

The Disposal may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE DISPOSAL

Reference is made to the announcement of the Company dated 6 May 2022, in relation to the potential disposal of 100% equity interest held by the Company in the Target Company by way of public tender through Shanghai Assets Exchange. As of the date of this announcement, the process of the public tender through Shanghai Assets Exchange has been completed.

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THE EQUITY TRANSACTION AGREEMENT

Date: 3 November 2022 (after trading hours)

Parties: (i) Yunnan Water (Hong Kong) (as vendor); and
(ii) Global Environment Investment (as purchaser)

Global Environment Investment is an indirect wholly-owned subsidiary of SIIC ENVIRONMENT HOLDINGS LTD. (上海實業環境控股有限公司), a company incorporated in Singapore with limited liability, the shares of which are listed on the main board of The Singapore Exchange Securities Trading Limited (stock code: BHK) and the Main Board of the Stock Exchange (stock code: 807).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Global Environment Investment and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules) as at the date of this announcement.

Disposal Interest

Under the Disposal, Yunnan Water (Hong Kong) has agreed to sell, and Global Environment Investment has agreed to acquire, 100% interest in the Target Company.

Consideration, Payment Terms and Basis of Determining the Consideration

The Company has entrusted Shanghai Assets Exchange to obtain the equity bidder by way of public tender, and the method of agreement transfer is adopted. The Consideration of the Disposal is RMB296,259,700, which was determined and equivalent to the appraised value of the Disposal Interest as at 31 December 2021 by an independent PRC valuer using the asset-based approach and income approach.

Payment Method of the Consideration

Global Environment Investment shall pay the Consideration in an one-off payment of RMB296,259,700 to the designated bank account of Yunnan Water (Hong Kong) within 3 working days from the effective date of the Equity Transaction Agreement.

Equity Transfer and Registration

Yunnan Water (Hong Kong) and Global Environment Investment shall cooperate to complete the transfer of the interest of the Target Company and attend to the change of registration procedures within 60 working days from the effective date of the Equity Transaction Agreement.

During the period from the transaction reference date (i.e. 31 December 2021) to the completion of the transfer of the interest of the Target Company, Yunnan Water (Hong Kong) is obliged to maintain good management of the Target Company and its shareholder's rights and assets.

Effective Date of the Equity Transaction Agreement

The Equity Transaction Agreement shall be effective from the date when it is signed and sealed by the legal representatives of both parties.

Completion of the Disposal

Completion of the Disposal is conditional on the obtaining and completion of all necessary authorization, approval and internal company decision-making procedures. The Disposal is conditional on approval by the Company's shareholders in general meeting.

PROFIT FORECAST REQUIREMENTS UNDER THE LISTING RULES

The valuation of the Disposal Interest (the “**Valuation**”) was conducted by Wokesen (Beijing) International Assets Assessment Limited Company (沃克森(北京)國際資產評估有限公司) (the “**Valuer**”), an independent PRC valuer, using the asset-based approach. Major assets of the Target Company comprise its equity interests held in the Project Companies which have been accounted for as the long-term equity investment of the Target Company, and the income approach was on the other hand adopted in the valuation of the Project Companies. Accordingly, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. This announcement is therefore subject to the requirements under Rules 14.60A and 14.62 of the Listing Rules in relation to profit forecast. For the purpose of complying with Rules 14.60A and 14.62 of the Listing Rules, the details of the principal assumptions, including commercial assumptions, upon which the Valuation was based are as follows:

Basic Assumptions

1. Transaction Assumption

The transaction assumption assumes that all the assets and liabilities to be valued are in the course of transaction and the valuation assessed by the Valuer is based on a simulated market which involves the transaction conditions of the assets to be valued. The transaction assumption is one of the most fundamental assumptions for the performance of asset valuation.

2. Open Market Assumption

The open market assumption assumes that the parties to the assets transaction or the proposed assets transaction in the market have equal bargaining power and have the opportunities and time to obtain sufficient market information in order to make a rational judgment on the assets, including their functions, uses and transaction prices. The basis of open market assumption is that the assets can be traded openly in the market.

