
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Yunnan Water Investment Co., Limited*, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

(1) CONNECTED TRANSACTIONS:

PARENT GUARANTEE AND GUARANTEE FEE

(2) CONNECTED AND MAJOR TRANSACTION: EQUITY PLEDGE

**Independent Financial Adviser to the
Independent Board Committee and the Independent Shareholders**



The EGM of Yunnan Water Investment Co., Limited* will be held at 10:00 a.m. on Tuesday, 25 May 2021 at Conference Room 5th Floor, Yunnan Water, 2089 Haiyuan Bei Road, Gaoxin District, Kunming, Yunnan Province, the PRC. A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. The proxy form for the EGM is enclosed herewith, and the same is also published on the website of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.yunnanwater.cn).

Whether or not you are able to attend the EGM, you are advised to complete and sign and return as soon as possible the enclosed proxy form in accordance with the instructions printed thereon. The proxy form for holders of H Shares should be returned to the Company's H Share registrar in Hong Kong, Tricor Investor Services Limited, located at 54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, and the proxy form for holders of Domestic Shares should be returned to the secretariat of the Board at 5th Floor, Yunnan Water, 2089 Haiyuan Bei Road, Gaoxin District, Kunming, Yunnan Province, the PRC by no later than 24 hours before the time appointed for convening the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM, or any adjourned meeting, in person if you so wish.

* For identification purposes only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Bank”	Industrial Bank, Kunming Branch* (興業銀行昆明分行)
“Beijing OriginWater”	Beijing OriginWater Technology Co., Ltd.* (北京碧水源科技股份有限公司), a limited liability company established in the PRC, the shares of which are listed on Shenzhen Stock Exchange (stock code: 300070)
“Board”	the board of Directors of the Company
“Caiyun International”	Caiyun International Investment Limited (彩雲國際投資有限公司), a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of YHTH
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Counter Guarantee”	the provision of the Equity Pledge and the payment of the Guarantee Fee in consideration for the Parent Guarantee
“COVID-19”	novel coronavirus (COVID-19), a coronavirus disease which has its outbreak in the PRC, Hong Kong and worldwide since around January 2020
“Director(s)”	the director(s) of the Company
“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
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Guarantee Agreement, the Equity Pledge Agreement, the Guarantee Fee Agreement and the transactions contemplated thereunder

DEFINITIONS

“Entrusted Fund”	the fund in the amount of RMB500,000,000 entrusted by the Bank to the Lender
“Entrusted Fund Contract”	the entrusted fund contract (資金信託合同) entered into between the Lender and the Bank on 11 September 2020 in relation to the Entrusted Fund
“Entrusted Loan Contract”	the renewable entrusted loan contract (可續期信託貸款合同) entered into between the Company and the Lender dated 11 September 2020
“Equity Pledge”	the pledge of the entire equity interest in Yunnan Solid Waste by the Company to Yunnan Investment Group pursuant to the Equity Pledge Agreement
“Equity Pledge Agreement”	the equity pledge agreement entered into between the Company and Yunnan Investment Group dated 11 December 2020
“Group”	the Company and its subsidiaries
“Guarantee Agreement”	the shortfall payment and transfer of trust interests agreement (差額支付與信託受益權遠期受讓協議) entered into between Yunnan Investment Group and the Lender dated 11 September 2020
“Guarantee Fee”	the annual guarantee fee payable by the Company to Yunnan Investment Group pursuant to the Guarantee Fee Agreement
“Guarantee Fee Agreement”	the fee agreement dated 11 December 2020 entered into between the Company and Yunnan Investment Group in respect of the annual guarantee fee payable by the Company to Yunnan Investment Group
“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
“Independent Board Committee”	a committee under of the Board of Directors which is set up for the purpose of advising the Independent Shareholders on the Parent Guarantee and the Counter Guarantee, including all the independent non-executive Directors, namely Mr. Liu Shuen Kong, Mr. Zhong Wei and Mr. Zhou Beihai

DEFINITIONS

“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Parent Guarantee and the Counter Guarantee
“Independent Shareholders”	Shareholders other than YHTH and its associates
“Independent Third Party(ies)”	the third party(ies) who are independent of and are not connected with the Company and its connected persons (as defined in the Listing Rules)
“Latest Practicable Date”	16 April 2021
“Lender”	Yunnan International Trust Co., Ltd.* (雲南國際信託有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Loan”	the loan facility in the principal amount of up to RMB500,000,000 granted by the Lender to the Company pursuant to the Entrusted Loan Contract
“Parent Guarantee”	the guarantee provided by Yunnan Investment Group in favour of the Lender pursuant to the Guarantee Agreement
“PRC” or “the People’s Republic of China”	the People’s Republic of China, for the purpose of this circular only, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the Domestic Shares and/or H Shares
“Shareholder(s)”	the holder(s) of the Share(s)
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Supervisor(s)”	supervisor(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Trust”	the unit trust established by the Bank, as settlor and beneficiary, and the Lender, as trustee, under the Entrusted Fund Contract
“YHTH”	Yunnan Health&Cultural Tourism Holding Group Co., Ltd.* (雲南省康旅控股集團有限公司) (formerly known as Yunnan Metropolitan Construction Investment Co., Ltd.* (雲南省城市建設投資集團有限公司)), a limited liability company established in the PRC and is the sole shareholder of Yunnan Province Water and one of the controlling shareholders of the Company which is held as to approximately 44.92% by Yunnan Investment Group as at the date of this circular
“Yunnan Investment Group”	Yunnan Investment Holding Group Co., Ltd.*(雲南省投資控股集團有限公司), a limited liability company incorporated in the PRC
“Yunnan Solid Waste”	Yunnan Solid Waste Treatment Investment Co., Ltd.* (雲南固廢投資有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Yunnan Province Water”	Yunnan Province Water Industry Investment Co., Ltd.*(雲南省水務產業投資有限公司), a limited liability company established in the PRC, which is one of the controlling shareholders of the Company
“%”	per cent

* For identification purposes only

EXPECTED TIMETABLE

2021

Deadline for registration of transfer of Shares in order to be eligible for attending and voting at the EGM	4:30 p.m. on Friday, 14 May
Suspension of registration of transfer of Shares	Monday, 17 May to Tuesday, 25 May (both dates inclusive)
Deadline for returning the proxy form for the EGM	10:00 a.m. on Monday, 24 May
EGM	10:00 a.m. on Tuesday, 25 May
Resumption of registration of transfer of Shares	Wednesday, 26 May

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Yu Long (*Vice chairman*)

Mr. Yang Fang

Non-executive Directors:

Mr. Li Jialong (*Chairman*)

Mr. Dai Richeng

Ms. Li Bo

Mr. Chen Yong

Independent Non-executive Directors:

Mr. Liu Shuen Kong

Mr. Zhong Wei

Mr. Zhou Beihai

**Registered office and principal place
of business in the PRC:**

Yunnan Water
2089 Haiyuan Bei Road
Gaoxin District
Kunming, Yunnan
PRC

Principal place of business in Hong Kong:

Suites 3110–11, 31/F, Tower 1
The Gateway, Harbour City
25 Canton Road, Tsim Sha Tsui, Kowloon
Hong Kong

23 April 2021

To the Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION:

PARENT GUARANTEE AND GUARANTEE FEE

(2) CONNECTED AND MAJOR TRANSACTION: EQUITY PLEDGE

INTRODUCTION

Reference is made to the announcement of the Company dated 11 December 2020 in relation to, among other things, the Parent Guarantee and the Counter Guarantee.

Pursuant to the Entrusted Loan Contract, the Lender has granted the Loan in the principal amount up to RMB500,000,000 to the Company for a period of 12 months commencing on the date of the Entrusted Loan Contract subject to renewal for an extended period. For the purposes of the provision of the Loan by the Lender to the Company, the Entrusted Fund was entrusted with the Lender by the Bank pursuant to the Entrusted Fund Contract.

LETTER FROM THE BOARD

In connection with the Entrusted Loan Contract, Yunnan Investment Group entered into the Guarantee Agreement in favour of the Lender to guarantee the repayment obligations of the Company under the Entrusted Loan Contract.

As part of the Counter Guarantee, on 11 December 2020 (after trading hours), the Company and Yunnan Investment Group entered into the Equity Pledge Agreement, pursuant to which, the Company (as pledger) has agreed to pledge its entire equity interest in Yunnan Solid Waste to Yunnan Investment Group (as pledgee) to secure the Parent Guarantee provided by Yunnan Investment Group in favour of the Lender pursuant to the Guarantee Agreement. On the same day, in consideration for the Parent Guarantee, the Company and Yunnan Investment Group entered into the Guarantee Fee Agreement, pursuant to which the Company shall pay an annual guarantee fee calculated at 1.0% per annum based on the actual drawdown amount of the Loan under the Entrusted Loan Contract for the relevant year to Yunnan Investment Group as part of the Counter Guarantee.

Yunnan Investment Group is the controlling shareholder of YHTH, and hence a connected person of the Company under Rule 14A.07 of the Listing Rules. The provision of the Parent Guarantee constituted a connected transaction in the form of financial assistance in favour of the Company.

However, in the absence of the Equity Pledge, as the Parent Guarantee is not secured by any assets of the Group, and as the Directors consider that the Guarantee Agreement is entered into on normal commercial terms or better, the Parent Guarantee is fully-exempted from the independent shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules. Nonetheless, upon completion of the Equity Pledge Agreement, the Parent Guarantee will be secured by the Equity Pledge and the exemption under Rule 14A.90 of the Listing Rules shall no longer be applicable. The provision of the Equity Pledge under the Equity Pledge Agreement and the payment of the Guarantee Fee under the Guarantee Fee Agreement comprising the Counter Guarantee constitute connected transactions in the form of financial assistance provided by the Company in favour of Yunnan Investment Group. As such, the Guarantee Agreement, the Equity Pledge Agreement, the Guarantee Fee Agreement and the transactions contemplated thereunder constitute connected transactions under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Parent Guarantee and the Equity Pledge provided pursuant to the Guarantee Agreement and the Equity Pledge Agreement, respectively, and the payment of the Guarantee Fee pursuant to the Guarantee Fee Agreement exceed 5%, the Guarantee Agreement, the Equity Pledge Agreement, the Guarantee Fee Agreement and the transactions contemplated thereunder is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as one of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Equity Pledge, are exceeds 25% but is less than 75%, the Equity Pledge constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and the Equity Pledge Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The purposes of this circular are to provide you with, among other things, further details of the Parent Guarantee and the Counter Guarantee.

