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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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)**

**MAJOR TRANSACTION  
IN RELATION TO DISPOSALS OF  
100% EQUITY INTEREST IN HONGHE WATER  
AND  
100% EQUITY INTEREST IN SHUIFU WATER**

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\* For identification purposes only

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## DEFINITIONS

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*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;
“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, is wholly owned by YHTH and is the beneficial owner of 8,449,000 H Shares;
“Closely Allied Group”	the closely allied group of Shareholders comprising (i) Green Environmental Protection; and (ii) Beijing OriginWater, which collectively holds 645,407,162 Domestic Shares, representing approximately 54.09% of the total number of Shares in issue of the Company as at the Latest Practicable Date;
“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, whose H Shares are listed on the Main Board of the Stock Exchange (stock code: 6839);
“Director(s)”	the director(s) of the Company;
“Disposal Interests”	the 100% equity interest in Honghe Water, and the 100% equity interest in Shuifu Water;
“Disposals”	the Honghe Disposal and the Shuifu Disposal;
“Domestic Share(s)”	the issued ordinary shares at the nominal value of RMB1.00 per share in the share capital of the Company which are subscribed for or credited as paid up in RMB;
“Equity Transaction Agreements”	the Honghe Equity Transaction Agreement and the Shuifu Equity Transaction Agreement;
“Green Environmental Protection”	Yunnan Green Environmental Protection Industry Group Co., Ltd.* (雲南省綠色環保產業集團有限公司) (formerly known as Yunnan 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;
“Group”	the Company and its subsidiaries;

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## DEFINITIONS

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“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;
“Honghe Disposal”	the disposal of 100% equity interest by the Company to the Purchaser in accordance with the terms and conditions of the Honghe Equity Transaction Agreement;
“Honghe Equity Transaction Agreement”	the sale and purchase agreement dated 27 February 2023 entered into between the Company and the Purchaser in relation to the Honghe Disposal;
“Honghe Water”	Honghe Water Industry Investment Co., Ltd.* (紅河州水務產業投資有限公司);
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	21 April 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC” or “China”	the People’s Republic of China, for the purpose of this circular only, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“Purchaser”	Beijing Enterprises Water Group (China) Investment Limited* (北控水務(中國)投資有限公司), a limited liability company established in the PRC and the purchaser of the Disposal Interests;
“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);
“Shuifu Disposal”	the disposal of 100% equity interest by the Company to the Purchaser in accordance with the terms and conditions of the Shuifu Equity Transaction Agreement;
“Shuifu Equity Transaction Agreement”	the sale and purchase agreement dated 27 February 2023 entered into between the Company and the Purchaser in relation to the Shuifu Disposal;

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## DEFINITIONS

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“Shuifu Water”	Shuifu Water Industry Investment Co., Ltd.* (水富縣水務產業投資有限公司);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supervisor(s)”	the supervisor(s) of the Company;
“Valuation Reports”	the valuation reports of Disposal Interests as of 31 December 2021 prepared by the Valuer, full text of which is set out in Appendix II to this circular;
“Valuer”	China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司);
“Working Day”	a day other than Saturday, Sunday and statutory holiday in the PRC;
“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 the sole shareholder of Green Environmental Protection;
“YNEX”	Yunnan Equity Exchange Co., Ltd., an institution authorised by the Yunnan Provincial State-owned Assets Supervision and Administration Commission to transact assets and equity of state-owned enterprises under the Yunnan Provincial Government; and
“%”	per cent.

\* *For identification purposes only*

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LETTER FROM THE BOARD

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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)

**Executive Directors:**

Mr. Yu Long (*Vice Chairman, General Manager*)

Mr. Zhou Zhimi

**Non-executive Directors:**

Mr. Mei Wei (*Chairman*)

Mr. Dai Richeng

Mr. Chen Yong

Mr. Liu Hui

**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

25 April 2023

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION  
IN RELATION TO DISPOSALS OF  
100% EQUITY INTEREST IN HONGHE WATER  
AND  
100% EQUITY INTEREST IN SHUIFU WATER**

**INTRODUCTION**

References are made to the announcements of the Company dated 28 December 2021 and 27 February 2023 in relation to, among other things, the disposal of Disposal Interests by way of public tender through YNEX.

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## LETTER FROM THE BOARD

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The Board is pleased to announce that on 27 February 2023 (after trading hours), the Company (as vendor) and the Purchaser (as purchaser) entered into (a) the Honghe Equity Transaction Agreement, pursuant to which, the Company has agreed to sell, and the Purchaser has agreed to acquire, 100% equity interest in Honghe Water at the consideration of RMB155,400,000; and (b) the Shuifu Equity Transaction Agreement, pursuant to which, the Company has agreed to sell, and the Purchaser has agreed to acquire, 100% equity interest in Shuifu Water at the consideration of RMB28,300,000. Upon completion of the Disposals, the Company shall cease to have any interest in (a) Honghe Water and (b) Shuifu Water.

Since the Equity Transaction Agreements are both entered into with the Purchaser, the Disposals shall be aggregated together to calculate the applicable percentage ratios according to Rule 14.22 of the Listing Rule. As the highest applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposals exceeds 25% but is less than 75%, the Disposals constitutes a major transaction under Chapter 14 of the Listing Rules, and are subject to reporting, announcement, circular and Shareholders' approval requirements.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the Disposals may be given by way of written Shareholders' approval in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposals; and (2) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who holds or together hold more than 50% of the voting rights at that general meeting to approve the Disposals.

The Company has obtained the written Shareholders' approval from the Closely Allied Group holding an aggregate of 645,407,162 Shares, representing approximately 54.09% of the entire issued share capital of the Company as at the date of this circular. As such, no general meeting will be convened for the purpose of approving the Disposals.

The purpose of this circular is to provide you with, among other things, (i) further information about the Disposals; and (ii) other disclosable information under the Listing Rules.

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## LETTER FROM THE BOARD

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### HONGHE EQUITY TRANSACTION AGREEMENT

Date:	27 February 2023 (after trading hours)
Parties:	(i) the Company (as vendor); and  (ii) the Purchaser (as purchaser)
Disposal Interest:	Under the Honghe Disposal, the Company has agreed to sell, and the Purchaser has agreed to acquire, 100% interest in Honghe Water.
Consideration and Basis of Determination:	The Company has entrusted YNEX to obtain the equity bidder by way of public tender, and the method of agreement transfer is adopted. The consideration of the Honghe Disposal is RMB155,400,000, which was determined and equivalent to the appraised value of Honghe Water as at 31 December 2021 by an independent PRC valuer using the income approach.

Since the Company is a state-owned enterprise, the equity interest of Honghe Water held by the Company constitutes a state-owned asset, and the Honghe Disposal is required to undergo the public tender process through an approved equity exchange in accordance with the relevant PRC laws and regulations governing the disposal of state-controlled assets. The Honghe Disposal has been carried out through and in accordance with the relevant rules of YNEX. The Company submitted the tender notice to YNEX setting out, inter alia, (i) the minimum consideration, which shall not be lower than the appraised value of Honghe Water; (ii) the principal terms of the bidding; and (iii) descriptions and qualifications of the potential bidders. Qualification conditions cannot generally be imposed on potential bidders for the transfer of state-owned assets unless they are not directive to specific bidders nor in violation of the principle of fair competition. Upon acceptance of the tender notice from the Company, YNEX arranged for publication of the transfer information for a period of not less than 20 working days from the date of the tender notice. During the publication period, qualified bidders would indicate their intention to purchase Honghe Water and register themselves as interested bidders. Upon the expiry of the publication period, YNEX notified the Company of the identity of the successful bidder (being the highest bidder). Since the Purchaser was the only qualified bidder in the public tender of Honghe Water, the Company entered into the Honghe Equity Transaction Agreement with the Purchaser.

As disclosed in the Company's announcement, the Company had resolved to dispose of, among others, Honghe Water in December 2021. Since the disposal of Honghe Water had to be conducted through public tender on the YNEX, valuation of Honghe Water was appraised as at the valuation reference date of 31 December 2021. Since there has been no significant fluctuations in the financial and operational positions of Honghe Water between 2021 and 2022, with the aforesaid being taken into consideration, the Directors therefore consider that notwithstanding the valuation reference date being 31 December 2021, the Valuation Report of Honghe Water is still appropriate in determining the consideration for the Honghe Disposal.



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## LETTER FROM THE BOARD

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- Payment Terms:** The Purchaser shall pay the consideration in a one-off payment of RMB155,400,000 to the designated bank account of the Company within 5 Working Days from the effective date of the Honghe Equity Transaction Agreement. According to the Honghe Equity Transaction Agreement, the Honghe Equity Transaction Agreement shall be effective from the date when it is signed and sealed by the legal representatives of both parties, and shall take effect from the date when the Company obtains shareholders' approval for the Honghe Disposal. As at the Latest Practicable Date, the consideration has been settled.
- Equity Transfer and Registration:** The Company shall assist the Purchaser to complete the transfer of the interest of Honghe Water and attend to the change of registration procedures within 30 Working Days from the date of payment of consideration.
- Completion:** Completion shall take place on the date when the change of registration procedures in the responsible industry and commerce authority completes.

### SHUIFU EQUITY TRANSACTION AGREEMENT

- Date:** 27 February 2023 (after trading hours)
- Parties:** (i) The Company (as vendor); and  
(ii) the Purchaser (as purchaser)
- Disposal Interest:** Under the Shuifu Disposal, the Company has agreed to sell, and the Purchaser has agreed to acquire, 100% interest in Shuifu Water.
- Consideration and Basis of Determination:** The Company has entrusted YNEX to obtain the equity bidder by way of public tender, and the method of agreement transfer is adopted. The consideration of the Shuifu Disposal is RMB28,300,000, which was determined and equivalent to the appraised value of Shuifu Water as at 31 December 2021 by an independent PRC valuer using the income approach.

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## LETTER FROM THE BOARD

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Since the Company is a state-owned enterprise, the equity interest of Shuifu Water held by the Company constitutes a state-owned asset, and the Shuifu Disposal is required to undergo the public tender process through an approved equity exchange in accordance with the relevant PRC laws and regulations governing the disposal of state-controlled assets. The Shuifu Disposal has been carried out through and in accordance with the relevant rules of YNEX. The Company submitted the tender notice to YNEX setting out, inter alia, (i) the minimum consideration, which shall not be lower than the appraised value of Shuifu Water; (ii) the principal terms of the bidding; and (iii) descriptions and qualifications of the potential bidders. Qualification conditions cannot generally be imposed on potential bidders for the transfer of state-owned assets unless they are not directive to specific bidders nor in violation of the principle of fair competition. Upon acceptance of the tender notice from the Company, YNEX arranged for publication of the transfer information for a period of not less than 20 working days from the date of the tender notice. During the publication period, qualified bidders would indicate their intention to purchase Shuifu Water and register themselves as interested bidders. Upon the expiry of the publication period, YNEX notified the Company of the identity of the successful bidder (being the highest bidder). Since the Purchaser was the only qualified bidder in the public tender of Shuifu Water, the Company entered into the Shuifu Equity Transaction Agreement with the Purchaser.

As disclosed in the Company's announcement, the Company had resolved to dispose of, among others, Shuifu Water in December 2021. Since the disposal of Shuifu Water had to be conducted through public tender on the YNEX, valuation of Shuifu Water was appraised as at the valuation reference date of 31 December 2021. Since there has been no significant fluctuations in the financial and operational positions of Shuifu Water between 2021 and 2022, with the aforesaid being taken into consideration, the Directors therefore consider that notwithstanding the valuation reference date being 31 December 2021, the Valuation Report of Shuifu Water is still appropriate in determining the consideration for the Shuifu Disposal.

Payment Terms:	The Purchaser shall pay the consideration in a one-off payment of RMB28,300,000 to the designated bank account of the Company within 5 Working Days from the effective date of the Shuifu Equity Transaction Agreement. According to the Shuifu Equity Transaction Agreement, the Shuifu Equity Transaction Agreement shall be effective from the date when it is signed and sealed by the legal representatives of both parties, and shall take effect from the date when the Company obtains shareholders' approval for the Shuifu Disposal. As at the Latest Practicable Date, the consideration has been settled.
Equity Transfer and Registration:	The Company shall assist the Purchaser to complete the transfer of the interest of Shuifu Water and attend to the change of registration procedures within 30 Working Days from the date of payment of consideration.
Completion:	Completion shall take place on the date when the change of registration procedures in the responsible industry and commerce authority completes.

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## LETTER FROM THE BOARD

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### APPRAISED VALUES AND VALUATION REPORTS

The considerations of the Disposals were determined and equivalent to the appraised values of Disposal Interests as at 31 December 2021 by the Valuer using the income approach based on the following computation formula:

The basic calculation formula for this valuation is:

$$E = B - D$$

Wherein: E: Value of total shareholders' equity (net assets) of the appraised entity;

B: Overall enterprise value of the appraised entity;

D: Value of the interest-bearing debt of the appraised entity;

Wherein:  $B = P + I + C$

Wherein: P: Value of operating assets of the appraised entity.

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_{n+1}}{r(1+r)^n}$$

Wherein:  $R_i$ : Free cash flow from expected income of the appraised entity in the coming  $i$ th year;

r: Discount rate;

n: Future operation period of appraised entity;

I: Long-term investment value of appraised entity;

C: Value of surplus or non-operating assets (liabilities) of the appraised entity as at the reference date.

$$C = C_1 + C_2$$

Wherein:  $C_1$ : Value of current surplus/non-operating assets (liabilities) as at the reference date;

$C_2$ : Value of non-current surplus/non-operating assets (liabilities) as at the reference date.

The valuation of Honghe Water was conducted by the Valuer using the income approach taking into account the profitability of Honghe Water. As disclosed in pages II-24 to II-26, the Valuer has considered the historical financial information of Honghe Water from 2018 to 2021 provided by the Company for compiling its forecast on the cash flows of Honghe Water for future years as set out in the Table of Forecast on Cash Flows in page II-49 for its valuation based on the income approach. Among others, as at the valuation reference date (i.e. 31 December 2021), the net profit of Honghe Water for 2022 forecasted by the Valuer was approximately RMB8.4 million, representing a significant decrease from the historical net profit of Honghe Water for 2021 of approximately RMB15.2 million as disclosed at page II-25, mainly

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## LETTER FROM THE BOARD

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due to (i) the fact that the net profit of Datunhai Wastewater Treatment Plant\* (大屯海污水處理廠) (the “**Datunhai Plant**”) of approximately RMB4.7 million was excluded in the forecast of net profit of Honghe Water in the Table of Forecast on Cash Flows. As disclosed in page II-27, as the franchise rights of the Datunhai Plant belongs to the Company, the Dahunhai Plant is not included in the scope of the Valuation, while in the financial accounting, the income and costs from principal business and administrative expenses of Honghe Water include the financial data of the Datunhai Plant; and (ii) an increase of approximately RMB3.5 million in the forecast of finance expenses for 2022 as compared to the historical finance costs of approximately RMB3.4 million in 2021 mainly as a result of the increase in total liabilities as at 31 December 2021.

On the other hand, there is a discrepancy between the audited net profit of Honghe Water for 2022 of approximately RMB17.9 million and the aforesaid forecast of net profit of Honghe Water for 2022 of approximately RMB8.4 million, which is mainly attributable to (i) a decrease in finance expenses of approximately RMB5 million as a result of the negotiations for an one-off interest rates optimization between the Group and the financial institutions in 2022 as part of the measures to mitigate the Group’s liquidity pressure and improve its financial position taking into consideration the critical financial conditions and extreme economic difficulties of the Group in that year. As agreed with the relevant financial institutions, the interest rate optimization for the loans of Honghe Water will terminate by 2023. Furthermore, Honghe Water will cease to be a subsidiary of the Company upon completion of the Disposals, and will cease to continue to enjoy the benefits of the aforesaid interest rates optimization; and (ii) a decrease in operating expenses of approximately RMB3 million as Honghe Water had postponed its schedule of equipment maintenance, renewal and upgrade in 2022 and the relevant operating expenses will be incurred back in the following years. Since the aforesaid discrepancy was mainly due to exceptional and unforeseeable circumstances happened in 2022, there has been no material change in the financial and operational positions of Honghe Water since the valuation reference date (i.e. 31 December 2021). The Directors therefore consider that the assumptions and inputs as adopted by Valuer are fair and reasonable and the Valuation Report of Honghe Water is still appropriate in determining the consideration for the Honghe Disposal.

For further details of the appraised values of the Disposal Interests, please refer to the Valuation Reports contained in Appendix II to this circular.

The Directors consider that the assumptions and inputs as adopted by the Valuer are fair and reasonable and consider that there is unlikely to have any material change in the assumptions and inputs which are likely to materially affect the valuations of Disposal Interests. Furthermore, sensitivity analysis is not mandatorily required for the purpose of the valuations of the Disposal Interests under the relevant applicable laws and regulations. As such, sensitivity analysis is not prepared and included in the Valuation Reports.

### INFORMATION OF THE PURCHASER

The Purchaser is a company established in the PRC with limited liability and, to the best knowledge of the Directors, is primarily engaged in investment holding and consultancy services. The Purchaser is a direct wholly-owned subsidiary of Beijing Enterprises Water Group Limited (北控水務集團有限公司), a company incorporated in the Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00371).

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## LETTER FROM THE BOARD

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### INFORMATION OF THE GROUP

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

### INFORMATION OF HONGHE WATER

Honghe Water was established on 14 November 2012 with a registered share capital of RMB115,500,000. It is principally engaged in the investment, construction, operation and management of urban water supply and drainage infrastructure, wastewater treatment facilities and waste innocuous treatment facilities; the investment, construction, operation and management of waste comprehensive development and utilization and its related industry; the consultancy on projects relating to the wastewater treatment and waste innocuous treatment; urban construction, investment in mining industry and asset management; technical consultancy on environmental governance; the sale and lease of environmental electrical and mechanical equipment. Immediately before the completion of the Honghe Disposal, Honghe Water is a 100% wholly-owned subsidiary of the Company.

Set out below is the key financial information for the financial years ended 31 December 2021 and 2022 of Honghe Water, both prepared according to the PRC accounting standards.

	<b>For the year ended/As at</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2022</b>
	<i>RMB million</i>	<i>RMB million</i>
	<i>(audited)</i>	<i>(audited)</i>
Operating revenue	55.0	54.3
Profit before tax	19.1	21.7
Profit after tax	15.7	17.9
Total assets	395.2	375.0
Net assets	167.4	165.9

### INFORMATION OF SHUIFU WATER

Shuifu Water was established on 5 May 2011 with a registered share capital of RMB7,500,000. It is principally engaged in the investment, construction, operation and management of urban water drainage infrastructure and waste innocuous treatment facilities; the investment, construction, operation and management of waste comprehensive development and utilization and its related industry; the consultancy on projects relating to the wastewater treatment and waste innocuous treatment; urban construction and asset management. Immediately before the completion of the Shuifu Disposal, Shuifu Water is a 100% wholly-owned subsidiary of the Company.

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## LETTER FROM THE BOARD

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Set out below is the key financial information for the financial years ended 31 December 2021 and 2022 of Shuifu Water, both prepared according to the PRC accounting standards.

	For the year ended/As at	
	31 December	
	2021	2022
	<i>RMB million</i>	<i>RMB million</i>
	<i>(audited)</i>	<i>(audited)</i>
Operating revenue	6.2	6.0
Profit before tax	(0.2)	3.4
Profit after tax	(0.3)	2.8
Total assets	49.1	43.2
Net assets	27.8	30.6

### REASONS FOR AND BENEFITS OF THE DISPOSALS

Based on the strategic development and the internal management needs of the Company, the Company decides to proceed with the Disposals. The Directors believe that the Disposals will alleviate the ongoing financial difficulties of the Group and lower the debt level and asset-liability ratio of the Company.

As disclosed in the 2021 annual report of the Company, for the purpose of resolving the going concern issue which resulted in the disclaimer of opinion in the audit report for the consolidated financial statements of the Company for the year ended 31 December 2021, the Group has taken and will take certain plans and measures to mitigate the liquidity pressure and to improve its financial position, which include, among others, divesting certain of the Group's concession projects and construction projects. The Disposals are among the mitigating measures to enhance liquidity and capital structure of the Group and reduce overall financing expenses of the Group.

The Directors are of the view that the Disposals are on normal commercial terms which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### FINANCIAL EFFECT OF THE DISPOSALS AND USE OF PROCEEDS

Upon completion of the Disposals, each of Honghe Water and Shuifu Water will cease to be a subsidiary to be accounted for in the financial results of the Company. The Group is expected to record an unaudited loss on the Disposals of approximately RMB14.9 million. Such unaudited loss is estimated based on gross proceeds from the Disposals of approximately RMB183.7 million less the net asset value of the Disposal Interests of approximately RMB198.5 million as at 31 December 2022, and after deducting the expenses directly attributable to the Disposals in aggregate of approximately RMB0.1 million. Please note that the actual loss recorded by the Group from the Disposals will be subject to the book values of the Disposal Interests accounted for in the financial statements of the Group upon completion of the Disposals, and may therefore be different from the above amount.

The Disposal is estimated to result in a decrease of approximately RMB403.7 million in the total assets (in relation to the current assets of the Disposal Interests) of the Group and a decrease of approximately RMB220.0 million in total liabilities (in relation to the current liabilities of the Disposal Interests) of the Group as at 31 December 2022. Further, the Company has received in advance the consideration of RMB183.7 million, and the Disposals will not affect the net assets of the Group as at 31 December 2022.

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## LETTER FROM THE BOARD

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The net proceeds from the Disposals, after deducting the expenses directly attributable thereto, will amount to approximately RMB183.6 million. It is intended that the net proceeds from the Disposals will be used for the Group's working capital, of which (i) approximately RMB99.9 million will be allocated for staff cost for about 1.9 months; (ii) approximately RMB43.5 million will be allocated for fuel costs for production for about 1.9 months; and (iii) approximately RMB40.2 million will be allocated for material costs for production for about 1.9 months.

### IMPLICATIONS OF THE LISTING RULES

Since the Equity Transaction Agreements are both entered into with the Purchaser, the Disposals shall be aggregated together to calculate the applicable percentage ratios according to Rule 14.22 of the Listing Rule. As the highest applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposals exceed 25% but is less than 75%, the Disposals constitute a major transaction under Chapter 14 of the Listing Rules, and are subject to reporting, announcement, circular and Shareholders' approval requirements.

### WRITTEN SHAREHOLDERS' APPROVAL

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules) as at the date of this circular, none of the Shareholders has material interest in the Equity Transaction Agreements and the transactions contemplated thereunder, and therefore, no Shareholder is required to abstain from voting if a general meeting were to be convened for the approval of the Equity Transaction Agreements.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the Disposals may be given by way of written Shareholders' approval in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposals; and (2) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who holds or together hold more than 50% of the voting rights at that general meeting to approve the Disposals.

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## LETTER FROM THE BOARD

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Written Shareholders' approval for the Equity Transaction Agreements and the transactions contemplated thereunder has been obtained from the Closely Allied Group which together holds more than 50% of the issued Shares giving the right to attend and vote at a general meeting:

Name	Type of Shares	Number of Shares held	Approximate percentage of total number of Shares in issue
<b><i>Closely Allied Group</i></b>			
(1) Green Environmental Protection	Domestic Shares	358,757,162	30.07%
(2) Beijing OriginWater	Domestic Shares	286,650,000	24.02%
	<i>Sub-total</i>	645,407,162	54.09%
Mr. Yu Long	Domestic Shares/ H Shares	11,590,000	0.97%
Mr. Zhou Zhimi	Domestic Shares	325,000	0.03%
Yantai Xinzhen Tianying Equity Investment Center (Limited Partnership) and its related party	Domestic Shares	132,447,873	11.10%
27 Management Shareholders	Domestic Shares	20,705,000	1.74%
Caiyun International	H Shares	8,449,000	0.71%
Public Shareholders	Domestic Shares/ H Shares	374,289,422	31.37%
	Total:	1,193,213,457 Shares	100%

*Notes:*

1. The percentage was calculated based on 1,193,213,457 issued Shares as at the Latest Practicable Date.
2. The above percentages may not be exact figures due to rounding and the shareholding may not add up to 100%.

Accordingly, no general meeting will be convened for the purposes of approving the Equity Transaction Agreements and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.



## **PROFIT FORECAST REQUIREMENTS UNDER THE LISTING RULES**

The valuations of the Disposal Interests (the “**Valuations**”) were conducted by China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司) (the “**Valuer**”), an independent PRC valuer, using the income approach. Accordingly, the Valuations constitute profit forecast under Rule 14.61 of the Listing Rules.

For the purpose of complying with Rules 14.60A and 14.62 of the Listing Rules, the details of the principal assumptions, including commercial assumptions, upon which the Valuations were based are as follows, details of which shall be referred to the Valuation Reports contained in Appendix II to this circular:

### **(I) General Assumptions**

#### *1. Transaction Assumption*

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

#### *2. Open Market Assumption*

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

#### *3. Asset Going-concern Assumption*

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

#### *4. Corporate Going-concern Assumption*

The corporate going-concern assumption assumes that businesses of the appraised entity will operate as a going concern in accordance with its operation target under the external environment where it operates. The appraised entity conducts lawful operations and is able to acquire appropriate profit to maintain its capability of operating as a going concern.

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## LETTER FROM THE BOARD

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### (II) Special Assumptions

1. This valuation assumes that the external economic environment on the valuation reference date remains unchanged and that the current macro-economy of the country will not change significantly;
2. There are no significant changes in the social and economic environment faced by the enterprise as well as the taxes, tax rates and other policies implemented by the enterprise; the development trend of the industry of the enterprise is stable and sustained, and the appraised entity is positioned as an environmental protection industry, coupled with stable sales channels, the enterprise is in a stable development in the industry;
3. The management of the appraised entity in the future operation period shall perform its duties in due diligence and continue to maintain the current operation and management mode existed on the valuation reference date;
4. The principal business, the composition of income and costs, and the business strategy of the appraised entity in the future operation period will continue according to the future strategic positioning and strategic planning determined as at the valuation reference date without major changes. Profit or loss caused by the changes in the conditions of the principal business that may occur in the future due to changes in management, business strategy, business environment, market cyclical fluctuations, etc. are not considered;
5. The valuation scope is only subject to the valuation declaration form provided by the entrusting party and the appraised entity, and the contingent assets and contingent liabilities that may exist outside the list provided by the entrusting party and the appraised entity are not considered;
6. All assets under this valuation are based on the actual stock on the valuation reference date, and the current market price of the relevant assets is based on the effective domestic price on the valuation reference date;
7. It is assumed that the fixed assets of the enterprise are constructed or purchased according to the unified planning and standards;
8. This valuation assumes that the basic data and financial information provided by the entrusting party and the appraised entity are true, accurate and complete, and the forecast data provided by the entrusting party are true, accurate and complete;
9. The (unit sales price and) main costs are predicted based on the current prices. It is assumed that the prices and costs of products of the appraised entity will not fluctuate significantly;
10. The impact of inflation factors is not considered in the values of various parameters measured in this valuation;
11. It is assumed that the cash inflow of the valuation subject after the valuation reference date is the average inflow, and the cash outflow is the average outflow.

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## LETTER FROM THE BOARD

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Moore Stephens CPA Limited has been engaged by the Company to review the calculations of the discounted future cash flows upon which the Valuations was based on, which do not involve the adoption of accounting policies and the appropriateness and validity of the assumptions. The Board has reviewed and considered the Valuations including the principal assumptions upon which the Valuations were based. The Board has also considered the report from Moore Stephens CPA Limited. On the basis of the foregoing, the Board is of the opinion that the Valuations have been made after due and careful enquiry. A letter from the Board and a report from Moore Stephens CPA Limited are included in Appendix IV and Appendix III to this circular.

### RECOMMENDATION

The Board considers that the terms of the Equity Transaction Agreements and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Had a special general meeting been convened for the approval of the Equity Transaction Agreements and the transactions contemplated thereunder, the Board would have recommended the Shareholders to vote in favour of the Equity Transaction Agreements and the transactions contemplated thereunder.

### 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\***  
**Mei Wei**  
*Chairman*

\* *For identification purposes only*

**SUMMARY OF FINANCIAL INFORMATION OF THE GROUP**

Financial information of the Group for the three years ended 31 December 2021 and six months ended 30 June 2022 are disclosed in the following documents which are published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.yunnanwater.com.cn](http://www.yunnanwater.com.cn).

- (i) Annual report of the Company for the year ended 31 December 2019 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042802729.pdf>) (the “**2019 Annual Report**”)
- (ii) Annual report of the Company for the year ended 31 December 2020 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042802606.pdf>) (the “**2020 Annual Report**”)
- (iii) Annual report of the Company for the year ended 31 December 2021 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0530/2022053001087.pdf>) (the “**2021 Annual Report**”)
- (iv) interim report of the Company for the six months ended 30 June 2022 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0929/2022092900891.pdf>) (the “**2022 Interim Report**”)

**WORKING CAPITAL**

As at 28 February 2023, the Group’s current liabilities exceeded its current assets by approximately RMB3 billion (unaudited). In order to improve the Group’s financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted several measures together with other measures in progress but not limited to, the followings:

- (i) For borrowings which will be maturing in the next 12 months from the date of this circular, the Group is actively negotiating with banks/lenders before they fall due to secure their renewals so as to ensure that the necessary funds will be in place to meet the Group’s working capital and financial requirements in the future will continue to be met;
- (ii) The Group will actively obtain additional new sources of financing as and when needed;
- (iii) The Group has plans to divest certain of the Group’s concession projects and construction projects; and
- (iv) The Directors are of the view that they have the ability to manage the progress of the projects from time to time and defer the payment schedule of the borrowings in these projects, if necessary.

If the Group fails to successfully implement the above measures, the Group will not have sufficient working capital for at least 12 months from the date of this circular.

Except for the potential impacts of the matters described above, in the absence of unforeseen circumstances, on the basis of the successful implementation of the measures described above in the foreseeable future and after assessing the Group's current and forecasted cash positions, the directors of the Company are optimistic that the Group will be able to meet in full the Group's financial obligations as they fall due for the twelve months from the date of this circular.

## INDEBTEDNESS

As at the close of business on 28 February 2023, 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 2023, the Group had total outstanding borrowings of approximately RMB31,950 million, further details of which are set out below:

	<b>As at 28 February 2023</b> <i>RMB'000</i>
<b>Non-current</b>	
Long-term bank borrowings	
— Secured	13,711,219
— Unsecured	3,266,484
	<hr/> 16,977,703
Corporate bonds and other borrowings	
— Secured	422,194
— Unsecured	9,644,160
	<hr/> 10,066,354
Amount due to Shareholders	
— Green Environmental Protection	1,040,222
— YHTH	1,312,747
	<hr/> 2,352,969
<b>Current</b>	
Short-term bank borrowings	
— Secured	19,710
— Unsecured	2,520
	<hr/> 22,230

	<b>As at 28 February 2023</b> <i>RMB'000</i>
Current portion of long-term bank borrowings	
— Secured	93,579
— Unsecured	6,930
	<hr/>
	100,509
Current portion of corporate bonds and other borrowings	
— Unsecured	1,456,822
Amount due to Shareholder	
— Caiyun International	973,236
	<hr/>
<b>Total</b>	<b>31,949,823</b>
	<hr/> <hr/>

As at the close of business on 28 February 2023, the Group had borrowings of approximately RMB14,247 million in aggregate which were secured by pledge of the Group's receivables under service concession arrangements, contract assets, right-of-use assets, property, plant and equipment and intangible assets and the Company's investments in subsidiaries, and approximately RMB342 million and RMB12,187 million of the Group's borrowings were guaranteed by PRC local government and related parties respectively. The amount due to Shareholders of approximately RMB3,326 million of the Group are unsecured, bear interest and repayable with agreed terms.

### Lease liabilities

As at the close of business on 28 February 2023, the Group, as a lessee, had lease liabilities for the remainder of the relevant lease terms amounting to approximately RMB35.9 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 2023 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 Group recorded a loss attributable to the ordinary shareholders of the Company of approximately RMB494.0 million for the six months ended 30 June 2022, compared to a loss of approximately RMB311.6 million for the corresponding period in 2021. The Board believes that the change in results for the six months ended 30 June 2022 is primarily attributable to the decrease in the consolidated gross profit margin of the Group's solid waste and other business segments and the decrease in the revenue from construction services due to the resurgence of pandemic in China in the first half of 2022. For details, please refer to the profit warning announcement of the Company dated 22 August 2022 and the interim report of the Company for the six months ended 30 June 2022 published on 29 September 2022.

The Directors confirm that save as disclosed above, there was no material adverse change in the financial or trading position or outlook of the Group since 31 December 2021, 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

The Group will take various measures to reduce debt ratio. Firstly, the Group will optimize the financing structure, and reduce the Company's financing pressure and liquidity risks by gradually adjusting the long-term and short-term debt structure. Secondly, the Group will strengthen the debt collection work, focus on ensuring the amount and time limit of remittances for projects in operation, to increase operating cash flow. Thirdly, the Group will also promote the asset disposal work in a timely manner, make overall arrangements for the partial disposal of scattered assets, integrate and optimize assets while recovering cash to reduce the asset-liability ratio, and improve management efficiency and operational quality.

The Group will continue to focus on operations to improve quality and efficiency, refine management standards, and promote energy conservation and consumption reduction. To this end, the Group will fully implement the scientific budgeting system, and reasonably calculate the operation indicators of each project based on the current operating conditions. The Group will also further strengthen checking and eliminate the unstable factors and hidden dangers of exceeding standards in the operation process, so as to realize the stable operation of the Group's projects in operation.

The Group will continue to enhance its innovation and sustainable development. According to the current market demand, the Group will improve the current core technologies, especially strengthen the development and promotion of our low-temperature adiabatic pyrolysis and carbonization technology of organic solid waste, and contribute to the reduction, harmlessness, stabilization and resource utilization of solid organic waste treatment. At the same time, the Group will continue to focus on new fields of resources and environment, reserve key core technologies, and lay a solid foundation for future development.

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 overcome the current challenges and difficulties, grasp the industry development trend, improve the Group's operational capability, technical strength and core competitiveness, and create more returns on investment for its shareholders.

This asset valuation report has been prepared in accordance with the PRC Accepted Asset Valuation Standards

**ASSET VALUATION REPORT  
THE APPRAISAL PROJECT OF THE VALUE OF THE ENTIRE SHAREHOLDERS'  
EQUITY OF HONGHE WATER INDUSTRY INVESTMENT CO., LTD.\*  
INVOLVED IN THE PROPOSED EQUITY TRANSFER THROUGH PUBLIC  
LISTING OF HONGHE WATER INDUSTRY INVESTMENT CO., LTD.\*  
BY YUNNAN WATER INVESTMENT CO., LIMITED\***

(ZLPBZ [2022] No. 3748)

**China United Assets Appraisal Group Co., Ltd.**  
(中聯資產評估集團有限公司)

7 November 2022



*Extracted explanatory notes to the asset valuation report of Honghe Water as follows*

## **I. RELATIONSHIP BETWEEN THE ENTRUSTING PARTY AND THE APPRAISED ENTITY**

Yunnan Water Investment Co., Limited\* (雲南水務投資股份有限公司) (the entrusting party) holds 100% of the equity interests in Honghe Water Industry Investment Co., Ltd.\* (紅河州水務產業投資有限公司) (the appraised entity).

## **II. ENTRUSTING PARTY AND OTHER USERS OF THE VALUATION REPORT STIPULATED IN THE VALUATION ENGAGEMENT CONTRACT**

The users of this valuation report are the entrusting party and its shareholders; the competent authority of asset appraisal and the relevant government functional departments involved in asset business; the industrial and commercial registration authorities; other users provided by national laws and regulations.

Except as otherwise provided by national laws and regulations, any institution or individual that has not been confirmed by the valuation agency and the entrusting party shall not become the user of the valuation report just because it has obtained the valuation report.

## **III. VALUATION PURPOSE**

According to the Resolutions on the 135th Meeting of the First Session of the Board of Directors of Yunnan Health & Cultural Tourism Holding Group Co., Ltd.\* (YKLDJTZ [2021] No. 16) (《雲南省康旅控股集團有限公司第一屆董事會第135次會議決議》(雲康旅董決投資[2021]16號)), Yunnan Water Investment Co., Limited\* proposed to transfer the equity interests of Honghe Water Industry Investment Co., Ltd.\* by public tender, and hereby entrusted Allied Asset Appraisal Group Co., Ltd. (中聯資產評估集團有限公司), an asset valuation agency, to express professional opinions on the market value of all shareholders' equity of Honghe Water Industry Investment Co., Ltd.\* as at 31 December 2021 (the valuation reference date), and to provide a value reference basis for this economic activity of the entrusting party.

## **IV. VALUATION SUBJECT AND VALUATION SCOPE**

The valuation subject is the entire shareholders' equity of Honghe Water Industry Investment Co., Ltd.\*. The valuation scope is all the assets and liabilities of Honghe Water Industry Investment Co., Ltd.\* as at 31 December 2021, the valuation reference date, namely: total book assets of RMB331,299,900, total liabilities of RMB193,249,800 and net assets of RMB138,050,100. Specifically, it includes current assets of RMB170,620,200 and non-current assets of RMB160,679,700; current liabilities of RMB191,291,100 and non-current liabilities RMB1,958,700.

The above information on assets and liabilities is extracted from the balance sheet of Honghe Water Industry Investment Co., Ltd.\* as at 31 December 2021, and audited by Da Hua Certified Public Accountants (Special General Partnership), Yunnan Branch. The valuation has been carried out on the audited basis.

