THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution 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 with the accompanying form of proxy to the purchaser or to the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale 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)

CONTINUING CONNECTED TRANSACTIONS
THE PROCUREMENT MASTER AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

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

光銀國際 CEB INTERNATIONAL

The EGM of Yunnan Water Investment Co., Limited* will be held at 10:00 a.m. on Monday, 20 October 2025 at Conference Room 5th Floor, Yunnan Water, 2089 Haiyuan Bei Road, Gaoxin District, Kunming, Yunnan Province, the PRC. A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. The proxy form for the EGM is enclosed herewith, and the same is also published on the website of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.yunnanwater.com.cn).

Whether or not you are able to attend the EGM, you are advised to complete and sign and return as soon as possible the enclosed proxy form in accordance with the instructions printed thereon. The proxy form for holders of H Shares should be returned to the Company's H Share registrar in Hong Kong, Tricor Investor Services Limited, located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, and the proxy form for holders of Domestic Shares should be returned to the secretariat of the Board at 5th Floor, Yunnan Water, 2089 Haiyuan Bei Road, Gaoxin District, Kunming, Yunnan Province, the PRC by no later than 24 hours before the time appointed for convening the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM, or any adjourned meeting, in person if you so wish.

* *For identification purposes only*

29 September 2025

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Notice of EGM EGM-1

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

"associate(s)"	has the meaning ascribed to it by the Listing Rules
"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), a substantial shareholder of the Company
"Beijing OriginWater Group"	Beijing OriginWater and its subsidiaries
"Board"	the board of Directors
"Caiyun International"	Caiyun International Investment Limited (彩雲國際投資有限公司), a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of YHTH
"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, the H Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6839)
"connected person(s)"	has the meaning ascribed to it by the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it by the Listing Rules
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	the issued ordinary shares at the nominal value of RMB1.00 per share in the share capital of the Company which are subscribed for or credited as paid up in RMB
"EGM"	the extraordinary general meeting of the Company to be held for the purpose of considering and, if thought fit, approving, among others, the Procurement Master Agreement and the proposed annual caps
"EGM Notice"	the notice convening the EGM as set out at pages EGM-1 to EGM-2 of this circular
"EPC"	engineering, procurement and construction
"Group"	the Company and its subsidiaries

"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, the Company's controlling shareholder
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"H Share(s)"	the issued ordinary shares at the 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
"Independent Board Committee"	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Liu Shuen Kong, Mr Zhou Beihai and Mr. Zhong Wei, established to make recommendation to the Independent Shareholders in respect of the Transactions
"Independent Financial Adviser" or "CEB International"	CEB International Capital Corporation Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Procurement Master Agreement and the proposed annual caps
"Independent Shareholders"	the Shareholders who are not prohibited or required to abstain from voting on the resolution approving the Transactions at the EGM
"Latest Practicable Date"	29 September 2025, being the latest practicable date for ascertaining certain information referred to in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"membrane"	a selective barrier that allows the passage of certain constituents and retains other constituents found in the liquid with the degree of selectivity of membranes depending on the membrane pore size, according to which the membranes can be classified as microfiltration, ultrafiltration, nanofiltration and reverse osmosis membranes
"membrane ancillary materials"	any materials, equipment and components in relation to membrane production

"PRC"	the People's Republic of China, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Procurement Master Agreement"	the agreement dated 13 August 2025 entered into by the Company and Beijing OriginWater relating to the purchase of membrane ancillary materials by the Group from the Beijing OriginWater Group
"Proposed Annual Caps"	the maximum aggregate annual amounts for the transactions contemplated under the Procurement Master Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, including the H Shares and Domestic Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it by the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it by the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"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 incorporated in the PRC and the Company's controlling shareholder
"%"	per cent

* *The English translation of Chinese name(s) in this circular, where indicated, is included for information only, and should not be regarded as the official English name(s) of such Chinese name(s).*

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. Zheng Guangfeng *(Vice chairman)*
Ms. Wang Rui
Mr. Liu Hui

Non-executive Directors:
Mr. Mei Wei *(Chairman)*
Mr. Dai Richeng
Mr. Xia Lin

Independent Non-executive Directors:
Mr. Liu Shuen Kong
Mr. Zhong Wei
Mr. Zhou Beihai

Registered office:
Yunnan Water
2089 Haiyuan North Road
Gaoxin District
Kunming, Yunnan Province
PRC

Principal place of business in Hong Kong:
Suite 3110-11
31/F, Tower 1, The Gateway, Harbour City
25 Canton Road, Tsim Sha Tsui
Kowloon
Hong Kong

29 September 2025

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS THE PROCUREMENT MASTER AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 13 August 2025.

The purpose of this circular is to provide you with, among other things, (i) further particulars of the Procurement Master Agreement and the transactions contemplated thereunder; (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information as required under the Listing Rules; and (v) the notice of the EGM.

THE PROCUREMENT MASTER AGREEMENT

Date	13 August 2025 (after trading hours)
Parties	(1) The Company; and (2) Beijing OriginWater As at the Latest Practicable Date, Beijing OriginWater holds approximately 24.02% of the total issued share capital of the Company (including Domestic Shares and H Shares), and is a substantial shareholder of the Company. Hence, Beijing OriginWater is a connected person of the Company under Chapter 14A of the Listing Rules.
Subject matter	Members of the Group will procure membrane ancillary materials from the Beijing OriginWater Group.
Term and termination	The term of the Procurement Master Agreement commences from 13 August 2025 and ends on 31 December 2027. Any party may terminate the Procurement Master Agreement by serving the other party a written notice of not less than 30 days in advance.
Price determination and pricing policy	The price of the products to be procured by the Group shall be no less favorable than the market price of relevant product at the time when the individual procurement agreement is entered into. The market price shall be determined in accordance with (i) the price and terms of the type of products quoted by no less than two independent suppliers on normal commercial terms in the ordinary course of businesses in the PRC; or (ii) in the event that (i) is inapplicable, it shall be determined by both parties to the Procurement Master Agreement on fair and reasonable basis and on normal commercial terms and credit terms.

The Group conducts public tender before entering into individual procurement agreement. The tender documents specify the number of bidders required for the public tender which shall generally be no less than three, as well as the relevant tender requirements and selection criteria including without limitation the ceiling price (which is the highest price that the Group can accept for the procurement), material specifications, requirements for associated services, after-sales support and warranty (where applicable) etc.. If the number of bidders in the first round of public tender is less than three, a second round of public tender will be conducted. If the number of bidders is still less than three, the Group will undergo direct negotiations with the participating bidders. The Group will only enter into individual procurement agreement with selected participating bidder if the negotiated terms (including price and quality assurance) meet the tender requirements.

In respect of the price determination process, the Group sets a ceiling price in the tender documents (which is the highest price that the Group can accept for the procurement). The Group determines the ceiling price by reference to the followings: (i) historical price: retrieving the procurement contract prices and winning bid prices for membrane ancillary materials of the same specification from the past one to two years; (ii) market inquiry: sending written inquiries to at least three qualified suppliers (who must meet qualification requirements such as a production license and ISO certification) to obtain quotations; and (iii) industry database benchmarking: referencing market prices or guidance prices for membrane products published by third-party industry platforms (such as "My Plastic Net" ("我的塑料網") or the "China Membrane Industry Association Data Platform" ("中國膜工業協會數據平臺") or cost consulting agencies (such as Glodon (廣聯達) or Jianxin Cost (建信造價)), and taking take into account the volume of individual procurement to make appropriate adjustments.

Based on the above, the Directors (except for Mr. Dai Richeng, the non-executive Director) believe that the aforesaid pricing policy and procedure can ensure the relevant continuing connected transactions will be conducted in accordance with the terms under the Procurement Master Agreement and are of the view that the Procurement Master Agreement was entered into on an arm's length basis and on normal commercial terms, and the terms thereof are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Payment terms

The Group will enter into individual procurement agreements with Beijing Originwater Group for each procurement. Typically, (i) 30% advance payment of the total contract value will be made upon signing the individual procurement agreement, (ii) 55% payment upon delivery of goods; (iii) 10% payment upon successful installation and commissioning, and acceptance by the Group; and (iv) remaining 5% as warranty amount to be paid within one year after acceptance.