LETTER FROM THE BOARD

THE GUARANTEE AGREEMENT

The salient terms of the Guarantee Agreement are summarised as follows:

- Date** : 11 December 2020 (after trading hours)
- Parties** : (i) The Lender (as beneficiary); and
(ii) Yunnan Investment Group (as purchaser)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lender and its ultimate beneficial owners are Independent Third Parties.

- Obligations under the Parent Guarantee** : Yunnan Investment Group, as guarantor, shall be responsible for any shortfall between (i) the expected distributable trust interests entitled by the Bank, as settlor and beneficiary, under the Entrusted Fund Contract (including but not limited to the remaining portion of the Entrusted Fund which is yet to be distributed/administered by the Lender, the relevant tax expenses, trust fees and expected trust gains due and payable) as at any distribution date on which the Trust is subsisting, and (ii) the principal amount of the Loan drawn down, any interests thereon and any liquidated damages due and payable under the Entrusted Loan Contract (the "**Shortfall Payment**"). As part of the Parent Guarantee, all the beneficial interests entitled by the Bank under the Entrusted Fund Contract shall be assigned by the Bank to Yunnan Investment Group at a consideration as determined in accordance with the terms of the Guarantee Agreement (the "**Consideration**") on the first anniversary of the establishment of the Trust, and Yunnan Investment Group shall then be subrogated to all the rights and obligations originally entitled by the Bank under the Entrusted Fund Contract.

- Security** : The Equity Pledge

- Term** : From the date of the Guarantee Agreement to the date on which the Trust is terminated

THE EQUITY PLEDGE AGREEMENT

- Date** : 11 December 2020 (after trading hours)
- Parties** : (i) Yunnan Investment Group (as pledgee); and
(ii) The Company (as pledger)

LETTER FROM THE BOARD

- Subject Matter of the Equity Pledge** : The entire equity interest of Yunnan Solid Waste (with the corresponding registered capital of RMB535,710,000) and all legal rights attached thereto held by the Company. Yunnan Solid Waste is a company established in the PRC with limited liability and is principally engaged in the investment of solid waste treatment projects, research, development and consultation of solid waste treatment technology and facilities and manufacturing of solid waste treatment facilities. According to the unaudited consolidated financial information of Yunnan Solid Waste for the year ended 31 December 2020, as at 31 December 2020, the net asset value attributable to the shareholders of Yunnan Solid Waste amounted to approximately RMB491.0 million, and the revenue and net loss attributable to the shareholders of Yunnan Solid Waste for the year ended 31 December 2020 amounted to approximately RMB293.0 million and RMB42.4 million, respectively.
- Obligations under the Equity Pledge** : In consideration of the provision of the Parent Guarantee by Yunnan Investment Group to the Lender, the Company shall provide the Equity Pledge to secure the liability (i) within the scope of the Equity Pledge under the Equity Pledge Agreement, and (ii) arising from any claims brought against Yunnan Investment Group pursuant to the Guarantee Agreement by the Lender prior to the due date of repayment of the drawn portion of the Loan by the Company under the Entrusted Loan Contract.
- Scope of the Equity Pledge** : The Company has agreed to secure the fees incurred, including but not limited to those incurred under the Guarantee Agreement by Yunnan Investment Group:
- (i) all payments payable by Yunnan Investment Group to the Lender pursuant to the Guarantee Agreement, including but not limited to the Shortfall Payment, the Consideration, interests thereon, penalty interests, compound interests, liquidated damages and all other relevant expenses; and
 - (ii) all expenses incurred by Yunnan Investment Group in exercising its rights to any claims as a creditor and the Equity Pledge under the Equity Pledge Agreement, including but not limited to litigation fees, legal fees, delivery fees and travel expenses, etc.
- Condition** : The Equity Pledge takes effect upon the completion of registration with the relevant PRC government authorities in accordance with the relevant PRC laws and regulations and the terms of the Equity Pledge Agreement. Pursuant to the Listing Rules, the provision of the Equity Pledge is subject to the Independent Shareholders' approval. The Equity Pledge Agreement will take effect upon after such approval is obtained.
- Term** : From the date of the Equity Pledge Agreement to the end of the statutory limitation period as prescribed by the applicable PRC laws within which a claim under the Entrusted Loan Contract and the Guarantee Agreement must be brought. In the event that the Lender ceases to grant the undrawn portion of the Loan or demands for an early repayment of the Loan that has been drawn down, the obligations of the Company under the Equity Pledge Agreement shall be released accordingly.

LETTER FROM THE BOARD

THE GUARANTEE FEE AGREEMENT

The salient terms of the Guarantee Fee Agreement are summarised as follows:

Date	:	11 December 2020
Parties	:	(i) The Company; and (ii) Yunnan Investment Group
Guarantee fee	:	Calculated at 1.0% per annum based on the actual drawdown amount of the Loan under the Entrusted Loan Contract for the relevant year
Payment	:	Payable on an annual basis in arrears within 5 business days from the day of drawing down the relevant portion of the Loan by the Company to Yunnan Investment Group
Liquidated damages	:	Calculated at 0.05% per day based on the outstanding Guarantee Fee due and payable until all such outstanding amount has been fully settled
Term	:	From the date of the Guarantee Fee Agreement to the date when the Company has fully performed its contractual obligations under the Entrusted Loan Contract, and the Company shall notify Yunnan Investment Group of the full performance of obligations under the Entrusted Loan Contract in writing within 5 business days

INFORMATION OF THE COMPANY

The Company is one of the leading integrated service providers in the urban wastewater treatment and water supply industry in the PRC. Its principal operations include 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 YUNNAN INVESTMENT GROUP

Yunnan Investment Group is a company established in the PRC with limited liability and is primarily engaged in basic industry, infrastructure, competitive industry projects in Yunnan Province, and investment in key projects of various departments of the State Council of the PRC in Yunnan Province, etc.. As at the Latest Practicable Date, Yunnan Investment Group holds approximately 44.92% of YHTH, one of the controlling shareholders of the Company.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE PARENT GUARANTEE AND THE COUNTER GUARANTEE

In view of the long-standing credibility and the established business operation of Yunnan Investment Group, the Lender has requested Yunnan Investment Group to provide the Parent Guarantee for the Loan for the purposes of enhancing the Group's working capital for the strategic development and internal management needs of the Group. Yunnan Investment Group has on the other hand provided the Parent Guarantee to facilitate the grant of the Loan to the Company. In return, the Company has therefore provided the Counter Guarantee in consideration for the Parent Guarantee provided by Yunnan Investment Group.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the provision of the Parent Guarantee and the Counter Guarantee are on normal commercial terms, and fair and reasonable, which are entered into in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole. As none of the Directors has any material interest in the Guarantee Agreement, the Equity Pledge Agreement, the Guarantee Fee Agreement and the transactions contemplated thereunder, no Director was required to abstain from voting on the relevant resolutions of the Board.

LISTING RULES IMPLICATIONS

Yunnan Investment Group is the controlling shareholder of YHTH, and hence a connected person of the Company under Rule 14A.07 of the Listing Rules. The provision of the Parent Guarantee constituted a connected transaction in the form of financial assistance in favour of the Company.

However, in the absence of the Equity Pledge, as the Parent Guarantee is not secured by any assets of the Group, and as the Directors consider that the Guarantee Agreement is entered into on normal commercial terms or better, the Parent Guarantee is fully-exempted from the independent shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules. Nonetheless, upon completion of the Equity Pledge Agreement, the Parent Guarantee will be secured by the Equity Pledge and the exemption under Rule 14A.90 of the Listing Rules shall no longer be applicable. The provision of the Equity Pledge under the Equity Pledge Agreement and the payment of the Guarantee Fee under the Guarantee Fee Agreement comprising the Counter Guarantee constitute connected transactions in the form of financial assistance provided by the Company in favour of Yunnan Investment Group. As such, the Guarantee Agreement, the Equity Pledge Agreement, the Guarantee Fee Agreement and the transactions contemplated thereunder constitute connected transactions under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Parent Guarantee and the Equity Pledge provided pursuant to the Guarantee Agreement and the Equity Pledge Agreement, respectively, and the payment of the Guarantee Fee pursuant to the Guarantee Fee Agreements exceed 5%, the Guarantee Agreement, the Equity Pledge Agreement, the Guarantee Fee Agreement and the transactions contemplated thereunder is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as one of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Equity Pledge, are exceeds 25% but is less than 75%, the Equity Pledge constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and the Equity Pledge Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

EGM AND CONNECTED PERSONS WHO ARE REQUIRED TO ABSTAIN FROM VOTING ON THE RESOLUTIONS

The Company will convene the EGM to consider and approve, among other things, the Parent Guarantee and the Counter Guarantee. The notice convening the EGM has been despatched to the Shareholders on 23 April 2021.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the transaction and its associates will abstain from voting at the general meeting to be held by the Company to, including but not limited to, consider and approve the Parent Guarantee and the Counter Guarantee. Therefore, YHTH and its associates shall abstain from voting at the general meeting to consider and approve the Parent Guarantee and the Counter Guarantee.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, apart from YHTH and its associates, no other Shareholders have material interest in the Parent Guarantee and the Counter Guarantee and shall abstain from voting at the resolutions in relation to the approval of the Guarantee Agreement, the Equity Pledge Agreement, the Guarantee Fee Agreement and the transactions contemplated thereunder at the EGM.

RECOMMENDATION

Your attention is drawn to the letter of recommendation from the Independent Board Committee as set out on pages 12 to 13 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Parent Guarantee and the Counter Guarantee. Your attention is also drawn to the letter of advice received from Opus Capital as set out on pages 14 to 29 of this circular which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Guarantee Agreement, the Equity Pledge Agreement, the Guarantee Fee Agreement and the transactions contemplated thereunder, the casting of votes for or against the resolutions approving the Parent Guarantee and the Counter Guarantee as well as the principal factors and reasons considered by it in concluding its advice.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Guarantee Agreement, the Equity Pledge Agreement, the Guarantee Fee Agreement and the transactions contemplated thereunder are fair and reasonable, have been entered into after arm's length negotiation between all parties thereto and determined on normal commercial terms, which are entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole and they recommend the Independent Shareholders to vote in favour of the relevant resolutions at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

* For identification purposes only



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)

Office address
Yunnan Water
2089 Haiyuan Bei Road
Gaoxin District
Kunming, Yunnan
PRC

23 April 2021

To the Independent Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTIONS:
PARENT GUARANTEE AND GUARANTEE FEE
(2) CONNECTED AND MAJOR TRANSACTION: EQUITY PLEDGE**

We refer to the circular issued by the Company to the Shareholders dated 23 April 2021 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

Under the Listing Rules, the transactions contemplated under the Guarantee Agreement, the Equity Pledge Agreement and the Guarantee Fee Agreement constitute connected transactions of the Company, and the provision of the Parent Guarantee and the Counter Guarantee subject to the approval of the Independent Shareholders at the EGM.