Details are set out in the following table:

<b>Item</b>	<i>Currency Unit: RMB0'000</i> <b>Book value</b>
<b>I. Total current assets</b>	<b>17,062.02</b>
Monetary capital	1,908.88
Accounts receivable	8,178.61
Prepayment	44.09
Other receivables	6,889.12
Inventories	41.31
<b>II. Total non-current assets</b>	<b>16,067.97</b>
Long term equity investment	800.00
Fixed assets	3,356.50
Intangible assets	11,902.70
Deferred tax assets	8.76
<b>III. Total assets</b>	<b>33,129.99</b>
<b>IV. Total current liabilities</b>	<b>19,129.11</b>
Short-term borrowings	8,319.69
Accounts payable	276.93
Payroll payable	100.26
Taxes payable	616.56
Other payables	5,932.37
Non-current liabilities due within one year	3,883.30
<b>V. Total non-current liabilities</b>	<b>195.87</b>
Estimated liabilities	195.87
<b>VI. Total liabilities</b>	<b>19,324.98</b>
<b>VII. Net assets (shareholders' equity)</b>	<b>13,805.01</b>

The valuation subject and valuation scope entrusted are consistent with the valuation subject and valuation scope involved in economic activity.

**(I) Details of major assets to be valued**

1. **Current assets:** including monetary funds, accounts receivable, prepayments, other receivables and inventory. Among them: accounts receivable accounted for 47.93%, which mainly refer to wastewater treatment fees receivable; other receivables accounted for 42.56%, which mainly refer to current receivables, etc.
2. **Long-term equity investment:** the book value of long-term equity investment as at the valuation reference date amounted to RMB8 million, including a total of one item. Details of the long-term equity investment are as follows:

No.	Name of invested entity	Date of investment	Subscribed capital contribution (RMB0'000)	Paid-in capital contribution (RMB0'000)	Percentage of shareholding (%)
1	Maitreya Yunshui Environmental Protection Co., Ltd.* (彌勒雲水環保有限責任公司)	2017	800.00	800.00	80.00%
	<b>Total</b>		<b>800.00</b>	<b>800.00</b>	<b>80.00%</b>

3. **Fixed assets:** mainly including houses and buildings, machinery and equipment, vehicles and electronic equipment.
  - (1) Houses and buildings: the houses and buildings included in the valuation scope are located in Gejiu Wastewater Treatment Plant and Kaiyuan Wastewater Treatment Plant, respectively. Such houses and buildings are mainly built during the period from 2001 to 2021, of which the use and maintenance is in good condition.
  - (2) Machinery and equipment: the machinery and equipment included in the valuation scope mainly include machinery and equipment of various water plants, including multi-stage centrifugal blowers, agitators, submersible sewage pumps, and sludge return pumps, including a total of 142 items, which were successively purchased during the period from 2001 to 2021 and located in various water plants. According to the on-site investigation of the valuation personnel and the introduction of the staff, the maintenance of the machinery and equipment is in general condition, which can be used normally.
  - (3) Vehicles: the vehicles included in the valuation scope are owned by Honghe Water Industry Investment Co., Ltd.\*, including seven vehicles, that is small ordinary bus of Siwei brand DHW6451R1ASD, compact car of Volkswagen brand FV7160BBBG, compact car of Skoda brand SVW71615BM, five small ordinary buses of Wuling brand LZW6430KF, and small ordinary bus of Great Wall brand CC6461KM0C, which were mainly purchased during the period from 2013 to 2018. According to the on-site investigation of the valuation personnel and the introduction of the staff, the maintenance of the vehicles is in general condition, which can be used normally.
  - (4) Electronic equipment: the electronic equipment included in the valuation scope mainly include equipment and instruments of each water plant, including a total of 72 items, such as computers, office furniture, frequency converters, and COD analyzers, which were

successively purchased during the period from 2003 to 2021 and located in each water plant. According to the on-site investigation of the valuation personnel and the introduction of the staff, the maintenance of electronic equipment is in general condition, which can be used normally.

4. **Intangible assets:** including land use rights and franchise rights.

- (1) Intangible assets — original book value of land use right amounted to RMB14.3936 million, net book value amounted to RMB10.844 million, including a total of one item, details of which are as follows:

No.	Land title certificate number	Name of the land parcel	Location of the land	Date of acquirement	Nature of the land	Use of the land	Area (m <sup>2</sup> )
1	Gejiu City Guo Yong (2015) No. 0342 (個舊市國用(2015)第0342號)	Land parcel I	Shuilongjing Village Committee, Jijie Town, Gejiu City (個舊市雞街鎮水龍井村委會)	2015/2/6	Grant	Industrial land	41,052.00

- (2) The original book value of the franchise right amounted to RMB140.2543 million, and the net book value amounted to RMB108.1831 million, including a total of 3 items, details of which are as follows:

No.	Item	Date of acquirement	Duration of franchise right	Type/Category	Original recorded value (RMB)	Book value (RMB)
1	Franchise right of Gejiu Wastewater Plant	June 2014	30 years	Franchise right	4,349,772.17	3,274,779.35
2	Franchise right of Mengzi Wastewater Plant	June 2014	30 years	Franchise right	60,606,743.46	45,286,705.41
3	Franchise right of Kaiyuan Wastewater Plant	October 2015	30 years	Franchise right	75,297,745.05	59,621,565.34
	<b>Total</b>				<b>140,254,260.68</b>	<b>108,183,050.10</b>

5. **Current liabilities:** including short-term loans, accounts payable, employee compensation payable, taxes payable, other payables and other non-current liabilities due within 1 year.

6. **Non-current liabilities:** including estimated liabilities.

**(II) Intangible assets recorded or not recorded in the book declared by the enterprise**

- Intangible assets recorded in the book declared by the enterprise include land use rights and franchise rights, details of which are described above.
- The book declared by the enterprise does not declare the intangible assets that are not recorded in the accounts.

**(III) Type and Quantity of Off-balance Assets Declared by the Enterprise**

The book declared by the enterprise does not declare the off-balance sheet assets.

**(IV) Type, Quantity and Book Value of Assets Involved in Making Reference to the Conclusions of Reports Issued by Other Institutions**

The book value of the assets and liabilities as at the valuation reference date in this valuation report is the audit result from Da Hua Certified Public Accountants (Special General Partnership), Yunnan Branch (report number: Da Hua Shenzi [2022] No. 200482). In addition, we have not made reference to reports from other institution.

**V. PROCESS AND IMPLEMENTATION OF VALUATION PROCEDURES**

The entire valuation has been carried out in five stages:

**(I) Preparation Stage**

1. The entrusting party convened the intermediary coordination meeting of the project, and the relevant parties reached consensus on the valuation purpose, the valuation reference date, the valuation scope and other issues, and formulated the asset valuation work plan.
2. Cooperated with the enterprise to carry out asset verification, filled in detailed asset valuation declaration statements, etc. The personnel of the valuation project team conducted a detailed understanding of the assets included in the valuation scope, arranged the asset valuation work, assisted the enterprise in the declaration of the assets included in the valuation scope, and collected the documents and information required for asset valuation.

**(II) On-site Valuation Stage**

According to the overall schedule of this project, the on-site valuation stage is from 25 April 2022 to 30 April 2022. The main works carried out by the project team in the on-site valuation stage are as follows:

1. Listened to the relevant personnel of the entrusting party and the appraised entity introduce the overall situation of the enterprise and the historical and current situation of the assets entrusted, and understood the financial system, operating conditions, technical status of fixed assets, etc. of the enterprise;
2. Reviewed and identified the detailed asset verification and valuation declaration statements provided by the enterprise, checked the relevant property rights information and financial information, and coordinated with the enterprise to make adjustments to the problems found;
3. Comprehensively verified the fixed assets according to the detailed asset verification and valuation declaration statements;
4. Checked and collected the ownership certificates and documents of the assets entrusted;
5. Determined the specific valuation approaches of various types of the assets entrusted according to the actual status and characteristics of the assets;
6. Checked the ownership information provided by the enterprise;
7. Understood the background of the economic activity of this valuation, mainly the explanation of this valuation by the entrusting party and the appraised entity;

8. Understood the relevant legal situation of going concern of the appraised entity, mainly the relevant articles of association, investment and contribution agreements, contracts, etc. of the appraised entity;
9. Understood the debts, borrowings and debt costs of the appraised entity in recent years;
10. Understood the tax rates and tax payment implemented by the appraised entity;
11. Understood the accounts receivable and payable of the appraised entity;
12. Understood the business type, business model, historical business performance, etc. of the appraised entity;
13. Understood the cost composition of the main business, the occupation of equipment and places (depreciation and amortization), personnel salary and welfare expenses, etc. in recent years;
14. Understood the main business income, the division of main products and businesses, charging mode, standard, proportion to total revenue and distribution of major customers in recent years;
15. Understood the business plan and business strategy in the next few years, including market conditions, pricing strategy, etc., as well as the composition of the main business income and its change trend in the future;
16. Understood the operation and use of fixed assets, intangible assets and inventories of the appraised entity;
17. Understood the situation of external investment;
18. Made a preliminary assessment and calculation for the assets within the valuation scope on the basis of verification.

### **(III) Summarizing Stage**

Analyze and summarize the preliminary results of various asset valuations and liability audits, and make necessary adjustments, modifications and improvements to the valuation results.

### **(IV) Issuing Report Stage**

On the basis of the above works, a preliminary asset valuation report has been drafted, and after the preliminary review, opinions are exchanged with the entrusting party on the valuation results. After independent analysis of relevant opinions, amendments and adjustments will be made in accordance with the internal asset valuation report review system and procedures of the valuation agency, and finally a formal asset valuation report will be issued.

### **(V) Collation and Classification Stage**

Organized and classified the files during the implementation of the valuation procedures.

## VI. VALUE TYPE

For the purposes of this valuation, we have determined that the value type is market value. The market value refers to the estimated amount of the value of the valuation subject in normal and fair transactions on the valuation reference date when the voluntary buyer and the voluntary seller act rationally and without any compulsion.

## VII. VALUATION REFERENCE DATE

The valuation reference date for this project is 31 December 2021. The valuation reference date is determined by the entrusting party according to the time requirements of this economic activity.

## VIII. VALUATION BASIS

The valuation basis for this assets valuation mainly includes basis of laws and regulations, basis of valuation standards, basis of asset ownership, and basis of pricing used in the valuation and estimation and other reference materials, the details are as follows:

### (I) Basis of Economic Activities

The Resolutions on the 135th Meeting of the First Session of the Board of Directors of Yunnan Health & Cultural Tourism Holding Group Co., Ltd.\* (YKLDJ TZ [2021] No. 16).

### (II) Basis of Laws and Regulations

1. The Asset Appraisal Law of the People's Republic of China (passed at the 21st session of the 12th Standing Committee of the National People's Congress on 2 July 2016);
2. The Civil Code of the People's Republic of China (passed at the third session of the thirteenth National People's Congress on 28 May 2020);
3. The Law of the People's Republic of China on the State-Owned Assets of Enterprises (passed at the 5th session of the 11th Standing Committee of the National People's Congress on 28 October 2008);
4. The Company Law of the People's Republic of China (revised at the 6th session of the 13rd Standing Committee of the National People's Congress on 26 October 2018);
5. The Accounting Law of the People's Republic of China (Order No. 24 of the President of the People's Republic of China);
6. The Law of the People's Republic of China on Urban Real Estate Management (revised at the 12th session of the 13rd Standing Committee of the National People's Congress on 26 August 2019);
7. The Land Administration Law of the People's Republic of China (revised at the 12th session of the 13rd Standing Committee of the National People's Congress on 26 August 2019);
8. The Vehicle Acquisition Tax Law of the People's Republic of China (passed at the 7th session of the 13rd Standing Committee of the National People's Congress on 29 December 2018);

9. Provisional Regulations on Supervision and Administration of State-owned Assets of Enterprises (Decree No. 378 of the State Council of the People's Republic of China);
10. Administration Measures for Supervision over Trading of State-owned Assets by Enterprises (Decree No. 32 of SASAC and the Ministry of Finance, 2016);
11. Administrative Measures for State-Owned Assets Assessment (Order No. 91 of the State Council, 1991);
12. The Detailed Rules for the Implementation of the Administrative Measures of State-owned Assets Valuation (Guo Zi Ban Fa [1992] No. 36 of the former National Administration for State-owned Assets);
13. Interim Measures for Appraisal and Management of State-owned Assets by Enterprises (Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);
14. The Circular on Strengthening Appraisal and Management of State-owned Assets by Enterprises (Guo Zi Wei Chan Quan [2006] No. 274);
15. Notice on the Relevant Matters Concerning the Audit of Valuation Reports of State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941);
16. Guo Zi Fa Chan Quan [2013] No. 64 of Issuing the Guidelines for the Filing of State-owned Assets Evaluations of Enterprises;
17. Enterprise Income Tax Law of the People's Republic of China (revised at the 7th session of the 13rd Standing Committee of the National People's Congress on 29 December 2018);
18. Stamp Tax Law of the People's Republic of China (passed at the 29th session of the 13rd Standing Committee of the National People's Congress on 10 June 2021);
19. Rules for the Implementation of the Provisional Regulations on Value-added Tax of the People's Republic of China (Decree No. 538 of the State Council);
20. Circular on Deepening Relevant Policies of Value-Added Tax Reform jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs (No. 39 of 2019);
21. Law of the People's Republic of China on Urban Maintenance and Construction Tax (passed at the 21st session of the 13rd Standing Committee of the National People's Congress on 11 August 2020 and implemented from 1 September 2021);
22. Decision of the State Council on Amending the Interim Provisions on the Collection of Educational Surcharges (Decree No. 448 of the State Council of People's Republic of China, 20 August 2005);
23. Notice of the Ministry of Finance and State Administration of Taxation on Effectively and Comprehensively Promoting the Pilot Program of Replacing Business Tax with Value-Added Tax (Cai Shui [2016] No. 36);



24. Provisions on Several Issues Concerning the Assessment and Administration of State-owned Assets (Decree No. 14 of the Ministry of Finance of the People's Republic of China);
25. Notice on the Interim Measures for the Administration of the Evaluation of State-owned Assets of Provincial Enterprises in Yunnan Province (YGZCQ [2018] No. 147);
26. Notice on the Guidelines for the Filing of State-owned Assets Evaluations of Provincial Enterprises in Yunnan Province issued for implementation by Yunnan SASAC (YGZCQ [2018] No. 149);
27. Other applicable laws, regulations, documents and policies, guidelines and provisions.

### (III) Basis of Valuation Standards

1. Basic Rules for Asset Appraisal (Cai Zi [2017] No. 43);
2. Professional Code of Ethics for the Valuation of Assets (Zhong Ping Xie [2017] No. 30);
3. Practice Guidelines for Asset Valuation — Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
4. Practice Guidelines for Asset Valuation — Asset Valuation Report (Zhong Ping Xie [2018] No. 35);
5. Practice Guidelines for Asset Valuation — Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);
6. Practice Guidelines for Asset Valuation — Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Practice Guidelines for Asset Valuation — Enterprise Value (Zhong Ping Xie [2018] No. 38);
8. Practice Guidelines for Asset Valuation — Intangible Assets (Zhong Ping Xie [2017] No. 37);
9. Practice Guidelines for Asset Valuation — Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
10. Practice Guidelines for Asset Valuation — Real Estate (Zhong Ping Xie [2017] No. 38);
11. Practice Guidelines for Asset Valuation — Asset Valuation Methodology (Zhong Ping Xie [2019] No. 35);
12. Practice Guidelines for Asset Valuation — Use of Expert Work and Related Reports (Zhong Ping Xie [2017] No. 35);
13. Guidance on Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
14. Guidelines for Business Quality Control of Asset Valuation Agencies (Zhong Ping Xie [2017] No. 46);

15. Guidelines for Asset Valuation of Intellectual Property Rights (Zhong Ping Xie [2017] No. 44);
16. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);
17. Guiding Opinions on Legal Ownership of the Asset Valuation Target (Zhong Ping Xie [2017] No. 48).

**(IV) Basis of Ownership**

1. Franchise agreements, motor vehicle licenses, land use right certificates (State-owned land use certificate Gejiu State Use (2015) No. 0342 (國有土地使用證個舊市國用 (2015) 第0342號)) provided by Honghe Water Industry Investment Co., Ltd.\*;
2. Significant asset purchase contracts or certificates provided by Honghe Water Industry Investment Co., Ltd.\*;
3. Statements and letter of commitments in respect of asset ownership provided by Honghe Water Industry Investment Co., Ltd.\*;
4. Relevant information, such as the list of appraised assets and the financial statements as of the valuation reference date, provided by Honghe Water Industry Investment Co., Ltd.\*;
5. Other references.

**(V) Basis of Pricing**

1. Handbook of Common Approaches and Parameters of Assets Valuation (Mechanical Industry Press, 2011 Edition);
2. Handbook of Mechanical and Electrical Products Quotation (Mechanical Industry Press, 2011 Edition);
3. Notice on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (Cai Shui [2016] No. 36);
4. Forecast information of income for the future years provided by Honghe Water Industry Investment Co., Ltd.\* and its subsidiaries;
5. Audit reports obtained from the entrusting party and other relevant parties;
6. Relevant information from the price information database of China United Assets Appraisal Group Co., Ltd.;
7. Other references.

**(VI) Other References**

1. Accounting Standards for Business Enterprises — Basic Standards (Decree No. 33 of the Ministry of Finance);
2. Accounting Standards for Business Enterprises — Application Guide (Cai Kuai [2006] No. 18);
3. Unqualified audit report (Report No.: Dahua Shen Zi [2022] No. 200482) in respect of this economic activity issued by Da Hua Certified Public Accountants (Special General Partnership), Yunnan Branch;
4. Financial terminal of WIND Information;
5. Other references.

**IX. VALUATION METHODOLOGY**

According to the provisions of the Basic Rules for Asset Appraisal, enterprise value can be valued using three approaches, i.e. market approach, income approach and asset-based approach. The market approach, characterized by valuation data being originated from market and valuation results being compelling, is to appraise the current open market value of the valuation subject by comparison with objects of reference in the market. The income approach is to quantify and discount the expected profitability of overall assets of an enterprise, emphasizing the overall expected profitability of an enterprise. The asset-based approach is an approach to determine the value of the valuation subject on the basis of a reasonable assessment of the value of the assets and liabilities of the enterprise.

Because the recent transaction cases involving enterprises of the same size are not available, and there are fewer comparable listed companies with the same size and business structure in the market, it does not have the objective conditions to use the market approach in this valuation. In this valuation, we based on the general principles of continued use and open market, considering the applicable precondition of the valuation mythology and the satisfaction of valuation purpose, combining actual conditions of the subject matter to be appraised, taking into account various factors which affect the valuation to conduct overall appraisals on the Honghe Water Industry Investment Co., Ltd.\* by using both asset-based approach and income approach.

**X. SELECTION OF VALUATION RESULT**

Honghe Water Industry Investment Co., Ltd.\* mainly engaged in wastewater treatment. According to the forecast in respect of the historical annual income of the enterprise and the future profitability, business capability, technical level, business operation capability, operational risk and other aspects, the income approach takes into account the influence of various factors of the enterprise. Honghe Water Industry Investment Co., Ltd.\* has developed a sound customer relationship in the course of daily operation. Through the above analysis, the valuation results obtained through the income approach not only consider the impact of the above customer relationship, but also reflect the value of the intangible assets such as human resources and management team of the appraised entity. The results obtained through the income approach can better reflect the value of entire shareholders' equity of Honghe Water Industry Investment Co., Ltd.\* as compared with that of the asset-based approach. In this valuation, the valuation results obtained through the income approach is taken as the final valuation conclusion.

## XI. EXPLANATIONS TO SPECIAL MATTERS

### (I) Other matters to be explained

1. The legal responsibility of the valuer and the valuation agency is to make a professional judgment on the amount of asset value under the valuation purpose described in this report, and does not involve the valuer and the valuation agency to make any judgment on the economic behavior corresponding to the valuation purpose. To a large extent, the valuation engagement depends on the relevant information provided by the entrusting party and the appraised entity. Therefore, the valuation engagement is based on the authenticity and legality of the relevant economic activity documents, the relevant asset ownership documents, certificates and accounting documents, and the relevant legal documents provided by the entrusting party and the appraised entity.
2. As for the information, statements and related information concerned and adopted in the scope of this valuation, which are provided by the appraised entity, the entrusting party and the appraised entity shall be responsible for the authenticity and integrity of such information provided.
3. The relevant ownership certificate files and related materials involved in the valuation report are provided by the appraised entity, and the entrusting party and the appraised entity shall bear legal responsibility for their authenticity and legitimacy.
4. In the process of valuation, due to the limitation of testing methods and the operation of some equipment, the valuer mainly relies on the appearance observation, the recent testing data provided by the appraised entity and the inquiry to the relevant operating personnel to judge the equipment status.
5. Within the validity period after the valuation reference date, if the number of assets and the pricing standard change, the following principles shall be followed:
  - (1) when the number of assets changes, the amount of assets should be adjusted according to the original valuation methodology;
  - (2) when the asset price standards change, and have a significant impact on the asset valuation result, the entrusting party should promptly engage a qualified asset valuation agency to re-determine the appraised value;
  - (3) for the changes of the number of assets and price standards after the valuation reference date, the entrusting party should fully consider the actual price of the asset and make corresponding adjustments.
6. This valuation is conducted based on the audited accounting statements as of the valuation reference date of Honghe Water Industry Investment Co., Ltd.\* The Yunnan Branch of Da Hua Certified Public Accountants (Special General Partnership) has audited the balance sheet of Honghe Water Industry Investment Co., Ltd.\* as at 31 December 2021, and issued an unqualified audit report (report number: Dahua Shen Zi [2022] No. 200482). For details, please refer to the full text of the Audit report.

7. According to the Announcement of the Ministry of Finance and the State Administration of Taxation on Improving the Value-added Tax on the Comprehensive Utilization of Resources\* (《財政部稅務總局關於完善資源綜合利用增值稅的公告》) (MoF and SAT Ann [2021] No. 40), the project of “wastewater treatment service” can be subject to the policy of VAT refund or exemption. Once selected, it shall not be changed within 36 months and shall be implemented from 1 March 2022. As informed by the relevant personnel of the appraised entity, Honghe Water Industry Investment Co., Ltd.\* is applicable to this policy and has chosen to exempt from value-added tax.
8. Matters related to the franchise rights:
  - (1) According to the Asset Transfer Agreement for the Project of Gejiu Wastewater Treatment Plant in Yunnan Province\* (《雲南省個舊市污水處理廠項目資產轉讓協議》), the Franchise Agreement for the Project of Gejiu Wastewater Treatment Plant in Yunnan Province\* (《雲南省個舊市污水處理廠項目特許經營協議》) and the Supplementary Agreement on Issues related to the Transfer of Franchise Rights of Gejiu Wastewater Treatment Plant\* (《關於個舊市污水處理廠特許經營權移交及相關問題的補充協議》), the designed treatment capacity of Gejiu Wastewater Treatment Plant is 50,000 tons/day, the initial unit price of the sewage treatment service fee contract is RMB1.06/ton, and the concession period is 30 years, that is, from June 2014 to May 2044. After the expiration of the operation period, all rights and facilities of the project (including fixed assets and land use right) shall be handed over to the Gejiu Municipal People’s Government or its designated agency free of charge, and any mortgage or guarantee on the assets of the project shall be released before the handover date.
  - (2) According to the Franchise Agreement for the Project of Mengzi Wastewater Treatment Plant in Yunnan Province\* (《雲南省蒙自市污水處理廠項目特許經營協議》), the Supplementary Agreement on Issues related to the Transfer of Franchise Rights of Mengzi Wastewater Treatment Plant\* (《關於蒙自市污水處理廠特許經營權移交及相關問題的補充協議》) and the Supplementary Agreement on Matters related to the Transfer of Franchise Rights of Mengzi Wastewater Treatment Plant\* (《蒙自市污水處理廠特許經營權移交有關事項補充協議的增補條款》), the designed treatment capacity of Mengzi Wastewater Treatment Plant is 40,000 tons/day, and the initial unit price of the wastewater treatment service fee contract is RMB1.06/m<sup>3</sup>. The franchise period is 30 years, that is, from June 2014 to May 2044. After the expiration of the franchise period, all rights and facilities of the project shall be transferred to the People’s Government of Mengzi City or its designated agency for free, and any mortgage or guarantee on the project assets shall be released before the transfer date.

In June 2020, the People’s Government of Mengzi City and Honghe Water Industry Investment Co., Ltd.\* signed a Supplementary Agreement to Matters Regarding Franchise Right for Wastewater Treatment and Payment of Wastewater Treatment Service Fees (《關於蒙自市污水處理特許經營及污水處理服務費用支付等事項的補充協議》), and the parties thereto uniformly terminated the relevant terms in respect of assets transfer as stipulated in the Franchise Agreement for the Project of Mengzi Wastewater Treatment Plant in Yunnan Province, the Supplementary Agreement on Issues related to the Transfer of Franchise Rights of Mengzi Wastewater Treatment Plant and the Supplementary Agreement on Matters related to the Transfer of Franchise Rights of Mengzi Wastewater Treatment Plant. Honghe Water Industry Investment Co., Ltd.\* returned the land use right (Certificate No.: Mengguoyong (2015) No. 919) to the People’s Government of Mengzi

City to offset the amount of transfer of franchise rights owed by Honghe Water Industry Investment Co., Ltd.\*, and all taxes and fees involved in returning the land use right are borne by the People's Government of Mengzi City. After the expiration of the franchise right, all the facilities of the project of the wastewater treatment plant will be transferred to the People's Government of Mengzi City or its designated agency by Honghe Water Industry Investment Co., Ltd.\*

- (3) According to the TOT Franchise Agreement of Kaiyuan Wastewater Treatment Plant\* (《開遠市污水處理廠TOT特許經營協議》), the designed treatment capacity of Mengzi Wastewater Treatment Plant is 60,000 tons/day, and the initial unit price of the wastewater treatment service fee contract is RMB1.06/m<sup>3</sup>. The franchise period is 30 years, that is, from October 2015 to September 2045. After the expiration of the franchise period, all rights and facilities of the project shall be transferred to the Kaiyuan Municipal People's Government or its designated agency for free, and any mortgage or guarantee on the project assets shall be released before the transfer date. The land use right occupied by Kaiyuan Wastewater Treatment Plant is owned by Kaiyuan Municipal People's Government. During the franchise period, the land occupied by Kaiyuan Wastewater Treatment Plant is transferred by Kaiyuan Municipal People's Government to Yunnan Water Investment Co., Ltd.\* for free use. After the expiration of the franchise right, Yunnan Water Investment Co., Ltd.\* transfers the land to Kaiyuan Municipal People's Government or its designated agency for free. After verification, the land use right certificate has not been processed as of the valuation reference date.

#### 9. Borrowings of Honghe Water Industry Investment Co., Ltd.\*

##### (1) Short-term borrowings

The short-term borrowings are as follows:

No.	Name of bank or institution granting loans	Transaction date	Maturity date	Annual interest rate%	Currency	Book value
1	China Everbright Bank, Kunming, Qianju Street Branch	2021/6/30	2022/6/29	5%	RMB	550,000.00
2	China Everbright Bank, Kunming, Qianju Street Sub-branch	2021/8/17	2022/8/16	5%	RMB	1,000,000.00
3	China Everbright Bank, Kunming, Qianju Street Sub-branch	2021/8/10	2022/8/9	5%	RMB	620,000.00
4	China Everbright Bank, Kunming, Qianju Street Sub-branch	2021/9/10	2022/9/9	5%	RMB	900,000.00
5	Industrial Bank Co., Ltd., Kunming Branch	2021/8/12	2022/8/12	6.00%	RMB	80,000,000.00
6	Accrued interest					126,912.50
<b>Total</b>						<b>83,196,912.50</b>

Specifically:

- 1) In June 2021, Honghe Water Industry Investment Co., Ltd.\* entered into the Liquidity Loan Contract (Contract No. CEB-KM-1-06-01-2021-014) with China Everbright Bank, Qianju Street Sub-branch of Kunming, with a loan amount of RMB550,000.00, and a loan term of 12 months (i.e., from 30 June 2021 to 29 June 2022). The effective annual interest rate for such loan is 5%; Such loan is guaranteed by Yunnan Water Investment Co., Limited\*. The contract number of the Maximum Amount Guarantee Contract is: Bao CEB-KM-1-06-99-2021-012.
- 2) In August 2021, Honghe Water Industry Investment Co., Ltd.\* entered into the Liquidity Loan Contract (Contract No. CEB-KM-1-06-01-2021-017) with China Everbright Bank, Qianju Street Sub-branch of Kunming, with a loan amount of RMB1,000,000.00, and a loan term of 12 months (i.e., from 17 August 2021 to 16 August 2022). The effective annual interest rate for such loan is 5%; Such loan is guaranteed by Yunnan Water Investment Co., Limited\*. The contract number of the Maximum Amount Guarantee Contract is: Bao CEB-KM-1-06-99-2021-012.
- 3) In August 2021, Honghe Water Industry Investment Co., Ltd.\* entered into the Liquidity Loan Contract (Contract No. CEB-KM-1-06-01-2021-016) with China Everbright Bank, Qianju Street Sub-branch of Kunming, with a loan amount of RMB620,000.00, and a loan term of 12 months (i.e., from 10 August 2021 to 9 August 2022). The effective annual interest rate for such loan is 5%; Such loan is guaranteed by Yunnan Water Investment Co., Limited\*. The contract number of the Maximum Amount Guarantee Contract is: Bao CEB-KM-1-06-99-2021-012.
- 4) In September 2021, Honghe Water Industry Investment Co., Ltd.\* entered into the Liquidity Loan Contract (Contract No. CEB-KM-1-06-01-2021-018) with China Everbright Bank, Qianju Street Sub-branch of Kunming, with a loan amount of RMB900,000.00, and a loan term of 12 months (i.e., from 10 September 2021 to 9 September 2022). The effective annual interest rate for such loan is 5%; Such loan is guaranteed by Yunnan Water Investment Co., Limited\*. The contract number of the Maximum Amount Guarantee Contract is: Bao CEB-KM-1-06-99-2021-012.

- 5) In August 2021, Honghe Water Industry Investment Co., Ltd.\* entered into the Liquidity Loan Contract (Contract No.: Xing Yin Yun Beijing Zhi Liu Jie Zi 2021 No. 08100002) with Industrial Bank Co., Ltd. Kunming Branch, with a loan amount of RMB80,000,000.00, and a loan term of 12 months (i.e., from 12 August 2021 to 12 August 2022). The interest rate under this contract is a periodic increase in interest rate, with each quarter as the cycle. The interest rate executed in the next cycle is the interest rate of the previous cycle plus 3%, that is, the interest rate for the first quarter is 6%, the interest rate for the second quarter is 9%, and so on; Yunnan Water Investment Co., Limited\* provided pledge guarantee for such loan and entered into the Maximum Amount Pledge Contract for Equity of Non-Listed Companies (Contract No.: Xing Yin Yun Beijing Zhi Gao Zhi Zi 2021 No. 08100020) and Maximum Amount Pledge Contract for Equity of Non-Listed Companies (Contract No.: Xing Yin Yun Beijing Zhi Gao Zhi Zi 2021 No. 08100112) with Industrial Bank Co., Ltd. Kunming Branch. Zhenxiong Water Industry Investment Co., Ltd.\* (鎮雄縣水務產業投資有限公司), Mile Water Industry Investment Co., Ltd.\* (彌勒市水務產業投資有限公司), Wenshan Water Industry Investment Co., Ltd.\* (文山州水務產業投資有限公司), and Lufeng Water Industry Investment Co., Ltd.\* (祿豐縣水務產業投資有限公司). provided pledge guarantees for such loan, and entered into the Maximum Amount Pledge Contract (Contract No.: Xing Yin Yun Beijing Zhi Gao Zhi Zi 2021 No. 08100021, No. 08100022, No. 08100023, No. 08100024) with Industrial Bank Co., Ltd. Kunming Branch. Yunnan Health & Cultural Tourism Holding Group Co., Ltd.\* and Yunnan Water Investment Co., Limited\* provided guarantee for such loan and entered into the Maximum Amount Guarantee Contract (Contract No.: Xing Yin Yun Beijing Zhi Gao Bao Zi 2021 No. 08100021, No. 08100022).
- (2) In October 2015, Honghe Water Industry Investment Co., Ltd.\* entered into the Merger and Acquisition Loan Contract (Contract No.: Gong Jie Dai Zi No. D2015 Min Hong Jie Zi No. 0011) with CMBC HK Branch with a loan term of 7 years (i.e., from 30 October 2015 to 30 October 2022). It is specifically used for the acquisition funds that the borrower needs to pay for the acquisition of Gejiu Wastewater Treatment Plant\*, Mengzi Wastewater Treatment Plant\*, and Kaiyuan Wastewater Treatment Plant\*. The contract stipulates that the self-financing required by Honghe Water Industry Investment Co., Ltd.\* to complete the merger and acquisition shall not be less than RMB86,700,000.00 (in words: Renminbi Eighty Six Million and Seven Hundred Thousand Only), and the loan interest rate shall be 5.145% per annum. Such loan is guaranteed by Yunnan Water Investment Co., Limited\*, and the contract number of the Guarantee Contract is: Gong Dan Bao Zi No. D2015 Min Hong Bao Zi No. 0007. Such loan is pledged by Honghe Water Industry Investment Co., Ltd.\*, and the contract number of the Pledge Contract is: Gong Dan Zhi Zi No. D2015 Min Hong Zhi Zi No. 0003. The list of pledged property is as follows:

	Name	Total value (RMB)
<b>Right of pledge</b>	Charging right of Gejiu Wastewater Treatment Plant*	77,927,500.00
	Charging right of Mengzi Wastewater Treatment Plant*	62,342,000.00
	Charging right of Kaiyuan Wastewater Treatment Plant*	93,513,000.00



10. In other payables, the book value of RMB22,916,000.00 of the collection and payment agent is a special bond issued by the Honghe Housing and Urban-Rural Development Bureau. According to the Implementation Plan for the Special Bond for the Bid Upgrading and Reconstruction Project of the Datunhai Wastewater Treatment Plant in the Central City of South Yunnan (《滇南中心城市大屯海污水處理廠提標改造項目專項債券實施方案》), the special bond is used for the bid upgrading and reconstruction project of the Datunhai Wastewater Treatment Plant in the central city of south Yunnan, the content of the project is to transform the MICEAS tank into an AAO tank, and to add a ultrafine grid, MBR membrane tank, equipment room, chlorination room, and contact disinfection tank, each with supporting equipment, with a scale of 30,000 m<sup>3</sup>/d. The project was implemented by Yunnan Water Investment Co., Limited\* and Honghe Housing and Urban-Rural Development Bureau. The assets formed belong to Yunnan Water Investment Co., Limited\*. Honghe Water Industry Investment Co., Ltd.\* has only the right to make payment on behalf of others, and the principal and interest are borne by Yunnan Water Investment Co., Limited\*. Honghe Water Industry Investment Co., Ltd.\* includes this amount in other accounts payable for accounting. The term is from 12 November 2020 to 15 April 2027, with an annual interest rate of 2.86%.
11. Due to the case of a dispute over the financial leasing contract between Greatwall Guoxing Finance Leasing Company Limited\* (長城國興金融租賃有限公司) and the respondent Yunnan Water Investment Co., Limited\* and Langfang Hyflux NewSpring Co., Ltd.\* (廊坊凱發新泉水務有限公司), the Intermediate People's Court of Urumqi City, Xinjiang Uygur Autonomous Region, based on the ((2021) Xin 01 Zhi Bao No. 176) execution ruling, froze the equity of RMB115.5 million held by Yunnan Water Investment Co., Limited\* in Honghe Water Industry Investment Co., Ltd.\*. The freezing period is from 5 January 2022 to 4 January 2025. The aforementioned frozen equity has been registered as a pledge for the short-term loan of RMB80 million of Honghe Water Industry Investment Co., Ltd.\* on 10 September 2021.
12. The possible changes in the taxation obligations due to the increase or decrease in appraised values have not been taken into consideration in this valuation conclusion. The relevant taxes and fees arising from this economic activity have not been considered in this valuation conclusion as well.
13. The objectives of the valuers conducting the asset valuation are to estimate the value of the appraised entity and to express professional advice thereof, and accept no responsibilities for the decision of the relevant party. The valuation conclusion shall not be construed as a guarantee of the realisable value of the appraised entity.

Users of the report are advised to pay attention to the above special matters.

\* *For identification purposes only*

**TECHNICAL DESCRIPTION OF INCOME APPROACH VALUATION****I. ASSUMPTIONS****(I) General Assumptions***1. Transaction Assumption*

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

*2. Open Market Assumption*

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

*3. Asset Going-concern Assumption*

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

*4. Corporate Going-concern Assumption*

The corporate going-concern assumption assumes that businesses of the appraised entity will operate as a going concern in accordance with its operation target under the external environment where it operates. The appraised entity conducts lawful operations and is able to acquire appropriate profit to maintain its capability of operating as a going concern.

**(II) Special Assumptions**

1. This valuation assumes that the current macroeconomic, financial and industrial policies of the country as at the valuation reference date will not change significantly;
2. There are no significant changes in the social and economic environment faced by the appraised entity as well as the taxes, tax rates and other policies implemented by the appraised entity in the future operation period;
3. All assets under this valuation are based on the actual stock on the valuation reference date, and the current market price of the relevant assets is based on the effective domestic price on the valuation reference date;
4. This valuation assumes that the basic data and financial information provided by the entrusting party and the appraised entity are true, accurate and complete, and the forecast data provided by the entrusting party are true, accurate and complete;
5. The impact of inflation factors is not considered in the values of various parameters measured in this valuation;
6. The management of the appraised entity in the future operation period shall perform its duties in due diligence and continue to maintain the current operation and management mode existed on the valuation reference date;
7. The principal business, the composition of income and costs, and the business strategy of the appraised entity in the future operation period will continue according to the future strategic positioning and strategic planning determined as at the valuation reference date without major changes. Profit or loss caused by the changes in the conditions of the principal business that may occur in the future due to changes in management, business strategy, business environment, market cyclical fluctuations, etc. are not considered;
8. In view of the frequent or large changes in the enterprise's monetary funds or its bank deposits in the course of operation, the interest income generated by its deposits and uncertain gains and losses such as exchange gains and losses are not considered in the valuation of finance expenses in this report;
9. It is assumed that the fixed assets of the enterprise are constructed or purchased according to the unified planning and standards;
10. The unit sales price and main costs are predicted based on the current prices. It is assumed that the prices and costs of products of the appraised entity will not fluctuate significantly.

