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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)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022**

### **FINANCIAL HIGHLIGHTS**

- Revenue was approximately RMB2,180.3 million, representing a decrease of approximately 19.5% over the corresponding period of last year.
- Gross profit was approximately RMB469.2 million, representing a decrease of approximately 28.9% over the corresponding period of last year.
- The loss for the period was approximately RMB502.3 million, compared to a loss of RMB363.3 million over the corresponding period of last year; the net loss recorded by the Group during the Reporting Period was mainly attributable to the decrease in the consolidated gross profit margin of the Group's solid waste and other business segments due to the resurgence of COVID-19 pandemic in the first half of 2022, and the decrease in construction service income.
- Loss attributable to the ordinary shareholders of the Company was approximately RMB494.0 million, and the basic loss per share was approximately RMB0.414.
- The Board does not recommend any distribution of interim dividend for the six months ended 30 June 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of Yunnan Water Investment Co., Limited\* (the “**Company**”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”).

# I. FINANCIAL INFORMATION OF THE GROUP

## Interim condensed consolidated statement of profit or loss and other comprehensive income

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	3	2,180,340	2,707,734
Cost of sales		(1,711,092)	(2,047,473)
<b>Gross profit</b>		<b>469,248</b>	660,261
Other income		17,464	31,368
Other losses — net		(13,494)	(18,833)
Selling expenses		(20,923)	(24,631)
Administrative expenses		(214,089)	(201,060)
Impairment losses on financial assets		(10,515)	(65,433)
<b>Operating profit</b>		<b>227,691</b>	381,672
Finance income	4	2,370	2,867
Finance costs	4	(743,506)	(761,239)
Finance costs — net		(741,136)	(758,372)
Share of profit/(loss) of investments accounted for using the equity method		13,548	(2,494)
<b>Loss before income tax</b>		<b>(499,897)</b>	(379,194)
Income tax (expenses)/credit	5	(2,429)	15,918
<b>Loss for the period</b>		<b>(502,326)</b>	(363,276)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
— Currency translation differences		49,506	(28,949)
<b>Total comprehensive income for the period — net of tax</b>		<b>(452,821)</b>	<b>(392,225)</b>

		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
<i>Notes</i>		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss attributable to:</b>			
	— Ordinary shareholders of the Company	<b>(494,015)</b>	(311,647)
	— Holders of perpetual capital instruments	<b>69,136</b>	26,801
	— Non-controlling interests	<b>(77,448)</b>	(78,430)
		<b><u>(502,327)</u></b>	<b><u>(363,276)</u></b>
<b>Total comprehensive income attributable to:</b>			
	— Ordinary shareholders of the Company	<b>(444,509)</b>	(340,596)
	— Holders of perpetual capital instruments	<b>69,136</b>	26,801
	— Non-controlling interests	<b>(77,448)</b>	(78,430)
		<b><u>(452,821)</u></b>	<b><u>(392,225)</u></b>
<b>Loss per share for loss attributable to ordinary shareholders of the Company (expressed in RMB per share)</b>			
	— Basic and diluted	<b>6 <u>(0.414)</u></b>	<b><u>(0.261)</u></b>

## Interim condensed consolidated balance sheet

		<b>30 June 2022</b>	31 December 2021
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>4,281,440</b>	4,250,964
Investment properties		<b>22,960</b>	23,115
Right-of-use assets		<b>332,571</b>	333,390
Receivables under service concession arrangements	8	<b>6,475,384</b>	6,406,389
Contract assets		<b>11,807,099</b>	12,700,091
Intangible assets		<b>13,453,620</b>	12,409,296
Investments accounted for using the equity method		<b>1,080,757</b>	1,084,751
Financial asset at fair value through other comprehensive income		<b>4,675</b>	4,675
Trade and other receivables	9	<b>90,305</b>	914,561
Prepayments	9	<b>1,352,180</b>	1,463,032
Deferred income tax assets		<b>916,236</b>	872,127
		<b>39,817,227</b>	40,462,391
<b>Current assets</b>			
Receivables under service concession arrangements	8	<b>75,084</b>	86,731
Inventories		<b>124,233</b>	116,043
Contract assets		<b>675,609</b>	486,042
Trade and other receivables	9	<b>7,028,159</b>	6,427,612
Prepayments	9	<b>146,054</b>	145,841
Restricted cash		<b>184,722</b>	272,533
Cash and cash equivalents		<b>470,304</b>	428,427
		<b>8,704,165</b>	7,963,229
<b>Total assets</b>		<b>48,521,392</b>	48,425,620

		<b>30 June 2022</b>	31 December 2021
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>EQUITY</b>			
<b>Equity attributable to ordinary shareholders of the Company</b>			
Share capital		<b>1,193,213</b>	1,193,213
Other reserves		<b>2,801,581</b>	2,752,075
Retained earnings		<b>(425,101)</b>	68,914
		<b>3,569,693</b>	4,014,202
Perpetual capital instruments		<b>1,622,300</b>	1,622,300
Non-controlling interests		<b>1,889,808</b>	1,961,636
<b>Total equity</b>		<b>7,081,801</b>	7,598,138
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	<i>11</i>	<b>8,835,562</b>	7,970,439
Trade and other payables	<i>10</i>	<b>2,832,850</b>	2,833,401
Lease liabilities		<b>31,620</b>	30,956
Deferred income		<b>842,872</b>	817,160
Deferred income tax liabilities		<b>1,321,372</b>	1,326,435
Provision		<b>523,982</b>	526,247
		<b>14,388,258</b>	13,504,638
<b>Current liabilities</b>			
Borrowings	<i>11</i>	<b>20,844,554</b>	20,685,107
Trade and other payables	<i>10</i>	<b>5,587,279</b>	5,974,439
Lease liabilities		<b>14,622</b>	14,315
Contract liabilities		<b>98,708</b>	87,344
Current income tax liabilities		<b>506,170</b>	561,639
		<b>27,051,333</b>	27,322,844
<b>Total liabilities</b>		<b>41,439,591</b>	40,827,482
<b>Total equity and liabilities</b>		<b>48,521,392</b>	48,425,620

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. General information

The Company was incorporated in Yunnan Province of the People's Republic of China (the "PRC") on 21 June 2011. On 22 July 2014, the Company was converted from a limited liability company into a joint stock limited liability company with registered capital of RMB787,880,000. The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 27 May 2015 with the total share capital subsequently increased to RMB1,193,213,000.

The Company is an investment holding company. The Group are principally engaged in the development, design, construction, operation and maintenance of municipal water supply, wastewater treatment and solid waste treatment facilities. The address of its registered office is Yunnan Water 2089 Haiyuan North Road, Gaoxin District, Kunming, Yunnan Province, the PRC.

This interim condensed consolidated financial information for the six months ended 30 June 2022 (the "**Interim Financial Information**") is presented in Renminbi ("**RMB**"), unless otherwise stated. This Interim Financial Information was approved by the Board of the Company on 31 August 2022.