Condition precedent

The Procurement Master Agreement shall be effective upon the Company having obtained the Independent Shareholders' approval pursuant to the Listing Rules, and the Procurement Master Agreement being approved by the board of directors of Beijing OriginWater.

Historical transaction amounts

The historical transaction amounts in respect of the procurement of membrane ancillary materials between the Group and the Beijing OriginWater Group for the three years ended 31 December 2022, 2023 and 2024 are set out below:

	Historical transaction amounts			Period from 1 January 2025 up to the date of the signing of the Procurement Master Agreement
	Year ended 31 December 2022	Year ended 31 December 2023	Year ended 31 December 2024	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
The historical transaction amounts				
— Procurement of membrane ancillary materials	256	—	8,588	—

Proposed Annual Caps

The Proposed Annual Caps for the transactions contemplated under the Procurement Master Agreement for the three years ending 31 December 2027 are set out below:

	Proposed Annual Caps for the year ending 31 December		
	2025 (from the date of signing the Procurement Master Agreement)	**2026**	**2027**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Proposed Annual Caps			
— Procurement of membrane ancillary materials	79,000	65,000	56,000

In arriving at the above Proposed Annual Caps, the Directors have taken into account a number of factors, in particular: (i) the size and number of projects expected to be constructed by the Group; (ii) the estimated quantity of membrane ancillary materials required by the Group; and (iii) the estimated market price of membrane ancillary materials.

Since its establishment, the Group has implemented a total of (a) 35 wastewater treatment projects utilizing MBR membrane technology, with a treatment capacity of 868,100 cubic meters per day; and (b) 12 water supply projects employing ultrafiltration membrane technology, with a treatment capacity of 380,000 cubic meters per day. The earliest MBR membrane project was commissioned in 2015 with more than nine years ago, while the normal service life of MBR membranes is typically five to seven years. The earliest ultrafiltration membrane project was commissioned in 2013, with more than 12 years ago, while the normal service life of ultrafiltration membranes is generally six to eight years. As a result, the Group's current membrane-based wastewater and water supply projects generally suffer from issues such as membrane aging, broken membrane fibers, and severe decline in membrane flux due to prolonged use of membrane equipment, which significantly impact project capacity and hence lead to failure in meeting operational requirements. In view of the above, the Group intends to replace by phases the MBR membrane modules in its wastewater treatment projects and the ultrafiltration membrane modules in its water supply projects. The Company began planning for the aforesaid membrane replacement in its water treatment and water supply projects in early 2025. Given the number of projects involved, substantial preparatory arrangements were conducted in the first half of 2025 including inspection and analysis of the existing membrane modules, ascertaining the numbers and types of membrane ancillary materials for replacement, formulating replacement schedules as well as attending to internal approval procedures.

The Company plans to commence implementation of membrane replacement and hence procurement of the necessary membrane ancillary materials from the second half of 2025. The Group has conducted an inspection and statistical analysis of the membrane modules used in relevant projects and estimates the demand for membrane ancillary materials for the next three years as follows:

1. In the second half of 2025, the Group plans to replace (a) 217 sets of MBR membrane modules across 24 wastewater treatment projects, with an estimated cost of RMB58,590,000; and (b) 1,588 units and 30 sets of ultrafiltration membrane modules across five water supply projects, with an estimated cost of RMB20,280,000.

2. In 2026, the Group plans to replace (a) 218 sets of MBR membrane modules across 33 wastewater treatment projects, with an estimated cost of RMB58,860,000; and (b) 808 units of ultrafiltration membrane modules across three water supply projects, with an estimated cost of RMB6,060,000.

3. In 2027, the Group plans to replace (a) 178 sets of MBR membrane modules across 30 wastewater treatment projects, with an estimated cost of RMB48,060,000; and (b) 940 units of ultrafiltration membrane modules across five water supply projects, with an estimated cost of RMB7,050,000.

Based on the above assessment, the Group sets the Proposed Annual Caps as RMB79 million, RMB65 million and RMB56 million for the years ending 31 December 2025, 2026 and 2027, respectively. As such, there is a substantial increase in the Proposed Annual Cap for the year ending 31 December 2025 as compared to the historical transaction amount in the year ended 31 December 2024.

INTERNAL CONTROL MEASURES

The Company has implemented the following measures to regulate and monitor the conduct of transactions under the Procurement Master Agreement:

1. The Company will carry out internal procurement procedure prior to entering into individual procurement agreements. Under such procedure, the Group will obtain and compare contemporaneous quotations from at least three suppliers (including at least two independent third-party suppliers) for similar materials, and select suppliers through public tender. For further details of the tender process, please refer to "The Procurement Master Agreement — Price determination and pricing policy" above. The Group will observe the prevailing market trends, prices, and rates for similar materials with reference to publicly available information or the Company's records (including historical transaction prices and industry data). In the course of selection of supplier and on reaching an agreement on the terms of individual transaction, the Group will take into account range of factors, including unit price, type, brand, material specifications, associated services, after-sales support, warranty provided, supplier's experience and reputation in the industry. The Company believes that these measures enable it to monitor market developments, review and compare proposed price terms to ensure they are fair, reasonable, and consistent with normal commercial terms.

The Group will only enter into new individual procurement agreements with members of Beijing Originwater Group when: (i) the member company is selected as a supplier through the aforementioned internal procurement procedure of the Group; (ii) the terms (including pricing terms) offered by such member company of Beijing Originwater Group are on normal commercial terms or better, and are not less favorable than the contemporaneous quotations for similar materials available to the Group; (iii) the proposed transaction complies with the pricing principle of the Procurement Master Agreement; and (iv) the Proposed Annual Cap is not exceeded.

2. The Group's project operation center will monitor transactions contemplated under the Procurement Master Agreement to check that they are conducted in accordance with the Procurement Master Agreement and the corresponding individual procurement agreement. The Group's securities department and finance department will monitor and review the transaction amounts from time to time to ensure that transactions are conducted at pricing agreed under the individual procurement agreements and that the transaction amounts remain within the ambit of the individual procurement agreements and the Proposed Annual Cap.

3. The Company's management will also monitor and review transactions with Beijing Originwater Group to assess whether such transactions have complied with the Company's established procedures and controls, and compliance with the Procurement Master Agreement. If the Company's management anticipates that the Proposed Annual Cap is soon to be exceeded, or if a material change to the terms of the Procurement Master Agreement is required, the Company will take necessary actions in accordance with the applicable requirements of the Listing Rules.

4. The continuing connected transactions will be subject to annual review by independent non-executive Directors in accordance with Rule 14A.55 of the Listing Rules, and by the Company's external auditors in accordance with Rule 14A.56 of the Listing Rules.

The Company considers that it has adequate measures for governing the conduct of the transactions contemplated under the Framework Agreement, and for ensuring that they will be conducted in a manner that are fair and reasonable, on normal commercial terms or better, and in the interests of the Company and the Shareholders as a whole.

IMPLEMENTATION OF AGREEMENTS

It is expected that the Group will enter into individual procurement agreement with the Beijing OriginWater Group from time to time and as necessary. The individual procurement agreement is expected to contain more detailed terms of the transactions which should reflect the binding principles, guidelines and terms and conditions as provided under the Procurement Master Agreement.

As the individual procurement agreement provides for the purchases and sales of membrane ancillary materials under the Procurement Master Agreement, such individual procurement agreement, when entered into, will not constitute a new category of connected transactions and will be within the scope of the Procurement Master Agreement and the Proposed Annual Caps. The Company will comply with the relevant Listing Rules if and when the amount of transactions contemplated under the Procurement Master Agreement is likely to exceed the Proposed Annuals Caps.

REASONS FOR ENTERING INTO THE PROCUREMENT MASTER AGREEMENT

The Group has from time to time purchased membrane ancillary materials from the Beijing OriginWater Group. The Beijing OriginWater Group has provided stable supply of membrane ancillary materials in accordance with the quality requirements and standards as required by the Group in order to ensure the product quality of the Group and enhance the recycling efficiency and confidentiality of the Group's technologies. Moreover, after taking into account the prices quoted by the Beijing OriginWater Group as compared to those quoted by independent suppliers, the Directors (except for Mr. Dai Richeng, a non-executive Director) consider that it is in the interests of the Group and the Shareholders as a whole to enter into the Procurement Master Agreement and continue to procure membrane ancillary materials from the Beijing OriginWater Group.