## II. VALUATION METHODOLOGY

### (I) Overview

On the basis of the valuation purpose, valuation subject, valuation scope, the ownership nature and value attributes of the valuation subject of this valuation, the valuers determined to estimate the value of the entire shareholders' equity of Honghe Water Industry Investment Co., Ltd.\* (紅河州水務產業投資有限公司) by using the discounted cash flow method (DCF) on a revenue basis in accordance with the relevant national regulations and the Practice Guidelines for Asset Valuation — Enterprise Value\* (《資產評估執業準則 — 企業價值》).

The discount cash flow method is a method to assess the asset value by converting the expected future net cash flow of the enterprise into the present value. The basic idea is to obtain the appraised value by estimating the expected net cash flow of the asset in the future and converting it into the current value using the appropriate discount rate. The basic conditions for its application are that the enterprise has the basis and conditions for continuous operation, there is a relatively stable corresponding relationship between operation and income, and future income and risk can be predicted and quantified. The biggest difficulty in using the discounted cash flow method lies in the prediction of expected future cash flow, as well as the objectivity and reliability of data acquisition and processing. When the forecast of the expected future cash flow is more objective and fair and the selection of the discount rate is more reasonable, the valuation results have better objectivity.

### (II) Valuation Methods

According to the due diligence as well as the asset composition and principal business characteristics of the appraised entity, this valuation is based on the audited financial statements of the appraised entity to estimate the value of its equity capital. The basic valuation methods used in this valuation are:

1. For the assets and principal businesses included in the scope of the financial statements, the expected income (net cash flow) shall be estimated respectively according to the change trend of the operating conditions of enterprises in the same industry and scale and the type of business, and the value of the operating assets shall be obtained by discounting;
2. For the cash assets and liabilities included in the scope of the financial statements but not considered in the estimation of expected income (net cash flow), such as monetary funds, dividends receivable and payable existed on the valuation reference date; and the assets such as sluggish or idle equipment, real estate, and construction in progress without revenue taken into account, they shall be defined as surplus or non-operating assets (liabilities) existed on the valuation reference date, and their values shall be measured separately;
3. The enterprise value of the appraised entity is obtained from the sum of the values of the above assets and liabilities. After deducting the value of the interest-bearing debt, the value of the entire shareholders' equity of the appraised entity is obtained.

**(III) Valuation Model****1. Basic model**

The basic model of this valuation is:

$$E = B - D \quad (1)$$

Wherein:

E: Value of total shareholders' equity (net assets) of the appraised entity;

B: Enterprise value of the appraised entity;

$$B = P + C \quad (2)$$

P: Value of operating assets of the appraised entity;

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_{n+1}}{r(1+r)^n} \quad (3)$$

Wherein:

$R_i$ : Expected income (free cash flow) of the appraised entity in the  $i$ th year of the future operation period;

$r$ : Discount rate;

$n$ : Future operation period of the appraised entity;

C: Value of surplus or non-operating assets (liabilities) of the appraised entity as at the valuation reference date;

$$C = C_1 + C_2 \quad (4)$$

$C_1$ : Value of current surplus or non-operating assets (liabilities) of the appraised entity as at the valuation reference date;

$C_2$ : Value of non-current surplus or non-operating assets (liabilities) of the appraised entity as at the valuation reference date;

D: Value of interest-bearing debt of the appraised entity.

## 2. *Income indicator*

In this valuation, the free cash flow of the enterprise is used as the income indicator of the operating assets of the appraised entity, which is basically defined as:

$$R = \text{net profit} + \text{depreciation and amortization} + \text{interest on interest-bearing debt after tax} - \text{additional capital} \quad (5)$$

Based on the operating history and future market development of the appraised entity, the free cash flow in the future operation period is estimated. The free cash flow in the future operation period is discounted and added to calculate the value of the operating assets of the enterprise.

## 3. *Discount rate*

In this valuation, the weighted average cost of capital assets (WACC) is used to determine the discount rate  $r$ :

$$r = r_d \times w_d + r_e \times w_e \quad (6)$$

Wherein:

$W_d$ : Debt ratio of the appraised entity;

$$W_d = \frac{D}{(E + D)} \quad (7)$$

$W_e$ : Equity ratio of the appraised entity;

$$W_e = \frac{E}{(E + D)} \quad (8)$$

$r_d$ : Interest rate of interest-bearing debt after income tax;

$r_e$ : Cost of equity capital. In this valuation, the cost of equity capital  $r_e$  is determined according to the capital asset pricing model (CAPM);

$$r_e = r_f + \beta \times (r_m - r_f) + \alpha \quad (9)$$

Wherein:

$r_f$ : Risk-free rate of return;

$r_m$ : Expected market rate of return;

$\beta$ : Expected market risk coefficient of the industry of the appraised entity;

$\alpha$ : Specific risk adjustment coefficient;

$$\beta = \beta_u \times (1 + (1 - T) \times D/E) \quad (10)$$

Wherein:

$\beta_u$ : Expected unleveraged market risk coefficient of comparable companies.

#### 4. Determination of income period

According to the Concession Agreement for the Wastewater Treatment Plant\* (《污水處理廠特許經營權協議》) provided by the appraised entity, the operation period agreed in the agreement is 30 years, therefore, the limited period is used as the income period in this valuation. The concession period of Gejiu Wastewater Treatment Plant and Mengzi Wastewater Treatment Plant is from June 2014 to May 2044, and the concession period of Kaiyuan Wastewater Treatment Plant is from October 2015 to September 2045. In this valuation, the first stage of the income period is from January 2022 to December 2026, and the forecast period is 5 years, in this stage, according to the historical performance and future market analysis of the appraised entity, the income condition gradually tends to be stable; the second stage of the income period is from January 2026 to September 2045, in this stage, the net cash flow of the appraised entity will remain stable.

### (III) Historical Annual Financial Analysis

#### 1. Assets, finance, liabilities and operating performance of the appraised entity in the past three years and as at the valuation reference date

The financial position of Honghe Water Industry Investment Co., Ltd.\* from 2018 to 2020 and as at the valuation reference date of 31 December 2021 is as follows:

#### Assets, Liabilities and Financial Position

Item	Currency Unit: RMB0'000			
	31 December 2018	31 December 2019	31 December 2020	31 December 2021
Total assets	28,272.58	29,115.53	27,835.17	33,779.53
Total liabilities	16,135.71	16,596.71	14,679.47	19,974.52
Net assets	12,136.87	12,518.81	13,155.70	13,805.01

Item	2018	2019	2020	2021
Operating income	5,230.92	5,166.04	5,425.19	5,945.55
Operating costs	3,895.72	3,816.19	3,360.63	3,387.21
Total profit	522.93	633.41	969.46	2,005.97
Net profit	469.09	532.28	800.16	1,522.92

Item	2018	2019	2020	2021
Net cash flow from operating activities	-330.53	1,268.92	2,251.12	4,274.46
Net cash flow from investment activities	-26.90	-10.21	-5.35	-754.30
Net cash flow from financing activities	-1,455.15	-1,519.56	-336.07	-3,576.32
Impact of exchange rate changes on cash and cash equivalents	0.00	0.00	0.00	0.00
Net increase in cash and cash equivalents	-1,812.57	-260.86	1,909.69	-56.15
Balance of cash and cash equivalents at the end of the period	316.19	55.34	1,965.03	1,908.88
Audit agency	Da Hua Certified Public Accountants (Special General Partnership), Yunnan Branch	ShineWing Certified Public Accountants (Special General Partnership), Kunming Branch	ShineWing Certified Public Accountants (Special General Partnership), Kunming Branch	Da Hua Certified Public Accountants (Special General Partnership), Yunnan Branch

## 2. Solvency analysis

The solvency indicators from 2018 to 2021 are shown in the following table:

Indicator	2018	2019	2020	2021
Current ratio	1.50	1.14	0.99	0.90
Quick ratio	1.50	1.14	0.99	0.89
Cash ratio	0.05	0.01	0.18	0.10
Interest payment multiples	1.92	2.36	5.11	6.83
Gearing ratio	0.57	0.57	0.53	0.59

According to the data in the above table, Honghe Water Industry Investment Co., Ltd.\* has good abilities in guarantee degree of current assets against current liabilities, Settlement of current liabilities by available cash and realization, repayment of borrowing interest, the gearing ratio is at a good level and relatively stable, and the long-term and short-term solvency is also at good level.



### 3. *Asset operation capacity analysis*

The operation capacity indicators from 2018 to 2021 are shown in the following table:

<b>Indicator</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Turnover rate of accounts receivable (time)	0.57	0.51	0.69	0.76
Turnover rate of current assets (time)	0.13	0.48	0.56	0.41
Turnover rate of total assets (time)	0.19	0.18	0.22	0.19

According to the data in the above table, the indicators have been relatively stable in the past four years, and the asset operation capacity of Honghe Water Industry Investment Co., Ltd.\* has been relatively stable.

### 4. *Profitability analysis*

(1) The income and costs from principal business and gross profit from 2018 to 2021 in the financial statements of Honghe Water Industry Investment Co., Ltd.\* are as follows:

<b>Indicator</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Income from principal business (RMB0'000)	5,230.92	5,284.61	6,384.01	5,945.55
Costs from principal business (RMB0'000)	3,895.72	3,816.20	3,360.63	3,387.21
Gross profit margin	25.53%	27.79%	47.36%	43.03%

(2) *Analysis of profit indicators of principal business*

The operating profit margin and net profit margin from 2018 to 2021 are shown in the following table:

<b>Indicator</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Return on assets — net profit margin on assets	0.02	0.02	0.06	0.05
Net profit margin on sales	0.09	0.12	0.29	0.26
Net profit margin on costs and expenses	0.10	0.14	0.45	0.38
Growth rate of operating income	0.48	0.01	0.21	-0.07

According to the data in the above table, Honghe Water Industry Investment Co., Ltd.\* has a good ability in obtaining profit through operation when considering the operating costs.

## VI. FORECAST OF NET CASH FLOW

### (I) Operating Income and Costs

The income from principal business of Honghe Water Industry Investment Co., Ltd.\* and its branches is wastewater treatment income, and its business model is divided into concession and entrusted management. Concession include Gejiu Wastewater Treatment Plant\* (個舊市污水處理廠), Mengzi Wastewater Treatment Plant\* (蒙自市污水處理廠) and Kaiyuan Wastewater Treatment Plant\* (開遠市污水處理廠). The entrusted management includes Luchun County Wastewater Treatment Plant\* (綠春縣污水處理廠), Pingbian County Wastewater Treatment Plant\* (屏邊縣污水處理廠), Honghe County Wastewater Treatment Plant\* (紅河縣污水處理廠), Jinping County Wastewater Treatment Plant\* (金平縣污水處理廠), Yuanyang County Wastewater Treatment Plant\* (元陽縣污水處理廠) and Yuanyang County Xinjie Town Wastewater Treatment Plant\* (元陽縣新街鎮污水處理廠). Among them, the entrusted management of Jinping County wastewater treatment plant expired in 2020, and the entrusted management of Yuanyang County Wastewater Treatment Plant and Yuanyang County Xinjie Town Wastewater Treatment Plant expired in 2021.

In addition, Yunnan Water Investment Co., limited\* (雲南水務投資股份有限公司) entrusted Honghe Water Industry Investment Co., Ltd.\* to manage Datunhai Wastewater Treatment Plant\* (大屯海污水處理廠). The franchise rights of Datunhai Wastewater Treatment Plant belong to Yunnan Water Investment Co., limited\*, and Honghe Water Industry Investment Co., Ltd.\* is responsible for the actual operation and maintenance of Datunhai Wastewater Treatment Plant. Based on the historical information, in the financial accounting, the income and costs from principal business and administrative expenses of Honghe Water Industry Investment Co., Ltd.\* include the financial data of Datunhai Wastewater Treatment Plant. As the franchise rights of Datunhai Wastewater Treatment Plant belongs to Yunnan Water Investment Co., limited\*, Datunhai Wastewater Treatment Plant is not included in the scope of this valuation.

After audit adjustment, the income and costs from principal business of each wastewater treatment plant of Honghe Water Industry Investment Co., Ltd.\* from 2018 to 2021 are as follows:

Item	<i>Currency Unit: RMB0'000</i>			
	2018	2019	2020	2021
Income from principal business	5,230.92	5,284.61	6,384.00	5,945.56
Of which: Gejiu Wastewater Treatment Plant	1,388.34	1,317.83	1,400.31	1,513.51
Mengzi Wastewater Treatment Plant	1,208.66	1,055.29	1,223.08	1,407.12
Kaiyuan Wastewater Treatment Plant	1,098.76	1,404.46	1,457.02	1,574.25
Datunhai Wastewater Treatment Plant	731.38	693.22	1,527.60	865.56
Honghe County Wastewater Treatment Plant	110.09	113.40	120.20	137.31
Luchun County Wastewater Treatment Plant	119.64	119.64	119.64	119.64
Pingbian County Wastewater Treatment Plant	113.21	113.21	113.21	125.00
Jinping County Wastewater Treatment Plant	119.88	119.88	118.84	
Yuanyang County Wastewater Treatment Plant	154.49	154.49	154.49	115.87
Yuanyang County Xinjie Town Wastewater Treatment Plant		164.89	116.40	87.30
Other service fee income	186.46	28.30	33.23	
Costs from principal business	3,895.72	3,816.20	3,360.63	3,387.21
Of which: Gejiu Wastewater Treatment Plant	992.19	1,207.60	790.09	901.08
Mengzi Wastewater Treatment Plant	980.85	1,016.24	248.36	752.27
Kaiyuan Wastewater Treatment Plant	700.06	946.54	886.33	889.72
Datunhai Wastewater Treatment Plant	571.14	148.43	1,032.91	399.80
Honghe County Wastewater Treatment Plant	104.90	90.72	78.75	99.48
Luchun County Wastewater Treatment Plant	72.32	68.58	65.25	90.05
Pingbian County Wastewater Treatment Plant	91.06	73.55	78.08	97.00
Jinping County Wastewater Treatment Plant	108.58	90.60	6.48	108.58
Yuanyang County Wastewater Treatment Plant	147.60	113.76	116.94	114.53
Yuanyang County Xinjie Town Wastewater Treatment Plant	9.63	35.47	43.53	43.28
Other service fee costs	117.39	24.72	13.90	—
Gross profit	25.53%	26.13%	38.06%	51.77%

Item	2018	2019	2020	2021
Income excluding Datunhai Plant	4,499.54	4,591.39	4,856.41	5,079.99
Costs excluding Datunhai Plant	3,324.57	3,667.76	2,327.72	2,987.41
Gross profit margin after excluding Datunhai Plant	26.11%	20.12%	52.07%	41.19%

The forecast and analysis of operating income and costs of each plant are as follows:

### 1. *Gejiu Wastewater Treatment Plant*

Gejiu Wastewater Treatment Plant mainly collects the domestic sewage in and around the urban area of Gejiu City for treatment. According to the Asset Transfer Agreement for the Project of Gejiu Wastewater Treatment Plant in Yunnan Province\* (《雲南省個舊市污水處理廠項目資產轉讓協議》), the Franchise Agreement for the Project of Gejiu Wastewater Treatment Plant in Yunnan Province\* (《雲南省個舊市污水處理廠項目特許經營協議》) and the Supplementary Agreement on Issues related to the Transfer of Franchise Rights of Gejiu Wastewater Treatment Plant\* (《關於個舊市污水處理廠特許經營權移交涉及相關問題的補充協議》), the designed treatment capacity of Gejiu Wastewater Treatment Plant is 50,000 tons/day, the initial unit price of the sewage treatment service fee contract is RMB1.06/ton (including tax, the tax rate is 6%), and the concession period is 30 years, that is, from June 2014 to May 2044. After the expiration of the operation period, all rights and facilities of the project shall be handed over to the Gejiu Municipal People's Government or its designated agency free of charge, and any mortgage or guarantee on the assets of the project shall be released before the handover date.

After the transfer of project assets and the formal entering into the commercial operation period, the guaranteed treatment volume is 60% of the designed treatment capacity, that is, 30,000 tons/day; since the fourth year, it will be implemented in accordance with the relevant provisions of the Concession Agreement for the Project of Gejiu Wastewater Treatment Plant in Yunnan Province\* on the increase of guaranteed treatment volume, that is, in subsequent years, it will increase by 5% of the designed treatment capacity, and will not increase after reaching the full load of the designed treatment capacity. According to the concession agreement, the Gejiu Municipal People's Government shall pay the sewage treatment service fee monthly according to the unit price of sewage treatment service fee and the guaranteed treatment volume stipulated in the agreement. When the actual treatment volume is higher than the guaranteed treatment volume, the Gejiu Municipal People's Government shall pay the sewage treatment service fee according to the actual treatment volume.

Based on the historical information of the appraised entity, the income from principal business of Gejiu Wastewater Treatment Plant is calculated according to the unit price of sewage treatment service fee and the treated volume agreed in the agreement.

On the premise that the production process and equipment of Gejiu Wastewater Treatment Plant have not changed, the fixed costs in this valuation are predicted according to the depreciation of RMB2,600,400/year, the amortization of franchise rights of RMB146,100/year, the amortization of land use rights of RMB483,700/year and the online testing fee of RMB95,000/year. The remaining costs are summarized and calculated according to the product of the treated volume and the unit product cost in the future period. In the future forecast period, Gejiu Wastewater Treatment Plant can reasonably control the unit product cost, and the gross profit margin will remain basically unchanged in the future period and will not rise sharply. The specific forecast results of income and costs from principal business are shown in the following table:

**Table of Forecast on Income and Costs  
from Principal Business of Gejiu Wastewater Treatment Plant**

Item	2022	2023	2024	2025	2026	...	2043	May 2044
Income from principal business (RMB0'000)	1,604.48	1,695.73	1,786.98	1,825.00	1,825.00	...	1,825.00	760.42
Costs from principal business (RMB0'000)	996.73	1,034.51	1,072.28	1,088.02	1,088.02	...	1,088.02	456.36
Designed treatment capacity (10,000 tons/year)	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	...	1,825.00	760.42
Actual treatment volume (10,000 tons/year)	1,604.48	1,695.73	1,786.98	1,825.00	1,825.00	...	1,825.00	760.42
Unit price (RMB/ton)	1.00	1.00	1.00	1.00	1.00	...	1.00	1.00
Unit cost (RMB/ton)	0.6212	0.6212	0.6212	0.6212	0.6212	...	0.6212	0.6212
Gross profit margin	37.88%	38.99%	39.99%	40.38%	40.38%	...	40.38%	39.99%

**Breakdown Table of Forecast on Costs  
from Principal Business of Gejiu Wastewater Treatment Plant**

Item	2022	2023	2024	2025	2026	...	2043	May 2044
Direct materials	17.64	18.64	19.64	20.06	20.06	...	20.06	8.36
Total amortization of franchise rights	14.61	14.61	14.61	14.61	14.61	...	14.61	6.09
Total amortization of land use rights	48.37	48.37	48.37	48.37	48.37	...	48.37	20.16
Total power cost	107.25	113.35	119.45	121.99	121.99	...	121.99	50.83
Total salary and surcharges	387.64	409.69	431.74	440.92	440.92	...	440.92	183.72
Total depreciation expenses	260.04	260.04	260.04	260.04	260.04	...	260.04	111.37
Total sewage sludge disposal costs	19.51	20.62	21.73	22.19	22.19	...	22.19	9.25
Total technical service fee	0.92	0.97	1.02	1.04	1.04	...	1.04	0.43
Total online testing costs	9.50	9.50	9.50	9.50	9.50	...	9.50	3.96
Total repair expenses	30.60	32.34	34.08	34.81	34.81	...	34.81	14.50
Total reagent costs	2.83	2.99	3.15	3.22	3.22	...	3.22	1.34
Others in total	97.81	103.38	108.94	111.26	111.26	...	111.26	46.36
Total costs from principal business	996.73	1,034.51	1,072.28	1,088.02	1,088.02	...	1,088.02	456.36

*Currency Unit: RMB0'000*

## 2. Mengzi Wastewater Treatment Plant

The main sources of wastewater from Mengzi Wastewater Treatment Plant are: the north line enters Changqiaohai Lake along the Lijiang River to the south of Mengzi Railway Station, the west line enters Changqiaohai Lake along the Lijiang River to the east of the intersection of Huguo Road and the North Outer Ring Road, the south line enters the north of Honghe Avenue, and the east line enters Mengzi Railway Station to the west of Xiaozhai. According to the Franchise Agreement for the Project of Mengzi Wastewater Treatment Plant in Yunnan Province\* (《雲南省蒙自市污水處理廠項目特許經營協議》), the Supplementary Agreement on Issues related to the Transfer of Franchise Rights of Mengzi Wastewater Treatment Plant\* (《關於蒙自市污水處理廠特許經營權移交及相關問題的補充協議》) and the Supplementary Agreement on Matters related to the Transfer of Franchise Rights of Mengzi Wastewater Treatment Plant\* (《蒙自市污水處理廠特許經營權移交有關事項補充協議的增補條款》), the designed treatment capacity of Mengzi Wastewater Treatment Plant is 40,000 tons/day, and the initial unit price of the wastewater treatment service fee contract is RMB1.06/m<sup>3</sup> (tax included, tax rate is 6%). The franchise period is 30 years, that is, from June 2014 to May 2044. After the expiration of the franchise period, all rights and facilities of the project shall be transferred to the People's Government of Mengzi City or its designated agency for free, and any mortgage or guarantee on the project assets shall be released before the transfer date.

After the project assets are handed over and officially enter the commercial operation period, the guaranteed minimum water volume is 60% of the designed scale, i.e. 24,000 tons/day; From the fourth year on, it will be implemented in accordance with the provisions of the Franchise Agreement for the Mengzi Wastewater Treatment Plant Project in Yunnan Province (《雲南省蒙自市污水處理廠項目特許經營協議》) on the increase of the guaranteed minimum water volume, that is, in the subsequent years, it will increase by 5% of the designed scale, and will not increase after reaching the full load of the designed scale. According to the Franchise Agreement, the Mengzi Municipal People's Government pays the wastewater treatment service fee monthly according to the unit price of the wastewater treatment service fee and the guaranteed minimum water volume agreed in the agreement. When the actual treated water volume is higher than the guaranteed minimum water volume, the Mengzi Municipal People's Government pays the wastewater treatment service fee to Party B according to the actual treated water volume.

According to the historical situation of the appraised entity, the main business income of Mengzi Wastewater Treatment Plant is calculated according to the unit price of wastewater treatment service fee and the treated water volume agreed in the agreement.

On the premise that the production process and equipment of Mengzi Wastewater Treatment Plant have not changed, the fixed cost of the current appraisal is predicted based on the depreciation of RMB58,800/year, the franchise amortization of RMB2,020,200/year, and the online testing fee of RMB95,000/year. The remaining costs are calculated based on the product of the treatment capacity and the unit product cost in the future. In the future forecast period, Mengzi Wastewater Treatment Plant can reasonably control the unit product cost, and the gross profit rate will remain basically unchanged in the future, and will not rise significantly. See the following table for the specific forecast results of main income and costs:

**Table of Forecast on Income and Costs  
from Principal Business of Mengzi Wastewater Treatment Plant**

Item	2022	2023	2024	2025	2026	...	2043	May 2044
Income from principal business (RMB0'000)	1,425.14	1,439.39	1,460.00	1,460.00	1,460.00	...	1,460.00	608.33
Costs from principal business (RMB0'000)	841.61	845.37	850.81	850.81	850.81	...	850.81	352.33
Designed treatment capacity (10,000 tons/year)	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	...	1,460.00	760.42
Actual treatment volume (10,000 tons/year)	1,425.14	1,439.39	1,460.00	1,460.00	1,460.00	...	1,460.00	608.33
Unit price (RMB/ton)	1.00	1.00	1.00	1.00	1.00	...	1.00	1.00
Unit cost (RMB/ton)	0.59	0.59	0.59	0.59	0.59	...	0.59	0.59
Gross profit margin	40.95%	41.27%	41.73%	41.73%	41.73%	...	41.73%	42.08%

**Breakdown Table of Forecast on Costs  
from Principal Business of Mengzi Wastewater Treatment Plant**

*Currency Unit: RMB0'000*

Item	2022	2023	2024	2025	2026	...	2043	May 2044
Direct materials	27.54	27.54	27.54	27.54	27.54	...	27.54	11.75
Total amortization of franchise rights	202.02	202.02	202.02	202.02	202.02	...	202.02	84.18
Total power cost	128.93	130.22	132.08	132.08	132.08	...	132.08	55.03
Total salary and surcharges	201.58	203.60	206.51	206.51	206.51	...	206.51	86.05
Total depreciation expenses	5.88	5.88	5.88	5.88	5.88	...	5.88	—
Total sludge disposal costs	9.77	9.87	10.01	10.01	10.01	...	10.01	4.17
Total technical service fee	0.57	0.58	0.59	0.59	0.59	...	0.59	0.24
Total online testing costs	9.50	9.50	9.50	9.50	9.50	...	9.50	3.96
Total repair expenses	13.76	13.89	14.09	14.09	14.09	...	14.09	5.87
Total reagent costs	4.82	4.87	4.94	4.94	4.94	...	4.94	2.06
Equipment transformation costs	16.71	16.88	17.12	17.12	17.12	...	17.12	7.13
Others in total	220.52	220.52	220.52	220.52	220.52	...	220.52	91.88
Total costs from principal business	841.61	845.37	850.81	850.81	850.81	...	850.81	352.33

### 3. Kaiyuan Wastewater Treatment Plant

Kaiyuan Wastewater Treatment Plant mainly collects domestic wastewater from the urban area and surrounding areas of Kaiyuan city for treatment. According to the TOT Franchise Agreement of Kaiyuan Wastewater Treatment Plant\* (《開遠市污水處理廠TOT特許經營協議》), the designed treatment capacity of Mengzi Wastewater Treatment Plant is 60,000 tons/day, and the initial unit price of the wastewater treatment service fee contract is RMB1.06/m<sup>3</sup> (tax included, tax rate is 6%). The franchise period is 30 years, that is, from October 2015 to September 2045. After the expiration of the franchise period, all rights and facilities of the project shall be transferred to the Kaiyuan Municipal People's Government or its designated agency for free, and any mortgage or guarantee on the project assets shall be released before the transfer date.

According to the TOT Franchise Agreement of Kaiyuan Wastewater Treatment Plant, the basic water volume is: after the project assets are handed over and officially enter the commercial operation period, the basic water volume in the first year is 30,000 tons/day, and the basic water volume in the subsequent years will increase equally on this basis, that is, the basic water volume in the second year is 32,500 tons/day, the basic water volume in the third year is 35,000 tons/day, the basic water volume in the fourth year is 37,500 tons/day... the basic water volume from the ninth year to the end of the operation period is 50,000 tons/day. When the actual treated water volume is less than or equal to the basic water volume agreed in the TOT Franchise Agreement of Kaiyuan Wastewater Treatment Plant, the wastewater treatment service fee shall be calculated according to the basic water volume; When the actual treated water volume is higher than the basic water volume, the wastewater treatment service fee shall be calculated according to the actual treated water volume.

According to the historical situation of the appraised entity, the main business income of Kaiyuan Wastewater Treatment Plant is calculated according to the unit price of wastewater treatment service fee and the treated water volume agreed in the agreement.

On the premise that the production process and equipment of Kaiyuan Wastewater Treatment Plant have not changed, the fixed cost of this assessment is predicted based on the depreciation of RMB82,200/year, the franchise amortization of RMB2,510,400/year, and the online testing fee of RMB95,000/year. The remaining costs are calculated based on the product of the treatment volume and the unit product cost in the future. In the future forecast period, Kaiyuan Wastewater Treatment Plant can reasonably control the unit product cost, and the gross profit rate will remain basically unchanged in the future, and will not rise significantly. See the following table for the specific forecast results of main income and costs:

**Table of Forecast on Income and Costs  
from Principal Business of Kaiyuan Wastewater Treatment Plant**

Item	2022	2023	2024	2025	2026	...	September	
							2044	2045
Income from principal business (RMB0'000)	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	...	1,923.55	1,442.66
Costs from principal business (RMB0'000)	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	...	1,144.25	858.19
Designed treatment capacity (10,000 tons/year)	2,190.00	2,190.00	2,190.00	2,190.00	2,190.00	...	2,190.00	1,642.50
Actual treatment volume (10,000 tons/year)	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	...	1,923.55	1,442.66
Unit price (RMB/ton)	1.00	1.00	1.00	1.00	1.00	...	1.00	1.00
Unit cost (RMB/ton)	0.60	0.60	0.60	0.60	0.60	...	0.59	0.59
Gross profit margin	40.09%	40.09%	40.09%	40.09%	40.09%	...	40.51%	40.51%

**Breakdown Table of Forecast on Costs  
from Principal Business of Kaiyuan Wastewater Treatment Plant**

*Currency Unit: RMB0'000*

Item	2022	2023	2024	2025	2026	...	September	
							2044	2045
Direct materials	9.36	9.36	9.36	9.36	9.36	...	9.36	7.02
Total amortization of franchise rights	251.04	251.04	251.04	251.04	251.04	...	251.04	188.28
Total power cost	136.90	136.90	136.90	136.90	136.90	...	136.90	102.67
Total salary and surcharges	392.19	392.19	392.19	392.19	392.19	...	392.19	294.14
Total depreciation expenses	8.22	8.22	8.22	8.22	8.22	...	—	—
Total sludge disposal costs	12.41	12.41	12.41	12.41	12.41	...	12.41	9.30
Total technical service fee	5.02	5.02	5.02	5.02	5.02	...	5.02	3.77
Total online testing costs	9.50	9.50	9.50	9.50	9.50	...	9.50	7.13
Total repair expenses	15.22	15.22	15.22	15.22	15.22	...	15.22	11.42
Total reagent costs	1.26	1.26	1.26	1.26	1.26	...	1.26	0.94
Equipment transformation costs	39.55	39.55	39.55	39.55	39.55	...	39.55	29.66
Others in total	271.81	271.81	271.81	271.81	271.81	...	271.81	203.86
Total costs from principal business	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	...	1,144.25	858.19



#### 4. *Honghe Wastewater Treatment Plant, Lvchun Wastewater Treatment Plant, Pingbian Wastewater Treatment Plant*

Honghe Water Industry Investment Co., Ltd.\* (紅河州水務產業投資有限公司) signed the Entrusted Operation and Maintenance Management Contract of Lvchun Wastewater Treatment Plant\* (《綠春縣污水處理廠委託運營維護管理合同》) with the Housing and Urban-Rural Development Bureau of Lvchun County, the Entrusted Operation and Maintenance Management Contract of Pingbian Wastewater Treatment Plant\* (《屏邊縣污水處理廠委託運營維護管理合同》) with the Housing and Urban-Rural Development Bureau of Pingbian Miao Autonomous County, and the Entrusted Operation and Maintenance Management Contract of Honghe Wastewater Treatment Plant\* (《紅河縣污水處理廠委託運營維護管理合同》) with the People's Government of Honghe Prefecture, respectively, to be responsible for the operation, maintenance and management of Lvchun Wastewater Treatment Plant, Pingbian Wastewater Treatment Plant and Honghe Wastewater Treatment Plant, and charged a fixed entrusted management fee according to the price agreed in the contract.

According to the historical situation of the appraised entity, the main business income of Honghe Wastewater Treatment Plant, Lvchun Wastewater Treatment Plant and Pingbian Wastewater Treatment Plant is calculated according to the entrusted management fee agreed in the agreements. According to the historical data of main operating costs, the gross profit rate will remain basically unchanged in the future and will not rise significantly. See the following table for the specific forecast results of main income and costs:

**Table of Forecast on Income and Costs from Principal Business**

Water Plant	Item	2022	2023	2024	2025	2026	...	2044
Honghe Plant	Income from principal business (RMB0'000)	131.13	131.13	131.13	131.13	131.13	...	54.64
	Costs from principal business (RMB0'000)	98.84	98.84	98.84	98.84	98.84	...	41.18
	Gross profit margin	24.63%	24.63%	24.63%	24.63%	24.63%	...	24.63%
Lvchun Plant	Income from principal business (RMB0'000)	119.64	119.64	119.64	119.64	119.64	...	49.85
	Costs from principal business (RMB0'000)	90.70	90.70	90.70	90.70	90.70	...	37.79
	Gross profit margin	24.19%	24.19%	24.19%	24.19%	24.19%	...	24.19%
Pingbian Plant	Income from principal business (RMB0'000)	113.21	113.21	113.21	113.21	113.21	...	47.17
	Costs from principal business (RMB0'000)	97.59	97.59	97.59	97.59	97.59	...	40.66
	Gross profit margin	13.80%	13.80%	13.80%	13.80%	13.80%	...	13.80%

## Breakdown Table of Forecast on Costs from Principal Business

*Currency Unit: RMB0'000*

Water Plant	Item	2022	2023	2024	2025	2026	...	2044
Honghe Plant	Direct materials	0.80	0.80	0.80	0.80	0.80	...	0.33
	Total power costs	6.75	6.75	6.75	6.75	6.75	...	2.81
	Total salary and surcharges	70.33	70.33	70.33	70.33	70.33	...	29.31
	Total depreciation expenses	0.49	0.49	0.49	0.49	0.49	...	0.21
	Total sludge disposal costs	0.06	0.06	0.06	0.06	0.06	...	0.03
	Total online testing costs	8.50	8.50	8.50	8.50	8.50	...	3.54
	Total repair expenses	0.59	0.59	0.59	0.59	0.59	...	0.24
	Total reagent costs	1.22	1.22	1.22	1.22	1.22	...	0.51
	Others in total	10.09	10.09	10.09	10.09	10.09	...	4.20
	Total costs from principal business	98.84	98.84	98.84	98.84	98.84	...	41.18
Lvchun Plant	Total power costs	6.89	6.89	6.89	6.89	6.89	...	2.87
	Total salary and surcharges	65.25	65.25	65.25	65.25	65.25	...	27.19
	Total sludge disposal costs	2.03	2.03	2.03	2.03	2.03	...	0.85
	Total repair expenses	4.34	4.34	4.34	4.34	4.34	...	1.81
	Total reagent costs	0.61	0.61	0.61	0.61	0.61	...	0.26
	Others in total	11.58	11.58	11.58	11.58	11.58	...	4.82
	Total costs from principal business	90.70	90.70	90.70	90.70	90.70	...	37.79
Pingbian Plant	Direct materials	0.98	0.98	0.98	0.98	0.98	...	0.41
	Total power costs	15.61	15.61	15.61	15.61	15.61	...	6.50
	Total salary and surcharges	59.83	59.83	59.83	59.83	59.83	...	24.93
	Total sludge disposal costs	8.49	8.49	8.49	8.49	8.49	...	3.54
	Total repair expenses	1.62	1.62	1.62	1.62	1.62	...	0.67
	Total reagent costs	0.02	0.02	0.02	0.02	0.02	...	0.01
	Others in total	11.04	11.04	11.04	11.04	11.04	...	4.60
	Total costs from principal business	97.59	97.59	97.59	97.59	97.59	...	40.66

To sum up, the forecast on income and costs from principal business of Honghe Water Industry Investment Co., Ltd.\* are as follows:

**Table of Forecast on Income and Costs from Principal Business of  
Honghe Water Industry Investment Co., Ltd.\***

Item	2022	2023	2024	2025	2026	...	2044	September 2045
Income from principal business (RMB0'000)	5,317.14	5,422.64	5,534.50	5,572.52	5,572.52	...	3,443.95	1,442.66
Costs from principal business (RMB0'000)	3,277.93	3,319.47	3,362.68	3,378.42	3,378.42	...	2,072.58	858.19
Gross profit margin	38.35%	38.79%	39.24%	39.37%	39.37%	...	39.82%	40.51%

**(II) Expenses for the Period****1. Taxes and surcharges**

The income value-added tax rate of Honghe Water Industry Investment Co., Ltd.\* is 6%; Output tax is the product of main business income and value-added tax rate. Input tax is determined based on the product of future deductible expenses and applicable value-added tax rate. The tax basis of input tax is mainly determined according to the taxable items in the cost, including materials and taxable expenses. The urban construction and maintenance tax rate of Honghe Water Industry Investment Co., Ltd.\* is 7%, the education surcharge rate is 3%, and the local education surcharge rate is 2%.

According to the Announcement of the State Administration of Taxation of the Ministry of Finance on Improving the Value-added Tax on Comprehensive Utilisation of Resources (《財政部稅務總局關於完善資源綜合利用增值稅的公告》) (Announcement No. 40 of the State Administration of Taxation of the Ministry of Finance in 2021), the “wastewater treatment service” project can be subject to the policy of value-added refund upon collection, or can choose to apply the policy of value-added tax exemption. Once selected, it shall not be changed within 36 months with effect from 1 March 2022. After verification, Gejiu Wastewater Treatment Plant and Mengzi Wastewater Treatment Plant enjoy the preferential tax policy.

According to the policy of value-added tax deduction for production and living services stipulated in the Article 1 of the Announcement on Value-added Tax Policies for Promoting the Relief and Development of Difficult Industries in the Service Industry (《關於促進服務業領域困難行業紓困發展有關增值稅政策的公告》) (Announcement No. 11 of the State Administration of Taxation of the Ministry of Finance in 2022), Article 7 of the Announcement of the General Administration of Taxation and the General Administration of Customs of the Ministry of Finance on Deepening the Value-added Tax Reform (《財政部稅務總局海關總署關於深化增值稅改革有關政策的公告》) (Announcement No. 39 of the General Administration of Taxation and the General Administration of Customs of the Ministry of Finance in 2021), and the Announcement of the State Administration of Taxation of the Ministry of Finance on the Clarification of the Policy of Value-added Tax Deduction in the Living Service Industry (《財政部稅務總局關於明確生活性服務業增值稅加計抵減政策的公告》) (Announcement No. 87 of the State Administration of Taxation of the Ministry of Finance in 2019), the implementation period is extended to 31 December 2022. Honghe Water Industry Investment Co., Ltd.\* enjoys the preferential tax policy.

In addition, this valuation considers the deductible input tax for innovation of assets.