## 2. Basis of preparation and accounting policies

### (a) Basis of preparation

This Interim Financial Information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 "Interim Financial Reporting". The Interim Financial Information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

During the six months ended 30 June 2022, the Group recorded a net loss of RMB502 million. As at 30 June 2022, the Group's current liabilities exceeded its current assets by RMB18,347 million, and it had total borrowings of RMB29,680 million, of which RMB20,845 million are classified as current liabilities (including those with contractual payment dates beyond one year after 30 June 2022 (see below)), while its cash and cash equivalents amounted to RMB470 million.

The Group has certain contractual and other arrangements to settle its financial obligations and various capital expenditures. As at 30 June 2022, the Group had capital commitment of approximately RMB9,941 million, mainly in relation to various concession projects and construction projects of the Group.

As at 30 June 2022, the Group failed to repay the matured borrowings totaling RMB843 million. The total amount of such overdue borrowings (including the interest payable and the relevant loans with the original contractual repayment dates fall beyond 30 June 2022) was RMB6,356 million (including the total amount of borrowings repaid by the Group but historical overdue of RMB1,778 million) (the "**Overdue Borrowings**"). Furthermore, the Group failed to comply with certain financial covenants (the "**Covenant Borrowings**") for other borrowings (the total amount of which was RMB1,040 million as at 30 June 2022). Consequently, the aforementioned borrowings totaling RMB7,396 million as at 30 June 2022 would be immediately repayable if requested by the lenders. Out of such amount, borrowings of RMB3,411 million that have original contractual repayment dates fall beyond 30 June 2023 were classified as current liabilities as at 30 June 2022.

These events triggered cross-default and caused certain other borrowings (other than Overdue Borrowings and Covenant Borrowings) of the Group with a total amount of RMB7,739 million to become immediately repayable (if required by the lenders). Among them, non-current borrowings of RMB6,329 million with original contractual repayment dates fall beyond 30 June 2023 were classified as current liabilities.

As at 30 June 2022, the Group failed to pay in full and on time RMB32 million of the matured investment revenue of RMB40 million of perpetual bonds. According to the renewable debt investment contract, this event has triggered the obligation of YHTH, the indirect controlling shareholder of the Group, to unconditionally accept the renewable debt.

## 2. Basis of preparation and accounting policies (Continued)

### (a) Basis of preparation (Continued)

From December 2021 to June 2022, the lenders of certain overdue borrowings with an amount of RMB1,536 million have applied for property preservation measures in the People's Republic of China court, and the court ordered to freeze certain cash in the bank and equity in certain associates and subsidiaries of the Group. In June 2022, the Group reached a settlement with one of the above lenders in respect of the overdue borrowings of RMB314 million as at 30 June 2022. As at 30 June 2022, due to further legal actions taken by the relevant lenders, the Company was listed as a person subject to enforcement by the court to settle the outstanding amount of RMB1,222 million.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt about the ability of the Group to continue as a going concern.

In view of such circumstances, the Directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been and will be taken to mitigate the liquidity pressure and to improve its financial position; and to remediate certain delayed repayments to financial institutions which include, but are not limited to, the following:

- (i) The Group had corporate bonds of RMB853 million with early redemption option exercisable by bondholders in March 2022, out of which RMB577 million was exercised by the bondholders and redeemed by the Group, while the bondholders for the remaining RMB276 million did not exercise the redemption option and such amount will be due for repayment by March 2024.
- (ii) From July to August 2022, the Group obtained borrowings of RMB126 million from its intermediate holding company, YHTH.
- (iii) The Group will continue with its ongoing effort to convince the lenders not to take any actions against the Group for immediate repayment of the defaulted borrowings. Other than the property preservation measures and enforcement incidents mentioned above, the Directors are not aware of any current intention of other lenders to take actions against the Group to demand immediate payment.
- (iv) The Group is also in active negotiations with the lenders in respect of the renewal and extension of the relevant borrowings and for grant of waivers for non-compliance of financial covenants, defaults and cross defaults and the Directors are confident that agreements will be reached and appropriate waivers will be granted.
- (v) In view of the long standing relationship between the Group and the respective banks, the Directors are confident that the Group will be able to renew certain uncommitted revolving loan facilities as at 30 June 2022 and obtain new facilities as planned.
- (vi) The Group has planned to divest certain of the Group's concession and construction projects. As at 30 June 2022, the Group has received deposit from potential acquirers amounted to RMB200 million and the completion of the disposal is expected to take place by the end of 2022, with a further consideration of approximately RMB160 million to be received. In the meantime, the Group is also actively looking for strategic investors to invest in certain existing projects of the Group so as to enhance the capital structure and reduce overall financing expenses of the Group.
- (vii) The Directors are of the view that they have the ability to manage the progress of the projects from time to time and defer the payment schedule for borrowings in these projects, if necessary. The Group has uncommitted project loan facilities from banks to provide financing of up to RMB6,252 million to satisfy part of the construction cost payable and committed capital expenditure in the next twelve months from 30 June 2022. The Group has also initiated the process to obtain new project loans to fund the Group's existing and new concession projects and construction projects. Despite the default situation as described above, the Directors believe that these uncommitted facilities will continued to be available to the Group and they are confident that they will be able to obtain such project loans from banks and other financial institutions as and when needed.

## 2. Basis of preparation and accounting policies (Continued)

### (a) Basis of preparation (Continued)

- (viii) As at 30 June 2022, the borrowings from YHTH was RMB5,139 million, all of which were classified as non-current. Moreover, in order to facilitate the issuance of perpetual bonds by the Group, YHTH has undertaken to the bondholders to purchase perpetual bonds of RMB1,622 million from the Group under certain circumstances, and to provide certain properties of YHTH as guarantees. In addition, YHTH also issued a letter to the Group and agreed to provide financial support to the Group for a period up to 18 months from 31 December 2021 and to take measures to enable the Group to have sufficient working capital to meet its liabilities and obligations as and when they fall due and to continue to carry on its business.
- (ix) The Group is actively communicating with relevant lenders who have taken property preservation measures and enforced them through legal procedures, seeking solutions from the professional lawyer team, hoping to reach a settlement through mediation and ensure the smooth implementation of relevant settlement agreements.

The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 30 June 2022. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

- (i) Successful in negotiation or obtaining a waiver of overdue or otherwise defaulted borrowings with the Group's existing lenders, so that the relevant lenders will not exercise their contractual rights to demand immediate repayment of the relevant defaulted borrowings;
- (ii) Successful in renewal of existing revolving bank facilities, in obtaining new bank facilities and draw down from those facilities, as and when needed;
- (iii) Successful and prompt in divesting the Group's concession and construction projects (including receipt of proceeds) and introduction of strategic investors to existing projects as planned;
- (iv) Successful in managing the progress of its concession and construction projects to defer the payment schedule of the borrowings in these projects, if necessary and to obtain project and other financing to meet its construction cost obligations, as and when needed;
- (v) Successful in obtaining sufficient financial support from YHTH to meet with its financial obligation as and when needed;
- (vi) Successful and prompt in reaching litigation settlements with the relevant lenders through mediation and performance of the relevant settlement agreements.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.



## 2. Basis of preparation and accounting policies (Continued)

### (b) Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2021, except for the adoption of amended standards as set out below.