GENERAL INFORMATION OF THE PARTIES TO THE PROCUREMENT MASTER AGREEMENT

The Group is one of the leading integrated service providers in the urban sewage treatment and water supply industry in Yunnan Province, the PRC. Its principal operations include investment, construction and management services in relation to urban water supply, sewage treatment, solid waste treatment and environmental governance projects, equipment sales and other environmental protection related services. The corporate strategy of the Group is to base its business in Yunnan Province and continue to identify investment opportunities to expand its operations gradually into other regions to ensure stable income sources.

Beijing OriginWater, a substantial shareholder of the Company holding 24.02% of the total issued share capital of the Company (including Domestic Shares and H Shares), is a limited liability company established in the PRC on 17 July 2001 and its shares are listed on the Shenzhen Stock Exchange. It is primarily engaged in the design, sales and manufacturing of equipment (particularly membrane) used in urban sewage treatment and solid waste treatment facilities based on EPC and equipment sales and the provision of system integration services.

LISTING RULES IMPLICATIONS

Beijing OriginWater holds approximately 24.02% of the total issued share capital of the Company (including Domestic Shares and H Shares), and is a substantial shareholder of the Company. Hence, Beijing OriginWater is a connected person of the Company. In such case, the transactions contemplated under the Procurement Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of applicable percentage ratios (other than the profits ratio) in relation to the Proposed Annual Caps exceeds 5%, the continuing connected transactions under the Procurement Master Agreement are subject to, among other things, the independent shareholders' approval, reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

Mr. Dai Richeng, a non-executive Director of the Company, is a director and a shareholder of Beijing OriginWater and is materially interested in the Procurement Master Agreement and has abstained from voting on the relevant Board resolutions approving the Procurement Master Agreement. Except for Mr. Dai Richeng, none of the Directors is materially interested in the Procurement Master Agreement and the transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE

In compliance with the Listing Rules, the Independent Board Committee has been established to consider the terms of the Procurement Master Agreement and the Proposed Annual Caps and to advise the Independent Shareholders as to whether they are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give its recommendation as to the voting in respect of the resolution to be proposed at the EGM for approving, after taking into account the recommendation of the Independent Financial Adviser. In this connection, the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Procurement Master Agreement and the Proposed Annual Caps. The text of the letter from the Independent Board Committee is set out on pages 14 to 15 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is out on pages 16 to 32 of this circular.

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

The Company will convene the EGM to consider and approve, among other things, the Procurement Master Agreement and the Proposed Annual Caps. The notice convening the EGM has been despatched to the Shareholders on 29 September 2025.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the transaction and its associates will abstain from voting at the general meeting to be held by the Company to, including but not limited to, consider and approve the Procurement Master Agreement and the Proposed Annual Caps. Therefore, Beijing OriginWater and its associates shall abstain from voting at the general meeting to consider and approve the Procurement Master Agreement and the Proposed Annual Caps.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, apart from Beijing OriginWater and its associates, no other Shareholders have material interest in the Procurement Master Agreement and shall abstain from voting at the resolutions in relation to the approval of the Procurement Master Agreement and the Proposed Annual Caps at the EGM.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 14 to 15 of this circular and the letter from the Independent Financial Adviser on pages 16 to 32 of this circular to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Procurement Master Agreement and the Proposed Annual Caps.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Procurement Master Agreement is in the ordinary and usual course of business of the Group, and is on normal commercial terms which are fair and reasonable and the Procurement Master Agreement and the Proposed Annual Caps are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Procurement Master Agreement and the Proposed Annual Caps. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on such resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board of
Yunnan Water Investment Co., Limited*
Mei Wei
Chairman

The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of incorporation in this circular.

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)

29 September 2025

To the Independent Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS
THE PROCUREMENT MASTER AGREEMENT

We refer to the circular of the Company dated 29 September 2025 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the Procurement Master Agreement and the Proposed Annual Caps. CEB International Capital Corporation Limited has been appointed as the independent financial adviser to advise you and us in the same regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 16 to 32 of the Circular. Your attention is also drawn to the "*Letter from the Board*" in the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the Procurement Master Agreement and the Proposed Annual Caps, and taking into account the advice of the Independent Financial Adviser, in particular the principal factors, reasons and advice as set out in its letter, we consider that the entering into of the Procurement Master Agreement is in the ordinary and usual course of business of the Group, and is on normal commercial terms, which are fair and reasonable so far as the Independent Shareholders are

concerned and the transactions under the Procurement Master Agreement are in the interest of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Procurement Master Agreement and the Proposed Annual Caps.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Liu Shuen Kong	**Mr. Zhong Wei**	**Mr. Zhou Beihai**

Independent non-executive Directors

The following is the full text of the letter of advice from CEB International Capital Corporation Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in relation to the Continuing Connected Transactions contemplated under the Procurement Master Agreement, and for inclusion in the Circular.



29 September 2025

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

CONTIUING CONNECTED TRANSACTIONS
THE PROCUREMENT MASTER AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions (the "Continuing Connected Transactions") and the proposed annual caps (the "Proposed Annual Caps") for the three financial years ending 31 December 2027 in relation to the Procurement Master Agreement, details of which are set out in the letter from the Board (the "Board Letter") contained in the circular issued by the Company to its Shareholders dated 29 September 2025 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The Independent Board Committee comprising Mr. Liu Shuen Kong, Mr. Zhou Beihai and Mr. Zhong Wei, all being the independent non-executive Directors, has been established by the Board to consider the terms of the Continuing Connected Transactions and to make recommendation to the Independent Shareholders as regards to voting. We, CEB International Capital Corporation Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Continuing Connected Transactions contemplated under the Procurement Master Agreement and the Proposed Annual Caps are entered into on normal commercial terms, in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on statements, information and representations referred to in the Circular as well as information and representations provided to us by the Company. We have assumed that all such information and representations provided by the Company for which it is solely responsible, are true and accurate at the time when they were made. We have also assumed that all

statements of opinion, expectation and intention made by the Company were reasonably made after due enquiry and careful consideration. We have no reason to doubt the truth and accuracy of the information and representations provided to us and have been advised by the Company that no material facts have been withheld or omitted from the information provided and/or referred to in the Circular.

We are independent from and not connected with the Company, Beijing OriginWater, their respective substantial shareholders, directors or chief executive, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules. During the last two years, save for acting as independent financial adviser of the Company in connection with the Receipt of Financial Assistance and Provision of Security (for details, please refer to the circular of the Company dated 24 October 2024), we have not been engaged as any financial adviser or other roles to provide any other services to the Company. Accordingly we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transactions contemplated under the Procurement Master Agreement.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Continuing Connected Transactions, we have considered the following principal factors and reasons:

1. Background to, and reasons for, the Procurement Master Agreement

The Group is an operator primarily engaged in the urban sewage treatment and water supply industry in Yunnan Province, the PRC. Its principal operations include investment, construction and management services in relation to urban water supply, sewage treatment, solid waste treatment and environmental governance projects, equipment sales and other environmental protection related services. As of 31 December 2024, the Group owns 203 water treatment projects with a total treatment capacity of approximately 5,746,000 tonnes per day.

The Group has from time to time purchased membrane ancillary materials from the Beijing OriginWater Group. The Beijing OriginWater Group has provided stable supply of membrane ancillary materials in accordance with the quality requirements and standards as required by the Group in order to ensure the product quality of the Group and enhance the recycling efficiency and confidentiality of the Group's technologies.

The Previous Procurement Master Agreement dated 16 April 2021 was entered into between the Company and Beijing OriginWater to govern the terms and conditions for the procurement of membrane ancillary materials by the Group from the Beijing OriginWater Group during the term of the Previous Procurement Master Agreement commencing from 16 April 2021 to 31 December 2023. On the annual caps for each of the three financial years ending 31 December 2023 (the "Previous Annual Caps"), as one or more of applicable percentage ratios (other than the profits ratio) in relation to the Previous Annual Caps were more than 0.1% but all applicable percentage ratios (other than the profits ratio) are less than 5%, the continuing connected transactions under the Previous Procurement Master Agreement were subject to the reporting, announcement and annual review requirements, but exempt from the requirements of circular and independent shareholders' approval under Chapter 14A of the Listing Rules.