According to the income structure of the enterprise and its applicable tax rate, the forecast results are shown in the following table:

*Currency Unit: RMB0'000*

Item	2022	2023	2024	2025	2026	...	September	
							2044	2045
Urban maintenance and construction tax	3.04	2.83	2.83	2.83	2.83	...	4.49	3.10
Education surcharges	1.30	1.21	1.21	1.21	1.21	...	1.92	1.33
Local education surcharges	0.87	0.81	0.81	0.81	0.81	...	1.28	0.88
Property tax	4.45	4.45	4.45	4.45	4.45	...	4.45	3.34
Land use tax	49.13	49.13	49.13	49.13	49.13	...	49.13	36.85
Total	58.80	58.43	58.43	58.43	58.43	...	61.27	45.49

## 2. Sales expenses

Sales expenses are mainly labor costs.

In this valuation, the forecast is based on the historical annual data, and the labor cost is expected to grow at a certain rate year by year. In this valuation, the sales expenses of each year in the future are estimated by the ratio of the historical annual expenses to the operating income multiplying the future annual operating income. The forecast results are shown in the following table:

*Currency Unit: RMB0'000*

Item	2022	2023	2024	2025	2026	...	September	
							2044	2045
Labor costs	85.07	86.76	88.55	89.16	89.16	...	55.10	23.08
Total	85.07	86.76	88.55	89.16	89.16	...	55.10	23.08

## 3. Administrative expenses

Administrative expenses mainly include salary, depreciation, office expense, consulting fee, etc.

In this valuation, it combines the historical annual data and the profit forecast data provided by the appraised entity. For the personnel cost, the forecast in this valuation is conducted based on the salary policy, depreciation policy and other relevant information of the appraised entity. The personnel cost is linked to the benefit according to the enterprise salary policy, and is expected to have a certain growth rate year by year; The ratio of other administrative expenses to the business income of the enterprise is also relatively stable. In this valuation, the administrative expenses of the future years are estimated by the ratio of the historical annual expenses to the business income multiplying the future annual operating income. The forecast results are shown in the following table:

*Currency Unit: RMB0'000*

Item	2022	2023	2024	2025	2026	...	September	
							2044	2045
Employee salary and surcharges	235.45	240.12	245.07	246.76	246.76	...	192.83	80.78
Depreciation charge	4.89	4.89	4.89	4.89	4.89	...	4.89	—
Business entertainment expense	11.48	11.71	11.95	12.03	12.03	...	0.98	0.41
Intermediary service fee	12.38	12.62	12.88	12.97	12.97	...	7.57	3.17
Office expense	4.24	4.32	4.41	4.44	4.44	...	2.67	1.12
Vehicle expense	15.05	15.34	15.66	15.77	15.77	...	6.20	2.60
Lease and property management fee	23.57	24.03	24.53	24.70	24.70	...	15.81	6.62
Travel expense	6.07	6.19	6.32	6.36	6.36	...	2.20	0.92
Consulting expense	45.07	45.96	46.91	47.23	47.23	...	1.27	0.53
Other expenses	12.57	12.82	13.09	13.17	13.17	...	9.51	3.99
Total	370.75	378.01	385.71	388.33	388.33	...	243.93	100.14

#### 4. Finance expenses

According to the query of the financial expense composition of the appraised entity in the historical period, the estimated borrowing scale of the appraised entity in the future forecast period is relatively stable, and the current financial expense of each period in the forecast period = the borrowing amount × borrowing rate. In view of the frequent and large changes in the enterprise's monetary capital or bank deposits in the production and operation process, the interest income generated by deposits is not considered in the valuation. The forecast results of finance expenses are shown in the following table:

Item	2022	2023	2024	2025	2026	...	Currency Unit: RMB0'000	
							2044	September 2045
Total interest expense	697.63	697.63	697.63	697.63	697.63	...	697.63	290.68
Interest income	—	—	—	—	—	...	—	—
Net exchange gains and losses	—	—	—	—	—	...	—	—
Total finance expenses	697.63	697.63	697.63	697.63	697.63	...	697.63	290.68

#### 5. Income tax

According to the relevant provisions of the Announcement of the State Administration of Taxation and the National Development and Reform Commission of the Ministry of Finance on the Extension of the Enterprise Income Tax Policy for the Western Development (《財政部稅務總局國家發展改革委關於延續西部大開發企業所得稅政策的公告》) (Announcement No. 23 of the Ministry of Finance in 2020), from 1 January 2021 to 31 December 2030, the enterprise income tax will be levied at a reduced rate of 15% for enterprises in encouraged industries located in the western region.

Therefore, in the this valuation, the enterprise income tax will be levied at the rate of 15% from 1 January 2022 to 31 December 2030, and 25% from 1 January 2031 to 30 September 2045.

As of the valuation reference date, the book value of deferred income tax assets of Honghe Water Industry Investment Co., Ltd.\* was RMB87,600.

**(III) Non-operating income and expenditure**

According to the Announcement of the State Administration of Taxation of the Ministry of Finance on Improving the Value-added Tax on Comprehensive Utilisation of Resources (《财政部税务总局关于完善资源综合利用增值税的公告》) (Announcement No. 40 of the State Administration of Taxation of the Ministry of Finance in 2021), the “wastewater treatment service” project can be subject to the policy of value-added refund upon collection, or can choose to apply the policy of value-added tax exemption. Once selected, it shall not be changed within 36 months with effect from 1 March 2022. According to the relevant personnel of the appraised entity, Gejiu Wastewater Treatment Plant and Mengzi Wastewater Treatment Plant enjoy the preferential tax policy. It is predicted that value-added tax will be exempted until the end of the franchise period. Considering that Gejiu Wastewater Treatment Plant and Mengzi Wastewater Treatment Plant will be exempted from value-added tax since 1 March 2022, and the income is predicted based on the income excluding tax, the income of Gejiu Wastewater Treatment Plant and Mengzi Wastewater Treatment Plant will be assessed as non-operating income and added back. The appraised entity has no stable non-operating expenditure and will not forecast the non-operating expenditure in the future years. The forecast results of non-operating income are shown in the following table:

Item	Currency Unit: RMB0'000							
	2022	2023	2024	2025	2026	...	2044	
Non-operating income	151.48	188.11	194.82	197.10	197.10	...	82.13	

**(IV) Depreciation and Amortization****I. Depreciation**

The fixed assets of Honghe Water Industry Investment Co., Ltd.\* mainly include houses and buildings, machinery and equipment, transportation vehicles and electronic equipment. The fixed assets are measured at actual cost when acquired.

In this valuation, according to the policy of depreciation of fixed assets adopted by the enterprise, the depreciation amount for the future operation period is estimated by reference to annuity based on the audited original book value of fixed assets on the base date, expected useful life and composite depreciation rate. The forecast results of depreciation are shown in the following table:

Item	Currency Unit: RMB0'000							
	2022	2023	2024	2025	2026	...	2044	September 2045
Houses and buildings	141.69	141.69	141.69	141.69	141.69	...	59.04	0.00
Machinery and equipment	109.36	109.36	109.36	109.36	109.36	...	45.57	0.0
Vehicles	2.69	2.69	2.69	2.69	2.69	...	1.12	0.0
Electronic equipment	25.29	25.29	25.29	25.29	25.29	...	10.54	0.0
Total	279.03	279.03	279.03	279.03	279.03	...	116.26	0.0

## 2. Amortization

As of the valuation reference date, the audited intangible assets of Honghe Water Industry Investment Co., Ltd.\* include land use rights and franchise rights. In this valuation, it is assumed that intangible assets maintain the scale as of the base date during the operation period, and the amortization amount of each year in the future is estimated according to the policy of depreciation of fixed assets adopted by the enterprise. The forecast results of amortization are shown in the following table:

*Currency Unit: RMB0'000*

Item	2022	2023	2024	2025	2026	...	2044	September
								2045
Franchise rights for the Gejiu Wastewater Treatment Plant	14.61	14.61	14.61	14.61	14.61	...	6.09	0.00
Franchise rights for the Mengzi Wastewater Treatment Plant	202.02	202.02	202.02	202.02	202.02	...	84.18	0.00
Franchise rights for the Kaiyuan Wastewater Treatment Plant	251.04	251.04	251.04	251.04	251.04	...	251.04	188.28
Land use right	48.37	48.37	48.37	48.37	48.37	...	20.16	0.00
Total	516.04	516.04	516.04	516.04	516.04	...	351.46	188.28

### (V) Additional Capital

Additional capital represents the additional working capital and long-term capital investments for over one year required by the enterprise to maintain operation on an on-going basis without changing its current business conditions, such as capital investments (the acquisition of fixed assets or other non-current assets) required for expansion of production capacity and additional working capital required and asset renewal necessary for continuing operations.

The additional capital as defined in this report is:

Additional capital = asset renewal + Increase in working capital + capital expenditure

#### 1. Estimation of investment in asset renewal

According to the franchise agreement signed by each wastewater treatment plant and after interviews with relevant personnel of the appraised entity, it is learnt that the Honghe Water is required to ensure the overall integrity rate of the projects' key facilities and equipment and other facilities and equipment of each wastewater treatment plant, and ensure that there is no major damage to the buildings (structures) in the project when they are handed over upon the expiration. In this valuation, amount on asset renewal in respect of equipment is forecasted according to the depreciation amount of the equipment.

## 2. *Estimation of increase in working capital*

Increase in working capital refers to the additional working capital required to maintain the enterprise's ability to continue as a going concern without changing its current principal business conditions, such as the basic capital required to be maintained for the enterprise's normal operations, including cash and cash equivalents, purchased products and inventory, advance of purchase payments on behalf of its customers (accounts receivable) and payables. The increase in working capital represents the cash obtained through acquiring commercial credit of others, cash required for normal operation and inventories following any changes to the business activities of the enterprise. Meanwhile, during the course of economic activities, providing commercial credit could reduce the immediate payment in cash. Usually, the accounting for other accounts receivable and other accounts payable mostly are current accounts irrelevant or temporary to the main business, which shall be specifically identified and individually determined, subject to its correlation with the estimated business operations. Therefore, estimation of the increase in working capital requires only the consideration of main factors such as cash required for normal operation, receivables, inventories and payables. The increase in working capital as defined in this report is:

Increase in working capital = working capital for the current period – working capital for the previous period

Of which:

Working capital = cash + receivables + inventory – payables

Receivables = total operating income/turnover rate of receivables

Of which, receivables mainly include accounts receivables (net of advances from customers), note receivables, and other receivables related to business operations.

Inventories = total operating costs/turnover rate of inventory

Accounts payable = total operating costs/turnover rate of accounts payable

Of which, accounts payable mainly include accounts payable (net of prepayment), notes payable and other accounts payable related to business operations.

Based on the statistical analysis of the historical assets and operating income and cost of the enterprise and the estimation of the income and cost for each year in the future operation period, the increase in working capital for each year in the future operation period is forecasted, as shown in the following table:

Item/Year	2022	2023	2024	2025	2026	...	2044	September 2045
Minimum cash on hand	2,598.88	2,634.96	2,672.62	2,686.18	2,686.18	...	1,852.17	774.60
Inventories	33.17	33.59	34.03	34.19	34.19	...	20.97	8.68
Accounts receivables	5,040.53	5,140.55	5,246.58	5,282.63	5,282.63	...	3,264.79	1,367.61
Accounts payable	797.84	807.95	818.47	822.30	822.30	...	504.46	208.88
Working capital	6,874.74	7,001.15	7,134.77	7,180.69	7,180.69	...	4,633.47	1,942.01
Increase in working capital	-585.92	126.40	133.62	45.92	—	...	-2,547.22	-2,691.46



The forecast period of this valuation is finite. At the end of the period, i.e. September 2045, the recovery of working capital shall be considered. After calculation, the working capital to be recovered in September 2045 will be RMB2.7748 million. The specific calculation process is shown in the following table:

Working capital as at September 2045	1,942.01 (RMB0'000)
Discount rate	0.0873
Discount years	23.25
Discount coefficient	0.1429
Working capital to be recovered at the end of the period = working capital as at September 2045 × discount coefficient	277.48 (RMB0'000)

The assets that do not need to be handed over and attributable to the appraised entity include 7 vehicles and 18 electronic equipment. The original book value as of the valuation reference date amounted to RMB555,200, and the net book value amounted to RMB71,000. The forecast period of this valuation is finite. At the end of the period, i.e. September 2045, the recovery of working capital shall be considered. After calculation, the working capital to be recovered in September 2045 will be RMB4,000. The specific calculation process is shown in the following table:

Residual values of fixed assets as at September 2045	2.78 (RMB0'000)
Discount rate	0.0873
Discount years	23.25
Discount coefficient	0.1429
Value of fixed assets to be recovered at the end of the period = residual value of fixed assets as at September 2045 × discount coefficient	0.40 (RMB0'000)

#### (VI) Forecast Results of Net Cash Flow

According to the above calculation method, the forecast results of operating income and net cash flow of the appraised entity in the future operation period are shown in the following table:

#### Forecast of Net Cash Flow of the Appraised Entity in the Future Operation Period

Item/Year	Currency Unit: RMB0'000								
	2022	2023	2024	2025	2026	...	2043	2044	September 2045
Income	5,317.14	5,422.64	5,534.50	5,572.52	5,572.52	...	5,572.52	3,443.95	1,442.66
Cost	3,277.93	3,319.47	3,362.68	3,378.42	3,378.42	...	3,378.42	2,072.58	858.19
Business tax and surcharges	58.80	58.43	58.43	58.43	58.43	...	62.14	61.27	45.49
Sales expenses	85.07	86.76	88.55	89.16	89.16	...	89.16	55.10	23.08
Administrative expenses	370.75	378.01	385.71	388.33	388.33	...	388.33	243.93	100.14
Finance expenses	697.63	697.63	697.63	697.63	697.63	...	697.63	697.63	290.68
Operating profit	826.94	882.33	941.49	960.54	960.54	...	956.84	313.42	125.08
Non-operating income	151.48	188.11	194.82	197.10	197.10	...	197.10	82.13	—
Total profit	978.43	1,070.44	1,136.30	1,157.64	1,157.64	...	1,153.94	395.55	125.08
Less: income tax	138.00	160.57	170.45	173.65	173.65	...	288.48	98.89	31.27
Net profit	840.42	909.87	965.86	984.00	984.00	...	865.45	296.66	93.81
Depreciation and amortization	795.07	795.07	795.07	795.07	795.07	...	795.07	477.72	188.28
Depreciation of fixed assets	279.03	279.03	279.03	279.03	279.03	...	279.03	116.26	—
Amortization	516.04	516.04	516.04	516.04	516.04	...	516.04	361.46	188.28
After-tax interest expenses	592.99	592.99	592.99	592.99	592.99	...	523.23	523.23	218.01
Additional working capital	-348.58	363.74	370.96	283.26	237.34	...	—	-2,547.22	-2,691.46
Increase in working capital	-585.92	126.40	133.62	45.92	—	...	—	-2,547.22	-2,691.46
Innovation of assets	237.34	237.34	237.34	237.34	237.34	...	—	—	—
Capital expenditure	—	—	—	—	—	...	—	—	—
Net cash flow	2,577.07	1,934.19	1,982.96	2,088.79	2,134.72	...	2,183.75	3,844.82	3,191.56

## VII. Forecast of Value of Equity Capital

### (I) Determination of discount rate

#### 1. Risk-free rate of return $r_f$

This valuation is based on the assumption of going concern, and the income period of the entrusted valuation subject is finite. According to the requirements of the Guidelines for Assets Appraisal Experts No. 12 — Measurement of Discount Rates in the Valuation of Enterprise Value by the Income Approach (ZPX [2020] No. 38), the yield to maturity of the treasury bonds with a remaining maturity of 10 years or more can be used as the risk-free interest rate. The yield of 10-year treasury bonds is used as the risk-free interest rate in this valuation, that is,  $r_f = 2.78\%$ .

#### 2. Expected market rate of return $r_m$

On 30 December 2020, China Asset Appraisal Association issued the Guidelines for Assets Appraisal Experts No. 12 — Measurement of Discount Rates in the Valuation of Enterprise Value by the Income Approach, which provides a reference for asset valuation agency and its asset valuation professional to calculate the discount rate by adopting the capital asset pricing model and weighted average cost of capital when using the income method to value enterprise value. The guidelines require that asset valuation agency should research and determine the internal unified discount rate measurement principles and methods, and maintain the consistency of discount rate measurement principles and methods in the practice process.

According to the requirements of the guidelines, combined with the Basic Rules for Asset Appraisal, Practice Guidelines for Asset Valuation, and combined with the follow-up research on the securities market conducted by the Company, the long-term average rate of return of China's A-share market index is used as the expected market rate of return, and the exceeds of the expected market rate of return over the risk-free interest rate is used as the market risk premium.

When calculating the long-term average rate of return of China's A-share market index, the representative Shanghai Composite Index is selected as the target index; the calculation period is the period from 21 May 1992, after the full liberalization of stock prices and the implementation of free bidding transactions, to the valuation reference date; weekly data and monthly data are simultaneously selected as data frequency for the calculation; arithmetic average, geometric average, harmonic average, etc., are taken as calculation method, which is subject to be adjusted according to market conditions. The data is adjusted according to market conditions by the Company's technology center using the average values, that is:  $r_m = 10.46\%$ .

### 3. $\beta$ value

The  $\beta$  coefficient is a sensitive coefficient to measure the sensitivity of individual enterprises to the average market risk rate of return. The valuation personnel selected the risk coefficient  $\beta_u$  without financial leverage in the industry in which the appraised entity operates in the past three years through Wind Information. The specific data are shown in the following table:

Name of segment	WIND — Water Industry
Number of securities	14
Target Index	CSI300
Calculation period	Weekly
Time range	From 1 January 2019 to 31 December 2021
Calculation method of rate of return	General rate of return
Excluding financial leverage (D/E)	Ratio by market value
Weighting method	Weighted average of total market value
Original beta	0.5425
Weighted adjusted Beta	0.6935
Weighted original Beta excluding financial leverage	0.3349
Weighted adjusted Beta excluding financial leverage	0.4316

The abovementioned average value of the adjustment coefficient excluding financial leverage of the reference company of 0.4316 is used as the  $\beta_u$  coefficient without financial leverage.

In this valuation, the capital structure of the appraised entity as at the valuation reference date is adopted as the target capital structure of the appraised entity, so as to calculate the  $\beta$  coefficient of the target financial leverage of the appraised entity:

If the income tax rate is 15%:

$$\begin{aligned}\beta &= \beta_u \times [1 + (1 - T) D/E] \\ &= 0.4316 \times [1 + (1 - 15\%) \times 0.7837] \\ &= 0.7191\end{aligned}$$

If the income tax rate is 25%:

$$\begin{aligned}\beta &= \beta_u \times [1 + (1 - T) D/E] \\ &= 0.4316 \times [1 + (1 - 25\%) \times 0.7837] \\ &= 0.6853\end{aligned}$$

#### 4. *Enterprise-specific risk adjustment coefficient $\alpha$*

When determining the discount rate, it is necessary to consider the differences between the valuation subject and listed companies in terms of business size, business development stage, core competitiveness, dependence on upstream and downstream industries, financing capacity and financing cost, and stability of profit forecast, so as to determine the specific risk coefficient. During the valuation process, the valuers compared and analyzed the enterprise and the comparable listed companies, and obtained the characteristic risk adjustment coefficient, that is 4.00%. The specific adjustment is shown in the following table:

**Table of Specific Risk Adjustment Coefficient**

<b>Risk factors</b>	<b>Affecting factors</b>	<b>Adjustment coefficient</b>
Project size	The size is smaller than that of comparable companies	0.5
Project development stage	Business of the enterprise are relatively simple as compared with comparable companies	0.5
Core competitiveness of project	It has signed a franchise agreement with the government, making it unique in area agreed by the agreement	0.2
Dependence on upstream and downstream industries	Customer concentration of the enterprise is higher	1.0
Financing capacity and financing cost	The enterprise has good financing ability	1.0
Stability of profit forecast	It has signed a franchise agreement with the government. The government pays the wastewater treatment fee according to the agreed water quantity and unit price	0.3
Other factors	Difficulties of recycling funds	0.5
Total		4.00

#### 5. *Return on equity $r_e$*

If the income tax rate is 15%:

$$\begin{aligned} r_e &= r_f + \beta \times (r_m - r_f) + \alpha \\ &= 2.78\% + 0.7191 \times (10.46\% - 2.78\%) + 4\% \\ &= 12.30\% \end{aligned}$$

If the income tax rate is 25%:

$$\begin{aligned} r_e &= r_f + \beta \times (r_m - r_f) + \alpha \\ &= 2.78\% + 0.6853 \times (10.46\% - 2.78\%) + 4\% \\ &= 12.04\% \end{aligned}$$

### 6. *Determination of the rate of return on debt $r_d$*

A reasonable estimate of the rate of return on debt is an estimate that combines the market's fair short-term and long-term bank loan rates. The return on debt is calculated by the weighted average interest rate of the long-term and short-term loans of the appraised entity of 6.00%.

If the income tax rate is 15%:

$$\begin{aligned} r_d &= 6.00\% \times (1 - 15\%) \\ &= 5.10\% \end{aligned}$$

If the income tax rate is 25%:

$$\begin{aligned} r_d &= 6.00\% \times (1 - 25\%) \\ &= 4.50\% \end{aligned}$$

### 7. *Debt ratio $W_d$ and equity ratio $W_e$*

The debt ratio  $W_d$  and equity ratio  $W_e$  of the appraised entity are calculated by the formula of  $W_d = \frac{D}{(E + D)}$  and the formula of  $W_e = \frac{E}{(E + D)}$ .

$$W_d = 0.4394$$

$$W_e = 0.5606$$

### 6. *Discount rate $r$ (WACC)*

The above values are substituted into the weighted average cost of capital model  $WACC = r_d \times W_d + r_e \times W_e$  to obtain the discount rate  $r$ , that is, WACC.

If the income tax rate is 15%:

$$\begin{aligned} WACC &= r_d \times W_d + r_e \times W_e \\ &= 5.10\% \times 0.4394 + 12.32\% \times 0.5606 \\ &= 9.14\% \end{aligned}$$

If the income tax rate is 25%:

$$\begin{aligned} WACC &= r_d \times W_d + r_e \times W_e \\ &= 4.50\% \times 0.4394 + 12.07\% \times 0.5606 \\ &= 8.73\% \end{aligned}$$

**(II) Forecast of Value of Operating Assets**

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_{n+1}}{r(1+r)^n}$$

By substituting the expected net cash flow into the formula of the value of operating assets of the appraised entity can be obtained, that is, P = 21,682.11 (RMB0'000).

**(III) Forecast of Values of Surplus or Non-operating Assets and Liabilities**

It is verified that the value of partial assets and liabilities existing in the books of the appraise entity as at the base date is not considered in the estimation of net cash flow in this valuation, which is a surplus or non-operating assets and liabilities other than the cash flow estimated in this valuation.

In this valuation, the value of surplus or non-operating assets and liabilities is separately assessed based on the valuation results, and the appraised value of the surplus or non-operating assets and liabilities of the appraised entity as at the valuation reference date is:

$$C = C1 + C2$$

Of which: C1 = current surplus assets – current surplus liabilities

C2 = non-current surplus assets – non-current surplus liabilities

The details of the surplus or non-operating assets and liabilities of the appraised entity are shown in the following table.

<i>Currency Unit: RMB0'000</i>			
Item	Book value as at the valuation reference date	Appraised value as at the valuation reference date	Remark
Current surplus assets and liabilities:			
Of which: account receivables	2,586.45	2,586.45	Wastewater treatment service fee receivable by Datunhai Plant
Other receivables	6,827.18	6,827.18	Internal transaction amount and capital collection
Other payables	4,366.19	4,366.19	Internal transaction amount and dividend payable
Non-current surplus assets and liabilities:			
Of which: long-term equity investment	800.00	519.83	

That is, C = 5,567.27 (RMB0'000)

**(IV) Determination of Value of Equity Capital**

The value of the operating assets of the appraised entity is  $P = 21,874.98$  (RMB0'000), the value of other surplus or non-operating assets as at the valuation reference date is  $C = 5,567.27$  (RMB0'000), and the recovery of working capital and fixed assets is  $277.88$  (RMB0'000), then the enterprise value  $B$  of the appraised entity is:

$$\begin{aligned} B &= 21,874.98 + 5,567.27 + 277.88 \\ &= 27,720.00 \text{ (RMB0'000, rounded off)} \end{aligned}$$

The enterprise has interest-bearing debt  $D = 12,179.00$  (RMB0'000) as at the valuation reference date, and the value  $E$  of entire shareholders' equity of the appraised entity is:

$$\begin{aligned} E &= B - D \\ &= 27,720.00 - 12,179.00 \\ &= 15,540.00 \text{ (RMB0'000, rounded off)}. \end{aligned}$$

\* *For identification purposes only*

## Table of Forecast on Cash Flows

Valuation reference date: 31 December 2021

Appraised entity:

Honghe Water Industry Investment Co., Ltd.\*

Entrusting party:

Yunnan Water Investment Co., Limited\*

Item	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Operating income												
(excluding Datunhai Plant)	5,317.14	5,422.64	5,534.50	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52
Less: operating costs												
(excluding Datunhai Plant)	3,277.93	3,319.47	3,362.68	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42
Business taxes and surcharges	58.80	58.43	58.43	58.43	58.43	58.43	58.43	58.43	58.43	58.43	58.43	58.43
Sales expenses	85.07	86.76	88.55	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16
Administrative expenses												
(excluding Datunhai Plant)	370.75	378.01	385.71	388.33	388.33	388.33	388.33	388.33	388.33	388.33	388.33	388.33
Finance expenses	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63
Operating profit	826.94	882.33	941.49	960.54	960.54	960.54	960.54	960.54	960.54	960.54	960.54	960.54
Non-operating income	151.48	188.11	194.82	197.10	197.10	197.10	197.10	197.10	197.10	197.10	197.10	197.10
Total profit	978.43	1,070.44	1,136.30	1,157.64	1,157.64	1,157.64	1,157.64	1,157.64	1,157.64	1,157.64	1,157.64	1,157.64
Less: income tax	138.00	160.57	170.45	173.65	173.65	173.65	173.65	173.65	173.65	289.41	289.41	289.41
Net profit	840.42	909.87	965.86	984.00	984.00	984.00	984.00	984.00	984.00	868.23	868.23	868.23
Depreciation and amortization	795.07	795.07	795.07	795.07	795.07	795.07	795.07	795.07	795.07	795.07	795.07	795.07
Depreciation	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03
Amortization	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04
After-tax interest	592.99	592.99	592.99	592.99	592.99	592.99	592.99	592.99	592.99	523.23	523.23	523.23
Additional capital	-348.58	363.74	370.96	283.26	237.34	237.34	237.34	237.34	237.34	237.34	237.34	237.34
Increase in working capital	-585.92	126.40	133.62	45.92	—	—	—	—	—	—	—	—
Asset renewal	237.34	237.34	237.34	237.34	237.34	237.34	237.34	237.34	237.34	237.34	237.34	237.34
Capital expenditure												
Net cash flow	2,577.07	1,934.19	1,982.96	2,088.79	2,134.72	2,134.72	2,134.72	2,134.72	2,134.72	1,949.19	1,949.19	1,949.19
Discount rate	0.0914	0.0914	0.0914	0.0914	0.0914	0.0914	0.0914	0.0914	0.0914	0.0873	0.0873	0.0873
Discount period	0.5000	1.5000	2.5000	3.5000	4.5000	5.5000	6.5000	7.5000	8.5000	9.5000	10.5000	11.5000
Discount coefficient	0.96	0.88	0.80	0.74	0.67	0.62	0.57	0.52	0.48	0.45	0.42	0.38
Present value	2,466.82	1,696.42	1,593.58	1,538.08	1,440.28	1,319.69	1,209.19	1,107.95	1,015.18	880.20	809.53	744.54

  

Item	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	September 2045
Operating income												
(excluding Datunhai Plant)	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	3,443.95	1,442.66
Less: operating costs												
(excluding Datunhai Plant)	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	2,072.58	858.19
Business taxes and surcharges	58.43	58.43	58.43	58.43	58.43	58.43	62.14	62.14	62.14	62.14	61.27	45.49
Sales expenses	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16	55.10	23.08
Administrative expenses												
(excluding Datunhai Plant)	388.33	388.33	388.33	388.33	388.33	388.33	388.33	388.33	388.33	388.33	243.93	100.14
Finance expenses	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	290.68
Operating profit	960.54	960.54	960.54	960.54	960.54	960.54	956.84	956.84	956.84	956.84	313.42	125.08
Non-operating income	197.10	197.10	197.10	197.10	197.10	197.10	197.10	197.10	197.10	197.10	82.13	—
Total profit	1,157.64	1,157.64	1,157.64	1,157.64	1,157.64	1,157.64	1,153.94	1,153.94	1,153.94	1,153.94	395.55	125.08
Less: income tax	289.41	289.41	289.41	289.41	289.41	289.41	288.48	288.48	288.48	288.48	98.89	31.27
Net profit	868.23	868.23	868.23	868.23	868.23	868.23	865.45	865.45	865.45	865.45	296.66	93.81
Depreciation and amortization	795.07	795.07	795.07	795.07	795.07	795.07	795.07	795.07	795.07	795.07	477.72	188.28
Depreciation	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	116.26	—
Amortization	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	361.46	188.28
After-tax interest	523.23	523.23	523.23	523.23	523.23	523.23	523.23	523.23	523.23	523.23	523.23	218.01
Additional capital	237.34	237.34	237.34	237.34	237.34	237.34	—	—	—	—	-2,547.22	-2,691.46
Increase in working capital	—	—	—	—	—	—	—	—	—	—	-2,547.22	-2,691.46
Asset renewal	237.34	237.34	237.34	237.34	237.34	237.34	—	—	—	—	—	—
Capital expenditure	—	—	—	—	—	—	—	—	—	—	—	—
Net cash flow	1,949.19	1,949.19	1,949.19	1,949.19	1,949.19	1,949.19	2,183.75	2,183.75	2,183.75	2,183.75	3,844.82	3,191.56
Discount rate	0.0873	0.0873	0.0873	0.0873	0.0873	0.0873	0.0873	0.0873	0.0873	0.0873	0.0873	0.09
Discount period	12.5000	13.5000	14.5000	15.5000	16.5000	17.5000	18.5000	19.5000	20.5000	21.5000	22.5000	23.25
Discount coefficient	0.35	0.32	0.30	0.27	0.25	0.23	0.21	0.20	0.18	0.17	0.15	0.14
Present value	684.77	629.80	579.24	532.74	489.97	450.63	464.33	427.05	392.77	361.24	584.95	456.03



Value of operating assets: P	21,874.98
Surplus assets – surplus liabilities: $\sum Ci$	5,567.27
Working capital recovery and fixed assets recovery	277.88
Corporate value: $B = P + I + \sum Ci$	27,720.00
Value of minority interests: M	
Value of owner's equity attributable to parent company: $E = B - D - M$	15,540.00
Book value (nominal value) of equity at valuation reference date	13,805.01
Appraised value involving change in valuation reference date	—
Appraised value based on alternative method	14,940.23
Appreciation	1,734.99
Appreciation rate	0.13
P/E ratio	673.30%
P/B ratio	1.13
Net assets	15,540.00
Value of interest-bearing debt D	12,179.00
Corporate value: B	27,719.00
Equity ratio	0.5606
Debt ratio	0.4394
Loan weighted interest rate	0.0600
Risk-free yield	0.0278
Comparable company yield	0.1046
Applicable tax rate	15%
Historic beta	
Adjusted beta	0.6935
Unleveraged beta	0.4316
Equity beta	0.7191
Characteristic risk coefficient	4%
Cost of equity	0.1230
Debt cost (after tax)	0.0510
WACC	9.14%
Discount rate	9.14%
Applicable tax rate	25%
Historic beta	
Adjusted beta	0.6935
Unleveraged beta	0.4316
Equity beta	0.6853
Characteristic risk coefficient	4%
Cost of equity	0.1204
Debt cost (after tax)	4.50%
WACC	8.73%
Discount rate	8.73%

Valuation agency: China United Assets Appraisal Group Co., Ltd.

## Table of Forecast on Operating Income and Expenses

Valuation reference date: 31 December 2021

Appraised entity:

Honghe Water Industry Investment Co., Ltd.\*

Entrusting party:

Yunnan Water Investment Co., Limited\*

Product name	Item	Unit	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
Gejiu Plant	Income from principal business	RMB0'000	1,604.48	1,695.73	1,786.98	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	
	Costs from principal business	RMB0'000	996.73	1,034.51	1,072.28	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	
	Designed treatment capacity	10,000 tons	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	
	Actual treatment volume	10,000 tons/year	1,604.48	1,695.73	1,786.98	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	
	Unit price	RMB/ton	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
	Unit cost	RMB/ton	0.6212	0.6212	0.6212	0.6212	0.6212	0.6212	0.6212	0.6212	0.6212	0.6212	0.6212	0.6212	
	Gross profit margin	%	37.88%	38.99%	39.99%	40.38%	40.38%	40.38%	40.38%	40.38%	40.38%	40.38%	40.38%	40.38%	
	Mengzi Plant	Income from principal business	RMB0'000	1,425.14	1,439.39	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00
		Costs from principal business	RMB0'000	841.61	845.37	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81
Designed treatment capacity		10,000 tons	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	
Actual treatment volume		10,000 tons/year	1,425.14	1,439.39	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	
Unit price		RMB/ton	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
Unit cost		RMB/ton	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	
Gross profit margin		%	40.95%	41.27%	41.73%	41.73%	41.73%	41.73%	41.73%	41.73%	41.73%	41.73%	41.73%	41.73%	
Kaiyuan Plant		Income from principal business	RMB0'000	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55
		Costs from principal business	RMB0'000	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47
	Designed treatment capacity	10,000 tons	2,190.00	2,190.00	2,190.00	2,190.00	2,190.00	2,190.00	2,190.00	2,190.00	2,190.00	2,190.00	2,190.00	2,190.00	
	Actual treatment volume	10,000 tons/year	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	
	Unit price	RMB/ton	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
	Unit cost	RMB/ton	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	
	Gross profit margin	%	40.09%	40.09%	40.09%	40.09%	40.09%	40.09%	40.09%	40.09%	40.09%	40.09%	40.09%	40.09%	
	Honghe Plant	Income from principal business	RMB0'000	131.13	131.13	131.13	131.13	131.13	131.13	131.13	131.13	131.13	131.13	131.13	131.13
		Costs from principal business	RMB0'000	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84
Gross profit margin		%	24.63%	24.63%	24.63%	24.63%	24.63%	24.63%	24.63%	24.63%	24.63%	24.63%	24.63%	24.63%	
Lvchun Plant	Income from principal business	RMB0'000	119.64	119.64	119.64	119.64	119.64	119.64	119.64	119.64	119.64	119.64	119.64	119.64	
	Costs from principal business	RMB0'000	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	
	Gross profit margin	%	24.19%	24.19%	24.19%	24.19%	24.19%	24.19%	24.19%	24.19%	24.19%	24.19%	24.19%	24.19%	
Pingbian Plant	Income from principal business	RMB0'000	113.21	113.21	113.21	113.21	113.21	113.21	113.21	113.21	113.21	113.21	113.21	113.21	
	Costs from principal business	RMB0'000	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	
	Gross profit margin	%	13.80%	13.80%	13.80%	13.80%	13.80%	13.80%	13.80%	13.80%	13.80%	13.80%	13.80%	13.80%	
Hekou Plant, Jinping Plant, Yuanyang Plant, Xinjie Plant	Income from principal business	RMB0'000	—	—	—	—	—	—	—	—	—	—	—	—	
	Costs from principal business	RMB0'000	—	—	—	—	—	—	—	—	—	—	—	—	
Total	Total operating income	RMB0'000	5,317.14	5,422.64	5,534.50	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	
	Total operating costs	RMB0'000	3,277.93	3,319.47	3,362.68	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	

**APPENDIX II**

**VALUATION REPORTS**

Product name	Item	Unit	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	September	
														2045	
Gejiu Plant	Designed treatment capacity	10,000 tons	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	760.42		
	Actual treatment volume	10,000 tons/year	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	760.42		
		10,000 tons/day	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	
	Actual sales	10,000 tons	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	760.42		
	Unit price	RMB/ton	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
	Unit cost	RMB/ton	0.6212	0.6212	0.6212	0.6212	0.6212	0.6212	0.6212	0.6212	0.6212	0.6212	0.6212	0.6212	—
	Gross profit margin	%	40.38%	40.38%	40.38%	40.38%	40.38%	40.38%	40.38%	40.38%	40.38%	40.38%	40.38%	39.99%	
Mengzi Plant	Income from principal business	RMB0'000	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	608.33		
	Costs from principal business	RMB0'000	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	352.33		
	Designed treatment capacity	10,000 tons	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	760.42		
	Actual treatment volume	10,000 tons/year	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	608.33		
		10,000 tons/day	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	
	Actual sales	10,000 tons	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	608.33		
	Unit price	RMB/ton	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
	Unit cost	RMB/ton	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	
	Gross profit margin	%	41.73%	41.73%	41.73%	41.73%	41.73%	41.73%	41.73%	41.73%	41.73%	41.73%	42.08%		
Kaiyuan Plant	Income from principal business	RMB0'000	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,442.66		
	Costs from principal business	RMB0'000	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	858.19		
	Designed treatment capacity	10,000 tons	2,190.00	2,190.00	2,190.00	2,190.00	2,190.00	2,190.00	2,190.00	2,190.00	2,190.00	2,190.00	1,642.50		
	Actual treatment volume	10,000 tons/year	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,442.66		
		10,000 tons/day	5.27	5.27	5.27	5.27	5.27	5.27	5.27	5.27	5.27	5.27	5.27	5.27	
	Actual sales	10,000 tons	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,442.66		
	Unit price	RMB/ton	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
	Unit cost	RMB/ton	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.59	0.59	
	Gross profit margin	%	40.09%	40.09%	40.09%	40.09%	40.09%	40.09%	40.09%	40.09%	40.09%	40.09%	40.51%	40.51%	
Honghe Plant	Income from principal business	RMB0'000	131.13	131.13	131.13	131.13	131.13	131.13	131.13	131.13	131.13	54.64			
	Costs from principal business	RMB0'000	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	41.18			
	Gross profit margin	%	24.63%	24.63%	24.63%	24.63%	24.63%	24.63%	24.63%	24.63%	24.63%	24.63%			
Lvchun Plant	Income from principal business	RMB0'000	119.64	119.64	119.64	119.64	119.64	119.64	119.64	119.64	49.85				
	Costs from principal business	RMB0'000	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	37.79				
	Gross profit margin	%	24.19%	24.19%	24.19%	24.19%	24.19%	24.19%	24.19%	24.19%	24.19%				
Pingbian Plant	Income from principal business	RMB0'000	113.21	113.21	113.21	113.21	113.21	113.21	113.21	113.21	47.17				
	Costs from principal business	RMB0'000	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	40.66				
	Gross profit margin	%	13.80%	13.80%	13.80%	13.80%	13.80%	13.80%	13.80%	13.80%	13.80%				
Hekou Plant, Jinping Plant, Yuanyang Plant, Xinjie Plant	Income from principal business	RMB0'000	—	—	—	—	—	—	—	—	—	—	—		
	Costs from principal business	RMB0'000	—	—	—	—	—	—	—	—	—	—	—		
Total	Total operating income	RMB0'000	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	3,443.95	1,442.66		
	Total operating costs	RMB0'000	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	2,072.58	858.19		