#### (i) Amended standards adopted by the Group

HKAS 16 (Amendments)	Property, Plant and Equipment — Proceeds before intended use
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract

The adoption of the amended standards does not have significant impact on the financial information.

#### (ii) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2022 and have not been early adopted:

Annual Improvements HKAS 1 (Amendments) HKFRS 17 Hong Kong Interpretation 5 (2020)	Annual Improvements to HKFRS Standards Classification of Liabilities as Current or Non-current <sup>1</sup> Insurance Contracts <sup>1</sup> Hong Kong Interpretation 5 (2020) Presentation of Financial Statements: Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>1</sup> Disclosure of Accounting Policies <sup>1</sup>
HKAS 11 and HKFRS Practice Statement 2 (Amendments) HKAS 8 (Amendments) HKAS 12 (Amendments)	Definition of Accounting Estimates <sup>1</sup> Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture <sup>2</sup>

1. Effective for annual periods beginning on or after 1 January 2023
2. Effective date to be determined

The impact of new standards and amendments to standards that issued but not effective is still under assessment by the Group.

## 3. Segment information

The executive directors of the Company are the chief operating decision-maker of the Group. Management has determined the operating segments based on reports reviewed by the executive directors of the Company for the purpose of allocating resources and assessing performance.

The executive directors of the Company consider the business from product and service perspective. The Group is organized into five business segments as below:

- Wastewater treatment;
- Water supply;
- Construction and sales of equipment;
- Solid waste treatment; and
- Others, including operation and maintenance services and other businesses.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of revenue and gross profit of each operating segment.

### 3. Segment information (Continued)

The amounts provided to the executive directors of the Company with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operations of the segments.

Unallocated assets mainly represented cash and cash equivalents, restricted cash, certain prepayments and certain receivables of the group entities engaging in multiple business segments. Management considered that it is impracticable or not meaningful in allocating to different segments.

Unallocated liabilities mainly represented certain borrowings, certain payables and deferred income of the group entities engaging in multiple business segments. Management considered that it is impracticable or not meaningful in allocating to different segments.

(i) Segment results for the six months ended 30 June 2022 are as follows:

#### Six months ended 30 June 2022:

	Wastewater treatment RMB'000	Water supply RMB'000	Construction and sales of equipment RMB'000	Solid waste treatment RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Gross segment revenue	1,425,615	345,791	191,843	302,546	51,138	—	2,316,933
Inter-segment revenue	—	—	(136,593)	—	—	—	(136,593)
Revenue from external customers and revenue from contracts with customers	1,425,615	345,791	55,250	302,546	51,138	—	2,180,340
— Recognised at a point in time	—	286,067	7,827	—	—	—	293,894
— Recognised over time	1,100,152	26,865	47,423	286,043	51,138	—	1,511,621
Revenue from other sources							
— Finance income	325,463	32,859	—	16,503	—	—	374,825
Gross profit	432,790	12,614	(3,287)	9,658	17,473	—	469,248
Other income							17,464
Other losses — net							(13,494)
Selling expenses							(20,923)
Administrative expenses							(214,089)
Impairment losses on financial assets							(10,515)
Finance costs — net							(741,136)
Share of profit of investments accounted for using the equity method — net	(110)	—	—	(114)	13,772	—	13,548
Loss before income tax							(499,897)
Income tax expenses							(2,429)
Loss for the period							<u>(502,326)</u>
Depreciation and amortisation	<u>(127,310)</u>	<u>(126,509)</u>	<u>(5,871)</u>	<u>(99,182)</u>	<u>(4,437)</u>	<u>(7,209)</u>	<u>(370,518)</u>

### 3. Segment information (Continued)

(i) Segment results for the six months ended 30 June 2022 are as follows: (Continued)

#### Six months ended 30 June 2021:

	Wastewater treatment <i>RMB'000</i>	Water supply <i>RMB'000</i>	Construction and sales of equipment <i>RMB'000</i>	Solid waste treatment <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Gross segment revenue	1,831,712	392,149	261,624	349,575	66,465	—	2,901,525
Inter-segment revenue	—	—	(193,791)	—	—	—	(193,791)
Revenue from external customers and revenue from contracts with customers	1,831,712	392,149	67,833	349,575	66,465	—	2,707,734
— Recognised at a point in time	—	284,048	4,934	—	—	—	288,982
— Recognised over time	1,484,101	83,616	62,899	327,248	66,465	—	2,024,329
Revenue from other sources							
— Finance income	347,611	24,485	—	22,327	—	—	394,423
Gross profit	541,478	52,671	4,850	38,245	23,017	—	660,261
Other income							31,368
Other losses — net							(18,833)
Selling expenses							(24,631)
Administrative expenses							(201,060)
Impairment losses on financial assets							(65,433)
Finance costs — net							(758,372)
Share of loss of investments accounted for using the equity method — net	(4,465)	—	—	—	1,971	—	(2,494)
Loss before income tax							(379,194)
Income tax credit							15,918
Loss for the period							<u>(363,276)</u>
Depreciation and amortisation	<u>(97,695)</u>	<u>(117,804)</u>	<u>(5,871)</u>	<u>(98,994)</u>	<u>(4,658)</u>	<u>(11,129)</u>	<u>(336,151)</u>

### 3. Segment information (Continued)

(ii) Segment assets and liabilities as at 30 June 2022 are as follows:

#### As at 30 June 2022:

	Wastewater treatment <i>RMB'000</i>	Water supply <i>RMB'000</i>	Construction and sales of equipment <i>RMB'000</i>	Solid waste treatment <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	<u>24,789,778</u>	<u>8,631,341</u>	<u>5,964,892</u>	<u>7,693,523</u>	<u>1,241,250</u>	<u>200,608</u>	<u>48,521,392</u>
Segment assets include: Investments accounted for using the equity method	<u>58,177</u>	<u>—</u>	<u>—</u>	<u>39,086</u>	<u>983,494</u>	<u>—</u>	<u>1,080,757</u>
Segment liabilities	<u>14,166,989</u>	<u>1,386,329</u>	<u>5,271,309</u>	<u>2,775,434</u>	<u>218,479</u>	<u>17,621,051</u>	<u>41,439,591</u>

#### As at 31 December 2021:

	Wastewater treatment <i>RMB'000</i>	Water supply <i>RMB'000</i>	Construction and sales of equipment <i>RMB'000</i>	Solid waste treatment <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	<u>23,136,847</u>	<u>8,425,005</u>	<u>5,985,077</u>	<u>8,418,512</u>	<u>1,772,449</u>	<u>687,730</u>	<u>48,425,620</u>
Segment assets include: Investments accounted for using the equity method	<u>58,287</u>	<u>—</u>	<u>—</u>	<u>39,200</u>	<u>987,264</u>	<u>—</u>	<u>1,084,751</u>
Segment liabilities	<u>12,946,848</u>	<u>1,192,607</u>	<u>5,288,207</u>	<u>3,510,081</u>	<u>767,151</u>	<u>17,122,588</u>	<u>40,827,482</u>

#### 4. Finance costs — net

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Finance income		
— Interest income	2,370	2,867
— Net exchange gain on financing activities	—	—
	<u>2,370</u>	<u>2,867</u>
Finance costs		
— Borrowing costs	(740,436)	(811,722)
Less: amounts capitalised on qualifying assets	19,791	74,796
	<u>(720,645)</u>	<u>(736,926)</u>
— Net exchange loss on financing activities	(19,017)	(20,077)
— Unwinding of provision	(3,844)	(4,236)
	<u>(743,506)</u>	<u>(761,239)</u>
Finance costs — net	<u>(741,136)</u>	<u>(758,372)</u>

#### 5. Income tax expenses/(credit)

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Current income tax		
— Corporate income tax	8,862	57,089
Deferred income tax		
— Corporate income tax	(6,433)	(73,007)
	<u>2,429</u>	<u>(15,918)</u>

## 6. Loss per share

### (a) Basic

The basic loss per share is calculated by dividing the loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares issued during the six months ended 30 June 2022.