The Previous Procurement Master Agreement expired on 31 December 2023, and as the Company and the Beijing OriginWater Group intends to continue the transactions under the Previous Procurement Master Agreement, parties entered into the Procurement Master Agreement on 13 August 2025 (after trading hours) pursuant to which the transactions thereunder will be extended for a term commencing from 13 August 2025 to 31 December 2027, subject to the Proposed Annual Caps and approval by the Independent Shareholders at the EGM.

As at the date of entering into the Procurement Master Agreement, Beijing OriginWater holds approximately 24.02% of the total issued share capital of the Company (including Domestic Shares and H Shares), and is a substantial shareholder of the Company. Moreover, Mr. Dai Richeng, a non-executive Director of the Company, is a director and a shareholder of Beijing OriginWater. Hence, the Beijing OriginWater Group is a connected person of the Company under Chapter 14A of the Listing Rules. In such case, the transactions contemplated under the Procurement Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of applicable percentage ratios (other than the profits ratio) in relation to the Proposed Annual Caps exceeds 5%, the continuing connected transactions under the Procurement Master Agreement are subject to, among other things, the independent shareholders' approval, reporting, announcement and annual review requirements pursuant to Chapter 14A of the Listing Rules.

2. Principal terms of the Procurement Master Agreement

Pursuant to the Procurement Master Agreement, the Group agreed to purchase membrane ancillary materials from the Beijing OriginWater Group during the term commencing from 13 August 2025 to 31 December 2027. The principal terms of the Procurement Master Agreement are as follows:

Date	13 August 2025 (after trading hours)
Parties	(1) The Company; and (2) Beijing OriginWater
Subject matter	Members of the Group will procure membrane ancillary materials from the Beijing OriginWater Group.
Term and termination	The term of the Procurement Master Agreement commences from 13 August 2025 and ends on 31 December 2027. Any party may terminate the Procurement Master Agreement by serving the other party a written notice of not less than 30 days in advance.
Price determination and pricing policy	The price of the products to be procured by the Group shall be no less favorable than the market price of relevant product at the time when the individual procurement agreement is entered into.

Payment terms	The Group will enter into individual procurement agreements with Beijing Originwater Group for each procurement. Typically, (i) 30% advance payment of the total contract value will be made upon signing the individual procurement agreement, (ii) 55% payment upon delivery of goods; (iii) 10% payment upon successful installation and commissioning, and acceptance by the Group; and (iv) remaining 5% as warranty amount to be paid within one year after acceptance.
Condition precedent	The Procurement Master Agreement shall be effective upon the Company having obtained the Independent Shareholders' approval pursuant to the Listing Rules, and the Procurement Master Agreement being approved by the board of directors of Beijing OriginWater.

The price of the membrane ancillary materials to be purchased by the Group shall be no less favourable than the market price of relevant product at the time when the individual procurement agreement is entered into. The market price will be determined in accordance with (i) the price and terms of the type of products quoted by no less than two independent suppliers on normal commercial terms in the ordinary course of businesses in the PRC; or (ii) in the event that (i) is inapplicable, it shall be determined by the parties to the Procurement Agreements on fair and reasonable basis and on normal commercial terms and credit terms. We understand from the Company's management that they expect aforesaid scenario (i), i.e. quotation by no less than two independent suppliers (which would effectively be carried out through public tenders) would actually be the only way of pricing in future transactions, in accordance to the Company's procurement policy.

The Group conducts public tender before entering into individual procurement agreement. The tender documents specify the number of bidders required for the public tender which shall generally be no less than three, as well as the relevant tender requirements and selection criteria including without limitation the ceiling price (which is the highest price that the Group can accept for the procurement), material specifications, requirements for associated services, after-sales support and warranty (where applicable) etc. If the number of bidders in the first round of public tender is less than three, a second round of public tender will be conducted. If the number of bidders is still less than three, the Group will undergo direct negotiations with the participating bidders. The Group will only enter into individual procurement agreement with selected participating bidder if the negotiated terms (including price and quality assurance) meet the tender requirements.

In assessment of the terms of Procurement Master Agreement, we have: (i) discussed with the Company's management to understand procurement process of the Group and the price determination process; and (ii) reviewed tender documents and quotations received from randomly selected sample membrane ancillary materials procurement transactions taken place in FY2024 (the "Sample

Documents"). The sample documents cover half of the membrane ancillary materials procurement transactions in FY2024. They were under Procurement Agreement I and Procurement Agreement IV as stated in the Company's announcement dated 26 March 2025. We consider that we have reviewed sufficient information to reach an informed view as: (i) those elected transactions represents 50% of the number of transactions incurred in FY2024; and (ii) the two selected transactions represent the first and last membrane ancillary materials procurement transactions incurred in relevant financial year, which we believe would reflect the Group's practice for the broadest period.

From the review of Sample Documents, we noted that the Group has performed selection of the supplier of its purchase of membrane ancillary materials through public tenders. Such tenders were organized by professional tender agents. The Group would typically set out its procurement criteria in relevant tender invitation documents, including the ceiling price, material specifications etc. A tender agent would follow the criteria set out by the Group and invite quotations from interested parties during the tender period. We noted that tenders have been received from both the Beijing OriginWater Group and independent suppliers. The quotations collected from the public tenders would be assessed by a committee formed by representatives of the Company and independent experts. After the tender period, the tender agent would then prepare a report on comparison of the terms proposed by different bidders. Based on the analysis by the tender agent, a supplier would be determined based on the overall most competitive terms. Through the tender process, quotation by no less than two independent suppliers have effectively been achieved. Moreover, from our review of Sample Documents, we noted that the tender agents would normally invite competent suppliers to submit tenders, and as such, the number of bidders required for the public tender would generally be no less than three. We have also reviewed the Company's procurement policy, which states that all procurement transactions with transaction value of RMB 200,000 or above have to follow a competitive supplier selection and quotation mechanism, which mainly by way of public tenders. Finally, from the forecast schedule of required MBR units by the Company, future transaction amounts are likely to be above the level of RMB 200,000. As such, we concur with the Company's management that future transactions under the Procurement Master Agreement would actually be carried out only through public tenders.

In consideration of the above, we are of the view that a competitive pricing mechanism is in place to ensure that the Group would achieve market competitive pricing for the procurement of membrane ancillary materials. Moreover, the Company retains the rights to perform its procurement from any parties. As such, entering into the Procurement Master Agreement would not limit the Group's supplier options. As such, we are of the view that under the Group's procurement pricing mechanism, the pricing terms are fair and reasonable and will be no less favourable than the market price of relevant product.

In relation to the payment terms, as mentioned above, the Group conducts its procurement through tenders. From the review of tender invitation documents, we noted that it is a practice that the Group would include a contract template in the invitation pack for tender invitation. All bidders would have to apply the contract template format. Payment terms are included in such contract template, which all bidders have to follow.

Typical payment terms would be either: (a) an advance payment equal to 60% of the total consideration after execution of agreement and before shipment, and the remaining 40% of the total consideration within a credit period after acceptance of the products; or (b) an advance payment equal

to 30% of the total consideration after execution of procurement agreement. Then a 30% payment after the goods are delivered. Next, a further payment of 35% of the total consideration upon acceptance and the remaining 5% shall be retained as a quality guarantee deposit and settled in full one year after installation and acceptance.

Such 60:40 payment allocation between entering contract and acceptance is accepted by all the participating bidders including both Beijing OriginWater and independent third parties. We also noted that under such requirements, there were sufficient number of bidders taking part in the tenders, with quotations received from at least three suppliers (including at least two independent third-party suppliers).

From above findings, we are of the view that the payment terms under the Procurement Master Agreement were fair and reasonable and no less favourable than those terms agreed with the independent third parties.

We have analysed the key terms of the Procurement Master Agreement in the ensuing sections, in relation to the aspects of the Proposed Annual Caps and the measures to safeguard interests of Independent Shareholders, and formed our view in the paragraph headed "RECOMMENDATION".