We have been appointed as the Independent Board Committee to consider the terms of the transactions contemplated under the Guarantee Agreement, the Equity Pledge Agreement and the Guarantee Fee Agreement in connection with the Parent Guarantee and the Counter Guarantee and to advise the Independent Shareholders as to whether, in our opinion, the terms of the aforesaid transactions are on normal commercial terms and fair and reasonable, and whether they are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Opus Capital has been appointed as the Independent Financial Adviser to advise us in this respect.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board and the letter from Opus Capital as set out in this circular. Having considered the principal factors and reasons considered by, and the advice of Opus Capital as set out in its letter of advice, we consider that the Guarantee Agreement, the Equity Pledge Agreement, the Guarantee Fee Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable, which are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Guarantee Agreement, the Equity Pledge Agreement, the Guarantee Fee Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of the Independent Board Committee
Liu Shuen Kong, Zhong Wei and Zhou Beihai
Independent non-executive Directors
Yunnan Water Investment Co., Limited*

* *For identification purposes only*

LETTER FROM OPUS CAPITAL

The following is the full text of a letter from Opus Capital to the Independent Board Committee and the Independent Shareholders in respect of the Parent Guarantee and the Counter Guarantee, which has been prepared for the purpose of inclusion in this circular.



18th Floor, Fung House
19–20 Connaught Road Central
Central, Hong Kong

23 April 2021

*To: the Independent Board Committee and the Independent Shareholders of
Yunnan Water Investment Co., Limited**

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION:
PARENT GUARANTEE AND GUARANTEE FEE
(2) CONNECTED AND MAJOR TRANSACTION: EQUITY PLEDGE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Parent Guarantee and the Counter Guarantee, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 23 April 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Pursuant to the Entrusted Loan Contract, the Lender has granted the Loan in the principal amount up to RMB500,000,000 to the Company for a period of 12 months commencing on the date of the Entrusted Loan Contract subject to renewal for an extended period. For the purposes of the provision of the Loan by the Lender to the Company, the Entrusted Fund was entrusted with the Lender by the Bank pursuant to the Entrusted Fund Contract.

In connection with the Entrusted Loan Contract, Yunnan Investment Group entered into the Guarantee Agreement in favour of the Lender to guarantee the repayment obligations of the Company under the Entrusted Loan Contract.

As part of the Counter Guarantee, on 11 December 2020 (after trading hours), the Company and Yunnan Investment Group entered into the Equity Pledge Agreement, pursuant to which, the Company (as pledger) has agreed to pledge its entire equity interest in Yunnan Solid Waste to Yunnan Investment Group (as pledgee) to secure the Parent Guarantee provided by Yunnan Investment Group in favour of the Lender pursuant to the Guarantee Agreement. On the same day, in consideration for the Parent Guarantee, the Company and Yunnan Investment Group entered into the Guarantee Fee Agreement, pursuant to which the Company shall pay an annual guarantee fee calculated at 1.0% per annum based on the actual drawdown amount of the Loan under the Entrusted Loan Contract for the relevant year to Yunnan Investment Group as part of the Counter Guarantee.

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Yunnan Investment Group is the controlling shareholder of YHTH, and hence a connected person of the Company under Rule 14A.07 of the Listing Rules. The provision of the Parent Guarantee constituted a connected transaction in the form of financial assistance in favour of the Company. However, in the absence of the Equity Pledge, as the Parent Guarantee is not secured by any assets of the Group, and as the Directors consider that the Guarantee Agreement is entered into on normal commercial terms or better, the Parent Guarantee is fully-exempted from the independent shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules. Nonetheless, upon completion of the Equity Pledge Agreement, the Parent Guarantee will be secured by the Equity Pledge and the exemption under Rule 14A.90 of the Listing Rules shall no longer be applicable. The provision of the Equity Pledge under the Equity Pledge Agreement and the payment of the Guarantee Fee under the Guarantee Fee Agreement comprising the Counter Guarantee constitute connected transactions in the form of financial assistance provided by the Company in favour of Yunnan Investment Group. As such, the Guarantee Agreement, the Equity Pledge Agreement, the Guarantee Fee Agreement and the transactions contemplated thereunder constitute connected transactions under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Parent Guarantee and the Equity Pledge provided pursuant to the Guarantee Agreement and the Equity Pledge Agreement, respectively, and the payment of the Guarantee Fee pursuant to the Guarantee Fee Agreements exceeds 5%, the Guarantee Agreement, the Equity Pledge Agreement, the Guarantee Fee Agreement and the transactions contemplated thereunder is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as one of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Equity Pledge, exceeds 25% but is less than 75%, the Equity Pledge constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and the Equity Pledge Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As none of the Directors has any material interest in the Guarantee Agreement, the Equity Pledge Agreement, the Guarantee Fee Agreement and the transactions contemplated thereunder, no Director was required to abstain from voting on the relevant resolutions of the Board. On 3 September 2020, the Board approved the provision of the Parent Guarantee and the Counter Guarantee and to convene the EGM to seek the Independent Shareholders' approval on the Parent Guarantee and Counter Guarantee.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the transaction and its associates will abstain from voting at the general meeting to be held by the Company to, including but not limited to, consider and approve the Parent Guarantee and the Counter Guarantee. Therefore, YHTH and its associates shall abstain from voting at the general meeting to consider and approve the Parent Guarantee and the Counter Guarantee.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, apart from YHTH and its associates, no other Shareholders have material interest in the Parent Guarantee and the Counter Guarantee and shall abstain from voting at the resolutions in relation to the approval of the Guarantee Agreement, the Equity Pledge Agreement, the Guarantee Fee Agreement and the transactions contemplated thereunder at the EGM.

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THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprises Mr. Liu Shuen Kong, Mr. Zhong Wei and Mr. Zhou Beihai, being all the independent non-executive Directors, has been formed to consider whether the terms of the Parent Guarantee and the Counter Guarantee are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and whether they are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect of the voting on the relevant resolutions to be proposed at the EGM to approve the Guarantee Agreement, the Equity Pledge Agreement, the Guarantee Fee Agreement and the transactions contemplated thereunder. Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

We have been appointed by the Company to act as the independent financial adviser to advise the independent board committee and the independent shareholders of the Company on a very substantial disposal and connected transaction, details of which are set out in the announcement of the Company dated 31 December 2020 (the “**Separate Appointment**”).

As at the Latest Practicable Date, save for the Separate Appointment, we did not have any relationship with, or interest in, the Group, Yunnan Investment Group, YHTH or other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, save for the Separate Appointment, we have not acted as an independent financial adviser to the Company. Apart from the normal professional fees paid or payable to us in connection with the Separate Appointment and this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, Yunnan Investment Group, YHTH or other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the Company’s annual report (the “**2019 Annual Report**”) for the year ended 31 December (“**FY**”) 2019 published on 28 April 2020;
- (ii) the Company’s annual results announcement (the “**2020 Annual Results**”) for FY2020;
- (iii) the Guarantee Agreement;
- (iv) the Equity Pledge Agreement;
- (v) the Guarantee Fee Agreement; and
- (vi) other information as set out in the Circular.

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We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Guarantee Agreement, the Equity Pledge Agreement, the Guarantee Fee Agreement and the transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into consideration, inter alia, the following principal factors and reasons:

1. Background information of the Group

The Company is one of the leading integrated service providers in the urban wastewater treatment and water supply industry in the PRC. Its principal operations include 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.

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The following tables summarise the consolidated financial information of the Company for FY2019 and FY2020 as extracted from the 2019 Annual Report and the 2020 Annual Results:

Table 1: Summarised consolidated financial performance of the Company

	FY2020 <i>(RMB'000)</i> <i>(Audited)</i>	FY2019 <i>(RMB'000)</i> <i>(Audited)</i>
Revenue	8,396,630	6,538,024
Gross profit	2,096,132	1,832,313
Profit for the year	341,311	553,808

Sources: the 2019 Annual Report and the 2020 Annual Results

For FY2020, the revenue of the Group amounted to approximately RMB8,396.6 million, representing an increase of approximately RMB1,858.6 million or 28.4% as compared to that of FY2019. As disclosed in the 2020 Annual Results, such increase was mainly attributable to, among others, the increase in construction revenue of the existing and new wastewater treatment projects in the course of construction during FY2020. The revenue generated from wastewater treatment business segment surged by approximately RMB2,308.1 million or 77.5% as compared to that of FY2019. However, the profit for the year decreased significantly from approximately RMB553.8 million for FY2019 to approximately RMB341.3 million for FY2020, representing a decline of approximately 38.4%. Such decrease was mainly attributable to, among others, (i) a decrease in the gross profit margin to approximately 25.0% for FY2020 from approximately 28.0% for FY2019; (ii) the significant increase in the net finance costs of approximately RMB439.1 million or 53.9% as compared to that of FY2019 as a result of an increase in borrowings and increase of average interest rate on borrowings during FY2020; and (iii) there has been a decrease in other income of government grants causing other income to decrease by approximately RMB37.3 million during FY2020 as compared to FY2019.

Table 2: Summarised consolidated financial position of the Company

	As at 31 December	
	2020 <i>(RMB'000)</i> <i>(Audited)</i>	2019 <i>(RMB'000)</i> <i>(Audited)</i>
Non-current assets	36,676,593	29,164,775
Current assets	<u>10,576,221</u>	<u>10,704,357</u>
	47,252,814	39,869,132
Non-current liabilities	26,292,531	20,760,860
Current liabilities	<u>13,352,721</u>	<u>10,562,287</u>
	39,645,252	31,323,147
Total equity	7,607,562	8,545,985
Cash and cash equivalents	1,697,688	2,468,435

Sources: the 2019 Annual Report and the 2020 Annual Results

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As at 31 December 2020, the total assets of the Group amounted to approximately RMB47,252.8 million, representing an increase of approximately 18.5% as compared to that as at 31 December 2019. The total liabilities of the Group were approximately RMB39,645.3 million as at 31 December 2020, representing an increase of approximately 26.6% as compared to that as at 31 December 2019. We noted that the total borrowings of the Group amounted to approximately RMB27,541.8 million as at 31 December 2020, representing an increase of approximately RMB5,922.9 million or 27.4% as compared to that as at 31 December 2019. Such increase in the borrowings was mainly as a result of (i) an increase in the corporate bonds and other borrowings of approximately RMB2,170.7 million; and (ii) an increase in short-term bank borrowings of approximately RMB2,867.8 million. As at 31 December 2020, borrowings of approximately RMB12,176.0 million were secured by the Group's receivables under service concession arrangements, contract assets, right-of-use assets, property, plant and equipment, intangible assets and the Company's investments in subsidiaries.