## Table of Forecast on Production Costs

Valuation reference date: 31 December 2021

Category	Item	Currency Unit: RMB'000																Entrusting party:							
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	September 2045
Gejiu Plant	Direct materials — flocculant, sodium chlorate, coagulant	17.64	18.64	19.64	20.06	20.06	20.06	20.06	20.06	20.06	20.06	20.06	20.06	20.06	20.06	20.06	20.06	20.06	20.06	20.06	20.06	20.06	20.06	20.06	8.36
	Total amortization of franchise rights	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	6.09
	Total amortization of land use right	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	20.16
	Total power cost	107.25	113.35	119.45	121.99	121.99	121.99	121.99	121.99	121.99	121.99	121.99	121.99	121.99	121.99	121.99	121.99	121.99	121.99	121.99	121.99	121.99	121.99	121.99	50.83
	Total salary and surcharges	387.64	409.69	431.74	440.92	440.92	440.92	440.92	440.92	440.92	440.92	440.92	440.92	440.92	440.92	440.92	440.92	440.92	440.92	440.92	440.92	440.92	440.92	440.92	183.72
	Total depreciation expenses	260.04	260.04	260.04	260.04	260.04	260.04	260.04	260.04	260.04	260.04	260.04	260.04	260.04	260.04	260.04	260.04	260.04	260.04	260.04	260.04	260.04	260.04	260.04	111.37
	Total sewage sludge disposal costs	19.51	20.62	21.73	22.19	22.19	22.19	22.19	22.19	22.19	22.19	22.19	22.19	22.19	22.19	22.19	22.19	22.19	22.19	22.19	22.19	22.19	22.19	22.19	9.25
	Total technical service fee	0.92	0.97	1.02	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	1.04	0.43
	Total online testing costs	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	3.96
	Total repair expenses	30.60	32.34	34.08	34.81	34.81	34.81	34.81	34.81	34.81	34.81	34.81	34.81	34.81	34.81	34.81	34.81	34.81	34.81	34.81	34.81	34.81	34.81	34.81	14.50
	Total reagent costs	2.83	2.99	3.15	3.22	3.22	3.22	3.22	3.22	3.22	3.22	3.22	3.22	3.22	3.22	3.22	3.22	3.22	3.22	3.22	3.22	3.22	3.22	3.22	1.34
	Others in total	97.81	103.38	108.94	111.26	111.26	111.26	111.26	111.26	111.26	111.26	111.26	111.26	111.26	111.26	111.26	111.26	111.26	111.26	111.26	111.26	111.26	111.26	111.26	46.36
Total price statistics	996.73	1,034.51	1,072.28	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	1,088.02	456.36	
Production volume	1,604.48	1,695.73	1,786.98	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	760.42	
Unit price of direct materials	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110	0.0110	
Unit price of franchise rights	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	
Unit price of land use right amortization	0.0301	0.0301	0.0301	0.0301	0.0301	0.0301	0.0301	0.0301	0.0301	0.0301	0.0301	0.0301	0.0301	0.0301	0.0301	0.0301	0.0301	0.0301	0.0301	0.0301	0.0301	0.0301	0.0301	0.0301	
Unit price of power cost	0.0668	0.0668	0.0668	0.0668	0.0668	0.0668	0.0668	0.0668	0.0668	0.0668	0.0668	0.0668	0.0668	0.0668	0.0668	0.0668	0.0668	0.0668	0.0668	0.0668	0.0668	0.0668	0.0668	0.0668	
Unit price of salary and surcharges	0.2416	0.2416	0.2416	0.2416	0.2416	0.2416	0.2416	0.2416	0.2416	0.2416	0.2416	0.2416	0.2416	0.2416	0.2416	0.2416	0.2416	0.2416	0.2416	0.2416	0.2416	0.2416	0.2416	0.2416	
Unit price of depreciation expense	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	0.1621	
Sewage sludge disposal costs	0.0122	0.0122	0.0122	0.0122	0.0122	0.0122	0.0122	0.0122	0.0122	0.0122	0.0122	0.0122	0.0122	0.0122	0.0122	0.0122	0.0122	0.0122	0.0122	0.0122	0.0122	0.0122	0.0122	0.0122	
Unit price of technical service fee	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	
Unit price of online testing costs	0.0059	0.0059	0.0059	0.0059	0.0059	0.0059	0.0059	0.0059	0.0059	0.0059	0.0059	0.0059	0.0059	0.0059	0.0059	0.0059	0.0059	0.0059	0.0059	0.0059	0.0059	0.0059	0.0059	0.0059	
Unit price of repair expenses	0.0191	0.0191	0.0191	0.0191	0.0191	0.0191	0.0191	0.0191	0.0191	0.0191	0.0191	0.0191	0.0191	0.0191	0.0191	0.0191	0.0191	0.0191	0.0191	0.0191	0.0191	0.0191	0.0191	0.0191	
Unit price of reagent costs	0.0018	0.0018	0.0018	0.0018	0.0018	0.0018	0.0018	0.0018	0.0018	0.0018	0.0018	0.0018	0.0018	0.0018	0.0018	0.0018	0.0018	0.0018	0.0018	0.0018	0.0018	0.0018	0.0018	0.0018	
Unit price of equipment renovation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Other unit prices	0.0610	0.0610	0.0610	0.0610	0.0610	0.0610	0.0610	0.0610	0.0610	0.0610	0.0610	0.0610	0.0610	0.0610	0.0610	0.0610	0.0610	0.0610	0.0610	0.0610	0.0610	0.0610	0.0610	0.0610	
Unit price statistics	0.6212	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	

Category	Item	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	September 2045			
Mengzi Plant	Direct materials — flocculant	27.54	27.54	27.54	27.54	27.54	27.54	27.54	27.54	27.54	27.54	27.54	27.54	27.54	27.54	27.54	27.54	27.54	27.54	27.54	27.54	27.54	27.54	27.54	27.54	11.75		
	Total amortization of franchise rights	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	84.18	
	Total power cost	128.93	130.22	132.08	132.08	132.08	132.08	132.08	132.08	132.08	132.08	132.08	132.08	132.08	132.08	132.08	132.08	132.08	132.08	132.08	132.08	132.08	132.08	132.08	132.08	132.08	132.08	55.03
	Total salary and surcharges	201.58	203.60	206.51	206.51	206.51	206.51	206.51	206.51	206.51	206.51	206.51	206.51	206.51	206.51	206.51	206.51	206.51	206.51	206.51	206.51	206.51	206.51	206.51	206.51	206.51	206.51	86.05
	Total depreciation expenses	5.88	5.88	5.88	5.88	5.88	5.88	5.88	5.88	5.88	5.88	5.88	5.88	5.88	5.88	5.88	5.88	5.88	5.88	5.88	5.88	5.88	5.88	5.88	5.88	5.88	5.88	—
	Total sewage sludge disposal costs	9.77	9.87	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	10.01	4.17
	Total technical service fee	0.57	0.58	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.24
	Total online testing costs	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	3.96
	Total repair expenses	13.76	13.89	14.09	14.09	14.09	14.09	14.09	14.09	14.09	14.09	14.09	14.09	14.09	14.09	14.09	14.09	14.09	14.09	14.09	14.09	14.09	14.09	14.09	14.09	14.09	14.09	5.87
	Total reagent costs	4.82	4.87	4.94	4.94	4.94	4.94	4.94	4.94	4.94	4.94	4.94	4.94	4.94	4.94	4.94	4.94	4.94	4.94	4.94	4.94	4.94	4.94	4.94	4.94	4.94	4.94	2.06
	Total costs of equipment renovation	16.71	16.88	17.12	17.12	17.12	17.12	17.12	17.12	17.12	17.12	17.12	17.12	17.12	17.12	17.12	17.12	17.12	17.12	17.12	17.12	17.12	17.12	17.12	17.12	17.12	17.12	7.13
	Others in total	220.52	220.52	220.52	220.52	220.52	220.52	220.52	220.52	220.52	220.52	220.52	220.52	220.52	220.52	220.52	220.52	220.52	220.52	220.52	220.52	220.52	220.52	220.52	220.52	220.52	220.52	91.88
	Total price statistics	841.61	845.37	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	850.81	352.33
	Production volume	1,425.14	1,439.39	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	—
	Unit price of direct materials	0.0193	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
	Unit price of amortization of franchise rights	0.1418	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
	Unit price of power cost	0.0905	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
	Unit price of salary and surcharges	0.1414	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
	Unit price of depreciation expense	0.0041	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Sewage sludge disposal costs	0.0069	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
	Unit price of technical service fee	0.0004	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Unit price of online testing costs	0.0067	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
	Unit price of repair expenses	0.0097	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
	Unit price of reagent costs	0.0034	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Unit price of equipment renovation	0.0117	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Other unit prices	0.1547	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	
Unit price statistics	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	0.5905	

## Table of Forecast on Production Costs

Valuation reference date: 31 December 2021

Appraised entity:  
Honghe Water Industry Investment Co., Ltd.\*

Currency Unit: RMB0'000

Entrusting party:  
Yunnan Water Investment Co., Limited\*

Category	Item	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	September 2045	
Kaiyuan Plant	Direct materials — flocculant	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	9.36	7.02
	Total amortization of franchise rights	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	188.28
	Total power cost	136.90	136.90	136.90	136.90	136.90	136.90	136.90	136.90	136.90	136.90	136.90	136.90	136.90	136.90	136.90	136.90	136.90	136.90	136.90	136.90	136.90	136.90	136.90	136.90	136.90	102.67
	Total salary and surcharges	392.19	392.19	392.19	392.19	392.19	392.19	392.19	392.19	392.19	392.19	392.19	392.19	392.19	392.19	392.19	392.19	392.19	392.19	392.19	392.19	392.19	392.19	392.19	392.19	392.19	294.14
	Total depreciation expenses	8.22	8.22	8.22	8.22	8.22	8.22	8.22	8.22	8.22	8.22	8.22	8.22	8.22	8.22	8.22	8.22	8.22	8.22	8.22	8.22	8.22	8.22	8.22	8.22	8.22	—
	Total sewage sludge disposal costs	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	9.30
	Total technical service fee	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.02	3.77
	Total online testing costs	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	7.13
	Total repair expenses	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	15.22	11.42
	Total reagent costs	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	0.94
Total costs of equipment renovation	39.55	39.55	39.55	39.55	39.55	39.55	39.55	39.55	39.55	39.55	39.55	39.55	39.55	39.55	39.55	39.55	39.55	39.55	39.55	39.55	39.55	39.55	39.55	39.55	39.55	29.66	
Others in total	271.81	271.81	271.81	271.81	271.81	271.81	271.81	271.81	271.81	271.81	271.81	271.81	271.81	271.81	271.81	271.81	271.81	271.81	271.81	271.81	271.81	271.81	271.81	271.81	271.81	203.86	
Total price statistics	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	1,152.47	888.19	
Production volume	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,923.55	1,442.66	
Unit price of direct materials	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049
Unit price of amortization of franchise rights	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	0.1305	
Unit price of power cost	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	0.0712	
Unit price of salary and surcharges	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	0.2039	
Unit price of depreciation expense	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	0.0043	—	
Sewage sludge disposal costs	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	0.0064	
Unit price of technical service fee	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	
Unit price of online testing costs	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	0.0049	
Unit price of repair expenses	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	0.0079	
Unit price of reagent costs	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	0.0007	
Unit price of equipment renovation	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	0.0206	
Other unit prices	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	0.1413	
Unit price statistics	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5991	0.5949	

Category	Item	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	September 2045	
		Honghe Plant	Direct materials — bleaching powder, coagulant	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
	Total power cost	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	2.81	
	Total salary and surcharges	70.33	70.33	70.33	70.33	70.33	70.33	70.33	70.33	70.33	70.33	70.33	70.33	70.33	70.33	70.33	70.33	70.33	70.33	70.33	70.33	70.33	70.33	70.33	29.31	
	Total depreciation expenses	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.21	
	Total sewage sludge disposal costs	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.03	
	Total online testing costs	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	3.54	
	Total repair expenses	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.24	
	Total reagent costs	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	0.51	
	Others in total	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	10.09	4.20	
	Total price statistics	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	98.84	41.18	—
	Total power cost	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	6.89	2.87	
	Total salary and surcharges	65.25	65.25	65.25	65.25	65.25	65.25	65.25	65.25	65.25	65.25	65.25	65.25	65.25	65.25	65.25	65.25	65.25	65.25	65.25	65.25	65.25	65.25	65.25	27.19	
	Total sewage sludge disposal costs	2.03	2.03	2.03	2.03	2.03	2.03	2.03	2.03	2.03	2.03	2.03	2.03	2.03	2.03	2.03	2.03	2.03	2.03	2.03	2.03	2.03	2.03	2.03	0.85	
	Total repair expenses	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	4.34	1.81	
	Total reagent costs	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.26	
	Others in total	11.58	11.58	11.58	11.58	11.58	11.58	11.58	11.58	11.58	11.58	11.58	11.58	11.58	11.58	11.58	11.58	11.58	11.58	11.58	11.58	11.58	11.58	11.58	4.82	
	Total price statistics	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	90.70	37.79	
Pingbian Plant	Direct materials — flocculant, coagulant	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.41	
	Total power cost	15.61	15.61	15.61	15.61	15.61	15.61	15.61	15.61	15.61	15.61	15.61	15.61	15.61	15.61	15.61	15.61	15.61	15.61	15.61	15.61	15.61	15.61	15.61	6.50	
	Total salary and surcharges	59.83	59.83	59.83	59.83	59.83	59.83	59.83	59.83	59.83	59.83	59.83	59.83	59.83	59.83	59.83	59.83	59.83	59.83	59.83	59.83	59.83	59.83	59.83	24.93	
	Total sewage sludge disposal costs	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	3.54	
	Total repair expenses	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	0.67	
	Total reagent costs	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.01	
	Others in total	11.04	11.04	11.04	11.04	11.04	11.04	11.04	11.04	11.04	11.04	11.04	11.04	11.04	11.04	11.04	11.04	11.04	11.04	11.04	11.04	11.04	11.04	11.04	4.60	
	Total price statistics	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	97.59	40.66	
Hekou Plant, Jiping Plant, Yuanyang Plant, Xinjie Plant	Total costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total costs	Aggregated total costs	3,277.93	3,319.47	3,362.68	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	2,072.58	858.19
	Aggregated total costs by unit price	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62

### Table of Forecast on Sales Expenses

Valuation reference date: 31 December 2021

Appraised entity: Honghe Water Industry Investment Co., Ltd.\*

Currency Unit: RMB0'000

Entrusting party: Yunnan Water Investment Co., Limited\*

Item	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Labor expenses	85.07	86.76	88.55	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16
<b>Total sales expenses</b>	85.07	86.76	88.55	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16

Item	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	September 2045
Labor expenses	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16	55.10	23.08
<b>Total sales expenses</b>	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16	55.10	23.08



## Table of Forecast on Administrative expenses

Valuation reference date: 31 December 2021

Appraised entity:  
Honghe Water Industry Investment  
Co., Ltd.\*

Currency Unit: RMB0'000

Entrusting party:  
Yunnan Water Investment Co.,  
Limited\*

Item	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Employee salary and surcharges	235.45	240.12	245.07	246.76	246.76	246.76	246.76	246.76	246.76	246.76	246.76	246.76
Depreciation charge	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89
Business entertainment expense	11.48	11.71	11.95	12.03	12.03	12.03	12.03	12.03	12.03	12.03	12.03	12.03
Intermediary service fee	12.38	12.62	12.88	12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97
Office expense	4.24	4.32	4.41	4.44	4.44	4.44	4.44	4.44	4.44	4.44	4.44	4.44
Vehicle expense	15.05	15.34	15.66	15.77	15.77	15.77	15.77	15.77	15.77	15.77	15.77	15.77
Lease and property management fee	23.57	24.03	24.53	24.70	24.70	24.70	24.70	24.70	24.70	24.70	24.70	24.70
Travel expense	6.07	6.19	6.32	6.36	6.36	6.36	6.36	6.36	6.36	6.36	6.36	6.36
Consulting expense	45.07	45.96	46.91	47.23	47.23	47.23	47.23	47.23	47.23	47.23	47.23	47.23
Other expenses	12.57	12.82	13.09	13.17	13.17	13.17	13.17	13.17	13.17	13.17	13.17	13.17
<b>Total administrative expenses</b>	<b>370.75</b>	<b>378.01</b>	<b>385.71</b>	<b>388.33</b>	<b>388.33</b>	<b>388.33</b>	<b>388.33</b>	<b>388.33</b>	<b>388.33</b>	<b>388.33</b>	<b>388.33</b>	<b>388.33</b>

Item	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	September 2045
Employee salary and surcharges	246.76	246.76	246.76	246.76	246.76	246.76	246.76	246.76	246.76	246.76	192.83	80.78
Depreciation charge	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	—
Business entertainment expense	12.03	12.03	12.03	12.03	12.03	12.03	12.03	12.03	12.03	12.03	0.98	0.41
Intermediary service fee	12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97	12.97	7.57	3.17
Office expense	4.44	4.44	4.44	4.44	4.44	4.44	4.44	4.44	4.44	4.44	2.67	1.12
Vehicle expense	15.77	15.77	15.77	15.77	15.77	15.77	15.77	15.77	15.77	15.77	6.20	2.60
Lease and property management fee	24.70	24.70	24.70	24.70	24.70	24.70	24.70	24.70	24.70	24.70	15.81	6.62
Travel expense	6.36	6.36	6.36	6.36	6.36	6.36	6.36	6.36	6.36	6.36	2.20	0.92
Consulting expense	47.23	47.23	47.23	47.23	47.23	47.23	47.23	47.23	47.23	47.23	1.27	0.53
Other expenses	13.17	13.17	13.17	13.17	13.17	13.17	13.17	13.17	13.17	13.17	9.51	3.99
<b>Total administrative expenses</b>	<b>388.33</b>	<b>388.33</b>	<b>388.33</b>	<b>388.33</b>	<b>388.33</b>	<b>388.33</b>	<b>388.33</b>	<b>388.33</b>	<b>388.33</b>	<b>388.33</b>	<b>243.93</b>	<b>100.14</b>

## Table of Forecast on Finance expenses

Valuation reference date: 31 December 2021

Appraised entity: Honghe Water Industry Investment Co., Ltd.\*      Currency Unit: RMB0'000      Entrusting party: Yunnan Water Investment Co., Limited\*

Item	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Short-term borrowings</b>													
Balance of short-term borrowings at the beginning of the period	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00
Including: average interest rate (%)	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Interest	—	—	—	—	—	—	—	—	—	—	—	—	—
New short-term borrowings in the current year	—	—	—	—	—	—	—	—	—	—	—	—	—
Including: average interest rate (%)	—	—	—	—	—	—	—	—	—	—	—	—	—
Interest	—	—	—	—	—	—	—	—	—	—	—	—	—
Total balance of short-term borrowings at the end of the period	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00
Weighted average interest rate (%)	—	—	—	—	—	—	—	—	—	—	—	—	—
Total short-term borrowing interest of the current year	498.42	498.42	498.42	498.42	498.42	498.42	498.42	498.42	498.42	498.42	498.42	498.42	498.42
<b>Long-term borrowings due within one year</b>													
Balance of long-term borrowings due within one year at the beginning of the period	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00
Including: average interest rate (%)	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%
Interest	—	—	—	—	—	—	—	—	—	—	—	—	—
New long-term borrowings due within one year in the current year	—	—	—	—	—	—	—	—	—	—	—	—	—
Including: average interest rate (%)	—	—	—	—	—	—	—	—	—	—	—	—	—
Interest	—	—	—	—	—	—	—	—	—	—	—	—	—
Total balance of long-term borrowings due within one year at the end of the period	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00
Weighted average interest rate (%)	—	—	—	—	—	—	—	—	—	—	—	—	—
Total long-term borrowing interest due within one year of the current year	199.21	199.21	199.21	199.21	199.21	199.21	199.21	199.21	199.21	199.21	199.21	199.21	199.21
<b>Finance expenses</b>													
<b>Total Finance expenses (interest)</b>	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63
<b>Total interest-paying debts</b>	12,876.63	12,876.63	12,876.63	12,876.63	12,876.63	12,876.63	12,876.63	12,876.63	12,876.63	12,876.63	12,876.63	12,876.63	12,876.63
<b>Weighted cost of debt</b>	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05

Item	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	September 2045
<b>Short-term borrowings</b>												
Balance of short-term borrowings at the beginning of the period	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00
Including: average interest rate (%)	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Interest	—	—	—	—	—	—	—	—	—	—	—	—
New short-term borrowings in the current year	—	—	—	—	—	—	—	—	—	—	—	—
Including: average interest rate (%)	—	—	—	—	—	—	—	—	—	—	—	—
Interest	—	—	—	—	—	—	—	—	—	—	—	—
Total balance of short-term borrowings at the end of the period	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00	8,307.00
Weighted average interest rate (%)	—	—	—	—	—	—	—	—	—	—	—	—
Total short-term borrowing interest of the current year	498.42	498.42	498.42	498.42	498.42	498.42	498.42	498.42	498.42	498.42	498.42	207.68
<b>Long-term borrowings due within one year</b>												
Balance of long-term borrowings due within one year at the beginning of the period	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00
Including: average interest rate (%)	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%
Interest	—	—	—	—	—	—	—	—	—	—	—	—
New long-term borrowings due within one year in the current year	—	—	—	—	—	—	—	—	—	—	—	—
Including: average interest rate (%)	—	—	—	—	—	—	—	—	—	—	—	—
Interest	—	—	—	—	—	—	—	—	—	—	—	—
Total balance of long-term borrowings due within one year at the end of the period	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00	3,872.00
Weighted average interest rate (%)	—	—	—	—	—	—	—	—	—	—	—	—
Total long-term borrowing interest due within one year of the current year	199.21	199.21	199.21	199.21	199.21	199.21	199.21	199.21	199.21	199.21	199.21	83.01
<b>Finance expenses</b>												
<b>Total Finance expenses (interest)</b>	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	290.68
<b>Total interest-paying debts</b>	12,876.63	12,876.63	12,876.63	12,876.63	12,876.63	12,876.63	12,876.63	12,876.63	12,876.63	12,876.63	12,876.63	12,469.68
<b>Weighted cost of debt</b>	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.02

## Table of Forecast on Tax

Valuation reference date: 31 December 2021

Appraised entity:  
Honghe Water Industry Investment  
Co., Ltd.\*

Currency Unit: RMB0'000

Entrusting party:  
Yunnan Water Investment Co.,  
Limited\*

Item	Tax rate (%)	Unit	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Output value-added tax	6%	RMB0'000	167.55	137.25	137.25	137.25	137.25	137.25	137.25	137.25	137.25	137.25	137.25	137.25
Input value-added tax		RMB0'000	107.87	96.81	96.81	96.81	96.81	96.81	96.81	96.81	96.81	96.81	96.81	96.81
Value-added tax payable		RMB0'000	43.49	40.44	40.44	40.44	40.44	40.44	40.44	40.44	40.44	40.44	40.44	40.44
Urban maintenance and construction tax	7%	RMB0'000	3.04	2.83	2.83	2.83	2.83	2.83	2.83	2.83	2.83	2.83	2.83	2.83
Education surcharges	3%	RMB0'000	1.30	1.21	1.21	1.21	1.21	1.21	1.21	1.21	1.21	1.21	1.21	1.21
Local education surcharges	2%	RMB0'000	0.87	0.81	0.81	0.81	0.81	0.81	0.81	0.81	0.81	0.81	0.81	0.81
Property tax		RMB0'000	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45
Land use tax		RMB0'000	49.13	49.13	49.13	49.13	49.13	49.13	49.13	49.13	49.13	49.13	49.13	49.13
Total		RMB0'000	58.80	58.43	58.43	58.43	58.43	58.43	58.43	58.43	58.43	58.43	58.43	58.43

  

Item	Tax rate (%)	Unit	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	September 2045
Output value-added tax	6%	RMB0'000	137.25	137.25	137.25	137.25	137.25	137.25	137.25	137.25	137.25	137.25	124.51	86.56
Input value-added tax		RMB0'000	96.81	96.81	96.81	96.81	96.81	96.81	65.96	65.96	65.96	65.96	60.39	42.32
Value-added tax payable		RMB0'000	40.44	40.44	40.44	40.44	40.44	40.44	71.30	71.30	71.30	71.30	64.12	44.24
Urban maintenance and construction tax	7%	RMB0'000	2.83	2.83	2.83	2.83	2.83	2.83	4.99	4.99	4.99	4.99	4.49	3.10
Education surcharges	3%	RMB0'000	1.21	1.21	1.21	1.21	1.21	1.21	2.14	2.14	2.14	2.14	1.92	1.33
Local education surcharges	2%	RMB0'000	0.81	0.81	0.81	0.81	0.81	0.81	1.43	1.43	1.43	1.43	1.28	0.88
Property tax		RMB0'000	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45	3.34
Land use tax		RMB0'000	49.13	49.13	49.13	49.13	49.13	49.13	49.13	49.13	49.13	49.13	49.13	36.85
Total		RMB0'000	58.43	58.43	58.43	58.43	58.43	58.43	62.14	62.14	62.14	62.14	61.27	45.49

## Table of Forecast on Non-operating Income

Valuation reference date: 31 December 2021

Appraised entity:

Honghe Water Industry Investment Co., Ltd.\*

Entrusting party:

Yunnan Water Investment Co., Limited\*

Item	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Value-added tax exemption refund — Gejiu Plant</b>												
Design capacity	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00
Actual capacity	1,604.48	1,695.73	1,786.98	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00
Actual sales	1,604.48	1,695.73	1,786.98	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00
Unit price of value-added tax	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Non-operating income	80.22	101.74	107.22	109.50	109.50	109.50	109.50	109.50	109.50	109.50	109.50	109.50
<b>Value-added tax exemption refund — Mengzi Plant</b>												
Design capacity	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00
Actual capacity	1,425.14	1,439.39	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00
Actual sales	1,425.14	1,439.39	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00
Unit price of value-added tax	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Non-operating income	71.26	86.36	87.60	87.60	87.60	87.60	87.60	87.60	87.60	87.60	87.60	87.60
Total	151.48	188.11	194.82	197.10	197.10	197.10	197.10	197.10	197.10	197.10	197.10	197.10
Item	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	
<b>Value-added tax exemption refund — Gejiu Plant</b>												
Design capacity	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	760.42
Actual capacity	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	760.42
Actual sales	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	1,825.00	760.42
Unit price of value-added tax	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Non-operating income	109.50	109.50	109.50	109.50	109.50	109.50	109.50	109.50	109.50	109.50	109.50	45.63
<b>Value-added tax exemption refund — Mengzi Plant</b>												
Design capacity	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	760.42
Actual capacity	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	608.33
Actual sales	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	1,460.00	608.33
Unit price of value-added tax	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Non-operating income	87.60	87.60	87.60	87.60	87.60	87.60	87.60	87.60	87.60	87.60	87.60	36.50
Total	197.10	197.10	197.10	197.10	197.10	197.10	197.10	197.10	197.10	197.10	197.10	82.13

## Table of Forecast on Depreciation

Valuation reference date: 31 December 2021

Appraised entity:

Honghe Water Industry Investment Co., Ltd.\*

Entrusting party:

Yunnan Water Investment Co., Limited\*

Currency Unit: RMB0'000

Depreciation coefficient	Item	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	September 2045		
1	<b>Houses and buildings</b>																										
3.17%	Original assets value at the beginning of the period (residual value 5%)	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	
	Add: increase of original assets value at the current period																										
	Less: withdrawal of depreciated assets																										
	Original assets value at the end of the period	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	4,459.31	
	Accumulated depreciation at the beginning of the period	2,024.02	2,165.71	2,307.40	2,449.09	2,590.78	2,732.47	2,874.16	3,015.85	3,157.54	3,299.23	3,440.92	3,582.61	3,724.30	3,865.99	4,007.68	4,149.37	4,291.06	4,432.75	4,574.44	4,716.13	4,857.82	4,999.51	5,141.20	5,282.89	5,424.58	
	Add: depreciation of assets at the current period	141.69	141.69	141.69	141.69	141.69	141.69	141.69	141.69	141.69	141.69	141.69	141.69	141.69	141.69	141.69	141.69	141.69	141.69	141.69	141.69	141.69	141.69	141.69	141.69	141.69	
	Withdrawal of depreciated assets																										
	Accumulated depreciation at the end of the period	2,165.71	2,307.40	2,449.09	2,590.78	2,732.47	2,874.16	3,015.85	3,157.54	3,299.23	3,440.92	3,582.61	3,724.30	3,865.99	4,007.68	4,149.37	4,291.06	4,432.75	4,574.44	4,716.13	4,857.82	4,999.51	5,141.20	5,282.89	5,424.58		
	Net assets at the end of the period	2,295.60	2,151.91	2,010.22	1,868.53	1,726.84	1,585.15	1,443.46	1,301.77	1,160.08	1,018.39	876.70	735.01	593.32	451.63	309.94	168.25	26.56									
2	<b>Machinery and equipment</b>																										
9.50%	Original assets value at the beginning of the period (residual value 5%)	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	
	Add: increase of original assets value at the current period																										
	Less: withdrawal of depreciated assets																										
	Original assets value at the end of the period	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	3,936.39	
	Accumulated depreciation at the beginning of the period	3,145.13	3,252.49	3,361.85	3,471.21	3,580.57	3,689.93	3,799.29	3,908.65	4,018.01	4,127.37	4,236.73	4,346.09	4,455.45	4,564.81	4,674.17	4,783.53	4,892.89	5,002.25	5,111.61	5,220.97	5,330.33	5,439.69	5,549.05	5,658.41	5,767.77	
	Add: depreciation of assets at the current period	109.36	109.36	109.36	109.36	109.36	109.36	109.36	109.36	109.36	109.36	109.36	109.36	109.36	109.36	109.36	109.36	109.36	109.36	109.36	109.36	109.36	109.36	109.36	109.36	109.36	
	Withdrawal of depreciated assets																										
	Accumulated depreciation at the end of the period	3,252.49	3,361.85	3,471.21	3,580.57	3,689.93	3,799.29	3,908.65	4,018.01	4,127.37	4,236.73	4,346.09	4,455.45	4,564.81	4,674.17	4,783.53	4,892.89	5,002.25	5,111.61	5,220.97	5,330.33	5,439.69	5,549.05	5,658.41	5,767.77		
	Net assets at the end of the period	683.90	574.54	465.18	355.82	246.46	137.10	27.74	-81.62	-190.98	-300.34	-409.70	-519.06	-628.42	-737.78	-847.14	-956.50	-1,065.86	-1,175.22	-1,284.58	-1,393.94	-1,503.30	-1,612.66	-1,722.02	-1,831.38	-1,940.74	

Depreciation coefficient	Item	Depreciation years												September 2045												
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033		2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	
3 11.88%	<b>Vehicles</b>	8																								
	Original assets value at the beginning of the period (residual value 5%)	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93
	Add: increase of original assets value at the current period																									
	Less: withdrawal of depreciated assets																									
	Original assets value at the end of the period	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93	5.93
	Accumulated depreciation at the beginning of the period	43.00	45.69	48.38	51.07	53.76	56.45	59.14	61.83	64.52	67.21	69.90	72.59	75.28	77.97	80.66	83.35	86.04	88.73	91.42	94.11	96.80	99.49	102.18	104.87	107.56
	Add: depreciation of assets at the current period	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	2.69	
	Withdrawal of depreciated assets																									
	Accumulated depreciation at the end of the period	45.69	48.38	51.07	53.76	56.45	59.14	61.83	64.52	67.21	69.90	72.59	75.28	77.97	80.66	83.35	86.04	88.73	91.42	94.11	96.80	99.49	102.18	104.87	107.56	
	Net assets at the end of the period	-39.76	-42.45	-45.14	-47.83	-50.52	-53.21	-55.90	-58.59	-61.28	-63.97	-66.66	-69.35	-72.04	-74.73	-77.42	-80.11	-82.80	-85.49	-88.18	-90.87	-93.56	-96.25	-98.94	-101.63	-104.32
4 19.00%	<b>Electronic equipment</b>	5																								
	Original assets value at the beginning of the period (residual value 5%)	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	
	Add: increase of original assets value at the current period																									
	Less: withdrawal of depreciated assets																									
	Original assets value at the end of the period	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32	560.32
	Accumulated depreciation at the beginning of the period	493.97	519.26	544.55	569.84	595.13	620.42	645.71	671.00	696.29	721.58	746.87	772.16	797.45	822.74	848.03	873.32	898.61	923.90	949.19	974.48	999.77	1,025.06	1,050.35	1,075.64	1,100.93
	Add: depreciation of assets at the current period	25.29	25.29	25.29	25.29	25.29	25.29	25.29	25.29	25.29	25.29	25.29	25.29	25.29	25.29	25.29	25.29	25.29	25.29	25.29	25.29	25.29	25.29	25.29	25.29	
	Withdrawal of depreciated assets																									
	Accumulated depreciation at the end of the period	519.26	544.55	569.84	595.13	620.42	645.71	671.00	696.29	721.58	746.87	772.16	797.45	822.74	848.03	873.32	898.61	923.90	949.19	974.48	999.77	1,025.06	1,050.35	1,075.64	1,100.93	
	Net assets at the end of the period	41.06	15.77	-9.52	-34.81	-60.10	-85.39	-110.68	-135.97	-161.26	-186.55	-211.84	-237.13	-262.42	-287.71	-313.00	-338.29	-363.58	-388.87	-414.16	-439.45	-464.74	-490.03	-515.32	-540.61	
5	<b>Total fixed assets</b>																									
	Original assets value at the beginning of the period	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	
	Add: increase of original assets value at the current period																									
	Less: withdrawal of depreciated assets																									
	Original assets value at the end of the period	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	8,961.95	
	Accumulated depreciation at the beginning of the period	5,704.12	5,983.15	6,262.18	6,541.21	6,820.24	7,099.27	7,378.30	7,657.33	7,936.36	8,215.39	8,494.42	8,773.45	9,052.48	9,331.51	9,610.54	9,889.57	10,168.60	10,447.63	10,726.66	11,005.69	11,284.72	11,563.75	11,842.78	12,121.81	
	Add: depreciation of assets at the current period	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	
	Withdrawal of depreciated assets																									
	Accumulated depreciation at the end of the period	5,983.15	6,262.18	6,541.21	6,820.24	7,099.27	7,378.30	7,657.33	7,936.36	8,215.39	8,494.42	8,773.45	9,052.48	9,331.51	9,610.54	9,889.57	10,168.60	10,447.63	10,726.66	11,005.69	11,284.72	11,563.75	11,842.78	12,121.81	12,400.84	
	Net assets at the end of the period	2,978.80	2,699.77	2,420.74	2,141.71	1,862.68	1,583.65	1,304.62	1,025.59	746.56	467.53	188.50	-90.53	-369.56	-640.59	-921.62	-1,202.65	-1,483.68	-1,764.71	-2,045.74	-2,326.77	-2,607.80	-2,888.83	-3,169.86	-3,450.89	

## Table of Forecast on Amortization of Intangible and Deferred Assets

Valuation reference date: 31 December 2021

Appraised entity:

Honghe Water Industry Investment Co., Ltd.\*

Entrusting party:

Yunnan Water Investment Co., Limited\*

Item	Amortization years	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Intangible assets</b>													
— Gejiu Wastewater Treatment Plant Franchise rights													
Original value at the beginning of the period	30	327.48	312.87	298.26	283.65	269.05	254.44	239.83	225.22	210.61	196.00	181.39	166.78
Amortization for the year		14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61
<b>Intangible assets</b>													
— Mengzi Wastewater Treatment Plant Franchise rights													
Original value at the beginning of the period	30	4,528.67	4,326.65	4,124.63	3,922.60	3,720.58	3,518.56	3,316.54	3,114.51	2,912.49	2,710.47	2,508.45	2,306.42
Amortization for the year		202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02
<b>Intangible assets</b>													
— Kaiyuan Wastewater Treatment Plant Franchise rights													
Original value at the beginning of the period	30	5,962.16	5,711.12	5,460.08	5,209.05	4,958.01	4,706.97	4,455.93	4,204.89	3,953.85	3,702.82	3,451.78	3,200.74
Amortization for the year		251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04
<b>Land use rights —</b>													
Gejiu													
Original value at the beginning of the period	30	1,084.40	1,036.03	987.65	939.28	890.90	842.53	794.15	745.78	697.40	649.03	600.65	552.28
Amortization for the year		48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37
Original value at the beginning of the period													
Amortization for the year													
<b>Long term deferred expenses</b>													
Original value at the beginning of the period	3												
Amortization for the year		—	—	—	—	—	—	—	—	—	—	—	—
<b>Other deferred expenses</b>													
Original value at the beginning of the period	3												
Amortization for the year		—	—	—	—	—	—	—	—	—	—	—	—
Total amortization for the current year		516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04