3. Asset Going-concern Assumption

The asset going-concern assumption means that the valuation method, parameters and basis shall be determined on the premise that the valued assets will be continuously used in consistence with their current functions and methods, scale, frequency and environment of application, or used on the basis of certain changes thereof.

4. Corporate Going-concern Assumption

The corporate going-concern assumption assumes that businesses of the valued entities will continuously operate and maintain the same operation method as its currently operates.

General Assumptions

1. From the valuation reference date, there are no significant changes in the macro environment, that is, the political, economic and social environment, etc. of the appraised entity's principal place of business and the region in which its business is conducted.
2. Except those laws, rules and regulations already enacted or enacted but not yet enforced by the government of the appraised entity's principal place of business and the region on or before the valuation reference date, there are no significant changes in such laws, rules and regulations that may materially and adversely affect the appraised entity and its business operation during the income period.
3. From the valuation reference date, there are no significant changes to the currency exchange rate, interest rate, tax rate and inflation that will cause material adverse effects on the business condition of the appraised entity during the income period (considering the changes to the currency exchange rate between the valuation reference date and the valuation report date).

4. From the valuation reference date, there are no material adverse effects on the appraised entity caused by other force majeure factors beyond the control of human and unforeseeable factors.
5. The appraised entity and all assets of the appraised entity will continue to be used in accordance with the current purpose and manner in the income forecast period.
6. The accounting policies adopted by the appraised entity during the income forecast period are consistent, continuous and comparable with those adopted as at the valuation reference date in all material respects.
7. The appraised entity and the business operation of the appraised entity will fulfill all legal and regulatory requirements necessary to conduct its business during the income forecast period.
8. The management of the appraised entity is diligent and responsible, with adequate management skills and good professional ethics; and during the income forecast period, subject to the key management personnel and technical staff on the valuation reference date, there are no significant changes that may affect the business operation of the appraised entity, that the management team will develop stably, and there are no significant changes to the management policies that may affect the business operation of the appraised entity.
9. The information provided by the principal and the appraised entity are true, complete, reliable, with no reason to suspect that any material information has been withheld or omitted, and it is assumed that defected matters or contingent matters that may affect valuation result may not be detected even if the valuer has performed all necessary valuation procedures.
10. There will be no litigation, pledge or guarantee etc., that will cause material adverse effected to the business performance of the appraised entity during the income forecast period.

Specific Assumptions

1. Except with evidence that there will be material change to the fixed asset investment on the valuation reference date, there will be no significant investment activities on fixed assts that will cause material adverse effects in the business operation of the appraised entity during the income forecast period, the production capacity of the entity's products will be evaluated on the valuation reference date.
2. The valuation does not include any effects/changes on the value of the appraised entity caused by its investment of outbound/foreign investment after the valuation reference date.
3. The net profit (after taxation) and the revenue of the appraised entity will remain consistent in general, that is, there will be no material adjustment on perpetual difference and temporal difference during the income forecast period.
4. The turnover of receivables and payables shall remain consistent during the income forecast period in comparison to the settlement history, where no significant difference in default during the income forecast period in comparison to the settlement history.

5. The cash inflow and cash outflow will occur regularly during the income forecast period, and not to recognize revenue during a single point in time in a financial year.

Confirmations

Moore Stephens CPA Limited has been engaged by the Company to review the calculations of the discounted future cash flows upon which the Valuation was based on, which do not involve the adoption of accounting policies and the appropriateness and validity of the assumptions.

The Board has reviewed and considered the Valuation including the principal assumptions upon which the Valuation was based. The Board has also considered the report from Moore Stephens CPA Limited. On the basis of the foregoing, the Board is of the opinion that the Valuation has been made after due and careful enquiry.

A letter from the Board and a report from Moore Stephens CPA Limited are included in the appendices to this announcement for the purpose of Rules 14.60A and 14.62 of the Listing Rules.