The Group's gearing ratio (calculated by dividing net debt with total capital (i.e. net debt plus total equity)) increased from approximately 69.1% as at 31 December 2019 to approximately 77.3% as at 31 December 2020.

To understand the Group's working capital needs, we have also examined the current ratios of the Group as at 31 December 2019 and 2020. The current ratio (calculated by dividing current assets with current liabilities) is a ratio often referred to as the "working capital" ratio which helps analysts and financial advisers to understand more about a company's ability to cover its short-term debt with its current assets. Generally, the higher the current ratio the better the company's ability to cover its short-term debt. In the case of the Group, its current ratios as at 31 December 2019 and 2020 were approximately 1.0 times and 0.8 times respectively, which is showing deterioration as at 31 December 2020 compared to the previous balance sheet date. Such decline was mainly due to certain short-term borrowings had been utilised by the Group to tentatively finance its long-term assets under construction. In addition, we note that due to the net cash used in operating and investment activities which was partially offset by the net cash generated from financing activities, the cash and cash equivalents of the Group decreased from approximately RMB2.5 billion as at 31 December 2019 to approximately RMB1.7 billion as at 31 December 2020. We are given to understand that, as disclosed in the 2020 Annual Results, the Group's capital commitments amounted to approximately RMB12.5 billion as at 31 December 2020. We are of the view that, given the above, there is a pressing need for the Company to come up with additional working capital for the Group's strategic development and internal management needs.

2. Background information of Yunnan Investment Group

Yunnan Investment Group is a large-scale state-owned enterprise established in the PRC with limited liability and is primarily engaged in basic industry, infrastructure, competitive industry projects in Yunnan Province, and investment in key projects of various departments of the State Council of the PRC in Yunnan Province, etc.. As at the Latest Practicable Date, Yunnan Investment Group held approximately 50.59% of YHTH, one of the controlling shareholders of the Company. We have reviewed the website of Yunnan Investment Group (website link: <http://www.cnyig.com/>) and noted that Yunnan Investment Group described itself to be the largest comprehensive investment holding company in Yunnan Province in terms of asset scale. According to the relevant website, as at 31 December 2019, Yunnan Investment Group's total assets amounted to approximately RMB375.6 billion with a total revenue and net profit recorded for FY2019 of approximately RMB128.3 million and RMB2.7 billion, respectively. According to China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) ("China Chengxin"), which is a leading credit rating company in the PRC, as of 24 June 2020, the credit rating of Yunnan Investment Group was AAA, being the highest possible rating that may be assigned to an issuer by China Chengxin.

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3. Background information of Yunnan Solid Waste

Yunnan Solid Waste is a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company. Yunnan Solid Waste is principally engaged in the investment of solid waste treatment projects, research, development and consultation of solid waste treatment technology and facilities and manufacturing of solid waste treatment facilities.

According to the unaudited consolidated financial information of Yunnan Solid Waste for the year ended 31 December 2020, the net asset value attributable to the shareholders of Yunnan Solid Waste as at 31 December 2020 amounted to approximately RMB491.0 million as at 30 June 2020. The revenue and net loss attributable to the shareholders of Yunnan Solid Waste for the year ended 31 December 2020 amounted to approximately RMB293.0 million and RMB42.4 million, respectively.

Yunnan Solid Waste is the subject matter of the Equity Pledge provided by the Company to Yunnan Investment Group. For further information of the Equity Pledge, please refer to the section headed “7. Principal terms of the Equity Pledge Agreement” below.

4. Reasons for and benefits of the Parent Guarantee and the Counter Guarantee

As disclosed in the Letter from the Board, in view of the long-standing credibility and the established business operation of Yunnan Investment Group, the Lender has requested Yunnan Investment Group to provide the Parent Guarantee for the Loan for the purposes of enhancing the Group’s working capital for the strategic development and internal management needs of the Group. Yunnan Investment Group has on the other hand provided the Parent Guarantee to facilitate the grant of the Loan to the Company. As a reciprocal arrangement, the Company has provided the Counter Guarantee in consideration for the Parent Guarantee provided by Yunnan Investment Group. We have discussed with the Management and are given to understand that it has been difficult for the Company to procure a guarantor for the necessary guarantee given the Group’s current financial position and operating performance and the size of the Loan. As advised by the Management, the Parent Guarantee from Yunnan Investment Group, who has a better credit rating than the Company, is a prerequisite for the Lender to grant the Loan under the Entrusted Loan Contract.

In view of the above, we are of the view that the entering into of the Parent Guarantee and the Counter Guarantee is in the ordinary and usual course of business of the Group in managing its own debts and working capital which is in the interests of the Company and the Shareholders as a whole.

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5. Principal terms of the Guarantee Agreement and the Guarantee Fee Agreement

Guarantee Agreement

The principal terms of the Guarantee Agreement are summarised as follows:

Date : 11 December 2020 (after trading hours)

Parties : (i) The Lender (as beneficiary); and
(ii) Yunnan Investment Group (as guarantor)

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Lender and its ultimate beneficial owners are Independent Third Parties.

Obligation under the Parent Guarantee : The relevant obligation under the Parent Guarantee is set out under the section headed “6. Fairness and reasonableness of the Guarantee Agreement and Guarantee Fee Agreement” below.

Securities : The Equity Pledge

Term : From the date of the Guarantee Agreement to the date on which the Trust is terminated

Guarantee Fee Agreement

The principal terms of the Guarantee Fee Agreement are summarised as follows:

Date : 11 December 2020 (after trading hours)

Parties : (i) The Company; and
(ii) Yunnan Investment Group

Guarantee fee : Calculated at 1.0% per annum based on the actual drawdown amount of the Loan under the Entrusted Loan Contract for the relevant year

Payment : Payable on an annual basis in arrears within 5 business days from the day of drawing down the relevant portion of the Loan by the Company to Yunnan Investment Group

Liquidated damages : Calculated at 0.05% per day based on the outstanding Guarantee Fee due and payable until all such outstanding amount has been fully settled

Term : From the date of the Guarantee Fee Agreement to the date when the Company has fully performed its contractual obligations under the Entrusted Loan Contract, and the Company shall notify Yunnan Investment Group of the full performance of obligations under the Entrusted Loan Contract in writing within 5 business days

6. Fairness and reasonableness of the Guarantee Agreement and Guarantee Fee Agreement

(i) Obligation under the Parent Guarantee

Pursuant to the terms of the Guarantee Agreement, Yunnan Investment Group, as guarantor, shall be responsible for any shortfall between (i) the expected distributable trust interests entitled by the Bank, as settlor and beneficiary, under the Entrusted Fund Contract (including but not limited to the remaining portion of the Entrusted Fund which is yet to be distributed/administered by the Lender, the relevant tax expenses, trust fees and expected trust gains due and payable) as at any distribution date on which the Trust is subsisting, and (ii) the principal amount of the Loan drawn down, any interests thereon and any liquidated damages due and payable under the Entrusted Loan Contract (the “**Shortfall Payment**”). As part of the Parent Guarantee, all the beneficial interests entitled by the Bank under the Entrusted Fund Contract shall be assigned by the Bank to Yunnan Investment Group at a consideration as determined in accordance with the terms of the Guarantee Agreement (the “**Consideration**”) on the first anniversary of the establishment of the Trust, and Yunnan Investment Group shall then be subrogated to all the rights and obligations originally entitled by the Bank under the Entrusted Fund Contract.

(ii) Basis of determining the Guarantee Fee under the Guarantee Fee Agreement

We have discussed with the Management and understand that the Guarantee Fee under the Guarantee Fee Agreement was agreed between the Company and Yunnan Investment Group after arm’s length negotiations and was determined with reference to, among others, (i) the proposed terms of the Parent Guarantee; (ii) the estimated risk exposure of Yunnan Investment Group in providing the Parent Guarantee; and (iii) the fee level of similar guarantees in the PRC market.

As part of the Counter Guarantee, the payment of the Guarantee Fee under the Guarantee Fee Agreement is in consideration for the Parent Guarantee.

(iii) Assessment of the Guarantee Fee

In order to assess the fairness and the reasonableness of the Guarantee Fee, we have reviewed the transactions involving the provision of guarantees entered into by other companies listed on the Stock Exchange as announced within six months prior to and including 11 December 2020, being the date of the Guarantee Fee Agreement (the “**Comparable Guarantees**”). We have, on a best effort basis, identified eight Comparable Guarantees where:

- i. either one of the parties to the guarantee agreement is a Hong Kong listed company (or its subsidiary(ies)); and
- ii. the ratio of guarantee amount to the loan amount exceeded the proportional equity interest in the guarantee company held by the guarantor.