3. Principal business of the Group and the genuine needs of membrane ancillary materials to maintain daily operations

The Group is one of the leading integrated service providers in the urban sewage treatment and water supply industry in Yunnan Province, the PRC. The major businesses of the Group 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. According to the annual report of the Group for the year ended 31 December 2024 (the "2024 AR"), the Group recorded revenue of approximately RMB 2,798.2 million for the year ended 31 December 2024, representing decrease of approximately 10.2% as compared to revenue of approximately RMB 3,116.5 million recorded for the previous year. For the year ended 31 December 2024, wastewater treatment project construction and operation continued to be the major segment contributor of revenue, which amounted to RMB 1,381.0 million, equivalent to approximately 49.4% of gross segment revenue as presented in 2024 AR. As at 31 December 2024, the Group had a total of 121 concession wastewater treatment projects, including 7 Build-Own-Operate ("BOO") projects, 60 Build- Operate-Transfer ("BOT") projects, 2 Transfer-Own-Operate ("TOO") projects, 23 Transfer-Operate-Transfer ("TOT") projects, 1 Rehabilitate-Operate-Transfer ("ROT") project and 28 municipal environment comprehensive treatment projects, with a total daily treatment capacity of approximately 3,166,250 tonnes.

We understand from management of the Company that the membrane ancillary materials contemplated to be purchased under the Procurement Master Agreement intended to be applied to the Group's membrane bio-reactor ("MBR") wastewater treatment projects (the "MBR Projects"). The application of MBR technology results into higher and more stable water quality, as membrane separation is more efficient than traditional sedimentation tanks. MBR technology also results into low sludge production and reduces sludge disposal costs. Moreover, the bioreactor can maintain high

levels of microbial biomass and the processing system has high volumetric loading, which saves space and cause less location restrictions. As such, MBR systems are able to achieve the complete separation of water and sludge effectively and therefore can treat wastewater more efficiently than traditional treatment processes.

Referring to the Company's prospectus, the Group had performed detailed analysis on comparison of wastewater effluent treated by MBR technology against the Class I Standard A (18918-2002) and Surface Water Quality Standard Class IV (GB 3838-2002). It demonstrates that, in terms of key wastewater effluent indexes, which primarily determine the quality of wastewater effluent, the quality of the wastewater effluent treated by MBR technology far exceeds the indexes stipulated in the highest national standard required in wastewater treatment industry in the PRC, namely Class I Standard A (18918-2002). In addition, except for the TN index, the quality of the wastewater treated by MBR technology even exceeds the Surface Water Quality Standard Class IV (GB3838-2002), which is a surface water standard in the PRC.

For each of these MBR Projects, there are various numbers of membrane reactors in operation. The life expectancy of these membrane reactors normally last for five to seven years but some of them could last longer with well maintenance. New membrane ancillary materials would be required for replacements and updates to ensure effective operations. The Company has assessed the number of membrane reactors that are due to be replaced or installed for the three year ending 31 December 2027. The calculation has taken into account the needs of its current wastewater treatment projects in operation as early as since 2015 and new projects planned to commence operation before the end of 2027. Based on the average prices of historical transactions, the Company has derived the expected transaction amounts that could incur for the three year ending 31 December 2027.

Due to abovementioned factors, there are genuine needs for the procurement of membrane ancillary materials to serve maintenance and new installation purposes. Effective and efficient operation of the MBR wastewater treatment projects is key to maintaining the Group's overall business and financial performance as wastewater treatment project construction and operation is the largest contributor to the Group's gross segment revenue for the year ended 31 December 2024. Since the Previous Procurement Master Agreement has expired after 31 December 2023, the Company has to enter into the Procurement Master Agreement, for continuing the purchase of membrane ancillary materials from the Beijing OriginWater Group. As such, we are of the view that it is in the ordinary and usual course of business of the Group for entering into the Procurement Master Agreement.

4. Historical transactions under the Previous Procurement Master Agreement and in 2024 with Beijing OriginWater

As mentioned above, membranes are used in wastewater treatment and water supply facilities to enhance the efficiency and quality of treatment in order to control and ensure the quality of the wastewater effluent and the supplied tap water. The Group applies membranes in its wastewater treatment facilities, and as such, the wastewater treatment efficiency can be significantly increased, which allows wastewater effluent to be transformed into tap water. We understand from management of the Company that its membrane ancillary materials for the three years ended 31 December 2023

were mainly fulfilled by its own production plants. Apart from the Group's own production plants, the rest of the supply of membrane ancillary materials were fulfilled by Beijing OriginWater, which the Company is of the view that the quality and performance of their membrane products are up to standard and their pricing were competitive.

Moreover, as disclosed in the Company's announcement as at 26 March 2025, in 2024, members of the Group had entered into procurement agreements with Beijing OriginWater for procurement of membrane ancillary materials for a total consideration of RMB 8,588,596.45. Such procurement demonstrates that demand for membrane ancillary materials from Beijing OriginWater continues after the effective period under the Previous Procurement Master Agreement.

For the three years ending 31 December 2023, the Group's procurement from the Beijing OriginWater Group under the Procurement Master Agreement amounted to RMB 1,397,000, RMB 256,000 and Nil respectively. The Group experienced low procurement ratio of membrane ancillary materials from the Beijing OriginWater Group and therefore resulted into low utilisation of the Previous Annual Caps. This was mainly due to the fact that: (i) the Group produced most of the required membrane ancillary materials from its own production plants; (ii) the Group has increased the life expectancy of MBR units in its MBR Projects through maintenance; and (iii) the lower than expected production of the Group's wastewater treatment plants had led to lower demand of membrane ancillary materials as originally scheduled. We understand from management of the Company that, going forward, the Group expects to be switching more from self-production to external procurement for membrane ancillary materials, in light of foreseeable higher demand in the three years ending 31 December 2027, according to the life expectancy schedule of MBR units.

Beijing OriginWater has been the Group's substantial shareholder upon listing and remained the same as at the Latest Practicable Date. The Group has started purchasing membrane equipment and related materials from the Beijing OriginWater Group before its listing on the Main Board of the Hong Kong Stock Exchange in 2015. Beijing OriginWater is principally engaged in (i) design, sale, manufacturing and provision of system integration services of the equipment, particularly membrane, used in municipal wastewater treatment facilities that are under EPC and equipment sales; (ii) development, design, construction, operation and maintenance of wastewater treatment facilities; and (iii) sale and manufacturing of water purifying machines for residential and office uses. Beijing OriginWater is listed on the Shenzhen Stock Exchange (stock code: 300070), which net assets has exceeded RMB2,700 million according to its 2024 annual report. According to its introduction, the Beijing OriginWater Group's annual product capacity can achieve 10 million square meters of microfiltration and ultrafiltration membranes, 6 million square meters of nanofiltration and reverse osmosis membranes and 1 million units of water purification equipment.

As advised by management of the Company, the Group did not experience any supply shortage on membrane ancillary materials from the Beijing OriginWater Group. Having established a long-term relationship with the Company, Beijing OriginWater is familiar with the operation needs and requirements of the Group and therefore can provide efficient assistance to the Group when procurement is required.

In view of: (i) membrane ancillary materials are key components to the Group's wastewater treatment and water supply facilities; (ii) the Group is expecting higher proportion of supply from external parties; (iii) the continuing demand of membrane ancillary materials from the Beijing OriginWater Group as demonstrated by the procurement performed in 2024; (iv) as a key industry player, the Beijing OriginWater Group is able to offer products that are up to standard and at competitive prices; (v) the Group had not encountered any material quality problems with supply from the Beijing OriginWater Group, we are of the view that it is in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole for entering into the Procurement Master Agreement.

5. Industry prospects and future demand for MBR projects

China's promotion of policies related to the water industry continued to strengthen in recent years. The 14th Five-year plan released in 2021 continued to build on previous Five-year plans and focus on the development of the wastewater treatment industry. It includes new guidelines for wastewater reuse, which mandated raising the proportion of sewage that must be treated to reuse standards to 25% by 2025. The 14th Five-Year Plan for Circular Economy Development has fuelled demand for membrane modules to help combat water pollution.

In February 2023, the General Office of the Ministry of Water Resources issued the "Key Points of Water Resources Management Work in 2023"(《二零二三年水資源管理工作要點》), which sets out measures to promote careful use of water resources, and to make efforts to improve and protect the ecological environment of water resources.

In April 2023, five departments (including the Ministry of Ecology and Environment) jointly issued the "Water Ecological Environment Protection Plan for Key Watersheds"(《重點流域水生態環境保護規劃》), which states that by 2025, the total discharge of major water pollutants will continue to decrease, the water ecological environment will continue to improve under the reduction of major water pollutants.