	Six months ended 30 June	
	2022	2021
Loss attributable to the ordinary shareholders of the Company (RMB'000)	(494,015)	(311,647)
Weighted average numbers of ordinary shares in issue (thousands)	1,193,213	1,193,213
Basic loss per share (RMB per share)	<u>(0.414)</u>	<u>(0.261)</u>

### (b) Diluted

Diluted loss per share is the same as basic loss per share as there were no potential diluted ordinary shares outstanding during the six months ended 30 June 2022 (six months ended 30 June 2021: same).

## 7. Dividends

Pursuant to the board of directors meeting held by the Company on 31 March 2022, the directors of the Company did not recommend the payment of any final dividend for the year ended 31 December 2021 (2020 dividends: total RMB70,938,000) out of retained earnings of the Company. The 2020 dividends of RMB21,166,000 were paid in August 2021.

No interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil) has been proposed by the Board of the Company.

## 8. Receivables under service concession arrangements

The following is the summarised information of the financial asset component (receivables under service concession arrangements) with respect to the Group's service concession arrangements:

	As at	
	30 June 2022	31 December 2021
	RMB'000	RMB'000
Receivables under service concession arrangements	6,567,011	6,509,663
Less: provision for impairment	<u>(16,543)</u>	<u>(16,543)</u>
	6,550,468	6,493,120
Portion classified as current assets	<u>(75,084)</u>	<u>(86,731)</u>
Non-current portion	<u>6,475,384</u>	<u>6,406,389</u>

In respect of the Group's receivables under service concession arrangements, credit risks varied amongst the Group's projects operated in different locations of Mainland China. The collection of receivables under services concession arrangements is closely monitored in order to minimise any credit risk associated with the receivables.

The receivables under service arrangements were billable receivables. They were mainly due from governmental authorities in Mainland China, as grantors in respect of the Group's service concession arrangements.

## 9. Trade and other receivables and prepayments

	As at	
	30 June 2022 RMB'000	31 December 2021 RMB'000
Trade receivables		
— Related parties	2,051,296	2,052,478
— Local governments	1,257,268	1,130,648
— Third parties	2,832,118	2,684,947
Less: provision for impairment	<u>(405,032)</u>	<u>(395,341)</u>
	<u>5,735,650</u>	<u>5,472,732</u>
Other receivables		
— Related parties	26,257	40,567
— Third parties	1,470,805	1,942,621
Less: provision for impairment	<u>(114,248)</u>	<u>(113,747)</u>
	<u>1,382,814</u>	<u>1,869,441</u>
Total trade and other receivables	7,118,464	7,342,173
Less: non-current portion of other receivables	<u>(90,305)</u>	<u>(914,561)</u>
Current portion of trade and other receivables	<u>7,028,159</u>	<u>6,427,612</u>
Prepayments		
— Related parties	481,405	267,842
— Third parties	1,056,096	1,380,298
Less: provision for impairment	<u>(39,267)</u>	<u>(39,267)</u>
	1,498,234	1,608,873
Less: non-current portion of prepayments	<u>(1,352,180)</u>	<u>(1,463,032)</u>
Current portion of prepayments	<u>146,054</u>	<u>145,841</u>

Ageing analysis of gross trade receivables (including amounts due from related parties of trading in nature) at the respective balance sheet dates, based on the invoice dates or contractual terms, is as follows:

	As at	
	30 June 2022 RMB'000	31 December 2021 RMB'000
Within one year	682,196	1,020,168
Over one year	<u>5,449,299</u>	<u>4,847,905</u>
	<u>6,131,495</u>	<u>5,868,073</u>

## 10. Trade and other payables

	As at	
	30 June 2022 <i>RMB'000</i>	31 December 2021 <i>RMB'000</i>
Trade payables		
— Related parties	1,489,331	1,498,780
— Third parties	5,178,991	5,210,270
	<u>6,668,322</u>	<u>6,709,050</u>
Notes payable	22,527	318,010
Other payables		
— Related parties	235,793	246,061
— Third parties	1,086,650	1,200,576
Staff welfare benefit payable	63,402	59,957
Other taxes payable	269,780	200,531
Dividend payables	73,655	73,655
	<u>8,420,129</u>	<u>8,807,840</u>
Less: non-current portion	<u>(2,832,850)</u>	<u>(2,833,401)</u>
Current portion	<u><u>5,587,279</u></u>	<u><u>5,974,439</u></u>

Trade payables are settled in accordance with agreed terms with suppliers. As at 30 June 2022, the aging analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice dates or contractual terms is as follows:

	As at	
	30 June 2022 <i>RMB'000</i>	31 December 2021 <i>RMB'000</i>
Within one year	1,507,906	1,635,012
Over one year	5,160,416	5,074,038
	<u>6,668,322</u>	<u>6,709,050</u>



## 11. Borrowings

	As at	
	30 June 2022 RMB'000	31 December 2021 RMB'000
<b>Non-current</b>		
Long-term bank borrowings	3,074,830	2,778,605
Corporate bonds and other borrowings	5,760,732	5,191,834
	<u>8,835,562</u>	<u>7,970,439</u>
<b>Current</b>		
Short-term bank borrowings	5,053,316	4,439,748
Current portion of long-term bank borrowings	10,433,007	10,508,225
Current portion of corporate bonds and other borrowings	5,358,231	5,737,134
	<u>20,844,554</u>	<u>20,685,107</u>
	<u><u>29,680,116</u></u>	<u><u>28,655,546</u></u>

As at 30 June 2022, the Group failed to repay the matured borrowings totaling RMB843 million. The total amount of such overdue borrowings (including the interest payable and the relevant loans with the original contractual repayment dates fall beyond 30 June 2022) was RMB6,356 million (including the total amount of borrowings repaid by the Group but historical overdue of RMB1,778 million) (the “**Overdue Borrowings**”). Furthermore, the Group failed to comply with certain financial covenants (the “**Covenant Borrowings**”) for other borrowings (the total amount of which was RMB1,040 million as at 30 June 2022). Consequently, the aforementioned borrowings totaling RMB7,396 million as at 30 June 2022 would be immediately repayable if requested by the lenders. Out of such amount, borrowings of RMB3,411 million that have original contractual repayment dates fall beyond 30 June 2023 were classified as current liabilities as at 30 June 2022.