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Based on the above criteria, we consider these Comparable Guarantees can provide a reference point on the recent transactions involving the provision of guarantees, and they are a fair and representative sample for the purpose of our analysis. On a separate note, the Shareholders should note that the businesses, operations and prospects of the Group are not the same as the Hong Kong listed companies involved in the Comparable Guarantees, therefore, the Comparable Guarantees are only used to provide a general reference for the common market practice in similar guarantee arrangements entered into by Hong Kong listed companies. Details of the Comparable Guarantees are summarised as follows:

Table 3: List of Comparable Guarantees

Date of announcement	Company name (stock code)	Transaction details	% of the guarantee fee to the relevant guaranteed amount payable by the guarantee company (per annum)
20 November 2020	Beijing Enterprises Clean Energy Group Limited (1250) (“ BECE ”)	BECE provided a guarantee for the repayment obligation of a company for loans in an aggregate amount of up to RMB386,726,254.	0.4%
12 November 2020	Differ Group Holding Company Limited (6878) (“ DGH ”)	Two wholly-owned subsidiaries of DGH provided a guarantee for the repayment obligation of joint venture companies of DGH for various outstanding bank loans amounting to approximately RMB542 million.	3.1%
29 October 2020	China Tangshang Holdings Limited (674) (“ CTHL ”)	An indirect non wholly-owned subsidiary of CTHL provided a guarantee for the repayment obligation of a company with a loan amount of RMB40 million.	1.0%
24 August 2020	Guangdong Joint-Share Financing Guarantee Investment Co., Ltd. (1543) (“ GDJS ”)	GDJS provided a guarantee for the repayment obligation of a connected person of GDJS in an aggregate loan amount of up to RMB20 million.	2.0%

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Date of announcement	Company name (stock code)	Transaction details	% of the guarantee fee to the relevant guaranteed amount payable by the guarantee company (per annum)
17 August 2020	BECE (1250)	An indirect non wholly-owned subsidiary of BECE provided a guarantee for the repayment obligation of a joint venture company of BECE in an amount of up to RMB483,360,614.	Nil
24 July 2020	HangKan Group Limited (8331) (“ HKGL ”)	A wholly-owned subsidiary of HKGL provided a guarantee for the repayment obligation of a company for a loan with a principal amount of RMB19 million.	6.0% <i>(Note)</i>
14 July 2020	Tian Shan Development (Holding) Limited (2118) (“ TSDL ”)	A wholly-owned subsidiary of TSDL provided a guarantee for the repayment obligation of a connected person of TSDL for a bank facility with an aggregate maximum amount of RMB27 million.	3.5%
26 June 2020	Beijing Beida Jade Bird Universal Sci-Tech Company Limited (8095) (“ BBJB ”)	BBJB provided a guarantee for the repayment obligation of a company for the loan facilities with a loan principal amount of RMB200 million.	5.0%
		Maximum	6.0%
		Minimum	Nil
		Median	2.6%
		Average	2.6%
11 December 2020	The Guarantee Fee		1.0%

Note: Such guarantee fee of 6% was charged on the pledged deposit of RMB20 million provided by the guarantor to the lending bank. The actual amount of the guarantee was RMB19 million.

Sources: The website of the Stock Exchange

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As shown in the table above, we noted that the guarantee fee rate charged under the Comparable Guarantees ranged from approximately Nil to 6.0% per annum with the average and median of approximately 2.6% and 2.6% per annum respectively. Not only is the Guarantee Fee of 1.0% per annum within the range and above the lower bound of those of the Comparable Guarantees, it is significantly below both the average and median guarantee fee rates of the Comparable Guarantees.

(iv) Our view

We are of the view that the terms of the Guarantee Agreement and the Guarantee Fee Agreement are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned, after taking into consideration of, among others, (i) the terms on the obligation under the Guarantee Agreement are standard terms typical of guarantee agreements in the market; and (ii) the Guarantee Fee of 1.0% per annum for the Parent Guarantee is significantly below both the average and median guarantee fee rates of the Comparable Guarantees.

7. Principal terms of the Equity Pledge Agreement

The principal terms of the Equity Pledge Agreement are summarised as follows:

- Date : 11 December 2020 (after trading hours)
- Parties : (i) Yunnan Investment Group (as pledgee); and
(ii) The Company (as pledger)
- Subject Matter of the Equity Pledge : The entire equity interest of Yunnan Solid Waste (with the corresponding registered capital of RMB535,710,000) and all legal rights attached thereto held by the Company
- Obligation under the Equity Pledge : The relevant obligation under the Equity Pledge is set out under the section headed “8. Fairness and reasonableness of the provision of the Equity Pledge” below.
- Scope of the Equity Pledge : The Company has agreed to secure the fees incurred, including but not limited to those incurred under the Guarantee Agreement by Yunnan Investment Group:
- (i) all payments payable by Yunnan Investment Group to the Lender pursuant to the Guarantee Agreement, including but not limited to the Shortfall Payment, the Consideration, interests thereon, penalty interests, compound interests, liquidated damages and all other relevant expenses; and
 - (ii) all expenses incurred by Yunnan Investment Group in exercising its rights to any claims as a creditor and the Equity Pledge under the Equity Pledge Agreement, including but not limited to litigation fees, legal fees, delivery fees and travel expenses, etc.

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- Condition : The Equity Pledge takes effect upon the completion of registration with the relevant PRC government authorities in accordance with the relevant PRC laws and regulations and the terms of the Equity Pledge Agreement. Pursuant to the Listing Rules, the provision of the Equity Pledge is subject to the Independent Shareholders' approval. The Equity Pledge Agreement will take effect upon such approval is obtained.
- Term : From the date of the Equity Pledge Agreement to the end of the statutory limitation period as prescribed by the applicable PRC laws within which a claim under the Entrusted Loan Contract and the Guarantee Agreement must be brought. In the event that the Lender ceases to grant the undrawn portion of the Loan or demands for an early repayment of the Loan that has been drawn down, the obligations of the Company under the Equity Pledge Agreement shall be released accordingly.

8. Fairness and reasonableness of the Equity Pledge Agreement

(i) Obligation under the Equity Pledge

As part of the Counter Guarantee, the provision of the Equity Pledge under the Equity Pledge Agreement is also in consideration for the Parent Guarantee.

Pursuant to the terms of the Equity Pledge Agreement, in consideration of the provision of the Parent Guarantee by Yunnan Investment Group to the Lender, the Company shall provide the Equity Pledge to secure the liability (i) within the scope of the Equity Pledge under the Equity Pledge Agreement, and (ii) arising from any claims brought against Yunnan Investment Group pursuant to the Guarantee Agreement by the Lender prior to the due date of repayment of the drawn portion of the Loan by the Company under the Entrusted Loan Contract.

(ii) Assessment of the Equity Pledge

In assessing the fairness and reasonableness of the Equity Pledge, we have reviewed transactions involving the provision of certain security under debt financing arrangement as announced on the website of the Stock Exchange within six months prior to and including 11 December 2020, being the date of the Equity Pledge Agreement (the “**Comparable Pledges**”). We have, on a best effort basis, identified a list of five comparable, where:

- i. the Comparable Pledges involves the provision of pledges which were not real estate assets/properties; and
- ii. either one of the parties to the pledge agreement is a Hong Kong listed company (or its subsidiary(ies)).

Based on the above criteria and we consider these Comparable Pledges can provide a reference point on the recent transactions involving the provision of guarantees, and they are a fair and representative sample for the purpose of our analysis.

On a separate note, the Shareholders should note that the businesses, operations and prospects of

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the Group are not the same as the Hong Kong listed companies involved in the Comparable Pledges, therefore, the Comparable Pledges are only used to provide a general reference for the common market practice in similar pledge arrangements entered into by Hong Kong listed companies. Details of the Comparable Pledges are summarised as follows:

Table 4: List of Comparable Pledges

Date of announcement	Company name (stock code)	Details of the relevant security	Loan-to-value ratio (times)
10 December 2020	China Tonghai International Financial Limited (952)	Share charge over 450,813,463 shares of Cosmos Machinery Enterprises Limited (stock code: 118) (“CMEL”), which represents approximately 52.3% of all issued shares of CMEL. The value of the pledge was represented by the market value of such shares as at 3 December 2020 of HK\$173,563,183.	0.4
8 October 2020	World Super Holdings Limited (8612)	Used hydraulic casing oscillator and hydraulic power pack, the value of which was represented by the consideration of the same at HK\$6,000,000.	0.9
24 July 2020	HKGL (8331)	Main products comprising electrolytic copper, copper rod and copper busbar with market value of not less than RMB20 million.	1.0
24 July 2020	MicroPort Scientific Corporation (853)	12.11% equity interest in 微創神通醫療科技(上海)有限公司 (MicroPort NeuroTech (Shanghai) Company Limited*), the value of which was represented by the capital contribution made by the pledgor of RMB115 million.	1.0

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Date of announcement	Company name (stock code)	Details of the relevant security	Loan-to-value ratio (times)
26 June 2020	BBJB (8095)	Pledged assets included (i) 60% equity interest in 傳奇旅遊投資有限公司 (Chuanqi Tourism Investment Co., Ltd.*), the value of which was represented by the consideration at RMB172.0 million paid by the pledgor; and (ii) 46.6% equity interest in 長沙松雅湖建設投資有限公司 (Changsha Songya Lake Construction Investment Co., Ltd.*), the value of which was represented by its appraised value of RMB239.9 million.	0.5
		Maximum	1.0
		Minimum	0.4
		Median	0.9
		Average	0.8
11 December 2020	The Equity Pledge (Note)		1.0

Note: The loan-to-value ratio of the Equity Pledge of approximately 1.0 time is derived by dividing the principal amount of the Loan of RMB500 million by the net asset value attributable to the shareholders of Yunnan Solid Waste of approximately RMB491.0 million as at 31 December 2020 according to the unaudited consolidated financial information of Yunnan Solid Waste for the year ended 31 December 2020.

Sources: The website of the Stock Exchange

As shown in the table above, the loan-to-value ratios of the Comparable Pledges ranged from approximately 0.4 times to 1.0 time, with an average of approximately 0.8 times and median of approximately 0.9 times respectively. The loan-to-value ratio of the Equity Pledge of approximately 1.0 time is at the higher bound of those of the Comparable Pledges.

(iii) Our view

Taking into account, among others, (i) it is a common market practice for the lender requiring the borrower to provide collateral or pledge as security of the underlying loan; (ii) the loan-to-value ratio of the Equity Pledge of approximately 1.0 time is at the higher bound of those of the Comparable Pledges; and (iii) the value of the Equity Pledge under the Equity Pledge Agreement is comparable to the maximum potential obligations of the Yunnan Investment Group under the Parent Guarantee, we are of the view that the terms of the Equity Pledge are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM OPUS CAPITAL

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that the Parent Guarantee and the Counter Guarantee are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and that the terms of the Parent Guarantee and the Counter Guarantee are on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in relation to the Guarantee Agreement, the Equity Pledge Agreement, the Guarantee Fee Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Cheung On Kit Andrew
Executive Director

Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheung has over 13 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.

* *For identification purposes only.*

SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 December 2020 are disclosed in the following documents which are published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.yunnanwater.cn.