Experts and Consents

The qualifications of the Valuer and Moore Stephens CPA Limited are as follows:

Name	Qualifications
Wokesen (Beijing) International Assets Assessment Limited Company	Professional valuer
Moore Stephens CPA Limited	Certified Public Accountants

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of the Valuer and Moore Stephens CPA Limited is a third party independent of the Group and is not a connected person of the Group. As at the date of this announcement, neither of the Valuer and Moore Stephens CPA Limited has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group. As at the date of this announcement, each of the Valuer and Moore Stephens CPA Limited does not have any direct or indirect interests in any assets which have been since 31 December 2021 (the date to which the latest published annual result of the Group were made up) acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group. Each of the Valuer and Moore Stephens CPA Limited has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its opinion and advice in its report/letter and all references to its name in the form and context in which it appears in this announcement.

INFORMATION OF THE COUNTERPARTY

Global Environment Investment was a company incorporated in Hong Kong with limited liability and, to the best knowledge of the Directors, is primarily engaged in investment holding. Global Environment Investment is an indirect wholly-owned subsidiary of SIIC ENVIRONMENT HOLDINGS LTD. (上海實業環境控股有限公司), a company incorporated in Singapore with limited liability, the shares of which are listed on the main board of The Singapore Exchange Securities Trading Limited (stock code: BHK) and the Main Board of the Stock Exchange (stock code: 807), and is principally engaged in wastewater treatment, water supply, sludge treatment, solid waste incineration and other environment-related businesses.

INFORMATION OF THE GROUP

The Group is one of the leading integrated service providers in the urban wastewater treatment and water supply industry in the PRC. The major business of the Company includes the investment, construction and management services in relation to urban water supply, wastewater treatment, solid waste treatment and environmental governance projects, equipment sales and other environmental protection related services.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the British Virgin Islands with limited liability, and is a wholly-owned subsidiary of Yunnan Water (Hong Kong), which is in turn a wholly-owned subsidiary of the Company. The principal business of the Target Company is investment holding. The Target Company holds the entire equity interests in each of the Project Companies, the principal businesses of which are set out below:

Project Company	Principal Business
Kaiquan Changshu	Operation of wastewater treatment plant project in Changshu City, Jiangsu Province
Kaiquan Taizhou	Operation of wastewater treatment plant project in Taizhou City, Jiangsu Province
Kaiquan Tiantai	Operation of wastewater treatment plant project in Tiantai County, Taizhou City, Zhejiang Province
Kaiquan Dafeng	Operation of water supply plant project in Dafeng District, Yancheng City, Jiangsu Province

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the key audited financial information of the Target Company for the two financial years ended 31 December 2020 and 31 December 2021 prepared according to the PRC accounting standards.

	For the year ended/As at	
	31 December 2020	31 December 2021
	<i>RMB million</i>	<i>RMB million</i>
	<i>(audited)</i>	<i>(audited)</i>
Operating revenue	104.6	117.3
Profit before tax	39.4	15.9
Profit after tax	28.7	9.8
Total assets	595.4	604.1
Total liabilities	335.0	457.8
Net assets	260.4	146.3

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon completion of the Disposal, Yunnan Water (Hong Kong) will cease to have any equity interest in the Target Company and the Target Company will cease to be a subsidiary to be accounted for in the financial results of the Company.

The Group is expected to record an unaudited gain on the Disposal of approximately RMB134.7 million. Such unaudited gain is estimated based on gross proceeds from the Disposal of approximately RMB296.3 million less the net asset value of the Target Company of approximately RMB146.3 million as at 31 December 2021, and after deducting the expenses directly attributable to the Disposal in aggregate of approximately RMB15.3 million. Please note that the actual gain recorded by the Group from the Disposal will be subject to the book value of the Target Company accounted for in the financial statements of the Group upon completion of the Disposal, and may therefore be different from the above amount.