These events triggered cross-default and caused certain other borrowings (other than Overdue Borrowings and Covenant Borrowings) of the Group with a total amount of RMB7,739 million to become immediately repayable (if required by the lenders). Among them, non-current borrowings of RMB6,329 million with original contractual repayment dates fall beyond 30 June 2023 were classified as current liabilities.

From December 2021 to June 2022, the lenders of certain overdue borrowings with an amount of RMB1,536 million have applied for property preservation measures in the People’s Republic of China court, and the court ordered to freeze certain cash in the bank and equity in certain associates and subsidiaries of the Group. In June 2022, the Group reached a settlement with one of the above lenders in respect of the overdue borrowings of RMB314 million as at 31 December 2021. As at 30 June 2022, due to further legal actions taken by the relevant lenders, the Company was listed as a person subject to enforcement by the court to settle the outstanding amount of RMB1,222 million.

### INDUSTRY OVERVIEW

Since 2022, the international situation has been severe and complicated. Geopolitical and economic uncertainties have increased the uncertainty to the near-term economic prospects, and the overall growth trend of the world economy has slowed down significantly. Against the backdrop of a complicated world economy, COVID-19 outbreaks occurred frequently in China, and the adverse impact was significantly increased. Economic development was significantly affected by unexpected factors beyond expectations, and downward pressure on the economy increased significantly in the second quarter. In the face of an extremely complex and difficult situation, China has strengthened macro-policy adjustment, the rebound of the COVID-19 pandemic was under control, and the national economy has stabilized and recovered. In June 2022, certain economic indicators have shown a recovery trend.

The year of 2022 is the first year of promoting the realization of the “double carbon ( 雙碳 )” goal. The state is accelerating the transformation of the development mode, vigorously developing the green economy, and successively introduced policies for the environmental protection industry, which have created new development opportunities for the ecological and environmental protection undertakings. In recent years, it has experienced turbulence and adjustment in the environmental protection industry. A new issue of transformation arose in the industry. In the context of carbon neutrality, the environmental protection industry not only takes the mission of “green ( 綠色 )” and “low carbon ( 低碳 )”, but also undertakes the sustainable development goals of reducing pollution and carbon. Although the environmental protection industry in China is facing many difficulties in recent years, the fundamentals remain favorable in the future. With further support of the national environmental policy, the environmental protection industry will continue to develop steadily.

Earlier this year, the Ministry of Ecology and Environment has convened 2022 National Conference on Ecological and Environmental Protection, at which the basic content of China’s ecological environment protection work in 2021 has been reviewed and summarized, and combining with the current ecological environment situation, several key tasks for ecological and environmental protection in 2022 have been deployed, including, among others, making solid progress in the battle to fight air, water and soil pollution, carrying out works in related to “carbon peaking and carbon neutrality ( 碳達峰、碳中和 )”, comprehensively promoting the ecological partition control, and comprehensively strengthening the development of an ecological and environmental monitoring system. Under the guidance of the schedule, several policies in related to environmental protection were introduced in the first half of this year, focusing on solving the problems of soil, water, air and new pollutants, and laying a solid foundation for the construction of a green ecological environment system. In addition, in June 2022, the Ministry of Ecology and Environment, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Housing and Urban-Rural Development, the Ministry of Transport, the Ministry of Agriculture and Rural Affairs and the National Energy Administration have issued the “Implementation Plan for Synergistic Efficiency of Pollution Reduction and Carbon Reduction ( 《減污降碳協同增效實施方案》 )”, which puts forward that the control measures of pollution

reduction and carbon reduction at source and in key regions shall be strengthened; by 2025, the work pattern of coordinated promotion of pollution reduction and carbon reduction will be basically formed; significant achievements will be made in structural optimization and adjustment of key regions and fields and in green and low-carbon development; a batch of replicable, scalable and typical experience will be created; and the synergy degree of pollution reduction and carbon reduction will be effectively improved. By 2030, the synergistic capacity of pollution reduction and carbon reduction will be significantly improved to help achieve the target of carbon peaking; significant progress will be made in the coordinated promotion of carbon peaking and air quality improvement in key areas of air pollution prevention and control; the level of coordinated treatment in the field of pollution prevention and control, such as water, soil, solid waste and so on, has been significantly improved. The introduction of the above-mentioned ecological environment policy points out a new direction for our ecological economic construction.

The water industry has embarked on a new journey of extensional expansion to connotative development. Under the goal of “double carbon”, the water industry in China will usher in a stage of high-quality development. First, the comprehensive treatment of water environment has become a hot spot in the water industry recently. As it is an important part of the battle of pollution prevention and control, the state promotes to improve the quality of water environment in the basin through the support of policies and funds, so that the comprehensive treatment of water environment will welcome a greater space for development. On the other hand, intelligent water has attracted more and more attention. Intelligent water is an important part of the construction of smart city. The construction demand of the intelligent water is increasing, especially the county-level intelligent water construction will usher in a huge incremental market. It is an important municipal public utility and an important and fundamental industry to ensure the normal development of economy and society. At the same time, the segments, such as sludge treatment, pipe network construction and recycled water utilization, also present strong development potential. Enterprises in the water industry should seize the window of opportunity in the industry, take advantage of the trend, and make their business more refined, larger, and stronger.

In recent years, China’s solid waste treatment industry has developed rapidly under the influence of policies. However, compared with the foreign solid waste treatment industry, the overall situation is relatively scattered. The number of leading enterprises in the industry is small and the scale is not large. In the future, the industrial concentration of the solid waste sector will be further improved. From the perspective of each sub-field, the total amount of general industrial solid waste is huge, and the comprehensive utilization market has great room for improvement; The total amount of industrial hazardous wastes will continue to increase, and the treatment facilities will be mainly distributed in the main industrial bases; The focus of medical waste treatment will be on the construction of medical waste facilities in prefecture level cities and the improvement of the collection, transportation and disposal system in counties; The overall growth of the domestic waste incineration power generation market will slow down, but the central and western regions and small and medium-sized cities will usher in the golden period of investment growth in domestic waste incineration power generation, especially the continuous development of carbonization technology. The problem of domestic waste incineration and disposal in small cities will be further solved, providing a new solution for domestic waste disposal in the central and western regions.

2022 is the year of convening the 20th National Congress of the Communist Party of China, the key year for the comprehensive implementation of the “Fourteenth Five-Year (十四五)” Plan, and an important year for the in-depth fight with pollution prevention and control. With the orderly promotion of “Carbon Peaking • Carbon Neutrality (碳达峰 • 碳中和)”, the sub-fields of the environmental protection industry will enter an era of improving quality and efficiency, emphasizing both scale and technology. The Group will further strive to overcome the current challenges, strive to enhance its core competitiveness, and contribute to the development of the environmental protection industry and the construction of ecological civilization.

## **DEVELOPMENT STRATEGIES AND PROSPECT**

In the second half of 2022, facing the complicated domestic and international economic situation and the persistently sluggish market environment, the Group focused on the established work objectives and strategic positioning with firm confidence, overcame difficulties and made every effort to improve quality and efficiency and to avoid risks.