- (i) Annual report of the Company for the year ended 31 December 2018
- (ii) Annual report of the Company for the year ended 31 December 2019
- (iii) Annual results announcement of the Company for the year ended 31 December 2020

WORKING CAPITAL

After taking into account the financial resources available to the Group, including the internally generated funds and the presently available credit facilities, the Directors, after due and careful enquiry, are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

INDEBTEDNESS

As at the close of business on 28 February 2021, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding indebtedness as summarised below:

Borrowings

The Group's borrowings primarily consisted of short-term and long-term bank borrowings, corporate bonds and other borrowings.

As at the close of business on 28 February 2021, the Group had total outstanding borrowings of approximately RMB27,404 million, further details of which are set out below:

	As at 28 February 2021 <i>RMB'000</i>
Non-current	
Long-term bank borrowings	
— Secured	13,592,337
— Unsecured	<u>536,262</u>
	14,128,599
Corporate bonds and other borrowings	
— Secured	965
— Unsecured	<u>1,868,401</u>
	1,869,366
Amount due to Shareholders	
— Caiyun International	1,676,338
— YHTH	<u>813,572</u>
	18,487,875
Current	
Short-term bank borrowings	
— Secured	744,530
— Unsecured	<u>4,189,134</u>
	4,933,664
Current portion of long-term bank borrowings	
— Secured	2,292,719
— Unsecured	<u>654,678</u>
	2,947,397
Current portion of corporate bonds and other borrowings	
— Secured	35,605
— Unsecured	<u>999,597</u>
	1,035,202
Total	<u><u>27,404,138</u></u>

As at the close of business on 28 February 2021, the Group had borrowings of approximately RMB11,248 million in aggregate which were secured by pledge of the Group's receivables under service concession arrangements, contract assets, land use rights, property, plant and equipment and intangible assets and the Company's investments in subsidiaries and a joint venture, and approximately RMB284 million, RMB1,542 million and RMB362 million of the Group's borrowings were guaranteed by a PRC local government, a related party and third parties, respectively. The amount due to Shareholders of approximately RMB2,490 million of the Group are unsecured, interest-free and repayable on demand.

Lease liabilities

As at the close of business on 28 February 2021, the Group, as a lessee, had lease liabilities for the remainder of the relevant lease terms amounting to approximately RMB49 million in aggregate, all of which were unsecured and unguaranteed.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payable in the ordinary course of business, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, any authorised or otherwise created but unissued term loans or other borrowings, indebtedness in nature of borrowings, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured, or unsecured, guarantees or other material contingent liabilities outstanding at the close of business on 28 February 2021 being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular.

MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position or outlook of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In the face of the severe and complex international situation, the severe impact of the epidemic and the tremendous pressure of the economic downturn, the Group was capable to tackle difficulties in 2020 by overcoming the adverse impact of COVID-19 pandemic, properly dealing with the severe and complex development environment, and carrying out substantial work in project operation, engineering construction and market development.

Going forward in 2021, on the basis of continuing to consolidate the existing project construction progress and operation management level, the Group will strengthen equity financing, reduce financial leverage, and focus on market opportunities in comprehensive solid waste treatment, sludge treatment and comprehensive rural environmental improvement, so as to further improve its profit quality.

The Group will overcome the obstacles brought by the impact of the COVID-19 epidemic, accelerate the implementation progress of projects under construction and planned to ensure the realisation of investment profits as soon as possible; At the same time, the Group will consider other ways of financing, such as equity financing to improve the existing capital structure, enhance the financing space, realize the repair of performance and valuation, so as to better realize the benign operation. Meanwhile, the Group will continue to implement the regional management mode, accelerate the cultivation of key projects through prudent and reasonable capital expenditure, so as to realize the adjustment of income structure and the stable expansion of business.

The Group will continue to carry out benchmarking management. By evaluating the relevant indicators reflecting the performance of operation management, the Group will formulate benchmarking management plan according to the actual situation of the Company and the project to integrate with the annual assessment of operation management. The Group will accelerate the improvement of quality and efficiency of existing projects and further optimize the yield of sewage projects, at the same time, to accelerate the promotion and popularisation of the intelligent water business of the Group, enhance the core competitiveness of the Group's sewage treatment in rural areas, and build up the operation and management advantages of the Group.

The Group will continue to accelerate its progress in technology research and development and market promotion on the basis of core technology, fully tap into the potential of employees, attract and retain talents, and continuously enhance the enterprise's innovation ability and sustainable development ability. At the same time, the Group pays close attention to various new policies and new hot spots in the field of environmental protection industry, pays close attention to technology exploration and technology promotion, cooperates with advantageous enterprises in the industry authorised by the government, provides one-stop solutions to cities and towns in order to further enhance the core competitiveness of the Group.

Looking forward, the Group will continue to adhere to the development goal of “based in Yunnan, covering the nation and going global, striving to be a leading integrated environmental services provider at the municipal level”* (立足雲南、面向全國、走向國際，致力成為領先的城鎮環境綜合服務商), and pay close attention to the development of the industry, grasp the industry development trend, further improve the Group's technical strength, core competitiveness and social influence, and constantly create greater value for its shareholders.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors, the Supervisors the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”), were as follows:

Name of Director, Supervisor and chief executive	Capacity	Type of Shares	Number of Shares held	Approximate	Approximate
				percentage of the respective type of Shares in issue (%)	percentage of the total number of Shares in issue (%)
Mr. Yu Long	Beneficial owner	Domestic Shares	10,820,000 (L)	1.30	0.91
Mr. Yu Long	Beneficial owner	H Shares	770,000 (L)	0.21	0.06
Mr. Yang Fang	Beneficial owner	Domestic Shares	1,755,000 (L)	0.21	0.15
Mr. Huang Yi	Beneficial owner	Domestic Shares	1,560,000 (L)	0.19	0.13

(L) refers to long position

Long positions in the shares and underlying shares of the associated corporation

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors, the Supervisors and the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) where were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

To the Company's best knowledge, as at the Latest Practicable Date, the following persons (other than Directors, Supervisors or the chief executive of the Company whose interests are disclosed in the section headed "Directors', Supervisors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures" above) had interests or short positions in the Shares, underlying Shares or debentures of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in 5% or more of the respective type of share capital in issue of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Type of Shares	Number of Shares held	Approximate percentage of the respective type of Shares in issue (%)	Approximate percentage of the total number of Shares in issue (%)
Yunnan Province Water ¹	Interests in controlled corporation, interests held jointly with another person	Domestic Shares	361,487,162 (L)	43.58	30.30
Mr. Huang Yunjian ¹	Interests in controlled corporation, interests held jointly with another person	Domestic Shares	361,487,162 (L)	43.58	30.30
Mr. Liu Xujun ¹	Interests in controlled corporation, interests held jointly with another person	Domestic Shares	361,487,162 (L)	43.58	30.30
Mr. Wang Yong ¹	Interests in controlled corporation, interests held jointly with another person	Domestic Shares	361,487,162 (L)	43.58	30.30
YHTH ¹	Interests in controlled corporation, interests held jointly with another person	Domestic Shares	361,487,162 (L)	43.58	30.30

Name of Shareholder	Capacity	Type of Shares	Number of Shares held	Approximate percentage of the respective type of Shares in issue (%)	Approximate percentage of the total number of Shares in issue (%)
Beijing OriginWater	Beneficial owner	Domestic Shares	286,650,000 (L)	34.56	24.02
China National Petroleum Corporation ²	Interests in controlled corporation	Domestic Shares	124,754,169 (L)	15.04	10.46
CNPC Capital Company Limited ²	Interests in controlled corporation	Domestic Shares	124,754,169 (L)	15.04	10.46
CNPC Capital Limited ²	Interests in controlled corporation	Domestic Shares	124,754,169 (L)	15.04	10.46
CNPC Assets Management Co., Ltd. ²	Interests in controlled corporation	Domestic Shares	124,754,169 (L)	15.04	10.46
Ningbo Kunlun Xinyuan Equity Investment Management Partnership (Limited Partnership) ²	Interests in controlled corporation	Domestic Shares	124,754,169 (L)	15.04	10.46
Kunlun Trust Co., Ltd. ²	Interests in controlled corporation	Domestic Shares	124,754,169 (L)	15.04	10.46
Yantai Xinzhen Tianying Equity Investment Center (Limited Partnership) ²	Beneficial owner	Domestic Shares	124,754,169 (L)	15.04	10.46
The National Council for Social Security Fund of the PRC	Beneficial owner	H Shares	30,454,900 (L)	8.37	2.55

Name of Shareholder	Capacity	Type of Shares	Number of Shares held	Approximate percentage of the respective type of Shares in issue (%)	Approximate percentage of the total number of Shares in issue (%)
Caiyun International ¹	Beneficial owner	H Shares	8,449,000 (L)	2.32	0.71
YHTH ¹	Interests in controlled corporation, interests held jointly with another person	H Shares	8,449,000 (L)	2.32	0.71

Notes:

(L) refers to long position

- (1) Yunnan Province Water is wholly owned by YHTH and is the beneficial owner of 361,487,162 Domestic Shares. Caiyun International is wholly owned by YHTH and is the beneficial owner of 8,449,000 H Shares. YHTH is deemed to be interested in all the Domestic Shares held by Yunnan Province Water and H Shares held by Caiyun International pursuant to the SFO which representing approximately 31.01% of total issued Shares. By virtue of the acting in concert agreement dated 24 July 2014 (the “**Acting in Concert Agreement**”), each of Yunnan Province Water and YHTH is deemed to be interested in all the Domestic Shares held by Huang Yunjian, Liu Xujin, Wang Yong and each of Yunnan Province Water and YHTH in aggregate pursuant to the SFO.

Huang Yunjian is the beneficial owner of 1,950,000 Domestic Shares. By virtue of the Acting in Concert Agreement entered into between Yunnan Province Water, Liu Xujun, Huang Yunjian and Wang Yong, each of Liu Xujun, Huang Yunjian and Wang Yong agreed to act in concert with Yunnan Province Water in exercising their voting rights in the Shareholders’ meeting of the Company. Mr. Huang is deemed to be interested in all the Domestic Shares held by Yunnan Province Water, Liu Xujun, Wang Yong and Mr. Huang himself in aggregate pursuant to the SFO.

Liu Xujun is the beneficial owner of 195,000 Domestic Shares. By virtue of the Acting in Concert Agreement, he is deemed to be interested in all the Domestic Shares held by Yunnan Province Water, Huang Yunjian, Wang Yong and himself in aggregate pursuant to the SFO.

Wang Yong is the beneficial owner of 585,000 Domestic Shares. By virtue of the Acting in Concert Agreement, he is deemed to be interested in all the Domestic Shares held by Yunnan Province Water, Huang Yunjian, Liu Xujun and himself in aggregate pursuant to the SFO.