The net proceeds from the Disposal, after deducting the expenses directly attributable thereto, will amount to approximately RMB281 million. It is intended that the net proceeds from the Disposal will be used for the Group's working capital.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Based on the strategic development and the internal management needs of the Company, the Company decides to proceed the Disposal. The Directors believe that the Disposal will alleviate the ongoing financial difficulties of the Group and lower the debt level and asset-liability ratio of the Company. Furthermore, taking into account its current financial conditions, the Group might have difficulties in the follow-up investment and financing to maintain the licenses for the operations of the Project Companies.

The Directors (including independent non-executive Directors) are of the view that the Disposal is on normal commercial terms which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement, circular and shareholders' approval requirements.

EGM AND CIRCULAR

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Disposal. To the best of the Directors' knowledge, no Shareholder or any of their respective associates has any material interest in the Disposal and accordingly, none of the Shareholders is required to abstain from voting in respect of the ordinary resolution to approve the Disposal at the EGM.

A circular containing, among other things, (i) further details of the Disposal; (ii) the pro forma financial information of the remaining Group; (iii) notice of the EGM; and (iv) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 24 November 2022.

The Disposal may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the following meanings in this announcement:

“Articles of Association”	the articles of association of the Company;
“Board”	the board of Directors of the Company;
“Circular”	a circular of the Company containing, among other things, information relating to the Disposal;
“Company”	Yunnan Water Investment Co., Limited* (雲南水務投資股份有限公司), a joint stock limited liability company incorporated in the PRC, its H Shares are listed on the Main Board of the Stock Exchange (stock code: 6839.HK);
“Consideration”	the consideration in the sum of RMB296,259,700 for the Disposal;

“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Disposal Interest by Yunnan Water (Hong Kong) to Global Environment Investment in accordance with the terms and conditions of the Equity Transaction Agreement;
“Disposal Interest”	100% interest in the Target Company legally and beneficially owned by Yunnan Water (Hong Kong);
“Domestic Share(s)”	the issued ordinary shares at the nominal value of RMB1.00 per share in the share capital of the Company which are subscribed for or credited as paid up in RMB;
“Equity Transaction Agreement”	the sale and purchase agreement dated 3 November 2022, together with its supplemental agreement(s), entered into between Yunnan Water (Hong Kong) and Global Environment Investment in relation to the Disposal;
“Global Environment Investment”	Global Environment Investment (HK) Limited, a limited liability company incorporated in Hong Kong;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“H Share(s)”	the overseas listed foreign-invested ordinary shares of the Company with a nominal value of RMB1.00 per share in the share capital of the Company, which are listed on the Main Board of the Stock Exchange (stock code: 6839.HK) and subscribed for and traded in Hong Kong dollars;
“Kaiquan Changshu”	Kaifu Xinquan Water (Changshu) Co, Ltd* (凱發新泉水務(常熟)有限公司), a limited liability company established in the PRC and one of the Project Companies;
“Kaiquan Dafeng”	Kaifu Xinquan Water (Dafeng) Co, Ltd* (凱發新泉水務(大豐)有限公司), a limited liability company established in the PRC and one of the Project Companies;
“Kaiquan Taizhou”	Kaifu Xinquan Water (Taizhou) Co, Ltd* (凱發新泉水務(泰州)有限公司), a limited liability company established in the PRC and one of the Project Companies;
“Kaiquan Tiantai”	Kaifu Xinquan Water (Tiantai) Co, Ltd* (凱發新泉水務(天台)有限公司), a limited liability company established in the PRC and one of the Project Companies;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“Project Companies”	Kaiquan Changshu, Kaiquan Taizhou, Kaiquan Tiantai, Kaiquan Dafeng;
“RMB”	Renminbi, the lawful currency of PRC;
“Share(s)”	the Domestic Shares and/or H Shares;
“Shareholder(s)”	the holder(s) of the Share(s);
“Shanghai Assets Exchange”	Shanghai United Assets and Equity Exchange Co., Ltd.* (上海聯合產權交易所有限公司), an institution authorised by the Shanghai Municipal State-owned Assets Supervision and Administration Commission to transact assets and equity of state-owned enterprises under the Shanghai Municipal Government;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Yunshui Technology Co., Ltd* (雲水科技有限公司), a company incorporated in the British Virgin Islands with limited liability;
“Yunnan Water (Hong Kong)”	Yunnan Water (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability; and
“%”	percentage.