The Group will continue to focus on the two main businesses of “water + solid waste” and go all out in production and operation. In particular, the Group will further optimize its debt structure, improve its operation and management level, speed up the construction progress of projects under construction, promote the business development in key areas, and improve the quality and efficiency focusing on the Group’s operations, so as to enable the Group’s core business to achieve sound development.

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

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

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

Looking forward, the Group will continue to adhere to the development goal of “based in Yunnan, covering the nation and going global, striving to be a leading integrated environmental services provider at the municipal level (立足雲南、面向全國、走向國際, 致力成為領先的城鎮環境綜合服務商)”, and overcome the current challenges and difficulties, grasp the industry development trend, improve the Group’s operational capability, technical strength and core competitiveness, and create more returns on investment for its shareholders.

## **BUSINESS REVIEW**

The Group is one of the leading integrated service providers in the urban environmental protection industry in China. The Group mainly adopts the Build-Operate-Transfer (the “**BOT**”), Build-Own-Operate (the “**BOO**”), Transfer-Operate-Transfer (the “**TOT**”), Transfer-Own-Operate (the “**TOO**”), Build and Transfer (the “**BT**”), Engineering-Procurement-Construction (the “**EPC**”), Rehabilitate-Operate-Transfer (the “**ROT**”), Operation and Maintenance (the “**O&M**”) and licensed operation models to provide customized and integrated turnkey solutions for water supply, wastewater treatment and solid waste treatment as well as system integration services of core technologies to customers. The Group’s businesses are carried out in China and the southeast Asian countries, the Group’s principal businesses comprise five major segments, namely, wastewater treatment, water supply, solid waste treatment, construction and sales of equipment and others.

As at 30 June 2022, the Group’s water related projects (including the following wastewater treatment projects, water supply projects and all water related projects under other business segments) had a total daily treatment capacity of approximately 6,408,100 tonnes. As at 30 June 2022, the Group’s solid waste treatment related projects (including the following solid waste treatment projects and all solid waste treatment related projects under other business segments) had a total annual treatment capacity of approximately 4,081,900 tonnes.

### **Wastewater Treatment Projects**

As at 30 June 2022, the Group had a total of 134 concession wastewater treatment projects, including 7 BOO projects, 69 BOT projects, 2 TOO projects, 27 TOT projects, 1 ROT project and 28 municipal environmental comprehensive treatment projects, with a total daily treatment capacity of approximately 3,553,300 tonnes, the total treatment capacity remained stable, with an addition of 2 BOO projects and 2 municipal environmental comprehensive treatment projects which commenced operation as compared to that as at 31 December 2021.

As at 30 June 2022, 110 concession projects with a total daily treatment capacity of approximately 2,944,200 tonnes had commenced commercial operation (including 6 municipal environmental comprehensive treatment projects with a total daily wastewater treatment capacity of approximately 215,200 tonnes), with an addition of 2 BOO projects and 2 municipal environment comprehensive treatment projects which commenced operation as compared to that as at 31 December 2021. During the Reporting Period, the Group’s average utilization rate of wastewater treatment was approximately 77.7%, and the average unit charge of wastewater treatment was approximately RMB1.60 per tonne.



As at 30 June 2022, 24 concession projects with total daily treatment capacity of approximately 609,100 tonnes had not commenced commercial operation (including 22 municipal environmental comprehensive treatment projects with a total daily treatment capacity of approximately 580,100 tonnes), with 2 municipal environmental comprehensive treatment projects and 2 BOO projects under construction converted to operation as compared to that as at 31 December 2021.

### **Water Supply Projects**

As at 30 June 2022, the Group had a total of 67 concession water supply projects with a total daily treatment capacity of approximately 2,449,100 tonnes, including 15 BOO projects, 35 BOT projects, 11 TOT projects and 6 municipal environmental comprehensive treatment projects, the total treatment capacity remained stable as compared to that as at 31 December 2021.

As at 30 June 2022, 49 concession projects with a total daily capacity of approximately 1,595,000 tonnes had commenced commercial operation (including 1 municipal environmental comprehensive treatment project with a total daily treatment capacity of approximately 30,000 tonnes). During the Reporting Period, due to the impact of the COVID-19 pandemic, the Group's water supply for non-residential and special industries decreased, while the Group's average utilization rate of water supply was approximately 61.1%, and the average unit charge of water supply was approximately RMB2.46 per tonne.

As at 30 June 2022, 18 concession projects with a total daily capacity of approximately 854,100 tonnes had not commenced commercial operation (including 5 municipal environmental comprehensive treatment projects with a total daily treatment capacity of approximately 389,700 tonnes), there was no change as compared to that as at 31 December 2021.

### **Solid Waste Treatment Projects**

As at 30 June 2022, the Group had 24 solid waste treatment projects with a total annual treatment capacity of 4,081,900 tonnes, 13 of which with an annual treatment capacity of 2,186,600 tonnes had commenced commercial operation (including 1 municipal environmental comprehensive treatment project with an annual treatment capacity of approximately 219,000 tonnes), and 11 of them with an annual treatment capacity of 1,895,300 tonnes were under construction (including 2 municipal environmental comprehensive treatment projects with a total annual treatment capacity of approximately 900,800 tonnes). As compared to that as at 31 December 2021, the total treatment capacity remained stable. During the Reporting Period, the Group's average utilization rate of solid waste treatment was approximately 73.7%.

## **Construction and Sales of Equipment**

The Group's construction and sales of equipment segment comprises BT projects, EPC projects and sales of equipment. As at 30 June 2022, the Group had a total of 11 BT projects, which were either under construction and/or completed, among which the income of 10 BT projects was recognised as revenue during the Reporting Period.

During the Reporting Period, the Group had a total of 13 EPC projects.

The Group engages in the production, sales and installation of equipment for wastewater treatment, water supply, solid waste treatment and other infrastructure facilities. The major category of water related equipment in the Group's production is membrane. Most of the membrane products are produced by the own plant of the Group.

## **Others**

During the Reporting Period, the Group also undertook O&M projects for wastewater treatment, water supply and solid waste treatment facilities owned by third parties as well as provision of technical and consultancy services in relation to environmental protection. As at 30 June 2022, the Group was providing relevant operation services for 29 O&M projects, which remained stable as compared to that as at 31 December 2021. These projects included 28 wastewater treatment projects with a total daily treatment capacity of approximately 400,700 tonnes (including the capacity of wastewater treatment projects adopting O&M model within municipal environment comprehensive treatment projects), and 1 water supply project with daily treatment capacity of approximately 5,000 tonnes.

## **FINANCIAL REVIEW**

### **Results of Operation**

During the Reporting Period, the Group recorded revenue of approximately RMB2,180.3 million, representing a period-on-period decrease of approximately 19.5% as compared to that for the six months ended 30 June 2021. During the Reporting Period, the Group recorded a net loss of approximately RMB502.3 million, compared to a loss of RMB363.3 million over the six months ended 30 June 2021. Loss attributable to the ordinary shareholders of the Company was approximately RMB494.0 million, compared to loss attributable to the ordinary shareholders of the Company of RMB311.6 million over the six months ended 30 June 2021. Loss per share for the six months ended 30 June 2022 was approximately RMB0.414.