- (2) Ningbo Kunlun Xinyuan Equity Investment Management Partnership (Limited Partnership) (“**Ningbo Kunlun Xinyuan**”) is a general partner of Yantai Xinzhen Tianying Equity Investment Center (Limited Partnership) (“**XinZhen Tianying**”), which holds 3.85% equity interests in Xinzhen Tianying, the beneficial owner of 124,754,169 Domestic Shares; Ningbo Kunlun Xinyuan is owned as to 99% by Kunlun Trust Co., Ltd.; Kunlun Trust Co., Ltd. is owned as to 82.18% by CNPC Assets Management Co., Ltd., which in turn is wholly owned by CNPC Capital Limited; CNPC Capital Limited is wholly owned by CNPC Capital Company Limited, which in turn is owned as to 77.35% by China National Petroleum Corporation.

Save as disclosed above, to the best knowledge of the Company, as at the Latest Practicable Date, no person (other than the Directors, Supervisors and chief executive of the Company) had informed the Company that he had interests or short positions in the Shares or underlying Shares of equity derivatives of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or held any interests or short positions in 5% or more of the respective types of capital in issue of the Company.

4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Group or associated companies which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

6. DIRECTORS’ INTERESTS IN THE GROUP’S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Group were made up, and there is no contract or arrangement entered into by any member of the Group subsisting as at the date of this circular in which any Director is materially interested and which is significant to the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

8. MATERIAL CONTRACTS

The following material contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of this circular:

- (a) the capital injection agreement dated 31 December 2020 entered into among the Company, Yunnan Asset Management Co., Ltd.* (雲南省資產管理有限公司) and Yunnan Yunshui Construction & Engineering Co., Ltd.* (雲南雲水建設工程有限公司) in respect of the further subscription of interests in Yunnan Yunshui Construction & Engineering Co., Ltd.* (雲南雲水建設工程有限公司) by Yunnan Asset Management Co., Ltd.* (雲南省資產管理有限公司) (the “**Second Capital Injection Agreement**”);
- (b) the supplemental agreement dated 31 December 2020 entered into among, Yunnan Asset Management Co., Ltd.* (雲南省資產管理有限公司) and Yunnan Yunshui Construction & Engineering Co., Ltd.* (雲南雲水建設工程有限公司) in accordance with the terms of the Second Capital Injection Agreement, for the purpose of further specifying certain terms under the Second Capital Injection Agreement;
- (c) the finance lease agreement dated 9 December 2020 between ABC Financial Leasing Co., Ltd.* (農銀金融租賃有限公司) (“**ABC Financial Leasing**”) and Kaifa Xinquan Water (Tiantai) Co., Ltd.* (凱發新泉水務(天台)有限公司) (“**Kaifa Xinquan (Tiantai)**”), pursuant to which Kaifa Xinquan (Tiantai) agreed to sell certain sewer pipe networks to ABC Financial Leasing at the consideration of RMB110,000,000 and ABC Financial Leasing agreed to leaseback the same to Kaifa Xinquan (Tiantai) for the lease term of eight years;
- (d) the finance lease agreement dated 9 December 2020 between Bank of Communications Financial Leasing Co., Ltd. (“**BoCom Leasing**”) and Dali Water Investment Co. Ltd.* (大理水務產業投資有限公司) (“**Dali Water**”), pursuant to which Dali Water agreed to sell the water supply and drainage pipeline network facilities in Dali City to BoCom Leasing at the consideration of RMB60,000,000 and BoCom Leasing agreed to leaseback the same to Dali Water for the lease term of 60 months;
- (e) the finance lease agreement dated 9 December 2020 between CITIC Financial Leasing Co., Ltd.* (中信金融租賃有限公司) (“**CITIC Financial Leasing**”) and Xinjiang Qinggeda Yunshui Environmental Industry Investment and Development Co., Ltd.* (新疆青格達雲水環保投資有限公司) (“**Qinggeda Yunshui**”), pursuant to which Qinggeda Yunshui agreed to sell the equipment and facilities of Longhe Wastewater Treatment Plant* (龍河污水處理廠) to CITIC Financial Leasing at a consideration of RMB90,000,000 and CITIC Financial Leasing agreed to lease back the same to Qinggeda Yunshui for the lease term of five years;
- (f) the finance lease agreement dated 20 February 2020 between Sanming Jinliya Environmental Protection Technological Investment Co., Ltd.* (三明市金利亞環保科技投資有限公司) (“**Sanming Jinliya**”) and ABC Financial Leasing, pursuant to which Sanming Jinliya agreed to sell certain power generation facilities and equipment to ABC Financial Leasing at the consideration of RMB300,000,000 and ABC Financial Leasing agreed to lease back the same to Sanming Jinliya for the lease term of eight years;

- (g) the finance lease agreement dated 20 September 2020 between HLJ Yunshui Environmental Technology Services Co., Ltd (“**HLJ Yunshui**”) and BoCom Leasing, pursuant to which HLJ Yunshui agreed to sell the engineering equipment and facilities of the hazardous waste centralised disposal site to BoCom Leasing at the consideration of RMB98,000,000 and BoCom Leasing agreed to lease back the same to HLJ Yunshui for the lease term of 60 months;
- (h) the finance lease agreement dated 24 April 2020 between Kelamayi Haorui Water Co., Ltd.* (克拉瑪依浩瑞水務有限公司) (“**Kelamayi Haorui**”) and CITIC Financial Leasing, pursuant to which Kelamayi Haorui agreed to sell the equipment and facilities of Kelamayi Wuwu Industrial Park wastewater treatment plant to CITIC Financial Leasing at the consideration of RMB170,000,000 and CITIC Financial Leasing agreed to lease back the same to Kelamayi Haorui for the lease term of five years;
- (i) the finance lease agreement dated 27 November 2020 between Dali Water and BoCom Leasing, pursuant to which Dali Water agreed to sell water supply and drainage pipeline network facilities in Dali City to BoCom Leasing at the consideration of RMB140,000,000 and BoCom Leasing agreed to lease back the same to Dali Water for the lease term of 60 months;
- (j) the finance lease agreement dated 12 June 2020 between Qinggeda Yunshui and CITIC Financial Leasing, pursuant to which Qinggeda Yunshui agreed to sell equipment and facilities of Wutong Wastewater Treatment Plant to CITIC Financial Leasing at the consideration of RMB210,000,000 and CITIC Financial Leasing agreed to lease back the same to Qinggeda Yunshui for the lease term of five years;
- (k) the sale and purchase agreement dated 29 September 2020 entered into between the Company and Fuzhou Dingrong Environmental Protection Technology Co., Ltd.* (福州市鼎榕環保科技有限公司) (“**Dingrong Environmental Protection**”) in relation to the disposal of 40% equity interest in Fujian Dongfei Environment Group Co., Ltd.* (福建東飛環境集團有限公司) by the Company to Dingrong Environmental Protection for a consideration of RMB375,200,000;
- (l) the supplemental agreement dated 29 September 2020 entered into between the Company and Dingrong Environmental Protection in accordance with the terms of the Equity Transaction Agreement, for the purpose of further specifying certain terms under the Equity Transaction Agreement;
- (m) the capital increase agreement dated 17 June 2020 entered into among the Company, Yunnan Asset Management Co., Ltd.* (雲南省資產管理有限公司) and Yunnan Yunshui Construction & Engineering Co., Ltd.* (雲南雲水建設工程有限公司) in respect of the subscription of interests in Yunnan Yunshui Construction & Engineering Co., Ltd.* (雲南雲水建設工程有限公司) by Yunnan Asset Management Co., Ltd.* (雲南省資產管理有限公司);
- (n) the joint venture agreement dated 21 April 2020 entered into among the Company, Central and Southern China Municipal Engineering Design and Research Institute Co., Ltd.* (中國市政工程中南設計研究總院有限公司) and Jiangxi the Third Construction Co., Ltd.* (江西建工第三建築有限責任公司) in relation to the establishment of Yingde Yunshui Water Co., Ltd.* (英德雲水水務有限公司) in Yingde City, Guangdong Province, the PRC, with a total investment amount of RMB219,398,000;

- (o) the agreement on transfer of property share in Jinan Yuanchuang Yunteng Equity Investment Partnership (Limited Partnership) dated 7 April 2020 entered into between the Company and Eastmoney Securities Co., Ltd.* (東方財富證券股份有限公司) in relation to the Company's acquisition of the 79.29% of the property share held by Eastmoney Securities Co., Ltd.* (東方財富證券股份有限公司) in Jinan Yuanchuang Yunteng Equity Investment Partnership (Limited Partnership);
- (p) the shareholders agreement dated 23 October 2019 entered into among the Company, Guizhou Tongren City Development and Investment Group Co., Ltd.* (貴州省銅仁市城市開發投資集團有限公司), Guizhou Province Shiqian County Water Investment Co., Ltd.* (貴州省石阡縣水務投資有限責任公司), Guizhou Province Yinjiang Autonomous County Yinfeng Municipal Urban and Rural Construction Investment Group Co., Ltd.* (貴州省印江自治縣銀豐城鄉建設投資集團有限公司) and China Urban Construction Design & Research Institute in relation to the establishment of Tongren City Yunshui Environment Co., Ltd.* (銅仁市雲水環境有限公司) in Tongren City, Guizhou Province, the PRC, with a total investment amount of RMB337,100,000;
- (q) the equity transfer agreement dated 30 September 2019 entered into among the Company, Beijing OriginWater and Mr. Lin Kehong in relation to the acquisition of 100% equity interest in Liaocheng Chuanglian Environmental Technology Co., Ltd.* (聊城市創聯環保科技有限公司) by the Company from Beijing OriginWater and Mr. Lin Kehong;
- (r) the shareholders' agreement dated 16 September 2019 entered into among the Company, Longhai City Construction Investment and Development Co., Ltd.* (龍海市城市建設投資開發有限公司), YCIH No. 1 Water Resources and Hydropower Construction Co., Ltd.* (雲南建投第一水利水電建設有限公司) and Zhongdu Engineering Design Co., Ltd.* (中都工程設計有限公司) in relation to the establishment of Longhai Yunshui Environmental Protection Engineering Co., Ltd.* (龍海市雲水環保工程有限公司) in Longhai City, Fujian Province, the PRC, with a total investment amount of RMB300,000,000;
- (s) the joint venture agreement dated 16 August 2019 entered into between the Company and Shuangcheng Tongda Water Supply and Drainage Co., Ltd.* (雙城市通達供排水有限公司) in relation to the establishment of Harbin Yunshui Water Co., Ltd.* (哈爾濱雲水水務有限公司) in Shuangcheng District, Harbin City, Heilongjiang Province, the PRC, with a total investment amount of RMB202,102,650;
- (t) the equity pledge agreement dated 24 July 2019 entered into among the Company, Dali State-owned Asset Operation Co., Ltd.* (大理市國有資產經營有限責任公司), Dali Provincial Resort State-owned Assets Operation Co., Ltd.* (大理省級旅遊度假區國有資產經營有限責任公司) and Dali Dongcheng District Municipal Engineering Co., Ltd.* (大理市東城區市政工程有限責任公司) in relation to the pledge of the 40.27% equity interest in Dali Water Investment Co., Ltd.* (大理水務產業投資有限公司) by the Company in favour of Dali State-owned Asset Operation Co., Ltd.* (大理市國有資產經營有限責任公司), Dali Provincial Resort State-owned Assets Operation Co., Ltd.* (大理省級旅遊度假區國有資產經營有限責任公司) and Dali Dongcheng District Municipal Engineering Co., Ltd.* (大理市東城區市政工程有限責任公司);

