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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 2023

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB1,477.3 million, representing a decrease of approximately 32.2% over the corresponding period of last year.
- Gross profit was approximately RMB297.5 million, representing a decrease of approximately 36.6% over the corresponding period of last year.
- The loss for the period was approximately RMB248.8 million, compared to a loss of approximately RMB502.3 million over the corresponding period of last year. The net loss recorded during the Reporting Period was mainly attributable to the decrease in revenue of Construction services.
- Loss attributable to the ordinary shareholders of the Company was approximately RMB192.3 million, and the basic loss per share was approximately RMB0.161.
- The Board does not recommend any distribution of interim dividend for the six months ended 30 June 2023.

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 2023 (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	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	3	1,477,335	2,180,340
Cost of sales and services		(1,179,884)	(1,711,092)
Gross profit		297,451	469,248
Other income		100,613	17,464
Other losses — net		(16,609)	(13,494)
Selling expenses		(18,291)	(20,923)
Administrative expenses		(161,755)	(214,090)
Reversal of impairment losses/ (impairment losses) on financial assets		21,189	(10,515)
Operating profit		222,598	227,690
Finance income	4	25,560	2,370
Finance costs	4	(517,156)	(743,506)
Finance costs — net		(491,596)	(741,136)
Share of profit of investments accounted for using the equity method		24,078	13,548
Loss before income tax		(244,920)	(499,898)
Income tax expenses	5	(3,896)	(2,429)
Loss for the period		(248,816)	(502,327)
Other comprehensive (expense)/income			
<i>Items that may be reclassified to profit or loss</i>			
— Exchange differences on translation of foreign operations		(34,339)	49,506
Total comprehensive expense for the period — net of tax		(283,155)	(452,821)

		<u>Six months ended 30 June</u>	
		2023	2022
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Loss attributable to:			
	— Ordinary shareholders of the Company	(192,289)	(494,015)
	— Holders of perpetual capital instruments	—	69,136
	— Non-controlling interests	(56,527)	(77,448)
		<u>(248,816)</u>	<u>(502,327)</u>
Total comprehensive (expense)/income attributable to:			
	— Ordinary shareholders of the Company	(223,333)	(444,509)
	— Holders of perpetual capital instruments	—	69,136
	— Non-controlling interests	(59,822)	(77,448)
		<u>(283,155)</u>	<u>(452,821)</u>
Loss per share for loss attributable to ordinary shareholders of the Company (expressed in RMB per share)			
	— Basic and diluted	6 <u>(0.161)</u>	<u>(0.414)</u>

Interim condensed consolidated balance sheet

		30 June 2023	31 December 2022
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		4,339,290	4,208,587
Investment properties		22,115	22,270
Right-of-use assets		278,255	290,352
Receivables under service concession arrangements	8	7,229,925	7,330,827
Contract assets		12,051,772	11,954,436
Intangible assets		11,302,604	11,461,398
Investments accounted for using the equity method		1,114,847	1,090,769
Financial asset at fair value through other comprehensive income		4,675	4,675
Trade and other receivables	9	276,155	258,059
Prepayments	9	1,230,444	1,207,570
Deferred income tax assets		349,846	329,935
		<u>38,199,928</u>	<u>38,158,878</u>
Current assets			
Receivables under service concession arrangements	8	243,513	211,255
Inventories		127,124	129,920
Contract assets		230,741	233,236
Trade and other receivables	9	6,637,015	6,595,713
Prepayments	9	279,795	252,334
Restricted cash		83,634	82,789
Cash and cash equivalents		519,239	600,642
		<u>8,121,061</u>	<u>8,105,889</u>
Assets classified as held for sale		370,316	403,737
		<u>8,491,377</u>	<u>8,509,626</u>
Total assets		<u><u>46,691,305</u></u>	<u><u>46,668,504</u></u>

		30 June	31 December
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
EQUITY			
Equity attributable to ordinary shareholders of the Company			
Share capital		1,193,213	1,193,213
Other reserves		2,529,927	2,560,971
Accumulated losses		(1,202,717)	(1,010,428)
		2,520,423	2,743,756
Non-controlling interests		1,694,918	1,744,560
Total equity		4,215,341	4,488,316
LIABILITIES			
Non-current liabilities			
Lease liabilities		25,471	26,820
Borrowings	<i>11</i>	28,050,424	26,747,825
Trade and other payables	<i>10</i>	55,780	49,900
Deferred income		837,653	814,430
Deferred income tax liabilities		829,944	805,290
Provision		547,546	527,121
		30,346,818	28,971,386
Current liabilities			
Contract liabilities		120,255	101,162
Lease liabilities		10,406	12,188
Borrowings	<i>11</i>	2,253,260	3,384,810
Trade and other payables	<i>10</i>	8,975,372	8,920,186
Current taxation		554,937	570,419
		11,914,230	12,988,765
Liabilities associated with assets classified as held for sale		214,916	220,037
		12,129,146	13,208,802
Total liabilities		42,475,964	42,180,188
Total equity and liabilities		46,691,305	46,668,504

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 2023 (the "Interim Financial Information") is presented in Renminbi ("RMB"), unless otherwise stated. The Interim Financial Information was approved by the Board of the Company on 31 August 2023.