In February 2024, the Ministry of Water Resources issued the "Key Points of Water Conservancy Guarantee Work for Rural Revitalization in 2024" (《二零二四年鄉村振興水利保障工作要點》), proposing to enhance the security level of rural drinking water and implement water ecological environment protection and governance.

In March 2024, the National Development and Reform Commission, the Ministry of Housing and Urban-Rural Development and the Ministry of Water Resources jointly issued the Three-year Action Plan to Promote the Use of Reclaimed Water in Key Cities (《推進重點城市再生水利用三年行動實施方案》).

In June 2024, the National Development and Reform Commission, the Ministry of Water Resources, the Ministry of Industry and Information Technology, the Ministry of Housing and Urban-Rural Development and the Ministry of Agriculture and Rural Affairs jointly issued the Guidance on Accelerating the Development of the Water-saving Industry (《關於加快發展節水產業的指導意見》).

In July 2024, the State Council issued the "Five- Year Action Plan for Deeply Implementing the People-Centered New Urbanization Strategy" (《深入實施以人為本的新型城鎮化戰略五年行動計劃》), proposing the promotion of green and smart city development, strengthening urban infrastructure construction, and focusing on underlying urban infrastructure projects like urban underground pipe networks.

Abovementioned newly issued water industry-related documents promote the healthy and sustainable development of the water industry through implementation of strict water conservation regulations to control total water consumption and enhance water resource conservation and intensive utilization capabilities. They are expected to continue to drive the growth of water conservation service industries, expedite the renovation of aging urban water supply pipelines, and reduce leakage rates, thereby contributing to the establishment of a water-efficient society. The result would be improving quality and efficiency, expanding production capacity, accelerating urban sewage facility construction.

In view of the trend of government policies and new measures, we are of the view that it is fair and reasonable to believe that the demand for MBR projects would maintain and there would be continuing demand for new membrane ancillary materials, to serve maintenance and new installation purposes.

6. Proposed Annual Caps and basis of determination

Below table sets out (i) the Previous Annual Caps for each of the three financial year ending 31 December 2023; (ii) the actual transaction amounts (the "Historical CCT Amounts") of membrane ancillary materials procured in each of the three financial year ending 31 December 2023 (collectively the "Historical Transactions Period") under the Previous Procurement Master Agreement; and (iii) the Proposed Annual Caps in respect of upcoming procurement pursuant to the Procurement Master Agreement for each of the three year ending 31 December 2027:

	For the year ended / ending					
	2021	**2022**	**2023**	**2025**	**2026**	**2027**
Previous Annual Caps / Proposed Annual Caps (RMB' 000)	30,000	30,000	30,000	79,000	65,000	56,000
Previous CCT Amounts (RMB' 000)	1,397	256	—			

As stated in the Letter from the Board, in arriving at the above Proposed Annual Caps, the Directors have taken into account a number of factors, in particular: (i) the size and number of projects expected to be constructed by the Group; (ii) the estimated quantity of membrane ancillary materials required by the Group; and (iii) the estimated market price of membrane ancillary materials. Since its establishment, the Group has implemented a total of (a) 35 wastewater treatment projects utilizing MBR membrane technology, with a treatment capacity of 868,100 cubic meters per day; and (b) 12 water supply projects employing ultrafiltration membrane technology, with a treatment capacity of 380,000 cubic meters per day. The earliest MBR membrane project was commissioned in 2015 with

more than nine years ago, while the normal service life of MBR membranes is typically five to seven years. The earliest ultrafiltration membrane project was commissioned in 2013, with more than 12 years ago, while the normal service life of ultrafiltration membranes is generally six to eight years. As a result, the Group's current membrane-based wastewater and water supply projects generally suffer from issues such as membrane aging, broken membrane fibers, and severe decline in membrane flux due to prolonged use of membrane equipment, which significantly impact project capacity and hence lead to failure in meeting operational requirements. In view of the above, the Group intends to replace by phases the MBR membrane modules in its wastewater treatment projects and the ultrafiltration membrane modules in its water supply projects wastewater. The Company began planning for the aforesaid membrane replacement in its water treatment and water supply projects in early 2025. Given the number of projects involved, substantial preparatory arrangements were conducted in the first half of 2025 including inspection and analysis of the existing membrane modules, ascertaining the numbers and types of membrane ancillary materials for replacement, formulating replacement schedules as well as attending to internal approval procedures.

We understand from the Company's management that despite the low utilization rate of Previous Annual Caps, management of the Company believes that there will be real and increased demand for the supply of membrane ancillary materials from the Beijing OriginWater Group for the three years ending 31 December 2027 for the following reasons:

(i) Foreseeable continuing demand from wastewater treatment projects as promoted by various government policies;

(ii) Life expectancy of various membrane parts of the Group's wastewater treatment projects and new installation needs for the three years ending 31 December 2027; and

(iii) Maintaining a reliable source of supply of membrane ancillary materials is crucial to stability for the Group's wastewater treatment operations.

Furthermore, it has been disclosed in the Company's announcement as at 26 March 2025 that, in 2024, members of the Group had entered into procurement agreements with Beijing OriginWater for procurement of membrane ancillary materials for a total consideration of RMB 8,588,596.45. Such procurement demonstrates that demand for membrane ancillary materials from Beijing OriginWater continues after the effective period under the Previous Procurement Master Agreement.

In order to assess the fairness and reasonableness of the Proposed Annual Caps, we have reviewed the terms of the Procurement Master Agreement, the Previous Procurement Master Agreement and the separate agreements entered into between Beijing OriginWater and the Group in 2022 to 2024 (the "Historical Transaction Documents"), including item specs, sales quantities and pricing information etc. Given the reviewed Historical Transaction Documents cover the whole transaction amount of membrane ancillary materials procurement between Beijing OriginWater and the Group for the last three financial years, we consider that the size of transaction records we have reviewed were sufficient.

As regards the Proposed Annual Caps to be sought for each of the three year ending 31 December 2027, we understand from management of the Company that such estimates were determined in consideration of: (i) the demand for membrane ancillary units in view of the life expectancy of membrane parts being used in existing MBR Projects and the forecast demand of new parts for new projects for the three year ending 31 December 2027; and (ii) relevant unit price for the three year ending 31 December 2027. We have reviewed the schedule of forecast breakdown prepared by the Company. The unit demand schedule provided to us by management of the Company lists out, among others: (i) number of MBR units installed in each of the Group's wastewater treatment and water supply facilities; (ii) forecast demand of MBR units for replacement or new installations for each of them in the three year ending 31 December 2027; and (iii) major reasons for replacements, including the operating history and conditions of existing units. We noted that the forecast number of MBR units for replacement or new installation are determined according to relevant number of units in operation, the length of operating history, the utilisation rate of relevant facilities and their operating performance etc. The overall forecast of units required for each of the future years are the sum of the forecast number of units required for each plant or facilities. The unit prices are referenced to historical transaction prices. The annual forecast amount of transaction values (including both waste water treatment and water supply operations) for each of the three year ending 31 December 2027 amounted to approx. RMB 78,870,000, RMB 64,920,000 and RMB 55,110,000 respectively, which are in line with the Proposed Annual Caps of RMB 79,000,000, RMB 65,000,000 and RMB 56,000,000 respectively for each of the three year ending 31 December 2027.

Our independent work done in reviewing the fairness and reasonableness of the assumptions adopted by the management of the Company in determining the Proposed Annual Caps are as follow:

(i) Obtained and reviewed the forecast schedule in relation to future needs of membrane ancillary materials. The schedule contains lists of wastewater treatment projects that are utilizing MBR membrane technology and water supply projects that are employing ultrafiltration membrane technology, and their forecast needs of membrane ancillary materials in FY2025, FY2026 and FY2027;

(ii) Discussion with the Company's management to understand:

  (a) calculation basis of the proposed annual caps;

  (b) the commencement date of operation of those listed projects;

  (c) the overall scale of operations and number of membrane modules required for such projects;

  (d) any past replacements of membrane modules performed; and

  (e) reasons for the needs of replacements for each of those project e.g. Due to wear and tear, near to the end of life span etc.;

(iii) Reviewed the basis of deriving the estimated demand for membrane ancillary materials for the next three years, which include the following factors:

(a) The projects that are expected to require for replacements or installation of membrane modules in FY2025, FY2026 and FY2027;

(b) The number of sets of membrane modules that would be required for each of such projects based on the life span of current modules; and

(c) The estimated annual transaction amount is based on the estimated number of sets of membrane modules multiplying estimated unit or set prices, with reference to unit and set price of historical transactions and quotations.