Item	Amortization years	2034	2035	2036	2037	2038	2039	2040	2041	2041	2043	September	
												2044	2045
<b>Intangible assets</b>													
— Geju Wastewater Treatment Plant Franchise rights													
	30												
Original value at the beginning of the period		152.18	137.57	122.96	108.35	93.74	79.13	64.52	49.92	35.31	20.70	6.09	0.00
Amortization for the year		14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	14.61	6.09	
<b>Intangible assets</b>													
— Mengzi Wastewater Treatment Plant Franchise rights													
	30												
Original value at the beginning of the period		2,104.40	1,902.38	1,700.36	1,498.33	1,296.31	1,094.29	892.27	690.24	488.22	286.20	84.18	-0.00
Amortization for the year		202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	202.02	84.18	
<b>Intangible assets</b>													
— Kaiyuan Wastewater Treatment Plant Franchise rights													
	30												
Original value at the beginning of the period		2,949.70	2,698.66	2,447.63	2,196.59	1,945.55	1,694.51	1,443.47	1,192.43	941.40	690.36	439.32	188.28
Amortization for the year		251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	251.04	188.28
<b>Land use rights —</b>													
— Geju													
	30												
Original value at the beginning of the period		503.90	455.53	407.15	358.78	310.40	262.03	213.66	165.28	116.91	68.53	20.16	0.00
Amortization for the year		48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	48.37	20.16	
Original value at the beginning of the period													
Amortization for the year													
<b>Long term deferred expenses</b>													
	3												
Original value at the beginning of the period													
Amortization for the year		—	—	—	—	—	—	—	—	—	—	—	—
<b>Other deferred expenses</b>													
	3												
Original value at the beginning of the period													
Amortization for the year		—	—	—	—	—	—	—	—	—	—	—	—
Total amortization for the current year		516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	361.46	188.28

## Table of Calculation for Working Capital

Valuation reference date: 31 December 2021

Appraised entity: Honghe Water Industry Investment Co., Ltd.\*

Currency Unit: RMB0'000

Entrusting party: Yunnan Water Investment Co., Limited\*

Item	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Total operating income	5,317.14	5,422.64	5,534.50	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52
Total operating cost	3,277.93	3,319.47	3,362.68	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42
Expenses for the period	1,153.46	1,162.41	1,171.90	1,175.12	1,175.12	1,175.12	1,175.12	1,175.12	1,175.12	1,175.12	1,175.12	1,175.12
Sales expenses	85.07	86.76	88.55	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16
Administrative expenses	370.75	378.01	385.71	388.33	388.33	388.33	388.33	388.33	388.33	388.33	388.33	388.33
R&D expenses	—	—	—	—	—	—	—	—	—	—	—	—
Finance expenses	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63
<b>Absorption cost</b>	4,431.40	4,481.88	4,534.58	4,553.55	4,553.55	4,553.55	4,553.55	4,553.55	4,553.55	4,553.55	4,553.55	4,553.55
<b>Non-cash cost</b>	795.07	795.07	795.07	795.07	795.07	795.07	795.07	795.07	795.07	795.07	795.07	795.07
Depreciation	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03
Amortization	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04
<b>Out of pocket cost</b>	3,636.32	3,686.81	3,739.51	3,758.47	3,758.47	3,758.47	3,758.47	3,758.47	3,758.47	3,758.47	3,758.47	3,758.47
<b>Minimum cash on hand</b>	2,598.88	2,634.96	2,672.62	2,686.18	2,686.18	2,686.18	2,686.18	2,686.18	2,686.18	2,686.18	2,686.18	2,686.18
Inventories	33.17	33.59	34.03	34.19	34.19	34.19	34.19	34.19	34.19	34.19	34.19	34.19
Accounts receivable	5,040.53	5,140.55	5,246.58	5,282.63	5,282.63	5,282.63	5,282.63	5,282.63	5,282.63	5,282.63	5,282.63	5,282.63
Accounts payable	797.84	807.95	818.47	822.30	822.30	822.30	822.30	822.30	822.30	822.30	822.30	822.30
<b>Working capital</b>	6,874.74	7,001.15	7,134.77	7,180.69	7,180.69	7,180.69	7,180.69	7,180.69	7,180.69	7,180.69	7,180.69	7,180.69
<b>Increase in working capital</b>	-585.92	126.40	133.62	45.92	—	—	—	—	—	—	—	—
<b>Cash turnover rate</b>	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
Cash turnover days												
<b>Inventory turnover rate</b>	98.82	98.82	98.82	98.82	98.82	98.82	98.82	98.82	98.82	98.82	98.82	98.82
Inventory turnover days												
<b>Accounts receivable turnover rate</b>	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05
Accounts receivable turnover days												
<b>Accounts payable turnover rate</b>	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11
Accounts payable turnover days												

Item	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	September	
											2044	2045
Total operating income	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	5,572.52	3,443.95	1,442.66
Total operating cost	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	3,378.42	2,072.58	858.19
Expenses for the period	1,175.12	1,175.12	1,175.12	1,175.12	1,175.12	1,175.12	1,175.12	1,175.12	1,175.12	1,175.12	996.67	413.90
Sales expenses	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16	89.16	55.10	23.08
Administrative expenses	388.33	388.33	388.33	388.33	388.33	388.33	388.33	388.33	388.33	388.33	243.93	100.14
R&D expenses	—	—	—	—	—	—	—	—	—	—	—	—
Finance expenses	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	697.63	290.68
<b>Absorption cost</b>	4,553.55	4,553.55	4,553.55	4,553.55	4,553.55	4,553.55	4,553.55	4,553.55	4,553.55	4,553.55	3,069.26	1,272.09
<b>Non-cash cost</b>	795.07	795.07	795.07	795.07	795.07	795.07	795.07	795.07	795.07	795.07	477.72	188.28
Depreciation	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	279.03	116.26	—
Amortization	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	516.04	361.46	188.28
<b>Out of pocket cost</b>	3,758.47	3,758.47	3,758.47	3,758.47	3,758.47	3,758.47	3,758.47	3,758.47	3,758.47	3,758.47	2,591.54	1,083.81
<b>Minimum cash on hand</b>	2,686.18	2,686.18	2,686.18	2,686.18	2,686.18	2,686.18	2,686.18	2,686.18	2,686.18	2,686.18	1,852.17	774.60
Inventory	34.19	34.19	34.19	34.19	34.19	34.19	34.19	34.19	34.19	34.19	20.97	8.68
Receivables	5,282.63	5,282.63	5,282.63	5,282.63	5,282.63	5,282.63	5,282.63	5,282.63	5,282.63	5,282.63	3,264.79	1,367.61
Payables	822.30	822.30	822.30	822.30	822.30	822.30	822.30	822.30	822.30	822.30	504.46	208.88
<b>Working capital</b>	7,180.69	7,180.69	7,180.69	7,180.69	7,180.69	7,180.69	7,180.69	7,180.69	7,180.69	7,180.69	4,633.47	1,942.01
<b>Increase in working capital</b>	—	—	—	—	—	—	—	—	—	—	-2,547.22	-2,691.46
<b>Cash turnover rate</b>	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
Cash turnover days												
<b>Inventory turnover rate</b>	98.82	98.82	98.82	98.82	98.82	98.82	98.82	98.82	98.82	98.82	98.82	98.82
Inventory turnover days												
<b>Accounts receivable turnover rate</b>	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05
Accounts receivable turnover days												
<b>Accounts payable turnover rate</b>	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11	4.11
Accounts payable turnover days												

### Table of Forecast on Capital Expenditure

Valuation reference date: 31 December 2021

Appraised entity: Honghe Water Industry Investment Co., Ltd.\*  
 Currency Unit: RMB0'000  
 Entrusting party: Yunnan Water Investment Co., Limited\*

Item	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Asset renewal — equipment	237.34	237.34	237.34	237.34	237.34	237.34	237.34	237.34	237.34	237.34	237.34	237.34
Total capital expenditure	237.34	237.34	237.34	237.34	237.34	237.34	237.34	237.34	237.34	237.34	237.34	237.34

Item	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	September 2045
Asset renewal — equipment	237.34	237.34	237.34	237.34	237.34	237.34	—	—	—	—	—	—
Total capital expenditure	237.34	237.34	237.34	237.34	237.34	237.34	—	—	—	—	—	—

\* For identification purposes only

This asset valuation report has been prepared in accordance with the PRC Accepted Asset Valuation Standards

**ASSET VALUATION REPORT**  
**THE APPRAISAL PROJECT OF THE VALUE OF THE ENTIRE SHAREHOLDERS’**  
**EQUITY OF SHUIFU WATER INDUSTRY INVESTMENT CO., LTD.\***  
**INVOLVED IN THE PROPOSED EQUITY TRANSFER THROUGH PUBLIC LISTING**  
**OF SHUIFU WATER INDUSTRY INVESTMENT CO., LTD.\***  
**BY YUNNAN WATER INVESTMENT CO., LIMITED\***

(ZLPBZ [2022] No. 3750)

**China United Assets Appraisal Group Co., Ltd.**

(中聯資產評估集團有限公司)

7 November 2022

*Extracted explanatory notes to the asset valuation report of Shuifu Water as follows*

## **I. RELATIONSHIP BETWEEN THE ENTRUSTING PARTY AND THE APPRAISED ENTITY**

Yunnan Water Investment Co., Limited\* (雲南水務投資股份有限公司) (the entrusting party) holds 100% of the equity interests in Shuifu Water Industry Investment Co., Ltd.\* (水富縣水務產業投資有限公司) (the appraised entity).

## **II. ENTRUSTING PARTY AND OTHER USERS OF THE VALUATION REPORT STIPULATED IN THE VALUATION ENGAGEMENT CONTRACT**

The users of this valuation report are the entrusting party and its shareholders; the competent authority of asset appraisal and the relevant government functional departments involved in asset business; the industrial and commercial registration authorities; other users provided by national laws and regulations.

Except as otherwise provided by national laws and regulations, any institution or individual that has not been confirmed by the valuation agency and the entrusting party shall not become the user of the valuation report just because it has obtained the valuation report.

## **III. VALUATION PURPOSE**

According to the Resolutions on the 135th Meeting of the First Session of the Board of Directors of Yunnan Health & Cultural Tourism Holding Group Co., Ltd.\* (YKLDJTZ [2021] No. 16) (《雲南省康旅控股集團有限公司第一屆董事會第135次會議決議》(雲康旅董決投資[2021]16號)), Yunnan Water Investment Co., Limited\* proposed to transfer the equity interests of Shuifu Water Industry Investment Co., Ltd.\* by public tender, and hereby entrusted Allied Asset Appraisal Group Co., Ltd. (中聯資產評估集團有限公司), an asset valuation agency, to express professional opinions on the market value of all shareholders' equity of Shuifu Water Industry Investment Co., Ltd.\* as at 31 December 2021 (the valuation reference date), and to provide a value reference basis for this economic activity of the entrusting party.

## **IV. VALUATION SUBJECT AND VALUATION SCOPE**

The valuation subject is the entire shareholders' equity of Shuifu Water Industry Investment Co., Ltd.\*.

The valuation scope is all the assets and liabilities of Shuifu Water Industry Investment Co., Ltd.\* as at 31 December 2021, the valuation reference date, namely: total book assets of RMB36,383,900, total liabilities of RMB21,078,300 and net assets of RMB15,305,600. Specifically, it includes current assets of RMB20,487,500 and non-current assets of RMB15,896,400; current liabilities of RMB18,500,500 and non-current liabilities RMB2,577,800.

The above information on assets and liabilities is extracted from the balance sheet of Shuifu Water Industry Investment Co., Ltd.\* as at 31 December 2021, audited by ShineWing Certified Public Accountants (Special General Partnership), Kunming Branch, and issued with an unqualified audit report (report no.: XYZH/2022KMAA20307). The valuation has been carried out on the audited basis.

Details are set out in the following table:

<b>Item</b>	<i>Currency Unit: RMB0'000</i> <b>Book value</b>
<b>I. Total current assets</b>	<b>2,048.75</b>
Monetary capital	5.65
Accounts receivable	858.73
Prepayment	7.85
Other receivables	1,159.74
Inventories	2.55
Other current assets	14.23
<b>II. Total non-current assets</b>	<b>1,589.64</b>
Fixed assets	0.42
Intangible assets	1,586.56
Deferred tax assets	2.66
<b>III. Total assets</b>	<b>3,638.39</b>
<b>IV. Total current liabilities</b>	<b>1,850.05</b>
Accounts payable	0.33
Payroll payable	3.57
Taxes payable	0.69
Other payables	1,845.46
<b>V. Total non-current liabilities</b>	<b>257.78</b>
Estimated liabilities	257.78
<b>VI. Total liabilities</b>	<b>2,107.83</b>
<b>VII. Net assets (shareholders' equity)</b>	<b>1,530.56</b>

The valuation subject and valuation scope entrusted are consistent with the valuation subject and valuation scope involved in economic activity.

**(I) Details of major assets to be valued**

1. **Current assets:** including monetary funds, accounts receivable, prepayments, other receivables, inventory and other current assets. Among them: accounts receivable accounted for 56.61%; inventory refers to flocculant.
2. **Non-current assets:** including fixed assets, intangible assets, deferred income tax assets.

- (1) Fixed assets mainly include vehicles and electronic equipment.

**Vehicles:** the vehicle included in the valuation scope is owned by Shuifu Water Industry Investment Co., Ltd.\*, including one compact car of Jetta brand, which was purchased in 2013. According to the on-site investigation of the valuation personnel and the introduction of the staff, the maintenance of the vehicle is in general condition, which can be used normally.

**Electronic equipment:** the electronic and office equipment included in the valuation scope mainly include daily office supplies for various departments, including a total of 10 items, such as computers and air conditioner, etc, which were successively purchased during the period from 2011 to 2014 and located in each department of the company. According to the on-site investigation of the valuation personnel and the introduction of the staff, the maintenance of the equipment is in general condition, which can be used normally.

- (2) **Intangible assets:** including amortization of franchise rights of wastewater treatment, including a total of one item.

The above-mentioned intangible assets — franchise rights of wastewater treatment project was completed on 20 September 2010. As of the valuation reference date, the maintenance of houses and buildings and equipment is in general condition, which can be used normally. The land use right involves the land located on the east side of Jiandao Bridge and west of Neikun Railway (the intersection of Jinsha River, Hengjiang River and old urban area and Gaotan area) in Shuifu City. The land, houses and buildings, machinery and equipment of the wastewater treatment project under the franchise right are funded by the government. Yunnan Water Industry Investment Co., Ltd.\* (雲南省水務產業投資有限公司) has obtained the operation right of the project for 30 years at a consideration of RMB24 million. The original book value of the franchise right is composed of purchase price and sporadic maintenance expenditure. The book value as of the valuation reference date is amortized according to the operating period. After the expiration of operating period of the project, all rights, ownership and interests of the facilities used in the project should be transferred to the government.

- (3) **Deferred income tax assets:** refer to deferred income tax assets accrued according to the renovation fee.
3. **Current liabilities:** including accounts payable, employee compensation payable, taxes payable and other payables. Among them, other payables accounted for 99.75%.
4. **Non-current liabilities:** including estimated liabilities.

## (II) Intangible assets recorded or not recorded in the book declared by the enterprise

1. Intangible assets recorded in the book declared by the enterprise include franchise rights of wastewater treatment, details of which are shown as follows:

No.	Item	Date of acquisition	Statutory/expected useful life	Type/Category	Original recorded value (RMB)	Book value (RMB)
1	Franchise rights of wastewater treatment	2011/5/1	30 years	Franchise right	24,457,760.42	15,865,591.73
	<b>Total</b>				<b>24,457,760.42</b>	<b>15,865,591.73</b>

2. The enterprise has not declared the intangible assets that are not recorded in the book.



**(III) Type and Quantity of Off-balance Assets Declared by the Enterprise**

The enterprise has not declared the off-balance sheet assets.

**(IV) Type, Quantity and Book Value of Assets Involved in Making Reference to the Conclusions of Reports Issued by Other Institutions**

The book value of the assets and liabilities as at the valuation reference date in this valuation report is derived from the unqualified audit report in respect of this economic activity issued by ShineWing Certified Public Accountants (Special General Partnership), Kunming Branch (report number: XYZH/2022KMAA20307). In addition, we have not made reference to reports from other institution.

**V. PROCESS AND IMPLEMENTATION OF VALUATION PROCEDURES**

The entire valuation has been carried out in five stages:

**(I) Preparation Stage**

1. The entrusting party convened the intermediary coordination meeting of the project, and the relevant parties reached consensus on the valuation purpose, the valuation reference date, the valuation scope and other issues, and formulated the asset valuation work plan.
2. Cooperated with the enterprise to carry out asset verification, filled in detailed asset valuation declaration statements, etc. The personnel of the valuation project team conducted a detailed understanding of the assets included in the valuation scope, arranged the asset valuation work, assisted the enterprise in the declaration of the assets included in the valuation scope, and collected the documents and information required for asset valuation.

**(II) On-site Valuation Stage**

According to the overall schedule of this project, the on-site valuation stage is from 25 April 2022 to 30 April 2022. According to the valuation approaches determined in this valuation, the project team is mainly divided into the asset-based approach group and the income approach group.

In the on-site valuation stage, the asset valuers interviewed the relevant personnel of the entrusting party and the appraised entity, and made corresponding interview records. The following is an introduction to the works of the on-site valuation stage of the asset-based approach and the income approach respectively:

1. The asset-based approach group focused on the verification of the assets within the valuation scope declared by the enterprise, and its main works carried out are as follows:
  - (1) Listened to the relevant personnel of the entrusting party and the appraised entity introduce the overall situation of the enterprise and the history and current situation of the assets included in the valuation scope, and understood the financial system, operating conditions, technical status of fixed assets, etc. of the enterprise;
  - (2) Reviewed and identified the detailed asset valuation declaration statements provided by the enterprise, checked the relevant financial records and information, and coordinated with the enterprise to make adjustments to the problems found;

- (3) Conducted on-site investigation and inventory of physical assets according to the detailed asset valuation declaration statements;
  - (4) Checked and collected the ownership certificates and documents of the assets included in the valuation scope; Check the ownership information provided by the appraised entity to verify the ownership of assets. Counted the defects of assets, and asked the appraised entity to verify and confirm whether these assets belong to the enterprise and whether there are property rights disputes;
  - (5) Determined the specific valuation approaches of various types of the assets included in the valuation scope according to the actual status and characteristics of the assets;
  - (6) Understood the book composition and reviewed the accounting basis for intangible assets. Understood the management system and maintenance, reconstruction and expansion for the assets of buildings and equipment; Understood the land use and acquisition situation for land assets, and conducted on-site investigation of relevant assets with the cooperation of relevant personnel of the appraised entity;
  - (7) Made preliminary assessment and calculation for the assets and liabilities within the valuation scope on the basis of verification.
2. The income approach group focused on understanding the historical operation of the enterprise, and judging the possible development trend of the enterprise in the future by understanding and analyzing the past, present situation and industry situation of the enterprise, and its main works carried out are as follows:
- (1) Background of the economic activity of this valuation, mainly the explanation of this valuation by the entrusting party and the appraised entity;
  - (2) Relevant legal situation of going concern of the valuation subject, mainly the relevant articles of association, investment and contribution agreements, contracts, etc. of the valuation subject;
  - (3) Relevant property rights of the valuation subject;
  - (4) Accounting system as well as the depreciation method of fixed assets, the accounting methods of inventory cost recording and inventory delivery, etc. implemented by the valuation subject;
  - (5) Debts, borrowings and debt costs of the valuation subject in recent years;
  - (6) Tax rates and tax payment implemented by the valuation subject;
  - (7) Accounts receivable and payable of the valuation subject;
  - (8) Development environment of the valuation subject, mainly including the macro development environment and the relevant market development environment;
  - (9) Market position and main business qualifications of the valuation subject;

- (10) Related party transactions in recent years;
- (11) Main product varieties, capital turnover, historical business performance and financing ability of the valuation subject;
- (12) Main business costs, the main purchase channels, purchase prices and occupation of places (depreciation and amortization), personnel salary and welfare expenses, etc. in recent years;
- (13) Main business income, prices of the main products, proportion to total revenue and distribution of major customers in recent years;
- (14) Business plan and business strategy in the next few years, including market demand, pricing strategy, sales plan, cost control, capital raising and investment plan, etc., as well as the composition of main business income and costs and their change trends in the future;
- (15) Profiles of major competitors, including the types, sales volumes, prices and market shares of their products;
- (16) Main business advantages and risks, including national policy advantages and risks, product (technology) advantages and risks, market (industry) competitive advantages and risks, financial (debt) risks, exchange rate risks, etc.;
- (17) Expected new investment plans, feasibility studies of projects, and approval or implementation;
- (18) Audited balance sheets, income statements, cash flow statements, detailed product income statements and detailed cost and expense statements in recent years;
- (19) Information on external long-term investment and subordinate units and institutions;
- (20) Other circumstances related to this valuation.

### **(III) Summarizing Stage**

Analyze and summarize the preliminary results of various asset valuations and liability audits, and make necessary adjustments, modifications and improvements to the valuation results.

### **(IV) Issuing Report Stage**

On the basis of the above works, a preliminary asset valuation report has been drafted, and after the preliminary review, opinions are exchanged with the entrusting party on the valuation results. After independent analysis of relevant opinions, amendments and adjustments will be made in accordance with the internal asset valuation report review system and procedures of the valuation agency, and finally a formal asset valuation report will be issued.

**(V) Collation and Classification Stage**

Organized and classified the files during the implementation of the valuation procedures.

**VI. VALUE TYPE**

For the purposes of this valuation, we have determined that the value type is market value. The market value refers to the estimated amount of the value of the valuation subject in normal and fair transactions on the valuation reference date when the voluntary buyer and the voluntary seller act rationally and without any compulsion.

**VII. VALUATION REFERENCE DATE**

The valuation reference date for this project is 31 December 2021. The valuation reference date is determined by the entrusting party according to the time requirements of this economic activity. The main factors considered in selecting the valuation reference date include: the valuation reference date shall be the end of the accounting period and close to the realization date of economic activities. All pricing standards for this valuation are the price standards in effect on the valuation reference date or the standards for implementation.

**VIII. VALUATION BASIS**

The valuation basis for this assets valuation mainly includes basis of laws and regulations, basis of valuation standards, basis of asset ownership, and basis of pricing used in the valuation and estimation and other reference materials, the details are as follows:

**(I) Basis of Economic Activities**

The Resolutions on the 135th Meeting of the First Session of the Board of Directors of Yunnan Health & Cultural Tourism Holding Group Co., Ltd.\* (YKLDJ TZ [2021] No. 16).

**(II) Basis of Laws and Regulations**

1. The Asset Appraisal Law of the People's Republic of China (passed at the 21st session of the 12th Standing Committee of the National People's Congress on 2 July 2016);
2. The Civil Code of the People's Republic of China (passed at the third session of the thirteenth National People's Congress on 28 May 2020);
3. The Law of the People's Republic of China on the State-Owned Assets of Enterprises (Order No. 5 of the President of the People's Republic of China, passed at the 5th session of the 11th Standing Committee of the National People's Congress on 28 October 2008);
4. The Company Law of the People's Republic of China (Order No. 15 of the President of the People's Republic of China, passed at the 6th session of the 13rd Standing Committee of the National People's Congress on 26 October 2018);
5. The Accounting Law of the People's Republic of China (Order No. 24 of the President of the People's Republic of China);

6. The Vehicle Acquisition Tax Law of the People's Republic of China (passed at the 7th session of the 13rd Standing Committee of the National People's Congress on 29 December 2018);
7. Provisional Regulations on Supervision and Administration of State-owned Assets of Enterprises (Decree No. 378 of the State Council of the People's Republic of China);
8. Administration Measures for Supervision over Trading of State-owned Assets by Enterprises (Decree No. 32 of SASAC and the Ministry of Finance, 2016);
9. Administrative Measures for State-Owned Assets Assessment (Order No. 91 of the State Council, 1991);
10. The Detailed Rules for the Implementation of the Administrative Measures of State-owned Assets Valuation (Guo Zi Ban Fa [1992] No. 36 of the former National Administration for State-owned Assets);
11. Interim Measures for Appraisal and Management of State-owned Assets by Enterprises (Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);
12. The Circular on Strengthening Appraisal and Management of State-owned Assets by Enterprises (Guo Zi Wei Chan Quan [2006] No. 274);
13. Notice on the Relevant Matters Concerning the Audit of Valuation Reports of State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941);
14. Guo Zi Fa Chan Quan [2013] No. 64 of Issuing the Notice on the Guidelines for the Filing of State-owned Assets Evaluations of Enterprises;
15. Enterprise Income Tax Law of the People's Republic of China (revised at the 7th session of the 13rd Standing Committee of the National People's Congress on 29 December 2018);
16. Stamp Tax Law of the People's Republic of China (passed at the 29th session of the 13rd Standing Committee of the National People's Congress on 10 June 2021);
17. Rules for the Implementation of the Provisional Regulations on Value-added Tax of the People's Republic of China (Decree No. 538 of the State Council);
18. Law of the People's Republic of China on Urban Maintenance and Construction Tax (passed at the 21st session of the 13rd Standing Committee of the National People's Congress on 11 August 2020 and implemented from 1 September 2021);
19. Decision of the State Council on Amending the Interim Provisions on the Collection of Educational Surcharges (Decree No. 448 of the State Council of People's Republic of China, 20 August 2005);
20. Notice of the Ministry of Finance and State Administration of Taxation on Effectively and Comprehensively Promoting the Pilot Program of Replacing Business Tax with Value-Added Tax (Cai Shui [2016] No. 36);

21. Notice on the Interim Measures for the Administration of the Evaluation of State-owned Assets of Provincial Enterprises in Yunnan Province (YGZCQ [2018] No. 147);
22. Notice on the Guidelines for the Filing of State-owned Assets Evaluations of Provincial Enterprises in Yunnan Province issued for implementation by Yunnan SASAC (YGZCQ [2018] No. 149);
23. The supplemented Notice on Matters Concerning the Transfer of Transactions of State-owned Assets of Enterprises, (Guo Zi Fa Chan Quan Gui [2022] No. 39);
24. Other laws, regulations, documents and regulations promulgated by the state and relevant government departments.

### **(III) Basis of Valuation Standards**

1. Basic Rules for Asset Appraisal (Cai Zi [2017] No. 43);
2. Professional Code of Ethics for the Valuation of Assets (Zhong Ping Xie [2017] No. 30);
3. Practice Guidelines for Asset Valuation — Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
4. Practice Guidelines for Asset Valuation — Asset Valuation Report (Zhong Ping Xie [2018] No. 35);
5. Practice Guidelines for Asset Valuation — Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);
6. Practice Guidelines for Asset Valuation — Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Practice Guidelines for Asset Valuation — Enterprise Value (Zhong Ping Xie [2018] No. 38);
8. Practice Guidelines for Asset Valuation — Intangible Assets (Zhong Ping Xie [2017] No. 37);
9. Practice Guidelines for Asset Valuation — Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
10. Practice Guidelines for Asset Valuation — Asset Valuation Methodology (Zhong Ping Xie [2019] No. 35);
11. Practice Guidelines for Asset Valuation — Use of Expert Work and Related Reports (Zhong Ping Xie [2017] No. 35);
12. Guidance on Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
13. Guidelines for Business Quality Control of Asset Valuation Agencies (Zhong Ping Xie [2017] No. 46);

14. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);
15. Guiding Opinions on Legal Ownership of the Asset Valuation Target (Zhong Ping Xie [2017] No. 48);
16. Guiding Opinions No. 12 for Asset Valuation Expert — Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38).

#### **(IV) Basis of Ownership**

1. Vehicle Licenses provided by Shuifu Water Industry Investment Co., Ltd.\*;
2. Significant asset purchase contracts or certificates provided by Shuifu Water Industry Investment Co., Ltd.\*;
3. Statements and letter of commitments in respect of asset ownership provided by Shuifu Water Industry Investment Co., Ltd.\*;
4. Relevant information, such as the list of appraised assets and the financial statements as of the valuation reference date, provided by Shuifu Water Industry Investment Co., Ltd.\*;
5. Relevant agreements, such as the Franchise Agreement for the Investment Project of Shuifu Urban Wastewater Treatment Plant in Yunnan Province, the Agreement for the Investment Cooperation Project of Shuifu Urban Wastewater Treatment Plant, the Supplementary Agreement for Investment Cooperation of Shuifu Wastewater Treatment Plant, the Entrusted Operation Agreement for the Upgrading and Reconstruction of Shuifu Urban Wastewater Treatment Plant;
6. Other references.

#### **(V) Basis Of Pricing**

1. Handbook of Common Approaches and Parameters of Assets Valuation (Mechanical Industry Press, 2011 Edition);
2. Websites, such as autohome.com.cn (汽車之家) and goofish.com (閒魚網);
3. Notice on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (Cai Shui [2016] No. 36);
4. Forecast information of income for the future years provided by Shuifu Water Industry Investment Co., Ltd.\*;
5. The Franchise Agreement for the Investment Project of Shuifu Urban Wastewater Treatment Plant in Yunnan Province;
6. Provisions on the Standards for Compulsory Retirement of Motor Vehicles (2012 Decree No. 12 of the Ministry of Commerce, National Development and Reform Commission, the Ministry of Public Security, and the Ministry of Environmental Protection);

7. Notice of the Ministry of Finance of Issuing the Regulations on Management of Construction Costs of Basic Construction Projects (Cai Jian [2016] No. 504);
8. Audit reports and forecast financial information obtained from the entrusting party and other relevant parties, and financial terminal of WIND Information;
9. Relevant information from the price information database of China United Assets Appraisal Group Co., Ltd.;
10. Other references.

#### **(VI) Other References**

1. Accounting Standards for Business Enterprises — Basic Standards (Decree No. 33 of the Ministry of Finance);
2. Accounting Standards for Business Enterprises — Application Guide (Cai Kuai [2006] No. 18);
3. Unqualified audit report (Report No.: XYZH/2022KMAA20307) in respect of this economic activity issued by ShineWing Certified Public Accountants (Special General Partnership), Kunming Branch;
4. Financial terminal of WIND Information;
5. Other references.

### **IX. VALUATION METHODOLOGY**

According to the provisions of the Basic Rules for Asset Appraisal, enterprise value can be valued using three approaches, i.e. market approach, income approach and asset-based approach. The market approach, characterized by valuation data being originated from market and valuation results being compelling, is to appraise the current open market value of the valuation subject by comparison with objects of reference in the market. The income approach is to quantify and discount the expected profitability of overall assets of an enterprise, emphasizing the overall expected profitability of an enterprise. The asset-based approach is an approach to determine the value of the valuation subject on the basis of a reasonable assessment of the value of the assets and liabilities of the enterprise.

Because the recent transaction cases involving enterprises of the same size are not available, and there are fewer comparable listed companies with the same size and business structure in the market, it does not have the objective conditions to use the market approach in this valuation. In this valuation, we based on the general principles of continued use and open market, considering the applicable precondition of the valuation mythology and the satisfaction of valuation purpose, combining actual conditions of the subject matter to be appraised, taking into account various factors which affect the valuation to conduct overall appraisals on the Shuifu Water Industry Investment Co., Ltd.\* by using both asset-based approach and income approach.



## X. SELECTION OF VALUATION RESULT

Shuifu Water Industry Investment Co., Ltd.\* has an ability to operate independently and has been profit-making and is able to operate on a going concern basis since its wastewater treatment plan was built and put into operation. The future operation of the company can be reasonably and objectively predicted. The income approach is to quantify and present value the expected profitability of an enterprise's overall assets, it emphasizes the overall expected profitability of the enterprise. The overall profitability not only reflects the value of all tangible assets, intangible assets and liabilities stated on the balance sheet, but also includes the important sources of various enterprise values not stated on the balance sheet. Investors should pay more attention to the future profitability of the appraised entity. In terms of objective value, the valuation using the income approach under this economic activity better reflects the true value of the appraised entity. To conclude, in this valuation, the valuation results obtained through the income approach shall be the final conclusions of the overall value of the appraised entity. Therefore, in this valuation, the valuation results obtained through the income approach is taken as the final valuation conclusion.

## XI. EXPLANATIONS TO SPECIAL MATTERS

- (I) The report has been issued in an independent, fair, objective and scientific manner. Neither China United Assets Appraisal Group Co., Ltd. nor any of the personnel participating in the valuation have any special interests with all parties involved in the economic behaviour. The valuer has complied with professional ethical standards and performed their duties with their best effort. The conclusion of valuation is issued by China United Assets Appraisal Group Co., Ltd. and is influenced by the professional standards and abilities of the valuation agency and the specific valuers participating in the project.
- (II) This valuation report only provides value reference opinions for this specific valuation purpose, and does not consider the impact of other economic behaviours and derived value bases on the valuation conclusion. Therefore, this valuation report and the valuation conclusion cannot generally be applied to other valuation purposes.
- (III) Shuifu Water Industry Investment Co., Ltd.\* shall be responsible for the authenticity, legality, and completeness of the legal ownership information provided for the entrusted assets. According to the Guiding Opinions on Legal Ownership of the Asset Valuation Target (Zhong Ping Xie [2017] No. 48), the purpose of asset valuers and their professionals in conducting asset valuation business is to estimate the value of the valuation subject and express professional opinions, pay necessary attention to the legal ownership status of the valuation subject, and disclose the inspection results, however, the asset valuers does not provide any form of guarantee for legal ownership, nor assume the responsibility of verifying the authenticity, legality, and completeness of the legal ownership data of the valuation subject.
- (IV) Shuifu Water Industry Investment Co., Ltd.\* has enjoyed the preferential tax policies for small and micro enterprises as of the valuation reference date, and according to the relevant information issued by the appraised entity, Shuifu Water Industry Investment Co., Ltd.\* can still enjoy the preferential tax policies for the Western Development Strategy if it does not meet the conditions for recognition of small and micro enterprises in the future, which is valid until 31 December 2030. In this valuation, the appraised entity can enjoy the preferential tax policies for the Western Development until 2030 if it does not meet the conditions for recognition of small and micro enterprises in the future.

- (V) According to the relevant information provided by the appraised entity, among other receivables, the loan receivable of RMB1.22 million from Ludian Water Industry Investment Co., Ltd.\* (魯甸縣水務產業投資有限公司) is divided into three tranches, with no agreed interest, repayment period, and other information. The proceeds borrowed by Ludian Water Industry Investment Co., Ltd.\* are mainly used for the payment of social security, income tax, and other expenses.

According to the Internal Fund Use Agreement (《內部資金使用協議》) entered between Yunnan Water Investment Co., Limited\* and Shuifu Water Industry Investment Co., Ltd.\*, Shuifu Water Industry Investment Co., Ltd.\* borrowed from Yunnan Water Investment Co., Limited\* due to business needs, with an initial amount of RMB13,124,359.57, and as of the valuation reference date, the book balance amounted to RMB11,974,359.57, the loan period is 1 year (from 1 January 2021 to 31 December 2021), and the interest rate is 4.65% per annum.

- (VI) The franchise right of Shuifu Water Industry Investment Co., Ltd.\* provides guarantee for Yunnan Water Investment Co., Limited\* to borrow RMB261,218,900 from Industrial Bank Co., Ltd. Kunming Branch, with a guarantee amount of RMB261,218,900 and a guarantee period from 28 March 2018 to 28 March 2023.

- (VII) The land, buildings, machinery, and equipment for the wastewater treatment project under the franchise of Shuifu Water Industry Investment Co., Ltd.\* have been funded and constructed by the government. Shuifu Water Industry Investment Co., Ltd.\* obtained a 30-year operating right for the project at a price of RMB24 million. The original book value of the franchise right consists of the purchase price and sporadic maintenance expenses. As of the valuation reference date, the book value is amortised based on the operating life. This valuation uses the income approach to determine the appraisal value. The appraised entity failed to provide details of the franchise rights in other intangible assets. The valuers verified the franchise rights in other intangible assets by conducting on-site surveys of land, buildings, equipment, and other assets necessary for the normal operation of the wastewater treatment plant, verifying relevant agreements, contracts, accounting vouchers, and other information.

- (VIII) Significant subsequent events

During the valuation operation, from the valuation reference date to the valuation report date, based on the information provided by the entrusting party, there are the following matters:

According to the Announcement of the Ministry of Finance and the State Administration of Taxation on Improving the Value-added Tax on the Comprehensive Utilization of Resources\* (《財政部、稅務總局關於完善資源綜合利用增值稅的公告》) (MoF and SAT Ann [2021] No. 40), the project of “wastewater treatment service” can be subject to the policy of VAT refund or exemption. Once selected, it shall not be changed within 36 months and shall be implemented from 1 March 2022. As informed by the relevant personnel of the appraised entity, Shuifu Water Industry Investment Co., Ltd.\* is applicable to this policy and has chosen to exempt from value-added tax,

## (IX) Other explanatory matters

1. The legal responsibility of the valuer and the valuation agency is to make a professional judgment on the amount of asset value under the valuation purpose described in this report, and does not involve the valuer and the valuation agency to make any judgment on the economic behavior corresponding to the valuation purpose. To a large extent, the valuation engagement depends on the relevant information provided by the entrusting party and the appraised entity. Therefore, the valuation engagement is based on the authenticity and legality of the relevant economic activity documents, the relevant asset ownership documents, certificates and accounting documents, and the relevant legal documents provided by the entrusting party and the appraised entity.
2. As for the information, statements and related information concerned and adopted in the scope of this valuation, which are provided by the appraised entity, the entrusting party and the appraised entity shall be responsible for the authenticity and integrity of such information provided.
3. The relevant ownership certificate files and related materials involved in the valuation report are provided by the appraised entity, and the entrusting party and the appraised entity shall bear legal responsibility for their authenticity and legitimacy.
4. In the process of valuation, due to the limitation of testing methods and the operation of some equipment, the valuer mainly relies on the appearance observation, the recent testing data provided by the appraised entity and the inquiry to the relevant operating personnel to judge the equipment status.
5. Within the validity period after the valuation reference date, if the number of assets and the pricing standard change, the following principles shall be followed:
  - (1) when the number of assets changes, the amount of assets should be adjusted according to the original valuation methodology;
  - (2) when the asset price standards change, and have a significant impact on the asset valuation result, the entrusting party should promptly engage a qualified asset valuation agency to re-determine the appraised value;
  - (3) for the changes of the number of assets and price standards after the valuation reference date, the entrusting party should fully consider the actual price of the asset and make corresponding adjustments.
6. This valuation is conducted based on the audited accounting statements as of the valuation reference date of Shuifu Water Industry Investment Co., Ltd.\*. The Kunming Branch of ShineWing Certified Public Accountants has audited the balance sheet of Shuifu Water Industry Investment Co., Ltd.\* as at 31 December 2021, and issued an unqualified audit report (report number: XYZH/2022KMAA20307). For details, please refer to the full text of the Audit Report.