On behalf of the Board
Yunnan Water Investment Co., Limited*
Yu Long
Acting Chairman

Kunming, the PRC
3 November 2022

As at the date of this announcement, the executive directors are Mr. Yu Long (Acting Chairman) and Mr. Zhou Zhimi, the non-executive directors are Mr. Dai Richeng, Mr. Chen Yong and Mr. Liu Hui, and the independent non-executive directors are Mr. Liu Shuen Kong, Mr Zhou Beihai and Mr. Zhong Wei.

* For identification purposes only

APPENDIX I — LETTER FROM MOORE STEPHENS CPA LIMITED RELATING TO THE PROFIT FORECAST

The following is the text of a report received from Moore Stephens CPA Limited for the purpose of incorporation in this announcement.

The Board of Directors
Yunnan Water Investment Co., Limited
2089 Haiyuan Bei Road
Gaoxin District
Kunming, Yunnan
PRC

Dear Sirs,

REPORT ON DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE EQUITY INTERESTS IN THE PROJECT COMPANIES (AS DEFINED BELOW)

To the Board of Directors of Yunnan Water Investment Co., Limited

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Wokesen (Beijing) International Assets Assessment Limited Company dated 15 August 2022 in respect of the equity interests in Kaifu Xinquan Water (Changshu) Co, Ltd., Kaifu Xinquan Water (Dafeng) Co, Ltd., Kaifu Xinquan Water (Taizhou) Co, Ltd. and Kaifu Xinquan Water (Tiantai) Co, Ltd (collectively referred to as the “**Project Companies**”) which have been accounted for as the long-term equity investment of Yunshui Technology Co., Ltd. (“**Target Company**”), as at 31 December 2021 (the “**Valuation**”) is based. The Valuation, prepared in connection with the Project Companies is set out in the announcement dated 3 November 2022 (the “**Announcement**”). The Valuation which is based on the discounted future estimated cash flows is regarded as profit forecasts under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibilities

The directors of the Target Company (the “**Directors**”) are solely responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Directors and set out in the Announcement (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting Accountant's Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our engagement in accordance with the terms of our engagement letter dated 28 October 2022 and Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of the Target Company. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Yours faithfully,

Moore Stephens CPA Limited
Certified Public Accountants

Cheung Sai Kit
Practising Certificate Number: P05544

Hong Kong, 3 November 2022

APPENDIX II — LETTER FROM THE BOARD RELATING THE PROFIT FORECAST

The following is the text of a letter from the Board for the purpose of incorporation in this announcement.



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)

3 November 2022

Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place Central
Hong Kong

Dear Sirs,

Re: Announcement — Very Substantial Disposal in relation to the Disposal of 100% Interest in the Target Company

We, Yunnan Water Investment Co., Limited (the “Company”) (stock code: 6839), refer to the announcement of the Company dated 3 November 2022 (the “Announcement”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

We refer to the Valuation conducted by Wokesen (Beijing) International Assets Assessment Limited Company, an independent valuer. The Valuation adopts an asset-based approach and income approach, among which the income approach (which is based on the discounted cash flow forecast) is regarded as a profit forecast under Rule 14.61 of the Listing Rules. We have discussed with the Valuer the different aspects upon which the Valuation was prepared (including the principal and commercial assumptions) and have reviewed the Valuation for which the Valuer is responsible.

Pursuant to Rule 14.62 of the Listing Rules, we have also engaged Moore Stephens CPA Limited, acting as the Company's reporting accountants, to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (which does not involve the adoption of accounting policies), and considered the report from Moore Stephens CPA Limited which was prepared in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants, as set out in Appendix I to the Announcement.

On the basis of the above, we confirm that the Valuation has been made after due and careful enquiry by us.

Yours faithfully,

On behalf of the Board

Yunnan Water Investment Co., Limited

Yu Long

Acting Chairman