On the life span of MBR membranes, we have made reference to the views of other industry players. One of them is a manufacturer specialized in manufacturing MBR products based in Shanghai. It is of the view that the service life of MBR membranes is at least three to five years. Another industry player is a manufacturer based in Suzhou, which is of the view that the normal service life of ultrafiltration membranes can reach five to eight years. As such, we are of the view that the Company's view that the normal service life of MBR membranes is typically five to seven years is in line with industry. In view of the above, we are of view that the Company's life span assumption in preparing its future membrane requirement schedule is fair and reasonable.

	FY2025	**FY2026**	**FY2027**
Wastewater Treatment Projects			
Estimated number of MBR membrane modules required	217	218	178
Estimated unit price of MBR membrane modules (RMB '000)	270	270	270
Sub-total (RMB '000)	58,590	58,860	48,060
Water Supply Projects			
Estimated number of units and sets of ultrafiltration membrane modules required	1,588 units & 30 sets	808 units	940 units
Estimated unit and set price of ultrafiltration membrane modules (RMB)	7,500 per unit & 279,000 per set	7,500 per unit	7,500 per unit
Sub-total (RMB '000)	20,280	6,060	7,050
Total (RMB '000)	78,870	64,920	55,110
Proposed Annual Cap (RMB '000)	79,000	65,000	56,000

Unit price of similar ultrafiltration membrane modules purchased in FY2024 (RMB '000)	242
Estimated unit price of ultrafiltration membrane modules for annual caps (RMB '000)	270
Historical price per set of similar ultrafiltration membrane modules purchased in FY2024 and per unit based on independent supplier quotations (RMB)	7,500 per unit & 250,000 per set
Estimated price per unit and set of ultrafiltration membrane modules (RMB)	7,500 per unit & 279,000 per set

The above table demonstrates the following findings:

(i) The estimated unit price of MBR membrane modules for FY2025, FY2026 and FY2027 is RMB 270,000. It is in line with the value of RMB 242,000 derived from historical transactions incurred in FY2024 which we have reviewed. The future estimate of RMB 270,000 have taken into consideration of future inflation etc.

(ii) The estimated unit price of ultrafiltration membrane modules for FY2025, FY2026 and FY2027 are RMB7,500 per unit and RMB279,000 per set. It is in line with the value of RMB 250,000 per set derived from historical transactions incurred in FY2024 which we have reviewed. The future estimate of RMB 279,000 have taken into consideration of future inflation etc. For the ultrafiltration membrane modules on unit based, we have obtained and reviewed historical quotations received by the Group from independent third party suppliers which unit price was approximately RMB7,500. Since ultrafiltration membrane modules on unit based forms a relatively small portion to the whole annual cap amount and the Company is confident that its pricing can be maintained at current level, we are of the view that the price estimates in deriving the future annual transaction amounts are fair and reasonable.

7. Internal control measures within the Group

As advised by the Company, the Group has adopted certain measures to ensure that terms of the Procurement Master Agreement are properly followed, as to achieve favourable terms for the Group and to ensure compliance with the Listing Rules:

(i) the internal audit team of the Company would review the connected transactions on a regular basis, include identifying party details and conduct price comparison between the Procurement Master Agreement and third party transactions;

(ii) the Company would regularly review the amount incurred under the Procurement Master Agreement as well as unutilized annual cap amount to ensure that the Proposed Annual Caps would not be exceeded;

(iii) the independent non-executive Directors would review the transactions under the Procurement Master Agreement and the Proposed Annual Caps annually to check and confirm whether the Procurement Master Agreement have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such transactions are conducted in accordance with the pricing policies set out in such relevant agreements;

(iv) the Company's reporting accountants would review the transactions under the Procurement Master Agreement and the Proposed Annual Caps annually to check and confirm, among others, whether the pricing terms have been adhered to and whether the relevant Proposed Annual Caps have been exceeded; and

(v) the Company will continue to review and monitor the internal control measures to ensure all current and future transactions shall be in compliance with the applicable requirements of the Listing Rules and other relevant laws and regulations;

Our independent work done on whether the relevant internal control procedures in place were effectively executed, were as follow:

(i) Discussed with the Company's management to understand its procurement pricing policy and relevant internal control measures;

(ii) Reviewed the Company's procurement policy;

(iii) Reviewed the Company's connected transactions policy;

(iv) Reviewed the Company's internal approval procedures on carrying out a procurement transaction, including the departments that involve, the decision making steps, and the internal approval documentary requirements etc.; and

(v) Selected and reviewed Sample Documents which include tender invitation documents and quotations.

Below were our findings from abovementioned independent work done:

(i) The internal control measures on pursuing membrane ancillary materials procurement transactions and connected transactions as stated in the Company's announcement dated 26 March 2025 are up in running and being followed by the Group's members;

(ii) The Company's procurement policy, namely 雲南水務採購管理辦法 (2024) (the "Procurement Policy"), contains internal rules and procedures that Group's members have to follow in making procurement including the purchase of membrane ancillary materials;

(iii) The Procurement Policy states that all procurement transactions with transaction value of RMB 200,000 or above have to follow a competitive supplier selection and quotation mechanism, which mainly by way of public tenders;

(iv) When there are procurement needs, relevant member of the Group should consult the procurement department when putting forward their transaction proposal. The procurement department would then assess and approve the way of processing the procurement such as tenders etc.;

(v) Procurement plans should be made to the procurement department 90 days in advance for significant transactions with values of RMB 5 million and above. For transactions which are less than such value, procurement proposal should be submitted 5 days before the beginning of each quarter;

(vi) The Company's latest internal policy on handling connected transactions, namely雲南水務關連交易制度(2024) (the "Connected Transactions Policy"), contains internal rules and procedures that Group's members have to follow when carrying out connected transactions.

The Connected Transactions Policy cover, among others, the following:

(a) Definition of connected parties from the Listing Rules;

(b) Process and arrangement of Board meetings and shareholders' meeting for the assessment and approval of connected transactions;

(c) Disclosure requirements on connected transactions with reference to the Listing Rules; and

(d) Requirements for the Group's members to monitor whether parties of the transactions they are entering into are connected parties, and internal approval has to be obtained before entering into contracts.

(vii) The Procurement Policy also states that the procurement department would organize trainings and updates on procurement policy to members of the Group;

We have obtained and reviewed training materials and internal training notification memo in relation to the Procurement Policy. We have also obtained supporting documents that demonstrated that training has been provided by the Company's external legal counsel to the Company's directors and management in relation to Listing Rules requirements and responsibilities;

From above findings, we are of the view that the pricing policy under the Procurement Master Agreement, including the procedures on how the market price for the same products that the Group purchases from independent third parties are referenced have been effective and being followed by members of the Group. The internal control measures are in place, and being followed, as stated in the Company's announcement dated 26 March, 2025.

Having considered abovementioned, in particular, (i) the restriction of the value of the Procurement Master Agreement by way of the Proposed Annual Caps; (ii) the abovementioned internal control measures adopted by the Company; and (iii) the ongoing review by the audit committee and the reporting accountants of the Company of the terms of the Procurement Master Agreement and the Proposed Annual Caps not being exceeded, we are of the view that the Company has established appropriate and effective internal control procedures to ensure the Procurement Master Agreement will be conducted on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

8. Conclusion

Having considered the above factors, we are of the view that the Continuing Connected Transactions are in the interests of the Group and the Shareholders as a whole and that their terms are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Taking into consideration of the above principal factors and reasons, we are of the opinion that the terms of Procurement Master Agreement, the transactions contemplated thereunder and the Proposed Annual Caps are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution(s) proposed at the EGM thereby approving the Procurement Master Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

Yours faithfully
For and on behalf of
CEB International Capital Corporation Limited

Victor Chan
Managing Director
Head of Corporate Finance and Equity Capital Markets

Victor Pang
Managing Director

Note:

Mr. Victor Chan has been a responsible officer of Type 1 (dealing in securities) regulated activity since 2017 and Type 6 (advising on corporate finance) regulated activity since 2018. Mr. Chan has more than 17 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions including connected transactions.

Mr. Victor Pang has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2012. Mr. Pang has more than 21 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions including connected transactions.