### **Revenue**

Revenue of the Group decreased from approximately RMB2,707.7 million for the six months ended 30 June 2021 to approximately RMB2,180.3 million for the Reporting Period, representing a decrease of approximately 19.5%.

In respect of the business segments of the Group, revenue from the wastewater treatment business segment decreased by approximately 22.2% from approximately RMB1,831.7 million for the six months ended 30 June 2021 to approximately RMB1,425.6 million for the Reporting Period. Revenue from the water supply segment decreased by approximately 11.8% from approximately RMB392.1 million for the six months ended 30 June 2021 to approximately RMB345.8 million for the Reporting Period. Revenue from solid waste treatment business segment decreased by approximately 13.5% from approximately RMB349.6 million for the six months ended 30 June 2021 to approximately RMB302.5 million for the Reporting Period. Revenue from construction and sales of equipment business segment decreased by approximately 18.5% from approximately RMB67.8 million for the six months ended 30 June 2021 to approximately RMB55.3 million for the Reporting Period. Revenue from other business decreased by approximately 23.1% from approximately RMB66.5 million for the six months ended 30 June 2021 to approximately RMB51.1 million for the Reporting Period.

The decrease in revenue from the wastewater treatment business segment was mainly attributable to the decrease in construction project revenue of the water plants caused by the resurgence of COVID pandemic, which overpass the increase in operating revenue during the Reporting Period.

The decrease in revenue from the water supply business segment was mainly attributable to the decrease in construction contract revenue during the Reporting Period.

The decrease in revenue from the solid waste treatment business segment was mainly attributable to the decrease in construction revenue and the reduction in the operation revenue of solid waste projects due to the decrease in the collection volume in the region where it is located during the Reporting Period.

The decrease in revenue from the construction and sales of equipment business segment was mainly attributable to the decrease in EPC construction services and equipment sales during the Reporting Period.

The decrease in revenue from the other business segment was mainly attributable to the decrease in service revenue generated by certain O&M projects during the Reporting Period.

### **Cost of Sales**

During the Reporting Period, the Group recorded cost of sales of approximately RMB1,711.1 million, representing a period-on-period decrease of approximately RMB336.4 million or 16.4% as compared to approximately RMB2,047.5 million for the six months ended 30 June 2021. The decrease in cost of sales was mainly attributable to the decrease in cost for construction which was in line with the decrease in construction revenue of the existing water supply projects and wastewater treatment projects under construction during the construction period.



## **Gross Profit Margin**

During the Reporting Period, gross profit margin of the Group was approximately 21.5%, representing a decrease of approximately 2.9% as compared to approximately 24.4% for the six months ended 30 June 2021.

## **Other Income**

During the Reporting Period, the Group recorded other income of approximately RMB17.5 million, representing a period-on-period decrease of approximately RMB13.9 million or a decrease rate of approximately 44.3% as compared with approximately RMB31.4 million for the six months ended 30 June 2021. The decrease in other income was mainly attributable to a decrease in other non-operating income during the Reporting Period.

## **Selling Expenses**

During the Reporting Period, selling expenses of the Group were approximately RMB20.9 million, representing a period-on-period decrease of approximately RMB3.7 million or 15.1%, from approximately RMB24.6 million for the six months ended 30 June 2021.

## **Administrative Expenses**

During the Reporting Period, administrative expenses of the Group were approximately RMB214.1 million, representing a period-on-period increase of approximately RMB13.0 million or 6.5% from approximately RMB201.1 million for the six months ended 30 June 2021. The increase in administrative expenses was primarily due to the increase in intermediary service fees during the Reporting Period.

## **Finance Costs — net**

Net finance costs decreased by approximately RMB17.3 million from approximately RMB758.4 million for the six months ended 30 June 2021 to approximately RMB741.1 million for the Reporting Period, representing a decrease of approximately 2.3%. The decrease in net finance costs was primarily due to the Group's issuance of CITIC Trust perpetual bonds in June 2021. The interest expense of RMB69.1 million (for the six months ended 30 June 2021: the interest expense of RMB26.8 million) recorded during the Reporting Period was classified as the net profit attributable to the holders of perpetual capital instrument from the financing cost.

The average interest rate on borrowings of the Group for the Reporting Period was approximately 5.68% per annum, representing a period-on-period increase compared with approximately 5.63% per annum for the six months ended 30 June 2021.

## **Loss before Income Tax**

As a result of the foregoing, the Group recorded a loss before income tax of approximately RMB499.9 million for the six months ended 30 June 2022, compared to a loss before income tax of approximately RMB379.2 million for the six months ended 30 June 2021.

## **Income Tax (Expenses)/Credit**

The Group recorded income tax expenses of approximately RMB2.4 million for the six months ended 30 June 2022, compared to income tax credit of approximately RMB15.9 million for the six months ended 30 June 2021.

## **Loss for the Reporting Period**

As a result of the foregoing, loss for the Reporting Period increased by approximately RMB139.0 million from a net loss of approximately RMB363.3 million for the six months ended 30 June 2021 to a net loss of approximately RMB502.3 million for the Reporting Period.

## **Receivables under Service Concession Arrangements**

The Group's receivables under service concession arrangements increased by approximately RMB57.4 million from approximately RMB6,493.1 million as at 31 December 2021 to approximately RMB6,550.5 million as at 30 June 2022, representing an increase of approximately 0.9%.

## **Trade and Other Receivables and Prepayments**

The Group's trade and other receivables and prepayments decreased by approximately RMB334.3 million from approximately RMB8,951.0 million as at 31 December 2021 to approximately RMB8,616.7 million as at 30 June 2022, representing a decrease of approximately 3.7%. Such decrease was primarily due to the Group's collection of VAT credits and refunds during the Reporting Period.

## **Cash and Cash Equivalents**

The Group's total cash balance increased by approximately RMB41.9 million from approximately RMB428.4 million as at 31 December 2021 to approximately RMB470.3 million as at 30 June 2022, representing an increase of approximately 9.8%.

## **Trade and Other Payables**

The Group's trade and other payables decreased by approximately RMB387.7 million from approximately RMB8,807.8 million as at 31 December 2021 to approximately RMB8,420.1 million as at 30 June 2022, representing a decrease of approximately 4.4%. Such decrease was primarily due to the payment for suppliers and trade bills during the Reporting Period.

## **Borrowings**

As at 30 June 2022, the Group had borrowings of approximately RMB29,680.1 million (31 December 2021: approximately RMB28,655.5 million). As at 30 June 2022, the Group had unsecured borrowings of approximately RMB14,902.7 million (31 December 2021: approximately RMB14,708.6 million), and secured borrowings of approximately RMB14,777.4 million (31 December 2021: approximately RMB13,946.9 million).