- (u) the supplemental agreement dated 8 March 2019 of the joint venture agreement dated 24 January 2018 entered into among the Company, Qinyang Qinbei Construction Investment Co., Ltd.* (沁陽市沁北建設投資有限公司) and YCIH No.5 Construction Co., Ltd.* (雲南建投第五建設有限公司) in relation to the establishment of Qinyang Yunhuai Water Co., Ltd.* (沁陽市雲懷水務有限公司) in Qinyang City, Henan Province, the PRC, with a total investment amount of RMB442,003,000;
- (v) the joint venture agreement dated 29 January 2019 entered into among the Company, Guangzhou Engineering Contractor Group Co., Ltd.* (廣州工程總承包集團有限公司) and Zhongdu Engineering Design Co., Ltd.* (中都工程設計有限公司) in relation to the establishment of Luoding City Yunshui Environmental Protection Co., Ltd.* (羅定市雲水環保有限公司) in Luoding (a county-level city), Guangdong Province, the PRC, with a total investment amount of RMB219,864,800;
- (w) the investment agreement dated 25 January 2019 and its supplemental agreement dated 8 February 2019 entered into among the Company, Waytop Investment Group Limited (匯鼎投資集團有限公司), Xinde Investment Limited (鑫德投資有限公司), Mr. Wang Xinyan, Mr. Chen Jian and the Target Company in relation to (i) the acquisition of the 20% equity interest in the Target Company by the Company from Waytop Investment Group Limited (匯鼎投資集團有限公司) and (ii) the subscription of the 20% equity interest in the Target Company by the Company;
- (x) the joint venture agreement dated 21 November 2018 entered into among the Company, Maoming Jianjiang River Basin Water Conservancy and Hydropower Construction and Installation Engineering Co., Ltd.* (茂名市鑿江流域水利水電建築安裝工程有限公司) and Guangzhou Environmental Protection Engineering Co., Ltd.* (廣州市環境保護工程設計院有限公司) in relation to the establishment of Xinyi City Yunshui Environmental Protection Co., Ltd.* (信宜市雲水環保有限公司) in Xinyi City, Maoming City, Guangdong Province, the PRC, with a total investment amount of RMB168,750,000;
- (y) the joint venture agreement dated 21 November 2018 entered into among the Company, Maoming Jianjiang River Basin Water Conservancy and Hydropower Construction and Installation Engineering Co., Ltd.* (茂名市鑿江流域水利水電建築安裝工程有限公司) and Guangzhou Environmental Protection Engineering Co., Ltd.* (廣州市環境保護工程設計院有限公司) in relation to the establishment of Xinyi City Yunshui Water Co., Ltd.* (信宜市雲水水務有限公司) in Xinyi City, Maoming City, Guangdong Province, the PRC, with a total investment amount of RMB192,890,000;
- (z) the shareholders' agreement dated 18 October 2018 entered into between the Company and Xinjiang Derun Economic Construction and Development Co., Ltd.* (新疆德潤經濟建設發展有限公司) in relation to the establishment of Xinjiang Yunrun Recycling Economy Co., Ltd.* (新疆雲潤循環經濟有限公司) in Urumqi, Xinjiang Uygur Autonomous Region, the PRC, with a total investment amount of RMB132,917,600; and
- (aa) the joint venture agreement dated 12 October 2018 entered into among the Company, Funan Huai'an Water Co., Ltd.* (阜南縣淮岸水務有限公司), Fuyang Urban and Rural Planning and Design Institute* (阜陽市城鄉規劃設計研究院) and Yunnan Railway General Corporation* (雲南省鐵路總公司) in relation to the establishment of Funan Yunshui Urban and Rural Environmental Protection Technology Co., Ltd.* (阜南雲水城鄉環保科技有限公司) in Funan County, Fuyang City, Anhui Province, the PRC, with a total investment amount of RMB180,000,000.

9. EXPERT AND CONSENT

The following sets out the qualification of the expert which has given its opinion or advice as contained in this circular:

Name	Qualifications
Opus Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the Independent Financial Adviser

As at the Latest Practicable Date, the above expert:

- (a) did not have any shareholding, direct or indirect, in any members of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up); and
- (c) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name and its letter in the form and context in which they respectively appear.

The letter and recommendation from the above expert is given as of the date of this circular for incorporation herein.

10. MISCELLANEOUS

The registered office and principal place of business in the PRC of the Company is located at 2089 Haiyuan Bei Road, Gaoxin District, Kunming, Yunnan, the PRC. The principal place of business of the Company in Hong Kong is located at Suites 3110–11, 31/F, Tower 1, The Gateway, Harbour City, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The company secretary of the Company is Mr. Li Bo, who is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Certified Public Accountants of Australia.

The branch share registrar and transfer office of the Company is Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The English text of this circular shall prevail over the Chinese text in case of any inconsistency, except for the English names/translations of the companies established in the PRC, relevant authorities in the PRC and other Chinese terms used in this circular which are only translations of their official Chinese names.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Suites 3110–11, 31/F, Tower 1, The Gateway, Harbour City, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 December 2018 and 2019;
- (c) the annual results announcement of the Company for the year ended 31 December 2020;
- (d) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;
- (e) the letter of advice from Opus Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (f) the written consent referred to in the paragraph headed “Expert and Consent” in this appendix;
- (g) the Guarantee Agreement;
- (h) the Equity Pledge Agreement;
- (i) the Guarantee Fee Agreement;
- (j) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
and
- (k) this circular.

NOTICE OF EGM



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)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Yunnan Water Investment Co., Limited* (雲南水務投資股份有限公司) (the “**Company**”) will be held at 10:00 a.m. on Tuesday, 25 May 2021 at Conference Room 5th Floor, Yunnan Water, 2089 Haiyuan Bei Road, Gaoxin District, Kunming, Yunnan Province, the PRC to consider and, if thought fit, approve the following resolutions of the Company:

SPECIAL RESOLUTIONS

“**THAT:**

- (a) the Guarantee Agreement, the Equity Pledge Agreement, the Guarantee Fee Agreement (as defined in the circular of the Company dated 23 April 2021, collectively, the “**Agreements**”) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby authorised for and on behalf to perform all such acts and things and execute all documents as he/they consider necessary, desirable or expedient to effect and implement the Agreements and the transactions contemplated thereunder.”

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

Kunming, the PRC
23 April 2021

Notes:

- (1) Pursuant to the Listing Rules, voting on all resolutions at a general meeting shall be by way of poll. The poll results of the EGM will be published on the websites of the Stock Exchanges and the Company in accordance with the requirements of the Listing Rules.

NOTICE OF EGM

- (2) For the purpose of ascertaining eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 17 May 2021 to Tuesday, 25 May 2021 (both dates inclusive) during which registration for transfer of shares will be suspended. Holders of H Shares who intend to attend and vote at the EGM shall deliver all transfer forms together with the relevant share certificates to the Company's H Share registrar in Hong Kong, Tricor Investor Services Limited, at or before 4:30 p.m. on Friday, 14 May 2021.
- (3) Any Shareholder who is entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on his/her behalf. A proxy needs not be a Shareholder. If the Shareholder appoints more than one proxy, his/her proxies may only vote by poll.
- (4) The instrument appointing a proxy shall be in writing under the hand of the Shareholder or his/her attorney duly authorised in writing. If the Shareholder is a legal entity, then the relevant appointing document must be either under seal or under the hand of its director(s) or attorney duly authorised. If the instrument appointing a proxy is signed by a person duly authorised by the Shareholder, the powers of attorney or other instruments of authorisation shall be notarised.
- (5) The proxy form together with the power of attorney or other authorisation documents, if any, must be delivered to the secretariat of the Board located at the principal place of business of the Company in the PRC (for holders of Domestic Shares) or the Company's H Share registrar in Hong Kong, Tricor Investor Services Limited (for holders of H Shares) not later than 24 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof (as the case may be) in order to be effective.
- (6) The H Share registrar of the Company in Hong Kong is Tricor Investor Services Limited and its address and contact information are as follows:
- 54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong
Tel: (+852) 2980 1333
Fax: (+852) 2810 8185
- (7) The address and contact information of the principal place of business of the Company in the PRC are as follows:
- Principal place of business in the PRC:*
Yunnan Water, 2089 Haiyuan Bei Road, Gaoxin District, Kunming, Yunnan Province, the PRC
- Contact information:*
Yunnan Water, 2089 Haiyuan Bei Road, Gaoxin District, Kunming, Yunnan Province, the PRC
Contact person: Ms. Guo Jia
Tel: (+86) 871 6720 9927
Fax: (+86) 871 6720 3907
- (8) Pursuant to the Articles of Association, for joint registered Shareholders consisting of two or more persons, only the Shareholder whose name appears first on the register of members of the Company is entitled to receive this notice, attend the EGM and exercise the entire voting rights conferred by the relevant Shares, and this notice shall be deemed to have served all such joint registered Shareholders.
- (9) The EGM is expected to last for no more than half a day. Shareholders who attend the EGM in person or their proxies shall be responsible for their own travelling and accommodation expenses. Shareholders or their proxies who attend the EGM must produce their identity documents for identification.

* *For identification purposes only*