7. The profit forecast of the appraised entity obtained by the valuation agency is the basis of the income approach of this valuation report. The asset valuer conducted necessary investigations, analyses, judgments on the profit forecast of the appraised entity. After many discussions with the management of the appraised entity and its major shareholders, and further adjustment and improvement by the appraised entity, the valuation agency adopted the related information of the profit forecast of the appraised entity. The valuation agency's prudent use of the profit forecast of the appraised entity shall not be deemed as a guarantee for the appraised entity's future profitability.
8. The possible changes in the taxation obligations due to the increase or decrease in appraised values have not been taken into consideration in this valuation conclusion. The relevant taxes and fees arising from this economic activity have not been considered in this valuation conclusion as well.
9. The objectives of the valuers conducting the asset valuation are to estimate the value of the appraised entity and to express professional advice thereof, and accept no responsibilities for the decision of the relevant party. The valuation conclusion shall not be construed as a guarantee of the realisable value of the appraised entity.

Users of the report are advised to pay attention to the above special matters.

\* *For identification purposes only*

**TECHNICAL DESCRIPTION OF INCOME APPROACH VALUATION****I. ASSUMPTIONS****(I) General Assumptions***1. Transaction Assumption*

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

*2. Open Market Assumption*

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

*3. Asset Going-concern Assumption*

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

*4. Corporate Going-concern Assumption*

The corporate going-concern assumption assumes that businesses of the appraised entity will operate as a going concern in accordance with its operation target under the external environment where it operates. The appraised entity conducts lawful operations and is able to acquire appropriate profit to maintain its capability of operating as a going concern.

**(II) Special Assumptions**

1. This valuation assumes that the external economic environment on the valuation reference date remains unchanged and that the current macro-economy of the country will not change significantly;
2. There are no significant changes in the social and economic environment faced by the enterprise as well as the taxes, tax rates and other policies implemented by the enterprise; the development trend of the industry of the enterprise is stable and sustained, and the appraised entity is positioned as an environmental protection industry, coupled with stable sales channels, the enterprise is in a stable development in the industry;

3. All assets under this valuation are based on the actual stock on the valuation reference date, and the current market price of the relevant assets is based on the effective domestic price on the valuation reference date;
4. This valuation assumes that the basic data and financial information provided by the entrusting party and the appraised entity are true, accurate and complete, and the forecast data provided by the entrusting party are true, accurate and complete;
5. The valuation scope is only subject to the valuation declaration form provided by the entrusting party and the appraised entity, and the contingent assets and contingent liabilities that may exist outside the list provided by the entrusting party and the appraised entity are not considered;
6. The impact of inflation factors is not considered in the values of various parameters measured in this valuation;
7. The management of the valuation subject in the future operation period shall perform its duties in due diligence;
8. Profit or loss caused by the changes in the conditions of the principal business that may occur in the future due to changes in management, business strategy, business environment, etc. are not considered;
9. It is assumed that the cash inflow of the valuation subject after the valuation reference date is the average inflow, and the cash outflow is the average outflow;
10. It is assumed that the fixed assets of the enterprise are constructed or purchased according to the unified planning and standards;
11. The main costs are predicted based on the current prices, assuming that the costs of the appraised entity does not fluctuate significantly. The income forecast in this report only comes from the sewage treatment income of the company's current capacity;
12. Shuifu Water Industry Investment Co., Ltd.\* (水富縣水務產業投資有限公司) is required to pay technical service fees to Yunnan Water Investment Co., Limited\* (雲南水務投資股份有限公司) every year in the historical years. As informed by Yunnan Water Investment Co., Limited\*, Yunnan Water Investment Co., Limited\* has promised not to charge such fees from Shuifu Water Industry Investment Co., Ltd.\* since 2022, This prediction assumes that Shuifu Water Industry Investment Co., Ltd.\* will not need to pay technical service fees in the future years from 2022;
13. The operation period of Shuifu Water Industry Investment Co., Ltd.\* (水富縣水務產業投資有限公司) is the period stipulated in the concession agreement;
14. According to the Entrusted Operation Agreement for Water Quality Upgrading and Renovation of Shuifu Municipal Wastewater Treatment Plant\* (水富市城市污水處理廠提標改造委託運行協議), the entrusted operation period of water quality upgrading and renovation will expire in July 2030. As the term of the concession agreement was extended to April 2041, the water quality upgrading and renovation and the original concession agreement were integrated into one project, so it is assumed that the entrusted operation agreement will be renewed until April 2041 upon the expiration of the original agreement;

15. Shuifu Water Industry Investment Co., Ltd.\* has enjoyed the preferential tax policies for small and micro enterprises as of the valuation reference date, and according to the relevant information issued by the appraised entity, Shuifu Water Industry Investment Co., Ltd.\* can still enjoy the preferential tax policies for the Western Development Strategy if it does not meet the conditions for recognition of small and micro enterprises in the future, which is valid until 31 December 2030, so it is assumed that the appraised entity can enjoy the preferential tax policies for the Western Development Strategy until 2030 if it does not meet the conditions for recognition of small and micro enterprises in the future;
16. According to the Announcement of the Ministry of Finance and the State Administration of Taxation on Improving the Value-added Tax on the Comprehensive Utilization of Resources\* (《財政部、稅務總局關於完善資源綜合利用增值稅的公告》) (MoF and SAT Ann [2021] No. 40), the project of “sewage treatment service” can be subject to the policy of VAT refund or exemption. Once selected, it shall not be changed within 36 months and shall be implemented from 1 March 2022. As informed by the relevant personnel of the appraised entity, Shuifu Water Industry Investment Co., Ltd.\* is applicable to this policy and has chosen to exempt from value-added tax, and Shuifu Water Industry Investment Co., Ltd.\* will enjoy the VAT exemption policy until the end of the concession period.

## II. VALUATION METHODOLOGY

### (I) Overview

In accordance with the relevant regulations of the state administrative departments, the Practice Guidelines for Asset Valuation — Enterprise Value\* (《資產評估執業準則 — 企業價值》) and the international and domestic practices for the valuation of similar transactions, in this valuation, the value of equity capital of the appraised entity is estimated by using the discounted cash flow method (DCF) on a revenue basis.

The discount cash flow method (DCF) is a method to estimate the enterprise value by converting the expected future cash flow of the enterprise into the present value. That is, by estimating the expected future cash flow of the enterprise and adopting the appropriate discount rate, the expected cash flow is converted into the present value to obtain the enterprise value. The basic conditions for its application are that the enterprise has the basis and conditions for continuous operation, there is a relatively stable corresponding relationship between operation and income, and future income and risk can be predicted and quantified. The key in using the discounted cash flow method lies in the prediction of expected future cash flow, as well as the objectivity and reliability of data acquisition and processing. When the forecast of the expected future cash flow is more objective and fair and the selection of the discount rate is more reasonable, the valuation results have better objectivity, and therefore are easy to be accepted by the market.

**(II) Valuation Methods**

According to the due diligence as well as the asset composition and principal business characteristics of the valuation subject, the basic idea of this valuation is to predict the value of equity capital on the basis of the audited financial statements of the valuation subject. That is, first of all, on a revenue basis, the discounted cash flow method (DCF) is used to predict the value of the operating assets of the valuation subject, plus the value of other non-operating or surplus assets (liabilities) on the valuation reference date, to obtain the enterprise value of the valuation subject, and the value of all shareholders' equity of the valuation subject is obtained from the enterprise value after deducting the value of interest-bearing debt.

The basic valuation methods used in this valuation are:

1. For the assets and principal businesses included in the scope of the financial statements, the expected income (net cash flow) shall be predicted according to the change trend of the historical operating conditions and the type of business, and the value of the operating assets shall be obtained by discounting;
2. For the cash assets (liabilities) included in the scope of the financial statements but not considered in the prediction of expected income (net cash flow), such as monetary funds, dividends receivable and payable existed on the valuation reference date; and the assets such as sluggish or idle equipment, they shall be defined as surplus or non-operating assets (liabilities) existed on the valuation reference date, and their values shall be predicted separately;
3. The enterprise value of the valuation subject is obtained from the sum of the values of the above assets and liabilities. After deducting the value of the interest-bearing debt, the value of equity capital (entire shareholders' equity) of the valuation subject is obtained.

**(III) Valuation Model****1. Basic model**

The basic model of this valuation is:

$$E = B - D \quad (1)$$

Wherein:

E: Value of total shareholders' equity (net assets) of the valuation subject;

B: Enterprise value of the valuation subject;

$$B = P + I + C \quad (2)$$

P: Value of operating assets of the valuation subject;

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_{n+1}}{r(1+r)^n} \quad (3)$$



Wherein:

$R_i$ : Expected income (free cash flow) of the valuation subject in the  $i$ th year of the future operation period;

$r$ : Discount rate;

$n$ : Future operation period of the valuation subject;

$I$ : Long-term investment value of the valuation subject on the valuation reference date;

$C$ : Value of surplus or non-operating assets (liabilities) of the valuation subject as at the valuation reference date;

$$C = C_1 + C_2 \quad (4)$$

$C_1$ : Value of current surplus or non-operating assets (liabilities) of the valuation subject as at the valuation reference date;

$C_2$ : Value of non-current surplus or non-operating assets (liabilities) of the valuation subject as at the valuation reference date;

$D$ : Value of interest-bearing debt of the valuation subject.

## 2. *Income indicator*

In this valuation, the free cash flow of the enterprise is used as the income indicator of the operating assets of the valuation subject, which is basically defined as:

$$R = \text{net profit} + \text{depreciation and amortization} + \text{interest on interest-bearing debt after tax} - \text{additional capital} \quad (5)$$

Based on the operating history and future market development of the valuation subject, the free cash flow in the future operation period is estimated. The free cash flow in the future operation period is discounted and added to calculate the value of the operating assets of the enterprise.

### 3. Discount rate

In this valuation, the weighted average cost of capital assets (WACC) is used to determine the discount rate  $r$ :

$$r = r_d \times w_d + r_e \times w_e \quad (6)$$

Wherein:

$W_d$ : Debt ratio of the valuation subject;

$$W_d = \frac{D}{(E + D)} \quad (7)$$

$W_e$ : Equity ratio of the valuation subject;

$$W_e = \frac{E}{(E + D)} \quad (8)$$

$r_d$ : Interest rate of interest-bearing debt after income tax;

$r_e$ : Cost of equity capital. In this valuation, the cost of equity capital  $r_e$  is determined according to the capital asset pricing model (CAPM);

$$R_e = r_f + \beta \times (r_m - r_f) + \alpha \quad (9)$$

Wherein:

$r_f$ : Risk-free rate of return;

$r_m$ : Expected market rate of return;

$\beta$ : Expected market risk coefficient of the industry of the appraised entity;

$\alpha$ : Specific risk (intangible asset characteristic risk) adjustment coefficient.

**(III) Historical Annual Financial Analysis****I. Assets, finance, liabilities and operating performance of the appraised entity in the past three years and as at the valuation reference date**

The financial position of Shuifu Water Industry Investment Co., Ltd.\* from 2018 to 2021 is as follows:

**Assets, Liabilities and Financial Position***Currency Unit: RMB0'000*

<b>Item</b>	<b>31 December 2018</b>	<b>31 December 2019</b>	<b>31 December 2020</b>	<b>31 December 2021</b>
Total assets	3,311.66	3,406.96	3,748.66	3,638.39
Total liabilities	1,779.75	1,899.54	2,222.58	2,107.83
Net assets	1,531.90	1,507.42	1,526.08	1,530.56
<b>Item</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Operating income	504.13	501.79	581.37	686.97
Operating costs	275.25	258.54	267.02	319.35
Total profit	177.60	184.46	266.38	-40.56
Net profit	146.86	169.57	200.28	4.49
<b>Item</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Net cash flow from operating activities	326.79	287.42	329.73	628.26
Net cash flow from investment activities	-15.63	-11.36	-7.54	-6.48
Net cash flow from financing activities	-199.20	-275.29	-320.41	-774.53
Impact of exchange rate changes on cash and cash equivalents	0.00	0.00	0.00	0.00
Net increase in cash and cash equivalents	111.97	0.77	1.77	-152.74
Balance of cash and cash equivalents at the end of the period	155.85	156.62	158.39	5.65
No. of audit report	Da Hua Shen Zi [2019] No. 200195	XYZH/2020KMAA20426	XYZH/2021KMAA20169	XYZH/2022KMAA20307
Type of audit opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion
Audit agency	Da Hua Certified Public Accountants (Special General Partnership), Yunnan Branch	ShineWing Certified Public Accountants (Special General Partnership), Kunming Branch	ShineWing Certified Public Accountants (Special General Partnership), Kunming Branch	ShineWing Certified Public Accountants (Special General Partnership), Kunming Branch

## 2. Solvency analysis

The short-term and long-term solvency indicators for the last three years are shown in the following table:

<b>Indicator</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Current ratio	0.98	1.01	1.06	1.11
Quick ratio	0.98	1.01	1.06	1.11
<b>Indicator</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Cash ratio	0.10	0.09	0.08	0.00
Gearing ratio	0.54	0.56	0.59	0.58

According to the data in the above table, Shuifu Water Industry Investment Co., Ltd.\* has a steady growth trend in various indicators and parameters (other than cash ratio), and has a strong solvency in recent years.

## 3. Asset operation capacity analysis

The operation capacity indicators for the last three years are shown in the following table:

<b>Indicator</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Turnover rate of accounts receivable (time)	0.41	0.44	0.53	0.69
Turnover rate of inventories (time)	292.84	267.70	267.84	162.84
Turnover rate of current assets (time)	0.36	0.32	0.31	0.33
Turnover rate of total assets (time)	0.16	0.15	0.16	0.19

According to the data in the above table, the turnover rate of accounts receivable of Shuifu Water Industry Investment Co., Ltd.\* is steadily increasing; except for the rapid decline of turnover rate of inventories in 2021, other parameters have only little changes. The enterprise has relatively stable production and operation and good overall operation capacity.

#### 4. Profitability analysis

##### (1) Analysis of operating income and costs

The income and costs for the last three years are shown in the following table:

Indicator	2018	2019	2020	2021
Operating income (RMB0'000)	504.13	501.79	581.37	686.97
Operating costs (RMB0'000)	275.25	258.54	267.03	319.35
Gross profit margin	45%	48%	54%	54%
Gross profit margin (excluding technical service fee)	49%	53%	58%	58%

According to the historical operation conditions of the enterprise, the income and gross profit margin of Shuifu Water Industry Investment Co., Ltd.\* have an upward trend and a rapid development momentum.

##### (2) Analysis of profit indicators of principal business

The operating profit margin and net profit margin for the last four years are shown in the following table:

Indicator	2018	2019	2020	2021
Return on assets — net profit margin on assets	0.03	0.03	0.04	0.00
Net profit margin on sales	0.29	0.34	0.34	0.01
Net profit margin on costs and expenses	0.39	0.47	0.58	0.01
Growth rate of operating income	0.29	-0.00	0.16	0.18

According to the data in the above table, in addition to the data of 2021, other data of Shuifu Water Industry Investment Co., Ltd.\* have risen or remained stable. The reason for the poor data in 2021 compared with previous years is that the land use tax, real estate tax and tax late fees/penalties were paid in that year, but on the whole, the operation condition was relatively stable, and the profit situation was relatively good.

## VI. FORECAST OF NET CASH FLOW

### (I) Operating income and cost

Shuifu Water Industry Investment Co., Ltd.\* mainly takes wastewater treatment as its main business income.

See the following table for details of historical annual operating income and costs:

Indicator	Currency Unit: RMB0'000			
	2018	2019	2020	2021
Operating income (RMB0'000)	504.13	501.79	581.37	686.97
Operating Costs (RMB0'000)	275.25	258.54	267.03	319.35
Gross profit margin	45%	48%	54%	54%
Gross profit margin (excluding technical service fee)	49%	53%	58%	58%

The historical annual water treatment capacity is as follows:

Indicator	2018	2019	2020	2021
Water treatment capacity (10,000 tons)	463.41	451.15	460.64	464.32

Prediction of wastewater treatment capacity: According to the Franchise Agreement for the Investment Project of Shuifu Urban Wastewater Treatment Plant in Yunnan Province (《雲南省水富縣城市污水處理廠投資項目特許經營協議》) and the Entrusted Operation Agreement for the Upgrading and Reconstruction of Shuifu Urban Wastewater Treatment Plant (《水富市城市污水處理廠提標改造委託運行協議》) provided by the appraised entity, the operation period of the project is 30 years and expires in April 2041. According to the designed capacity of wastewater treatment, it is designed to treat 5.475 million tons per year, and the wastewater treatment capacity will increase slightly in 2020 and 2021. According to the relevant information provided by the appraised entity, the minimum water volume per day is 10,500 tons. If the minimum water volume is not reached, the minimum water volume will be charged, and if the minimum water volume is exceeded, the actual water volume will be charged. Through interviews with relevant personnel of the enterprise and historical financial data, according to the actual wastewater treatment capacity of the enterprise from January to September 2022, combined with the production and operation forecast data of the enterprise, it is predicted that the wastewater treatment capacity will remain stable in the future.

Prediction of the unit price of wastewater treatment: As of the valuation reference date, the appraised entity provided the Franchise Agreement for the Investment Project of Shuifu Urban Wastewater Treatment Plant in Yunnan Province (《雲南省水富縣城市污水處理廠投資項目特許經營協議》) and the Entrusted Operation Agreement for the Upgrading and Reconstruction of Shuifu Urban Wastewater Treatment Plant (《水富市城市污水處理廠提標改造委託運行協議》), and based on the understanding with the appraised entity, the water price of Shuifu Water Industry Investment Co., Ltd.\* was increased once in 2018 to RMB1.265/m<sup>3</sup> (including tax). In 2020, the water price for upgrading the standard was RMB0.3/m<sup>3</sup> including tax. The unit price of wastewater treatment on the valuation reference date was RMB1.565/ton (including tax). The contract unit price was adjusted every three years in principle. Each adjustment was based on the contract unit price before the adjustment, which was increased by 15%, and implemented according to the price approved by the hearing procedure.

Operating costs: According to the historical financial data of the appraised entity, the main operating costs of Shuifu Water Industry Investment Co., Ltd.\* in the historical year were electricity costs, labor costs, franchise amortization, etc. (excluding technical service fee), the estimated operating costs are based on the historical situation of the appraised entity and the actual situation of the enterprise. As for the technical service fee, after understanding with Yunnan Water Investment Co., Limited\*, Yunnan Water Investment Co., Limited\* has promised not to charge such fees from Shuifu Water Industry Investment Co., Ltd.\* since 2022. In this valuation, it assumes that Shuifu Water Industry Investment Co., Ltd.\* will not pay the technical service fee in the future since 2022, and the gross profit rate will increase compared with the historical annual level, The franchise amortization amount in April 2041 is determined by the remaining amortization amount.

The specific forecast results of operating income and costs are shown in the following table:

**Table of operating income and costs of the appraisal entity by product  
in the future forecast period**

Item	2022	2023	2024	2025	Currency Unit: RMB0'000		
					2026	2027 to 2040	January to April 2041
Total income from principal business	682.00	682.00	682.00	682.00	682.00	682.00	224.22
Total costs from principal business	295.47	295.47	295.47	295.47	295.47	295.47	102.60
Gross profit margin (%)	56.68	56.68	56.68	56.68	56.68	56.68	54.24
<b>Wastewater treatment income</b>							
Designed treatment capacity (10,000 tons)	547.50	547.50	547.50	547.50	547.50	547.50	180.00
Actual treatment capacity (10,000 tons)	461.93	461.93	461.93	461.93	461.93	461.93	151.87
Treatment unit price (RMB/ton)	1.48	1.48	1.48	1.48	1.48	1.48	1.48
Unit cost (RMB/ton)	0.64	0.64	0.64	0.64	0.64	0.64	0.68
Gross profit margin (%)	56.68	56.68	56.68	56.68	56.68	56.68	54.24

See the following table for main costs:

Item	2022	2023	2024	2025	2026	Currency Unit: RMB0'000	
						2027 to 2040	January to April 2041
<b>Wastewater treatment costs</b>							
Flocculant	4.89	4.89	4.89	4.89	4.89	4.89	1.61
Electric power	57.89	57.89	57.89	57.89	57.89	57.89	19.03
Salary and surcharges	66.78	66.78	66.78	66.78	66.78	66.78	21.95
Travel expenses	0.91	0.91	0.91	0.91	0.91	0.91	0.30
Office expenses	1.15	1.15	1.15	1.15	1.15	1.15	0.38
Water and electricity fee	1.14	1.14	1.14	1.14	1.14	1.14	0.38
Communication fee	0.73	0.73	0.73	0.73	0.73	0.73	0.24
Machine and material consumption	5.78	5.78	5.78	5.78	5.78	5.78	1.90
Freight and miscellaneous charges	3.19	3.19	3.19	3.19	3.19	3.19	1.05
Inspection and detection fee	2.08	2.08	2.08	2.08	2.08	2.08	0.68
Reagent costs	21.60	21.60	21.60	21.60	21.60	21.60	7.10
Amortization of franchise rights	81.80	81.80	81.80	81.80	81.80	81.80	32.31
Online testing costs	8.49	8.49	8.49	8.49	8.49	8.49	2.83
Sludge disposal costs	20.63	20.63	20.63	20.63	20.63	20.63	6.78
Repair expenses	5.82	5.82	5.82	5.82	5.82	5.82	1.91
Others	12.59	12.59	12.59	12.59	12.59	12.59	4.14
Total costs from principal business	295.47	295.47	295.47	295.47	295.47	295.47	102.60

## (II) Expenses for the Period

### 1. Taxes and surcharges

The income value-added tax rate of the appraised entity is 6%; Output tax is the product of main business income and value-added tax rate. Input tax is determined based on the product of future deductible expenses and applicable value-added tax rate. The tax basis of input tax is mainly determined according to the taxable items in the cost. The urban construction and maintenance tax rate of the appraised entity is 5%, the education surcharge rate is 3%, and the local education surcharge rate is 2%.



According to the Announcement of the State Administration of Taxation of the Ministry of Finance on Improving the Value-added Tax on Comprehensive Utilisation of Resources (《財政部稅務總局關於完善資源綜合利用增值稅的公告》) (Announcement No. 40 of the State Administration of Taxation of the Ministry of Finance in 2021), the “wastewater treatment service” project can be subject to the policy of value-added refund upon collection, or can choose to apply the policy of value-added tax exemption. Once selected, it shall not be changed within 36 months with effect from 1 March 2022. According to the relevant personnel of the appraised entity, Shuifu Water Industry Investment Co., Ltd.\* applies this policy and chooses the value-added tax exemption policy. It is predicted that the value-added tax will be exempted until the end of the franchise period. According to the policy of value-added tax deduction for production and living services stipulated in the Article 1 of the Announcement on Value-added Tax Policies for Promoting the Relief and Development of Difficult Industries in the Service Industry (《關於促進服務業領域困難行業紓困發展有關增值稅政策的公告》) (Announcement No. 11 of the State Administration of Taxation of the Ministry of Finance in 2022), Article 7 of the Announcement of the General Administration of Taxation and the General Administration of Customs of the Ministry of Finance on Deepening the Value-added Tax Reform (《財政部稅務總局海關總署關於深化增值稅改革有關政策的公告》) (Announcement No. 39 of the General Administration of Taxation and the General Administration of Customs of the Ministry of Finance in 2021), and the Announcement of the State Administration of Taxation of the Ministry of Finance on the Clarification of the Policy of Value-added Tax Deduction in the Living Service Industry (《財政部稅務總局關於明確生活性服務業增值稅加計抵減政策的公告》) (Announcement No. 87 of the State Administration of Taxation of the Ministry of Finance in 2019), the implementation period is extended to 31 December 2022. Shuifu Water Industry Investment Co., Ltd.\* enjoys the preferential tax policy. From January to February 2022, the tax is predicted according to the actual income and cost of the appraised entity.

According to the income structure of the enterprise and its applicable tax rate, the forecast results are shown in the following table:

Item	2022	2023	2024	2025	Currency Unit: RMB0'000		
					2026	2027 to 2040	January to April 2041
Urban maintenance and construction tax	0.35	—	—	—	—	—	—
Education surcharges	0.15	—	—	—	—	—	—
Local education surcharges	0.10	—	—	—	—	—	—
Property tax	1.48	1.48	1.48	1.48	1.48	1.48	0.49
Land use tax	18.42	18.42	18.42	18.42	18.42	18.42	6.14
Vehicle and vessel use tax	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Stamp tax	0.20	0.20	0.20	0.20	0.20	0.20	0.07
Total	20.73	20.13	20.13	20.13	20.13	20.13	6.73

## 2. Sales expenses

The appraised entity has not incurred any sales expenses in the historical years, and there is no need for sales expenses according to the nature of the appraised business. The occurrence of sales expenses is not predicted this time.

### 3. *Administrative expenses*

Administrative expenses mainly include salary, travel expenses, office expenses, etc.

In this valuation, it combines the historical annual data and the profit forecast data provided by the appraised entity. The ratio of administrative expenses to the business income of the enterprise is also relatively stable. In this valuation, the administrative expenses of the future years are estimated by the ratio of the historical annual expenses to the business income multiplying of the future annual operating income. The forecast results are shown in the following table:

Item	2022	2023	2024	2025	2026	Currency Unit: RMB0'000	
						2027 to 2040	January to April 2041
Employee salary	16.61	16.61	16.61	16.61	16.61	16.61	5.46
Depreciation charge	2.67	2.67	2.67	2.67	2.67	2.67	0.89
Office expense	1.72	1.72	1.72	1.72	1.72	1.72	0.57
Postage	0.11	0.11	0.11	0.11	0.11	0.11	0.04
Vehicle expense	1.92	1.92	1.92	1.92	1.92	1.92	0.63
Travel expense	2.41	2.41	2.41	2.41	2.41	2.41	0.79
Labor costs	6.54	6.54	6.54	6.54	6.54	6.54	2.15
Total	31.98	31.98	31.98	31.98	31.98	31.98	10.52

### 4. *Research and development expenses*

The appraised entity has not incurred research and development expenses in the past year, and there is no need for research and development expenses according to the nature of the appraised business. The occurrence of research and development expenses is not predicted this time.

### 5. *Finance expenses*

The finance expenses incurred by the appraised entity in the past year are the income from the capital occupation fee borrowed by Shuifu Water Industry Investment Co., Ltd.\* from Yunnan Water Investment Co., Limited\*. The amount is internal current account. This amount is recognized as non-operating liabilities, and the occurrence of finance expenses is not predicted this time.

### 6. *Income tax*

As of the valuation reference date, Shuifu Water Industry Investment Co., Ltd.\* enjoyed the preferential tax policies for small and micro enterprises. The appraised entity issued a relevant statement that Shuifu Water Industry Investment Co., Ltd.\* could enjoy the preferential tax policies for the development of the western region if it did not meet the conditions for the recognition of small and micro enterprises in the future. The period of validity was until 31 December 2030, in this valuation, the appraised entity can enjoy the preferential tax policy for the Western Development until 2030 if it does not meet the conditions for the identification of small and micro enterprises in the future. According to the latest audit data, there is RMB106,423.04 of taxable temporary difference as of the valuation reference date, which is considered in the valuation of enterprise income tax.

**(III) Non-operating income and expenditure**

According to the Announcement of the State Administration of Taxation of the Ministry of Finance on Improving the Value-added Tax on Comprehensive Utilisation of Resources (《財政部稅務總局關於完善資源綜合利用增值稅的公告》) (Announcement No. 40 of the State Administration of Taxation of the Ministry of Finance in 2021), the “wastewater treatment service” project can be subject to the policy of value-added refund upon collection, or can choose to apply the policy of value-added tax exemption. Once selected, it shall not be changed within 36 months with effect from 1 March 2022. According to the relevant personnel of the appraised entity, Shuifu Water Industry Investment Co., Ltd.\* applies this policy and chooses the value-added tax exemption policy. This prediction is that the value-added tax will be exempted until the end of the franchise period. Considering that Shuifu Water Industry Investment Co., Ltd.\* will be exempted from value-added tax since 1 March 2022, and the income is predicted based on the income excluding tax, the value-added tax of the income is assessed to be added back as non-operating income. The appraised entity has no stable non-operating expenditure and will not forecast the non-operating expenditure in the future years.

The forecast results of non-operating income are shown in the following table:

Item	2022	2023	2024	2025	2026	2027 to 2040	January to April 2041
Designed treatment capacity (10,000 tons)	547.50	547.50	547.50	547.50	547.50	547.50	180.00
Actual treatment capacity (10,000 tons)	461.93	461.93	461.93	461.93	461.93	461.93	151.87
Unit price of value-added tax (RMB/ton)	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Total non-operating income (RMB0'000)	33.87	40.92	40.92	40.92	40.92	40.92	13.45

**(IV) Depreciation and amortization****1. Depreciation**

The fixed assets of the appraisal entity mainly include vehicles and electronic equipment. Fixed assets are valued at the actual cost at the time of acquisition. In this valuation, according to the policy of depreciation of fixed assets adopted by the enterprise, the depreciation amount for the future operation period is estimated by reference to annuity based on the audited original book value of fixed assets on the base date, expected useful life and composite depreciation rate. The forecast results of depreciation are shown in the following table:

Item	2022	2023	2024	2025	2026	Currency Unit: RMB0'000	
						From 2027 to 2040	January to April 2041
Depreciation of fixed assets	2.67	2.67	2.67	2.67	2.67	2.67	0.89

## 2. *Amortization*

As of the valuation reference date, the audited intangible assets of the valuation subject include land use rights and franchise rights. In this valuation, it is assumed that intangible assets maintain the scale as of the base date during the operation period, and the amortization amount of each year in the future is estimated according to the policy of depreciation of fixed assets adopted by the enterprise. The forecast results of amortization are shown in the following table:

Item	2022	2023	2024	2025	2026	Currency Unit: RMB0'000	
						2027 to 2040	January to April 2041
Amortization	81.80	81.80	81.80	81.80	81.80	81.80	32.31

## (V) **Additional capital**

Additional capital represents the additional working capital and long-term capital investments for over one year required by the enterprise to maintain operation on an on-going basis without changing its current business conditions, such as capital investments (the acquisition of fixed assets or other non-current assets) required for expansion of production capacity and additional working capital required and asset renewal necessary for continuing operations.

The additional capital as defined in this report is:

$$\text{Additional capital} = \text{asset renewal} + \text{Increase in working capital} + \text{capital expenditure}$$

### 1. *Estimation of investment in asset renewal*

In this valuation, the wastewater treatment capacity is predicted on the basis of the existing wastewater treatment capacity and treatment capacity. In this valuation, the depreciated office assets are considered to be updated, and the enterprise predicts that in 2032, according to the operation of existing equipment, the enterprise will need to update and maintain two roots blower, four thrusters, three sludge return pumps, one other sludge pump, one grate machine, one screw conveyor and several other testing equipment, and the appraised entity predicts that RMB1.2 million will be invested.

### 2. *Estimation of increase in working capital*

Increase in working capital refers to the additional working capital required to maintain the enterprise's ability to continue as a going concern without changing its current principal business conditions, such as the basic capital required to be maintained for the enterprise's normal operations, including cash and cash equivalents, purchased products and inventory, advance of purchase payments on behalf of its customers (accounts receivable) and payables. The increase in working capital represents the cash obtained through acquiring commercial credit of others, cash required for normal operation and inventories following any changes to the business activities of the enterprise. Meanwhile, during the course of economic activities, providing commercial credit could reduce the immediate payment in cash. Usually, the accounting for other accounts receivable and other accounts payable mostly are current accounts irrelevant or temporary to the main business, which shall be specifically identified and individually determined, subject to its correlation with the estimated business operations. Therefore, estimation of the

increase in working capital requires only the consideration of main factors such as cash required for normal operation, receivables, inventories and payables. The increase in working capital as defined in this report is:

Increase in working capital = working capital for the current period – working capital for the previous period

Of which:

Working capital = cash + receivables + inventory – payables

Receivables = total operating income/turnover rate of receivables

Of which, receivables mainly include accounts receivables (net of advances from customers), note receivables, and other receivables related to business operations.

Inventories = total operating costs/turnover rate of inventory

Accounts payable = total operating costs/turnover rate of accounts payable

Of which, accounts payable mainly include accounts payable (net of prepayment), notes payable and other accounts payable related to business operations.

Based on the statistical analysis of the historical assets and operating income and cost of the enterprise and the estimation of the income and cost for each year in the future operation period, the increase in working capital for each year in the future operation period is forecasted. The increase in working capital in the year of expiration of the operation period is calculated according to the same month of the previous year. See the following table for details:

Item/year	2022	2023	2024	2025	2026	2027 to 2040	January to April 2041
Minimum cash holdings	304.95	304.95	304.95	304.95	304.95	304.95	100.31
Inventory	2.36	2.36	2.36	2.36	2.36	2.36	0.82
Receivable	860.32	860.32	860.32	860.32	860.32	860.32	282.84
Payable	4.25	4.25	4.25	4.25	4.25	4.25	1.47
Working capital	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	382.49
Increase in working capital	-90.30	—	—	—	—	—	-5.30

### 3. *Estimation of capital expenditure*

As this income method only considers the existing processing capacity, the capital expenditure has not been considered in this valuation.

## (VI) Forecast Results of Net Cash Flow

According to the above calculation method, the forecast results of operating income and net cash flow of the valuation subject in the future operation period are shown in the following table:

## Forecast of Net Cash Flow of the Valuation Subject in the Future Operation Period

Item/Year	<i>Currency Unit: RMB0'000</i>									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>Income</b>	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00
<b>Cost</b>	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47
<b>Business tax and surcharges</b>	20.73	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13
<b>Sales expenses</b>										
<b>Administration expenses</b>	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98
<b>Finance expenses</b>										
<b>Other income</b>	3.54	—	—	—	—	—	—	—	—	—
<b>Operating profit</b>	337.36	334.43	334.43	334.43	334.43	334.43	334.43	334.43	334.43	334.43
<b>Non-operating income</b>	33.87	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92
<b>Total profit</b>	371.23	375.35	375.35	375.35	375.35	375.35	375.35	375.35	375.35	375.35
<b>Less: income tax</b>	54.09	56.30	56.30	56.30	56.30	56.30	56.30	56.30	56.30	93.84
<b>Net profit</b>	317.14	319.05	319.05	319.05	319.05	319.05	319.05	319.05	319.05	281.51
<b>Depreciation and amortization</b>	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47
Depreciation of fixed assets	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67
Amortization	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80
<b>Additional working capital</b>	-87.64	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67
Increase in working capital	-90.30	—	—	—	—	—	—	—	—	—
Asset renewal	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67
<b>Net cash flow</b>	489.25	400.85	400.85	400.85	400.85	400.85	400.85	400.85	400.85	363.31

## Forecast of Net Cash Flow of the Valuation Subject in the Future Operation Period (Continued)

Item/Year	<i>Currency Unit: RMB0'000</i>									
	2032	2033	2034	2035	2036	2037	2038	2039	2040	January to April 2041
<b>Income</b>	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	224.22
<b>Cost</b>	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	102.60
<b>Business tax and surcharges</b>	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	6.73
<b>Sales expenses</b>										
<b>Administration expenses</b>	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	10.52
<b>Finance expenses</b>										
<b>Other income</b>										
<b>Operating profit</b>	334.43	334.43	334.43	334.43	334.43	334.43	334.43	334.43	334.43	104.37
<b>Non-operating income</b>	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	13.45
<b>Total profit</b>	375.35	375.35	375.35	375.35	375.35	375.35	375.35	375.35	375.35	117.82
<b>Less: income tax</b>	93.84	93.84	93.84	93.84	93.84	93.84	93.84	93.84	93.84	29.46
<b>Net profit</b>	281.51	281.51	281.51	281.51	281.51	281.51	281.51	281.51	281.51	88.37
<b>Depreciation and amortization</b>	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	33.20
Depreciation of fixed assets	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	0.89
Amortization	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	32.31
<b>Additional working capital</b>	122.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	-4.41
Increase in working capital	—	—	—	—	—	—	—	—	—	-5.30
Asset renewal	122.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	0.89
<b>Net cash flow</b>	243.31	363.31	363.31	363.31	363.31	363.31	363.31	363.31	363.31	125.98

## VII. DETERMINATION OF INCOME PERIOD

In the process of implementing the valuation procedure, according to the Franchise Agreement for the Investment Project of Urban Wastewater Treatment Plant in Shuifu County in Yunnan Province (《雲南省水富縣城市污水處理廠投資項目特許經營協議》) provided by the appraised entity, the operation period of wastewater treatment of Shuifu Water Industry Investment Co., Ltd.\* is 30 years. Therefore, finite years are adopted as the income period in this evaluation, of which the first stage of forecast period is 5 years from 1 January 2022 to 31 December 2026. At this stage, according to the historical performance and future market analysis of the appraised entity, the income situation will gradually stabilize; the second stage is from 1 January 2027 to 30 April 2041. At this stage, the net cash flow of the appraised entity will remain stable.

## VIII. FORECAST OF VALUE OF EQUITY CAPITAL

### (I) Determination of discount rate

#### 1. Risk-free rate of return $r_f$

After making enquiries on the website of China Asset Appraisal Association, the yield of treasury bonds provided by the China Central Depository & Clearing Co., Ltd. (CCDC) published on the website is shown in the following table:

**Rate of Return of Treasury Bonds in China**

Date	Term	Current day(%)
31 March 2022	March	2.00
	June	2.16
	1 year	2.24
	2 years	2.37
	3 years	2.46
	5 years	2.61
	7 years	2.78
	10 years	2.78
	30 years	3.33

The income period of the entrusted valuation subject is 21 years. According to the requirements of the Guidelines for Assets Appraisal Experts No. 12 — Measurement of Discount Rates in the Valuation of Enterprise Value by the Income Approach (ZPX [2020] No. 38), the yield to maturity of the treasury bonds can be used as the risk-free interest rate, but we should consider the matching between the remaining maturity of treasury bonds and the time period of corporate cash flow when selecting treasury bonds. Then the yield of 10-year treasury bonds is selected as the risk-free interest rate in this valuation, that is,  $r_f = 2.78\%$ .