## **Pledge of Assets**

As at 30 June 2022, borrowings of approximately RMB14,777.4 million (31 December 2021: approximately RMB13,946.9 million) were secured by the Group's receivables under service concession arrangements, contract assets, right-of-use assets, property, plant and equipment, intangible assets and the Company's investments in associates and subsidiaries.

## **Capital Commitments**

The Group's capital commitments decreased by approximately RMB2,022.7 million from approximately RMB11,963.7 million as at 31 December 2021 to approximately RMB9,941.0 million as at 30 June 2022, representing a decrease of approximately 17%.

## **Gearing Ratio**

The Group's gearing ratio (calculated by net debt divided by total capital) increased from approximately 78.8% as at 31 December 2021 to approximately 80.5% as at 30 June 2022, representing an increase of approximately 1.7%. The increase was primarily due to the increase in borrowings of the Group during the Reporting Period.

## **SIGNIFICANT INVESTMENTS AND ACQUISITIONS**

No significant investments and acquisitions activities occurred during the Reporting Period.

## **NOMINATION COMMITTEE**

The Nomination Committee currently consists of one executive Director, Mr. Yu Long (as chairman), and two independent non-executive Directors, Mr. Zhou Beihai and Mr. Zhong Wei.

The principal responsibilities of the Nomination Committee include reviewing and monitoring the structure, size, composition and diversity of members of the Board in light of the Company's strategy; identifying suitably qualified individuals and making recommendations to the Board regarding new Board members; reviewing and making recommendations to the Board on individuals nominated to be Directors by Shareholders to ensure that all nominations are fair and transparent; assessing the independence of independent non-executive Directors; reviewing and monitoring the implementation of diversity policy of Board members of the Company. Terms of reference of the Nomination Committee have been published on the website of the Company.

## REMUNERATION COMMITTEE

The Remuneration Committee currently consists of one executive Director, Mr. Yu Long, and two independent non-executive Directors, Mr. Zhong Wei (as chairman) and Mr. Zhou Beihai.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the policy and structure of remuneration for all Directors and senior management members and on the establishment of a formal and transparent procedure for developing remuneration policy; reviewing and approving of the remuneration proposals from the management; making recommendations to the Board on the remuneration packages of individual executive Directors and senior management members; and advising Shareholders with respect to the service contracts of Directors that require Shareholders' approval under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Terms of reference of the Remuneration Committee have been published on the website of the Company.

During the Reporting Period, the Remuneration Committee had convened one meeting to discuss the cashing of the performance-based remuneration of the senior management of the Company in 2021.

## AUDIT COMMITTEE

The Audit Committee currently consists of three independent non-executive Directors, Mr. Liu Shuen Kong (as chairman), Mr. Zhong Wei and Mr. Zhou Beihai.

The principal responsibilities of the Audit Committee include reviewing and supervising the financial reporting process, risk management and internal control system of the Company, including making recommendations on appointing and changing the external auditor and its terms of engagement; reviewing and monitoring external auditor's independence and audit process objectively; monitoring the integrity of the Company's financial statements, annual report and accounts and half-year report; overseeing of the Company's financial reporting system, risk management and internal control system; attending to other matters that the Board has authorized it to deal with. Terms of reference of the Audit Committee have been published on the website of the Company.

During the Reporting Period, the Audit Committee had convened three meetings, the main contents of the three meetings are summarized as follows:

The first meeting was held to discuss the annual results of 2021 of the Company, does not recommend distribution of final dividend and other matters. The second meeting was held to discuss the update on the annual results of the Company in 2021. The third meeting was held to discuss the work report of the Audit Committee in 2021.

The Audit Committee had reviewed the unaudited interim condensed consolidated financial information of the Group for the Reporting Period. The Audit Committee had also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control matters with senior management of the Company.

## COMPLIANCE COMMITTEE

The Compliance Committee currently consists of one executive Director, Mr. Yu Long, three independent non-executive Directors, Mr. Zhong Wei (as chairman), Mr. Liu Shuen Kong and Mr. Zhou Beihai, and one Supervisor, Mr. Huang Yi.

The principal responsibilities of the Compliance Committee are to conduct independent investigation and make decisions on compliance matters with respect to the business operations as authorized by the Board. The Company has established the Compliance Committee to ensure the operation of any projects acquired and operated by the Group are in compliance with the Company's internal control standards and the relevant PRC laws and regulations. Terms of reference of the Compliance Committee have been published on the website of the Company.

During the Reporting Period, the Compliance Committee had convened one meeting to discuss the revision of the relevant management system of the Company and the risk management report of the Company in 2021.

## INFORMATION ON DIRECTORS AND SUPERVISORS

During the Reporting Period, there was no change in information on Directors and supervisors of the Company (the “**Supervisors**”) which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Listing Rules.

The composition of the Audit Committee, Remuneration Committee, Nomination Committee and Compliance Committee is as follows.

### **Audit Committee**

Mr. Liu Shuen Kong (*Chairman*)

Mr. Zhong Wei

Mr. Zhou Beihai

### **Remuneration Committee**

Mr. Zhong Wei (*Chairman*)

Mr. Yu Long

Mr. Zhou Beihai

### **Nomination Committee**

Mr. Yu Long (*Chairman*)

Mr. Zhou Beihai

Mr. Zhong Wei

### **Compliance Committee**

Mr. Zhong Wei (*Chairman*)

Mr. Yu Long

Mr. Liu Shuen Kong

Mr. Zhou Beihai

Mr. Huang Yi (*Supervisor*)

Save as disclosed above, after having made all reasonable enquiries, the Company is not aware of any other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company's annual report for the year ended 31 December 2021.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Group is committed to maintaining a high standard of corporate governance with a view to safeguarding the interests of Shareholders and enhancing corporate value. The Board believes that good corporate governance is one of the key factors leading to the success of the Company and balancing the interests of Shareholders, customers and employees.

The Company had complied with all code provisions as set out in the Corporate Governance Code throughout the six months ended 30 June 2022.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the code of conduct regarding securities transactions by the Directors and supervisors of the Company.

The Company had made specific enquiries with all of its Directors and Supervisors, and all Directors and Supervisors had confirmed that they have fully complied with the required standard set out in the Model Code throughout the six months ended 30 June 2022.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

During the six months ended 30 June 2022, to the best knowledge of the Board, none of the Directors and Supervisors and their respective associates had any business or interest that competes or may compete with the business of the Group or had or might have any conflict of interest with the Group.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY**

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

## **PUBLIC FLOAT**

According to public information available to the Company and to the best knowledge of the Board, as at the date of this interim results announcement, at least 25% of the total issued share capital of the Company were held in public hands.

## **REVIEW OF THE INTERIM RESULTS**

The Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2022 has not been reviewed by the auditors and has been reviewed by the Audit Committee.

The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement has been published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.yunnanwater.cn](http://www.yunnanwater.cn)). The interim report of the Group for the six months ended 30 June 2022 will be dispatched to Shareholders in due course and published on the aforesaid websites of the Stock Exchange and the Company.

By order of the Board  
**Yunnan Water Investment Co., Limited\***  
**Yu Long**  
*Acting Chairman*

Kunming, the PRC  
31 August 2022

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

\* *For identification purposes only*