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 percentage of the respective type of Shares in issue *(%)*	Approximate percentage of the total number of Shares in issue *(%)*
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.

As at the Latest Practicable Date, (i) Mr. Mei Wei (a non-executive Director) is the secretary of the Party Committee and chairman of Green Environmental Protection; (ii) Mr. Dai Richeng (a non-executive Director) is the president, deputy secretary of the party committee and executive president of Beijing OriginWater; (iii) Mr. Chen Yong (a non-executive Director) is the managing director of Ningbo Kunlun Xinyuan Equity Management Partnership (Limited Partnership)* (寧波昆侖信元股權管理合夥企業(有限合夥)) and an authorized representative of the executive partner of Yantai Xinzhen Tianying Equity Investment Center (Limited Partnership)* (煙台信貞添盈股權投資中心(有限合夥)); (iv) Mr. Long Limin (a Supervisor) is the manager of the planning and procurement department, the chief operating officer, the chief operating officer, the chief procurement officer, the assistant to the president, the vice president and the senior vice president of Beijing OriginWater; and (v) Mr. Zhu Zhen (a Supervisor) is the general manager of the strategic development department of YHTH and the chairman of Caiyun International. Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the Supervisors or chief executive of the Company was a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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[1]	Beneficial owner, interests held jointly with another person	Domestic Shares	361,487,162 (L)	43.58	30.30
Mr. Huang Yunjian[1]	Beneficial owner, interests held jointly with another person	Domestic Shares	361,487,162 (L)	43.58	30.30
Mr. Liu Xujun[1]	Beneficial owner, interests held jointly with another person	Domestic Shares	361,487,162 (L)	43.58	30.30

Name of Shareholder	Capacity	Type of Shares	Number of Shares	Approximate percentage of the respective type of Shares in issue *(%)*	Approximate percentage of the total number of Shares in issue *(%)*
Wang Yong[1]	Beneficial owner, interests held jointly with another person	Domestic Shares	361,487,162 (L)	43.58	30.30
YHTH[1]	Interests in controlled corporation, interests held jointly with another person	Domestic Shares	361,487,162 (L)	43.58	30.30
Beijing OriginWater	Beneficial owner	Domestic Shares	286,650,000 (L)	34.56	24.02
China National Petroleum Corporation[2]	Interests in controlled corporation	Domestic Shares	124,754,169 (L)	15.04	10.46
CNPC Capital Company Limited[2]	Interests in controlled corporation	Domestic Shares	124,754,169 (L)	15.04	10.46
CNPC Assets Management Co., Ltd.[2]	Interests in controlled corporation	Domestic Shares	124,754,169 (L)	15.04	10.46
Kunlun Trust Co., Ltd.[2]	Interests in controlled corporation	Domestic Shares	124,754,169 (L)	15.04	10.46
Ningbo Kunlun Xinyuan Equity Investment Management Partnership[2]	Interests in controlled corporation	Domestic Shares	124,754,169 (L)	15.04	10.46
Yantai Xinzhen Tianying Equity Investment Center (Limited Partnership)[2]	Beneficial owner	Domestic Shares	124,754,169 (L)	15.04	10.46
Caiyun International[1]	Beneficial owner	H Shares	8,449,000 (L)	2.32	0.71
YHTH[1]	Interests in controlled corporation	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 Investment Limited 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 Investment Limited pursuant to the SFO which representing approximately 31.01% of total issued Shares.

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

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

Mr. 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 at 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 them 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**"), holds 3.85% equity interests in Xinzhen Tianying and is 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' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date,

(a) none of the Directors were materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group; and

(b) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. MATERIAL ADVERSE CHANGE

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 2024, 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.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates was considered to have an interest in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors or his close associates were appointed to represent the interests of the Company and/ or the Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to, enter into any service contract with any member of the Group which is not expiring or may not be terminated by the relevant member of the Group within one year without payment of any compensation (other than statutory compensation).

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose advice and/or report are contained in this circular:

Name	Qualification
CEB International Capital Corporation Limited	A corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

CEB International has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its statement as set out in this circular and references to name in the form and context in which it appears in this circular.

The letter given by CEB International is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, (1) CEB International did not have any shareholding directly or indirectly in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (2) CEB International did not have any interest, directly or indirectly, in any asset acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2024, being the date to which the latest published audited financial statements of the Company were made up.

9. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against either the Company or any other member of the Group, which shall be brought to the Shareholders' attention.

10. DOCUMENTS ON DISPLAY

Copy of the Procurement Master Agreement will be available on display on the HKEXnews website (www.hkexnews.hk) and the Company's website (www.yunnanwater.com.cn) for a period of 14 days from the date of this circular (both days inclusive).

11. MISCELLANEOUS

In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

YUNNAN WATER

雲南水務投資股份有限公司
Yunnan Water Investment Co., Limited*

(a joint stock limited liability company incorporated in the People's Republic of China)

(Stock code: 6839)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Yunnan Water Investment Co., Limited* (雲南水務投資股份有限公司) (the "**Company**") will be held at 10:00 a.m. on Monday, 20 October 2025 at Conference Room 5th Floor, Yunnan Water, 2089 Haiyuan Bei Road, Gaoxin District, Kunming, Yunnan Province, the PRC to consider and, if thought fit, approve the following resolutions of the Company:

ORDINARY RESOLUTIONS

"**THAT**:

(a) the Procurement Master Agreement and the Proposed Annual Caps be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorised for and on behalf to perform all such acts and things and execute all documents as he/they consider necessary, desirable or expedient to effect and implement the Procurement Master Agreement and the Proposed Annual Caps."

By Order of the Board
Yunnan Water Investment Co., Limited*
Mei Wei
Chairman

Kunming, the PRC
29 September 2025

Notes:

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

(2) For the purpose of ascertaining eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 15 October 2025 to Monday, 20 October 2025 (both dates inclusive) during which registration for transfer of shares will be suspended. Holders of H Shares who intend to attend and vote at the EGM shall deliver all transfer forms together with the relevant share certificates to the Company's H Share registrar in Hong Kong, Tricor Investor Services Limited, at or before 4:30 p.m. on Tuesday, 14 October 2025.

(3) Any Shareholder who is entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on his/her behalf. A proxy needs not be a Shareholder. If the Shareholder appoints more than one proxy, his/her proxies may only vote by poll.

(4) The instrument appointing a proxy shall be in writing under the hand of the Shareholder or his/her attorney duly authorised in writing. If the Shareholder is a legal entity, then the relevant appointing document must be either under seal or under the hand of its director(s) or attorney duly authorised. If the instrument appointing a proxy is signed by a person duly authorised by the Shareholder, the powers of attorney or other instruments of authorisation shall be notarised.

(5) The proxy form together with the power of attorney or other authorisation documents, if any, must be delivered to the secretariat of the Board located at the principal place of business of the Company in the PRC (for holders of Domestic Shares) or the Company's H Share registrar in Hong Kong, Tricor Investor Services Limited (for holders of H Shares) not later than 24 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof (as the case may be) in order to be effective.

(6) The H Share registrar of the Company in Hong Kong is Tricor Investor Services Limited and its address and contact information are as follows:

17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Tel: (+852) 2980 1333
Fax: (+852) 2810 8185

(7) The address and contact information of the principal place of business of the Company in the PRC are as follows:

Principal place of business in the PRC:
Yunnan Water, 2089 Haiyuan Bei Road, Gaoxin District, Kunming, Yunnan Province, the PRC

Contact information:
Yunnan Water, 2089 Haiyuan Bei Road, Gaoxin District, Kunming, Yunnan Province, the PRC
Contact person: Ms. Guo Jia
Tel: (+86) 871 6720 9927
Fax: (+86) 871 6720 3907

(8) Pursuant to the Articles of Association, for joint registered Shareholders consisting of two or more persons, only the Shareholder whose name appears first on the register of members of the Company is entitled to receive this notice, attend the EGM and exercise the entire voting rights conferred by the relevant Shares, and this notice shall be deemed to have served all such joint registered Shareholders.

(9) The EGM is expected to last for no more than half a day. Shareholders who attend the EGM in person or their proxies shall be responsible for their own travelling and accommodation expenses. Shareholders or their proxies who attend the EGM must produce their identity documents for identification.

* *For identification purposes only*