## 2. *Determination of Market Risk Premium*

Market risk premium refers to the expected excess return required by investors for equity investment with the same average risk as the overall market, that is, the risk compensation that exceeds the risk-free interest rate. The market risk premium can usually be measured by using the historical risk premium data of the market. In this valuation, the long-term average rate of return of China's A-share market index is taken as the expected market rate of return  $r_m$ , and the part of the expected market rate of return that exceeds the risk-free interest rate is taken as the market risk premium.

According to the requirements of the Guidelines for Assets Appraisal Experts No. 12 — Measurement of Discount Rates in the Valuation of Enterprise Value by the Income Approach (ZPX [2020] No. 38), when calculating the market risk premium by using China's securities market index, representative indexes shall be selected in general, such as the Shanghai and Shenzhen 300 Index, Shanghai Securities Composite Index, etc.; when calculating the excess rate of return of the index in a historical period, the time span can be more than 10 years, the data frequency can be weekly or monthly, and the calculation method can be arithmetic average or geometric average.

According to the follow-up study on China's A-share market conducted by the Research Institute of Allied Asset Appraisal Group, and in combination with the provisions of the above guidelines, in the valuation process, the representative Shanghai Securities Composite Index is selected as the underlying index, the weekly and monthly basis is selected as the data frequency, the arithmetic average is used to calculate and annualized to the annual rate of return. Thereafter, the arithmetic average, geometric average and harmonic average are calculated respectively, and the expected market rate of return is determined after comprehensive analysis, that is,  $r_m = 10.46\%$ .

$$\text{Market risk premium} = r_m - r_f = 10.46\% - 2.78\% = 7.68\%.$$

## 3. *$\beta$ value*

The  $\beta$  coefficient is a sensitive coefficient to measure the sensitivity of individual enterprises to the average market risk rate of return. The valuation personnel selected the risk coefficient  $\beta$  without financial leverage in the industry in which Shuifu Water Industry Investment Co., Ltd.\* operates in the past three years through Wind Information. The specific data are shown in the following table:

<b>Name of segment</b>	<b>WIND — Water Industry</b>
Number of securities:	14
Underlying Index	CSI 300 Index
Calculation period	Week
Time range	1 January 2019
Calculation method of rate of return	General rate of return
Excluding financial leverage (D/E)	Based on market value ratio
Weighting method	Weighted average of total market value
Original beta	0.5425
Weighted adjusted Beta	0.6935
Weighted original Beta excluding financial leverage	0.3349
Weighted adjusted Beta excluding financial leverage	0.4316



The abovementioned average value of the adjustment  $\beta$  coefficient excluding financial leverage of the reference company of 0.4316 is used as the  $\beta$  coefficient of the appraised entity.

**4.  $\alpha$ : enterprise-specific risk ratio and characteristic risk adjustment coefficient of intangible assets;**

When determining the discount rate, it is necessary to consider the differences between the valuation subject and listed companies in terms of business size, business development stage, core competitiveness, dependence on upstream and downstream, financing capacity and financing cost, and stability of profit forecast, so as to determine the specific risk coefficient. During the valuation process, the valuers compared and analyzed the enterprise and the comparable listed companies, and obtained the characteristic risk adjustment coefficient, that is  $\alpha = 4\%$ . The specific adjustment is shown in the following table:

**Table of Specific Risk Adjustment Coefficient**

<b>Risk factors</b>	<b>Affecting factors</b>	<b>Adjustment coefficient</b>
Business size	The appraised entity has relatively poor business size compared with the average level of the comparable companies	0.5
Business development stage	Business of the enterprise are relatively simple as compared with comparable companies	0.5
Core competitiveness of business	The enterprise has signed a franchise agreement, with stronger core competitiveness	0.2
Dependence on upstream and downstream industries	The enterprise has relatively high concentration of corporate customers and dependent on customers, and weak bargaining capability	1.0
Financing capacity and financing cost	The enterprise has relatively poor financing ability (mainly relying on related parties to provide financial support) and high financing cost	1.0
Stability of profit forecast	The enterprise has relatively stable profit forecast, and the future annual growth rate is related to the industry level	0.3
Other factors	The enterprise has sufficient supporting information for profit forecast and high degree of realizability	0.5
Total		4.00

Finally, the cost of equity capital re of the appraised entity is obtained by the formula of  $R_e = r_f + \beta \times (r_m - r_f) + \alpha$ , of which the calculation results are shown in the discount rate table.

### 5. Debt ratio $W_d$ and equity ratio $W_e$

The debt ratio  $W_d$  and equity ratio  $W_e$  of the valuation subject are calculated by the formula of  $W_d = \frac{D}{(E + D)}$  and the formula of  $W_e = \frac{E}{(E + D)}$ , of which the calculation results are shown in the discount rate table.

### 6. Discount rate $r$ (WACC)

The above values are substituted into the weighted average cost of capital model  $WACC = r_d \times W_d + r_e \times W_e$  to obtain the discount rate  $r$ , that is, WACC, of which the calculation results are shown in the discount rate table.

**Table of Discount Rate**

	2022	2023	2024	2025	2026	From 2027 to January– April 2041
Equity ratio	1.00	1.00	1.00	1.00	1.00	1.00
Debt ratio	0.00	0.00	0.00	0.00	0.00	0.00
Loan weighted interest rate	0.00	0.00	0.00	0.00	0.00	0.00
Interest rate of treasury bonds	0.0278	0.0278	0.0278	0.0278	0.0278	0.0278
Rate of return of comparable companies	0.1046	0.1046	0.1046	0.1046	0.1046	0.1046
Applicable tax rate	15%	15%	15%	15%	15%	15%, 25%
Adjusted $\beta$	0.6935	0.6935	0.6935	0.6935	0.6935	0.6935
Excluding financial leverage $\beta$	0.4316	0.4316	0.4316	0.4316	0.4316	0.4316
Equity $\beta$	0.4316	0.4316	0.4316	0.4316	0.4316	0.4316
Characteristic risk adjustment coefficient	4%	4%	4%	4%	4%	4%
Cost of capital	10.09%	10.09%	10.09%	10.09%	10.09%	10.09%
Cost of debt (after tax)	0.00	0.00	0.00	0.00	0.00	0.00
WACC	10.09%	10.09%	10.09%	10.09%	10.09%	10.09%
Discount rate	10.09%	10.09%	10.09%	10.09%	10.09%	10.09%

## (II) Forecast of Value of Operating Assets

By substituting the expected net cash flow into the formula of  $P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_{n+1}}{r(1+r)^n}$ ,

the value of operating assets of the valuation object can be obtained, i.e. RMB34,559,900.

**(III) Forecast of Values of Surplus or Non-operating Assets**

It is verified that the value of partial assets (liabilities) existing in the books of the valuation object as at the base date is not considered in the estimation of net cash flow in this valuation, which is a surplus or non-operating assets (liabilities) other than the cash flow estimated in this valuation.

In this valuation, the value of surplus or non-operating assets (liabilities) is separately assessed based on the valuation results, and the appraised value of the surplus or non-operating assets (liabilities) of the valuation object as at the valuation reference date is:

$$C = C1 + C2 = -683.72 \text{ (RMB0'000)}$$

The details of the surplus or non-operating assets (liabilities) of the valuation object are shown in the following table.

Item	<i>Currency Unit: RMB0'000</i>	
	<b>Book value as at the valuation reference date</b>	<b>Appraised value as at the valuation reference date</b>
Value of surplus assets: $\Sigma C_i$	-683.72	-683.72
Current surplus assets (liabilities): C1	-686.38	-686.38
Of which: other receivables	1,144.75	1,144.75
Other current assets	14.23	14.23
Other payables	1,845.36	1,845.36
Non-current surplus assets (liabilities): C2	2.66	2.66
Of which: deferred income tax assets	2.66	2.66

**(IV) Forecast of Recovery of Working Capital**

The forecast period in this valuation is finite. In this valuation, it considers to recover working capital in April 2041, which is discounted to be RMB625,200 of working capital to be recovered as at the valuation reference date.

**(V) Determination of Value of Equity Capital**

The resulting value of the operating assets is  $P = 3,455.99$  (RMB0'000), the value of other surplus or non-operating assets as at the valuation reference date is  $C = -683.72$  (RMB0'000), and the recovery of working capital is  $I = 62.52$  (RMB0'000), substituted into the formula of  $B = P + I + C$  to obtain the enterprise value B of the valuation subject is  $B = 2,830.00$  (RMB0'000). The enterprise has interest-bearing debt  $D = 0.00$  (RMB0'000) as at the valuation reference date, and the value of entire shareholders' equity of the valuation subject is 2,830.00 (RMB0'000, rounded off).

\* For identification purposes only

## Table of Forecast on Cash Flows

Valuation reference date: 31 December 2021

Appraised entity:  
Shuifu Water Industry Investment Co., Ltd.\*Entrusting party:  
Yunnan Water Investment Co., Limited\*

Currency Unit: RMB0'000

Item	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	April 2041	
Operating income	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	224.22
Income growth rate	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	-0.6712
Less: operating costs	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	102.60
Gross profit margin	56.68%	56.68%	56.68%	56.68%	56.68%	56.68%	56.68%	56.68%	56.68%	56.68%	56.68%	56.68%	56.68%	56.68%	56.68%	56.68%	56.68%	56.68%	56.68%	56.68%	54.24%
Business taxes and surcharges	20.73	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	6.73
Taxes/revenue	3.04%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%	2.95%	3.00%
Sales expenses	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Sales expenses/income	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Administrative expenses	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	10.52
Administrative expenses/income	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%
R&D expenses	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
R&D expenses/income	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Finance expenses	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Assets impairment loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other revenue	3.54	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Operating profit	337.36	334.43	334.43	334.43	334.43	334.43	334.43	334.43	334.43	334.43	334.43	334.43	334.43	334.43	334.43	334.43	334.43	334.43	334.43	334.43	104.37
Non-operating income	33.87	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	13.45
Less: non-operating expenses	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total profit	371.23	375.35	375.35	375.35	375.35	375.35	375.35	375.35	375.35	375.35	375.35	375.35	375.35	375.35	375.35	375.35	375.35	375.35	375.35	375.35	117.82
Income tax rate	0.1457	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500
Less: income tax	54.09	56.30	56.30	56.30	56.30	56.30	56.30	56.30	56.30	93.84	93.84	93.84	93.84	93.84	93.84	93.84	93.84	93.84	93.84	93.84	29.46
Net profit	317.14	319.05	319.05	319.05	319.05	319.05	319.05	319.05	319.05	281.51	281.51	281.51	281.51	281.51	281.51	281.51	281.51	281.51	281.51	281.51	88.37
Net profit growth rate	69.6330	0.0060	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	-0.1176	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	-0.6861
Net profit margin on sales	46.50%	46.78%	46.78%	46.78%	46.78%	46.78%	46.78%	46.78%	46.78%	41.28%	41.28%	41.28%	41.28%	41.28%	41.28%	41.28%	41.28%	41.28%	41.28%	41.28%	39.41%
Verification	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Depreciation and amortization	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	33.20
Depreciation	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	0.89
Amortization	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	32.31
After-tax interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Additional capital	-87.64	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	122.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	-4.41
Increase in working capital	-90.30	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	-5.30
Asset renewal	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	122.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	0.89
Capital expenditure	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Net cash flow	489.25	400.85	400.85	400.85	400.85	400.85	400.85	400.85	400.85	363.31	243.31	363.31	363.31	363.31	363.31	363.31	363.31	363.31	363.31	363.31	125.98
Discount rate	0.1009	0.1009	0.1009	0.1009	0.1009	0.1009	0.1009	0.1009	0.1009	0.1009	0.1009	0.1009	0.1009	0.1009	0.1009	0.1009	0.1009	0.1009	0.1009	0.1009	0.1009
Discount period	0.5000	1.5000	2.5000	3.5000	4.5000	5.5000	6.5000	7.5000	8.5000	9.5000	10.5000	11.5000	12.5000	13.5000	14.5000	15.5000	16.5000	17.5000	18.5000	18.5000	18.8333
Discount coefficient	0.95	0.87	0.79	0.71	0.65	0.59	0.54	0.49	0.44	0.40	0.36	0.33	0.30	0.27	0.25	0.23	0.20	0.19	0.17	0.16	0.16
Discount rate	466.28	347.00	315.18	286.29	260.04	236.19	214.54	194.86	177.00	145.71	88.64	120.22	109.20	99.18	90.09	81.83	74.33	67.51	61.32	20.59	20.59
Value of operating assets: P	3,455.99	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Value of surplus assets: ΣCi	-683.72	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Working capital recovery	62.52	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Corporate value:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B = P + I + ΣCi	2,830.00	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Value of owner's equity attributable to parent company	2,830.00	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Book value of equity at valuation reference date	1,530.57	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
P/E ratio	315.14	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
P/B ratio	1.85	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Net assets	2,830.00	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Value of interest-bearing debt D	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Corporate value: B	2,830.00	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity ratio	1.00	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Debt ratio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Loan weighted interest rate	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Risk-free yield	0.0278	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Comparable company yield	0.1046	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Applicable tax rate	15%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Adjusted beta	0.6935	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Unleveraged beta	0.4316	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity beta	0.4316	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Characteristic risk coefficient	4%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cost of equity	0.1009	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Debt cost (after tax)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
WACC	0.1009	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Discount rate	0.1009	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Valuation agency: China United Assets Appraisal Group Co., Ltd.

### Table of Calculation for Discount Rate

Valuation reference date: 31 December 2021

Appraised entity: Shuifu Water Industry Investment Co., Ltd.*	Entrusting party: Yunnan Water Investment Co., Limited*
Name of segment	WIND — Water Industry
Number of securities:	14
Underlying index	CSI 300 Index
Calculation period	Week
Time range	1 January 2019 to 31 December 2021
Calculation method of rate of return	General rate of return
Excluding financial leverage (D/E)	Based on market value ratio
Weighting method	Weighted average of total market value
Original beta	0.5425
Weight-adjusted Beta	0.6935
Weighted original Beta excluding financial leverage	0.3349
Weighted adjusted Beta excluding financial leverage	0.4316

Source: Wind

## Table of Forecast on Working Capital

Valuation reference date: 31 December 2021

Appraised entity: Shuifu Water Industry Investment Co., Ltd.\* Entrusting party: Yunnan Water Investment Co., Limited\*

Item name	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	April	Currency Unit: RMB0'000				
																										2040	2041			
Total operating income	504.13	501.79	581.37	686.97	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	224.22			
Total operating costs	275.25	258.54	267.03	319.35	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	102.60			
Expenses for the period	91.14	92.55	73.20	72.51	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	10.52			
Sales expenses	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Administrative expenses	24.77	24.11	17.51	29.46	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	—			
R&D expenses	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Finance expenses	66.38	68.44	55.70	43.05	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—			
Absorption cost	366.40	351.09	340.23	391.86	327.45	327.45	327.45	327.45	327.45	327.45	327.45	327.45	327.45	327.45	327.45	327.45	327.45	327.45	327.45	327.45	327.45	327.45	327.45	327.45	327.45	327.45	113.12			
Non-cash costs	82.58	83.00	81.47	81.80	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	84.47	33.20			
Depreciation	1.81	1.71	—	—	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	0.89			
Amortization	80.77	81.29	81.47	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	32.31			
Out of pocket cost	283.81	268.09	258.76	310.06	242.98	242.98	242.98	242.98	242.98	242.98	242.98	242.98	242.98	242.98	242.98	242.98	242.98	242.98	242.98	242.98	242.98	242.98	242.98	242.98	242.98	242.98	79.92			
Minimum cash on hand	670.25	536.71	441.73	389.14	304.95	304.95	304.95	304.95	304.95	304.95	304.95	304.95	304.95	304.95	304.95	304.95	304.95	304.95	304.95	304.95	304.95	304.95	304.95	304.95	304.95	304.95	100.31			
Inventories	1.31	0.62	1.37	2.55	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	0.82			
Accounts receivable	1,251.79	1,052.78	1,145.63	866.58	860.32	860.32	860.32	860.32	860.32	860.32	860.32	860.32	860.32	860.32	860.32	860.32	860.32	860.32	860.32	860.32	860.32	860.32	860.32	860.32	860.32	860.32	282.84			
Accounts payable	34.46	25.47	71.74	4.59	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	1.47			
Working capital	1,889.19	1,564.65	1,516.99	1,253.68	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	1,163.38	382.49			
Increase in working capital	—	—	—	—	-90.30	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	-5.30		
Cash turnover rate	0.42	0.50	0.59	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80		
Cash turnover days	850.56	720.71	614.54	451.82	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24			
Inventory turnover rate	210.14	415.84	194.59	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24	125.24			
Inventory turnover days	1.71	0.87	1.85	2.87	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—			
Accounts receivable turnover rate	0.40	0.48	0.51	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79			
Accounts receivable turnover days	893.91	755.31	709.40	454.12	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58			
Accounts payables turnover rate	7.99	10.15	3.72	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58	69.58		
Accounts payable turnover days	45.07	35.47	96.71	5.17	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—			

## Table of Forecast on Operating Income

Valuation reference date: 31 December 2021

Appraised entity: Shuifu Water Industry Investment Co., Ltd.\* Entrusting party: Yunnan Water Investment Co., Limited\*

Product name	Item	Unit	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	April	
																										2041	
Income from sewage treatment	Sales income	RMB0'000	504.13	501.79	581.37	686.97	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	224.22
	Cost of sales	RMB0'000	275.25	258.54	267.03	319.35	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	102.60
	Designed capacity	10,000 tons	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	180.00
	Actual capacity	10,000 tons	463.41	451.15	460.64	464.32	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	151.87
	Actual sales	10,000 tons	463.41	451.15	460.64	464.32	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	151.87
	Sales price per unit	RMB/ton	1.09	1.11	1.26	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48
	Sales cost per unit	RMB/ton	0.59	0.57	0.58	0.69	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.68
	Gross profit margin	%	45.40	48.48	54.07	53.51	56.68	56.68	56.68	56.68	56.68	56.68	56.68	56.68	56.68	56.68	56.68	56.68	56.68	56.68	56.68	56.68	56.68	56.68	56.68	56.68	54.24
	Total	Total operating income	RMB0'000	504.13	501.79	581.37	686.97	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	682.00	224.22
		Total operating costs	RMB0'000	275.25	258.54	267.03	319.35	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	102.60

## Table of Forecast on Non-operating Income

Valuation reference date: 31 December 2021

Appraised entity: Shuifu Water Industry Investment Co., Ltd.\* Entrusting party: Yunnan Water Investment Co., Limited\*

Product name	Item	Unit	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	April 2041		
			Currency Unit: RMB0'000																									
VAT exemption refund	Designed capacity	10,000 tons	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	547.50	180.00	
	Actual capacity	10,000 tons	463.41	451.15	460.64	464.32	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	151.87
	Actual sales	10,000 tons	463.41	451.15	460.64	464.32	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	151.87
Total	Unit price of VAT	RMB/ton	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	
	Total non-operating income	RMB0'000	33.87	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	13.45	



## Table of Forecast on Operating Costs

Valuation reference date: 31 December 2021

Appraised entity: Shuifu Water Industry Investment Co., Ltd.\*

Entrusting party: Yunnan Water Investment Co., Limited\*

Category	Item	Unit	Currency Unit: RMB0'000																	April 2041								
			2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		2035	2036	2037	2038	2039	2040		
Wastewater treatment costs	Flocculant	RMB0'000	2.01	2.57	3.02	4.47	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	4.89	1.61		
	Electric power	RMB0'000	63.58	46.75	57.64	58.19	57.89	57.89	57.89	57.89	57.89	57.89	57.89	57.89	57.89	57.89	57.89	57.89	57.89	57.89	57.89	57.89	57.89	57.89	57.89	57.89	19.03	
	Salary and surcharges	RMB0'000	71.23	71.97	59.22	67.12	66.78	66.78	66.78	66.78	66.78	66.78	66.78	66.78	66.78	66.78	66.78	66.78	66.78	66.78	66.78	66.78	66.78	66.78	66.78	66.78	21.95	
	Travel expense	RMB0'000	1.25	1.55	0.45	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.30	
	Office expense	RMB0'000	1.28	0.63	5.10	1.16	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	0.38	
	Water and electricity fee	RMB0'000	0.65	1.64	2.10	1.15	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	0.38	
	Communication fee	RMB0'000	0.97	0.95	0.96	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.24	
	Machine and material consumption	RMB0'000	3.07	3.91	4.06	5.81	5.78	5.78	5.78	5.78	5.78	5.78	5.78	5.78	5.78	5.78	5.78	5.78	5.78	5.78	5.78	5.78	5.78	5.78	5.78	5.78	1.90	
	Freight and miscellaneous charges	RMB0'000	0.01	1.81	2.97	3.21	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19	1.05	
	Inspection and detection fee	RMB0'000	0.59	1.37	2.32	1.90	2.08	2.08	2.08	2.08	2.08	2.08	2.08	2.08	2.08	2.08	2.08	2.08	2.08	2.08	2.08	2.08	2.08	2.08	2.08	2.08	0.68	
Reagent costs	RMB0'000	2.55	1.45	6.86	19.74	21.60	21.60	21.60	21.60	21.60	21.60	21.60	21.60	21.60	21.60	21.60	21.60	21.60	21.60	21.60	21.60	21.60	21.60	21.60	21.60	7.10		
Amortization of	franchise rights	RMB0'000	80.77	81.29	81.47	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	81.80	32.31	
	Online testing costs	RMB0'000	10.80	11.49	8.63	7.98	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	8.49	2.83	
	Sludge disposal costs	RMB0'000	18.85	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	20.63	6.78	
	Technical service fee	RMB0'000	20.17	25.00	23.68	27.82																						
	Repair expense	RMB0'000	0.92	1.11	1.66	5.85	5.82	5.82	5.82	5.82	5.82	5.82	5.82	5.82	5.82	5.82	5.82	5.82	5.82	5.82	5.82	5.82	5.82	5.82	5.82	5.82	1.91	
	Others	RMB0'000	15.40	5.05	6.86	12.65	12.59	12.59	12.59	12.59	12.59	12.59	12.59	12.59	12.59	12.59	12.59	12.59	12.59	12.59	12.59	12.59	12.59	12.59	12.59	12.59	4.14	
	Total price statistics	RMB0'000	275.25	258.54	267.03	319.34	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	102.60	
	Output	10,000 tons	463.41	451.15	460.64	464.32	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	461.93	151.87	
	Unit price of flocculant	RMB0'000/10,000 tons	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	
	Unit price of electric power	RMB0'000/10,000 tons	0.14	0.10	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	
Unit price of salary and surcharges	RMB0'000/10,000 tons	0.15	0.16	0.13	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14		
Unit price of travel expense	RMB0'000/10,000 tons	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Unit price of office expense	RMB0'000/10,000 tons	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		

Category	Item	Unit	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	April 2041	
	Unit price of water and electricity fee	RMB0'000/10,000 tons	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Unit price of communication fee	RMB0'000/10,000 tons	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Unit price of machine and material consumption	RMB0'000/10,000 tons	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
	Unit price of freight and miscellaneous charges	RMB0'000/10,000 tons	0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
	Unit price of inspection and detection fee	RMB0'000/10,000 tons	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Unit price of reagent costs	RMB0'000/10,000 tons	0.01	0.00	0.01	0.04	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
	Unit price of amortization of franchise rights	RMB0'000/10,000 tons	0.17	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.21
	Unit price of online testing costs	RMB0'000/10,000 tons	0.02	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
	Unit price of sludge disposal costs	RMB0'000/10,000 tons	—	—	—	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
	Unit price of technical service fee	RMB0'000/10,000 tons	0.04	0.06	0.05	0.06	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Unit price of repair expense	RMB0'000/10,000 tons	0.00	0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
	Unit price of other expenses	RMB0'000/10,000 tons	0.03	0.01	0.01	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
	Unit price statistics	RMB0'000/10,000 tons	0.59	0.57	0.58	0.69	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.68
Total costs		RMB0'000	275.25	258.54	267.03	319.34	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	295.47	102.60
Total costs	Total unit price of costs	RMB0'000/10,000 tons	0.59	0.57	0.58	0.69	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.68

## Table of Forecast on Administrative Expenses

Valuation reference date: 31 December 2021

Item	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	April	
	Currency Unit: RMB0'000																									
Employee compensation	15.10	11.65	3.07	16.70	16.61	16.61	16.61	16.61	16.61	16.61	16.61	16.61	16.61	16.61	16.61	16.61	16.61	16.61	16.61	16.61	16.61	16.61	16.61	16.61	16.61	5.46
Depreciation charge	0.65	1.20	1.58	1.73	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	0.89
Office expenses	0.40	0.36	0.09	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.04
Postage	2.99	2.61	1.70	1.93	1.92	1.92	1.92	1.92	1.92	1.92	1.92	1.92	1.92	1.92	1.92	1.92	1.92	1.92	1.92	1.92	1.92	1.92	1.92	1.92	1.92	0.63
Vehicle usage fee	1.21	1.00	1.45	2.42	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	2.41	0.79
Travel expenses	3.45	6.71	6.57	6.54	6.54	6.54	6.54	6.54	6.54	6.54	6.54	6.54	6.54	6.54	6.54	6.54	6.54	6.54	6.54	6.54	6.54	6.54	6.54	6.54	6.54	2.15
Labor costs	4.41	3.85	2.92	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	24.76	24.11	17.51	29.46	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	10.52
Total administrative expenses	24.76	24.11	17.51	29.46	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	31.98	10.52





## Table of Forecast on Business Tax and Surcharges

Valuation Reference Date: 31 December 2021

Appraised entity: Shuifu Water Industry Investment Co., Ltd.\* Entrusting party: Yunnan Water Investment Co., Limited\*

Item	Tax rate (%)	Currency unit	Currency Unit: RMB0'000																				
			2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	April 2041	
Output VAT	6%	RMB0'000	7.05	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	40.92	13.45
Input VAT		RMB0'000	1.99	14.68	14.68	14.68	14.68	14.68	14.68	14.68	14.68	14.68	14.68	14.68	14.68	14.68	14.68	14.68	14.68	14.68	14.68	14.68	4.95
VAT payable		RMB0'000	5.06																				
Urban maintenance and construction tax	7%	RMB0'000	0.35																				
Education surcharge	3%	RMB0'000	0.15																				
Local education surcharge	2%	RMB0'000	0.10																				
Property tax		RMB0'000	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	0.49
Land use tax		RMB0'000	18.42	18.42	18.42	18.42	18.42	18.42	18.42	18.42	18.42	18.42	18.42	18.42	18.42	18.42	18.42	18.42	18.42	18.42	18.42	18.42	6.14
Vehicle and vessel usage tax		RMB0'000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Stamp duty		RMB0'000	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.07
Others			—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total		RMB0'000	20.73	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	20.13	6.73

### Table of Forecast on Asset Renewal

Valuation Reference Date: 31 December 2021

Item	Appraised entity: Shuifu Water Industry Investment Co., Ltd.*												Entrusting party: Yunnan Water Investment Co., Limited*							
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	April 2041
Asset renewal	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	0.89
Asset renewal											120.00									
Total Asset renewal	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	122.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	0.89

Currency Unit: RMB0'000

\* For identification purposes only



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

Dear Sirs,

**REPORT ON DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATIONS OF THE EQUITY INTERESTS IN THE TARGET COMPANIES (AS DEFINED BELOW)**

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

We have examined the calculations of the discounted future estimated cash flows on which the valuations prepared by China United Assets Appraisal Group Co., Ltd., dated 7 November 2022 in respect of the equity interests in Honghe Water Industry Investment Co., Ltd. and Shuifu Water Industry Investment Co., Ltd. (collectively referred to as the “**Target Companies**”), as at 31 December 2021 (the “**Valuations**”) is based. The Valuations, prepared in connection with the Target Companies is set out in the circular dated 25 April 2023 (the “**Circular**”). The Valuations which are based on the discounted future estimated cash flows are regarded as profit forecasts under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

**Directors’ Responsibilities**

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

**Reporting Accountant’s Independence and Quality Management**

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



Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountant's Responsibilities**

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

We conducted our engagement in accordance with the terms of our engagement letter dated 6 March 2023 and Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of the Target Companies. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

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

### **Opinion**

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

Yours faithfully,

**Moore Stephens CPA Limited**  
*Certified Public Accountants*

**Cheung Sai Kit**  
Practising Certificate Number: P05544

Hong Kong, 25 April 2023



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)**

25 April 2023

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

Dear Sirs,

**Re: Circular — Major Transaction in relation to the Disposals of 100% Equity Interest in Honghe Water and 100% Equity Interest in Shuifu Water**

We, Yunnan Water Investment Co., Limited (the “**Company**”) (stock code: 6839), refer to the circular of the Company dated 25 April 2023 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We refer to the Valuations conducted by China United Assets Appraisal Group Co., Ltd. (the “**Valuer**”), an independent valuer. The Valuations adopt an income approach which is based on the discounted cash flow forecast and is regarded as a profit forecast under Rule 14.61 of the Listing Rules. We have discussed with the Valuer the different aspects upon which the Valuations were prepared (including the principal and commercial assumptions) and have reviewed the Valuations for which the Valuer is responsible.

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

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

Yours faithfully,

On behalf of the Board  
**Yunnan Water Investment Co., Limited**  
**Mei Wei**  
*Chairman*

## 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 and 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
Mr. Zhou Zhimi	Beneficial owner	Domestic Shares	325,000 (L)	0.04	0.03

(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	Approximate percentage of the respective type of Shares in issue (%)	Approximate percentage of the total number of Shares in issue (%)
Green Environmental Protection <sup>1</sup>	Interests in controlled corporation, interests held jointly with another person	Domestic Shares	361,487,162 (L)	43.58	30.30
Mr. Huang Yunjian <sup>1</sup>	Interests in controlled corporation, interests held jointly with another person	Domestic Shares	361,487,162 (L)	43.58	30.30
Mr. Liu Xujun <sup>1</sup>	Interests in controlled corporation, interests held jointly with another person	Domestic Shares	361,487,162 (L)	43.58	30.30
Mr. Wang Yong <sup>1</sup>	Interests in controlled corporation, interests held jointly with another person	Domestic Shares	361,487,162 (L)	43.58	30.30
YHTH <sup>1</sup>	Interests in controlled corporation, interests held jointly with another person	Domestic Shares	361,487,162 (L)	43.58	30.30

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Type of Shares</b>	<b>Number of Shares</b>	<b>Approximate percentage of the respective type of Shares in issue (%)</b>	<b>Approximate percentage of the total number of Shares in issue (%)</b>
Beijing OriginWater	Beneficial owner	Domestic Shares	286,650,000 (L)	34.56	24.02
China National Petroleum Corporation <sup>2</sup>	Interests in controlled corporation	Domestic Shares	124,754,169 (L)	15.04	10.46
CNPC Capital Company Limited <sup>2</sup>	Interests in controlled corporation	Domestic Shares	124,754,169 (L)	15.04	10.46
CNPC Capital Limited <sup>2</sup>	Interests in controlled corporation	Domestic Shares	124,754,169 (L)	15.04	10.46
CNPC Assets Management Co., Ltd. <sup>2</sup>	Interests in controlled corporation	Domestic Shares	124,754,169 (L)	15.04	10.46
Ningbo Kunlun Xinyuan Equity Investment Management Partnership (Limited Partnership) <sup>2</sup>	Interests in controlled corporation	Domestic Shares	124,754,169 (L)	15.04	10.46
Kunlun Trust Co., Ltd. <sup>2</sup>	Interests in controlled corporation	Domestic Shares	124,754,169 (L)	15.04	10.46
Yantai Xinzhen Tianying Equity Investment Center (Limited Partnership) <sup>2</sup>	Beneficial owner	Domestic Shares	124,754,169 (L)	15.04	10.46
Caiyun International <sup>1</sup>	Beneficial owner	H Shares	8,449,000 (L)	2.32	0.71
YHTH <sup>1</sup>	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) Green Environmental Protection 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 Green Environmental Protection and H Shares held by Caiyun International pursuant to the SFO which representing approximately 31.01% of total issued Shares.

Huang Yunjian is the beneficial owner of 1,950,000 Domestic Shares.

Liu Xujun is the beneficial owner of 195,000 Domestic Shares.

Wang Yong is the beneficial owner of 585,000 Domestic Shares.

By virtue of the acting in concert agreement dated 24 July 2014 (the “**Acting in Concert Agreement**”) entered into between Green Environmental Protection, Liu Xujun, Huang Yunjian and Wang Yong, each of Liu Xujun, Huang Yunjian and Wang Yong agreed to act in concert with Green Environmental Protection in exercising their voting rights in the Shareholders’ meeting of the Company. Each of Green Environmental Protection, Liu Xujun, Huang Yunjian and Wang Yong is therefore deemed to be interested in all the Domestic Shares held by each other 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 2021, 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 Latest Practicable Date 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 Latest Practicable Date:

- (a) the equity acquisition and share issuance agreement dated 6 June 2021 entered into among Qianjiang Biochemical, Haining Water Investment Group and the Company in respect of the acquisition of equity interests from Haining Water Investment Group and the Company by Qianjiang Biochemical at the consideration of RMB2,103.2 million to be settled through the issuance of shares by Qianjiang Biochemical (the “**Equity Acquisition and Share Issuance Agreement**”);
- (b) the profit guarantee agreement dated 6 June 2021 entered into among Qianjiang Biochemical, Haining Water Investment Group and the Company to specify the arrangements in relation to the undertaking by Haining Water Investment Group and the Company as stipulated under the Equity Acquisition and Share Issuance Agreement to indemnify Qianjiang Biochemical in the event that Zhejiang Haiyun Environmental Protection fails to achieve any of the minimum net profit requirements as specified therein;
- (c) the equity transaction agreement and its supplemental agreement dated 1 July 2021 entered into between the Company and Yueyang Construction and Investment Group Co., Ltd.\* (岳陽市城市建設投資集團有限公司) in respect of the disposal of 51% equity interest held by the Company in Yueyang the Target Company Investment Co., Ltd.\* (岳陽市洞庭水務投資有限公司) at the consideration of RMB77,630,000;
- (d) the finance lease agreement dated 29 October 2021 (the “**Finance Lease Agreement**”) between Wuxi Zhongfa Water Investment Co., Ltd.\* (無錫中發水務投資有限公司), Hyflux NewSpring (Guanyun) Co., Ltd.\* (凱發新泉自來水(灌雲)有限公司), Hyflux NewSpring (Tiantai) Co., Ltd.\* (凱發新泉水務(天台)有限公司), Hyflux NewSpring (Changshu) Co., Ltd.\* (凱發新泉水務(常熟)有限公司) (together the “**Lessees**”, being the Company’s wholly-owned subsidiaries) and Shanghai Guojin Financial Leasing Co., Ltd. (“**Shanghai Guojin Leasing**”), pursuant to which Shanghai Guojin Leasing agreed to, among others, (i) acquire the all the facilities owned by the Lessees (the “**Leased Assets**”) at a consideration of RMB250,000,000, and (ii) lease back the Leased Assets to the Lessees with the lease term of six months;

- (e) the supplementary agreement dated 29 April 2022 between the Lessees and Shanghai Guojin Leasing, pursuant to which, among others, the lease term of the Leased Assets changed from “six months from the lease inception date” to “ten months from the lease inception date”;
- (f) the equity transaction agreement dated 3 November 2022 entered into between Yunnan Water (Hong Kong) Company Limited (“**Yunnan Water (Hong Kong)**”, being the Company’s wholly-owned subsidiary) and Global Environment Investment (HK) Limited (“**Global Environment Investment**”), pursuant to which, Yunnan Water (Hong Kong) agreed to sell, and Global Environment Investment agreed to acquire, 100% interest in Yunshui Technology Co., Ltd\* (雲水科技有限公司) at the consideration of RMB296,259,700;
- (g) the equity transaction agreement dated 20 December 2022 entered into between Hyflux Utility WWT (MG) Limited (“**Hyflux Utility**”, being a wholly-owned subsidiary of the Company, incorporated in Singapore with limited liability) and CGN Environmental Protection Industry Co. Ltd. (中廣核環保產業有限公司) (“**CGN Environmental Protection**”), pursuant to which, Hyflux Utility has agreed to sell, and CGN Environmental Protection has agreed to acquire, 100% equity interest in Hyflux NewSpring Waste Water Treatment (Mingguang) Co., Ltd.\* (凱發污水處理(明光)有限公司) at the consideration of RMB96,523,000;
- (h) the equity transaction agreement dated 28 December 2022 entered into between the Company and CGN Environmental Protection, pursuant to which, the Company has agreed to sell, and CGN Environmental Protection has agreed to acquire, 100% equity interest in Lu’an Yeji Yunshui Water Investment Co., Ltd.\* (六安市葉集區雲水水務投資有限公司) at the consideration of RMB87,295,900;
- (i) the Honghe Equity Transaction Agreement; and
- (j) the Shuifu Equity Transaction Agreement.

## 9. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts which have given their opinion and/or advice as contained in this circular:

Name	Qualification
China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司)	Professional valuer
Moore Stephens CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the above experts:

- (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 2021 (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 each of the above experts 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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 ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company ([www.yunnanwater.com.cn](http://www.yunnanwater.com.cn)) for a period of 14 days from the date of this circular:

- (a) Equity Transaction Agreements;
- (b) the letters on profit forecast issued by Moore Stephens CPA Limited and the Board, the texts of which are set out in Appendices III and IV to this circular;
- (c) the Valuation Reports, set out in Appendix II to this circular;
- (d) the written consent referred to in the paragraph headed “Experts and Consents” in this appendix;
- (e) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;  
and
- (f) this circular.