

Your Ref:

Our Ref: 137339/2024/GEN/ATGCO05F

26 July 2024

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

**Strictly Private & Confidential**

Dear Sirs,

**YUNNAN WATER INVESTMENT CO., LIMITED DIRECTORS' STATEMENT OF SUFFICIENCY  
OF WORKING CAPITAL**

We refer to the board memorandum dated 26 July 2024, which has been prepared by the directors of Yunnan Water Investment Co., Limited (the "Company") in connection with their statement relating to the sufficiency of working capital of the Company and its subsidiaries (collectively referred to as the "Group") (the "Statement") contained in section headed "Working Capital" in the Appendix I – Financial Information of the Group in the circular dated 26 July 2024 (the "Circular"). Copies of the board memorandum and extracts of the Circular, for which the directors of the Company are solely responsible, are attached hereto and stamped by us solely for the purpose of identification.

**Directors' responsibilities**

The Company's directors are solely responsible for the Statement and the board memorandum, including the working capital forecast therein, in support of the Statement.

**Our 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 (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, 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.



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The Directors  
Yunnan Water Investment Co., Limited

### **Reporting accountants' responsibilities**

Our responsibility to express an opinion on the Statement and to report our opinion to you.

We conducted our engagement in accordance with the terms of our engagement letter dated 6 June 2024 and Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether the Company's directors have made the Working Capital Statement, in the form and context in which it is made, after due and careful enquiry. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the working capital forecast is based and applying analytical procedures to financial data in the working capital forecast. It 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.

### **Opinion**

On the basis of our procedures, we report that:

- (a) in our opinion, the Statement has been made by the directors of the Company after due and careful enquiry;
- (b) the persons or institutions providing finance have confirmed to us in writing the existence of the facilities in the amount of nil as of 31 May 2024 that are shown to be required by the Group's working capital forecast; and
- (c) direct confirmations have not been received as of the date of this letter for facilities in the amount of RMB3,630,353,040 that are shown to be required by the Company's working capital forecast. We have relied on the source document reviewed as alternative procedures, e.g. signed loan agreements between the lenders and the Group, and direct confirmation for facilities in the amount of RMB1,902,162,577 as of 30 April 2024 as alternative evidence of the existence of these facilities.

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Yunnan Water Investment Co., Limited

### **Other matters**

Without qualifying our opinion, we draw your attention to the sensitivity factors set out in paragraph 4 of the board memorandum.

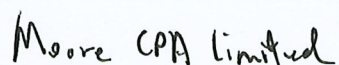
Furthermore, the Statement is based on the Company's forecasts and estimation of future transactions and cash flows and other assumptions about the future. Actual cash flows are likely to be different from those estimated or forecast since anticipated events frequently do not occur as expected and unforeseen events may arise, and their impact on estimates and forecasts may be material.

We make no representation regarding the sufficiency for your purposes of the aforementioned procedures.

### **Intended users and purpose**

This letter has been prepared in connection with the proposed disposal of, 75% interest in Wuxi Zhongfa Water Investment Co., Ltd., 100% equity interest in Wuxi Yunshui Water Investment Co., Ltd. and 100% equity interest in Wuxi Ehu Yunshui Water Investment Co., Ltd. (the "Disposal"). It should not be relied upon by any party for any other purpose and we expressly disclaim any liability or duty to any party in this respect. It should not be disclosed, referred to or quoted in whole or in part without our prior written consent, nor is it to be filed with or referred to in whole or in part in the Circular or any other document.

Yours faithfully,



**Moore CPA Limited**  
Certified Public Accountants

**Pak Chi Yan**  
Practising Certificate Number: P06923  
Hong Kong, 26 July 2024

cc: The Stock Exchange of Hong Kong Limited



**YUNNAN WATER INVESTMENT CO., LIMITED (THE “COMPANY”) AND ITS SUBSIDIARIES**  
**WORKING CAPITAL STATEMENT (EXTRACTED FROM SECTION HEADED “WORKING CAPITAL”**  
**IN THE CIRCULAR)**

The Group reported a net loss of RMB994,606,000 for the year ended 31 December 2023 and the Group's current liabilities exceeded its current assets by RMB2,197,867,881 as at 31 May 2024. As at the same date, the Group's total borrowings amounted to RMB30,874,026,917, of which current borrowings amounted to RMB1,597,104,960, while its cash and cash equivalents amounted to RMB761,976,540 only. The Group had capital commitments of approximately RMB7,273,852,604 as at 31 May 2024, which were mainly related to various concession projects and construction projects of the Group.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. In order to mitigate the liquidity pressure, to improve its financial position, and to sustain the Group as a going concern, certain plans and measures have been and will be taken by the Group which include, but are not limited to, the following:

- (i) The Group has plans to divest certain of the Group's concession projects and construction projects. In the meantime, the Group is also actively looking for strategic investors to invest in certain existing projects of the Group so as to enhance the capital structure and reduce overall financing expenses of the Group;
- (ii) 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. The Group has unutilised project loan facilities from banks to provide financing of up to RMB4,577,991,000 to satisfy part of the construction cost payable and committed capital expenditure in the next twelve months from 31 December 2023. The Group has also initiated the process to obtain new project loans to fund the Group's existing and new concession projects and construction projects. The Directors believe that these unutilised facilities will continue to be available to the Group and they are confident that they will be able to obtain such project loans from banks and other financial institutions as and when needed; and
- (iii) The Group will actively obtain additional new sources of financing as and when needed.

On the basis of the successful implementation of the plans and measures described above in the foreseeable future and after assessing the Group's current and forecasted cash positions, taking into account the net proceeds of the Disposal, the Directors are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within 12 months from the date of this circular.



24 June 2024

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

Dear Sirs,

**RE: ANNOUNCEMENT —  
MAJOR TRANSACTION  
DISPOSAL OF THE DISPOSAL EQUITIES**

We, Yunnan Water Investment Co., Limited (the “**Company**”) (stock code: 6839), refer to the announcement of the Company dated 24 June 2024 (the “**Announcement**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

We refer to the Valuations conducted by Vocation (Beijing) International Assets Appraisal Co., Ltd. (沃克森(北京)國際資產評估有限公司)(the “**Valuer**”), an independent valuer. The Valuations adopt the 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 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 CPA Limited which was prepared in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants, as set out in Appendix I to the Announcement.

On the basis of the above, we confirm that the 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*