2. Basis of preparation and accounting policies

1) Basis of preparation

The Interim Financial Information for the six months ended 30 June 2023 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

During the six months ended 30 June 2023, the Group recorded a net loss of RMB248.8 million. As at 30 June 2023, the Group's current liabilities exceeded its current assets by RMB3,638 million, and it had total borrowings of RMB30,304 million, of which RMB2,253 million are classified as current liabilities (including those with contractual payment dates beyond one year after 30 June 2023), while its cash and cash equivalents amounted to RMB519 million.

The Group has certain contractual and other arrangements to settle its financial obligations and various capital expenditures. As at 30 June 2023, the Group had capital commitment of approximately RMB9,501 million, mainly in relation to various concession projects and construction projects of the Group.

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

The condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern notwithstanding the conditions prevailing as at 30 June 2023 and subsequently thereto up to the date when the condensed consolidated financial statements are authorised for issue. In order to mitigate the liquidity pressure, improve its financial position and sustain the Group as a going concern, the Group has taken and will take certain plans and measures, including but not limited to the following:

- (i) The Group has plans to divest certain of the Group's concession projects and construction projects. In the meantime, the Group is also actively looking for strategic investors to invest in certain existing projects of the Group so as to enhance the capital structure and reduce overall financing expenses of the Group;
- (ii) The Directors are of the view that they have the ability to manage the progress of the projects from time to time and defer the payment schedule of the borrowings in these projects, if necessary. The Group has unutilised project loan facilities from banks to provide financing of up to RMB5,024,419,000 to satisfy part of the construction cost payable and committed capital expenditure in the next twelve months from 30 June 2023. The Group has also initiated the process to obtain new project loans to fund the Group's existing and new concession projects and construction projects. The Directors believe that these unutilised facilities will continue to be available to the Group and they are confident that they will be able to obtain such project loans from banks and other financial institutions as and when needed;

2. Basis of preparation and accounting policies (Continued)

1) Basis of preparation (Continued)

- (iii) The Group will actively obtain additional new sources of financing as and when needed;
- (iv) The borrowings from Caiyun International Investment Limited (“**Caiyun Investment**”), a fellow subsidiary of the Company, amounting to RMB1,011,554,000 as at 30 June 2023 were classified as current liabilities. The Group is in active negotiations with Caiyun Investment for renewal and extension of the relevant borrowings. The Directors are confident that the renewal and extension of the relevant borrowings will be completed within reasonable time period; and
- (v) The Group is actively communicating with the lenders and has requested them to apply for release of the remaining 0.7% frozen equity interests in Qianjiang Biochemical with carrying value of investment in associates of RMB34,216,000 as at the date of the condensed consolidated financial statements were authorised for issue.

The directors of the Company (“**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 2023. On the basis of the successful implementation of the plans and measures described above in the foreseeable future and after assessing the Group’s current and forecasted cash positions, Directors are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

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 condensed consolidated financial statements.

2) Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2022, except for the adoption of amended standards as set out below.

(i) Amended standards adopted by the Group

HKAS 17 (including the Amendments to HKFRS 17 in October 2020 and February 2022)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

The application of the amendments to HKFRS in the current interim period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited interim condensed consolidated financial statements.

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:

- (a) Wastewater treatment project construction and operation;
- (b) Water supply project construction and operation;
- (c) Construction and sales of equipment;
- (d) Solid waste treatment project construction and operation; and
- (e) 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.

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.

3. Segment information (Continued)

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 2023 are as follows:

Six months ended 30 June 2023:

(Unaudited)	Wastewater treatment project construction and operation RMB'000	Water supply project construction and operation RMB'000	Construction and sales of equipment RMB'000	Solid waste treatment project construction and operation RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Gross segment revenue	770,683	351,487	57,067	267,120	47,699	—	1,494,056
Inter-segment revenue	—	—	(16,721)	—	—	—	(16,721)
Revenue from external customers	770,683	351,487	40,346	267,120	47,699	—	1,477,335
Revenue from contracts with customers							
— Recognised at a point in time	—	330,839	30,470	—	—	—	361,309
— Recognised over time	491,154	10,951	9,876	240,578	47,699	—	800,258
Revenue from other sources							
— Finance income	279,529	9,697	—	26,542	—	—	315,768
Gross profit/(loss)	293,839	3,554	1,109	(12,567)	11,516	—	297,451
Other income							100,613
Other losses — net							(16,609)
Selling expenses							(18,291)
Administrative expenses							(161,755)
Reversal of impairment losses on financial assets							21,189
Finance costs — net							(491,596)
Share of profit of investments accounted for using the equity method — net	—	—	—	11,596	12,482	—	24,078
Loss before income tax							(244,920)
Income tax expenses							(3,896)
Loss for the period							<u>(248,816)</u>
Depreciation and amortisation	<u>(132,947)</u>	<u>(163,446)</u>	<u>(4,524)</u>	<u>(71,848)</u>	<u>(7,514)</u>	<u>(5,519)</u>	<u>(385,798)</u>

3. Segment information (Continued)

(i) Segment results for the six months ended 30 June 2023 are as follows: (Continued)

Six months ended 30 June 2022:

(Unaudited)	Wastewater treatment project construction and operation <i>RMB'000</i>	Water supply project construction and operation <i>RMB'000</i>	Construction and sales of equipment <i>RMB'000</i>	Solid waste treatment project construction and operation <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
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	1,425,615	345,791	55,250	302,546	51,138	—	2,180,340
Revenue from contracts with customers							
— 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/(loss)	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							(214,090)
Impairment losses on financial assets							(10,515)
Finance costs — net							(741,136)
Share of (loss)/profit of investments accounted for using the equity method — net	(110)	—	—	(114)	13,772	—	13,548
Loss before income tax							(499,898)
Income tax expenses							(2,429)
Loss for the period							(502,327)
Depreciation and amortisation	(127,310)	(126,509)	(5,871)	(99,182)	(4,437)	(7,209)	(370,518)

3. Segment information (Continued)

(ii) Segment assets and liabilities as at 30 June 2023 are as follows:

As at 30 June 2023:

(Unaudited)	Wastewater treatment project construction and operation <i>RMB'000</i>	Water supply project construction and operation <i>RMB'000</i>	Construction and sales of equipment <i>RMB'000</i>	Solid waste treatment project construction and operation <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	<u>21,061,318</u>	<u>10,391,914</u>	<u>4,755,862</u>	<u>7,180,337</u>	<u>517,461</u>	<u>2,784,413</u>	<u>46,691,305</u>
Segment assets include: Investments accounted for using the equity method	<u>57,964</u>	<u>—</u>	<u>—</u>	<u>38,672</u>	<u>1,018,211</u>	<u>—</u>	<u>1,114,847</u>
Segment liabilities	<u>11,096,875</u>	<u>3,527,378</u>	<u>5,049,714</u>	<u>3,315,432</u>	<u>452,650</u>	<u>19,033,915</u>	<u>42,475,964</u>

As at 31 December 2022:

(Audited)	Wastewater treatment project construction and operation <i>RMB'000</i>	Water supply project construction and operation <i>RMB'000</i>	Construction and sales of equipment <i>RMB'000</i>	Solid waste treatment project construction and operation <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	<u>18,080,978</u>	<u>15,060,370</u>	<u>5,166,026</u>	<u>7,614,797</u>	<u>726,072</u>	<u>20,261</u>	<u>46,668,504</u>
Segment assets include: Investments accounted for using the equity method	<u>57,964</u>	<u>—</u>	<u>—</u>	<u>27,076</u>	<u>1,005,729</u>	<u>—</u>	<u>1,090,769</u>
Segment liabilities	<u>11,301,511</u>	<u>17,207,371</u>	<u>5,894,442</u>	<u>5,032,528</u>	<u>1,732,637</u>	<u>1,011,699</u>	<u>42,180,188</u>

4. Finance costs — net

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Finance income		
— Interest income	2,674	2,370
— Net exchange gain on financing activities	22,886	—
	<u>25,560</u>	<u>2,370</u>
Finance costs		
— Borrowing costs	(512,668)	(740,436)
Less: amounts capitalised on qualifying assets	1,867	19,791
	<u>(510,801)</u>	<u>(720,645)</u>
— Net exchange loss on financing activities	—	(19,017)
— Unwinding of provision	(6,355)	(3,844)
	<u>(517,156)</u>	<u>(743,506)</u>
Finance costs — net	<u>(491,596)</u>	<u>(741,136)</u>

5. Income tax expenses

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current income tax		
— Corporate income tax	855	8,862
Deferred income tax		
— Corporate income tax	3,041	(6,433)
	<u>3,896</u>	<u>2,429</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 2023.

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Loss attributable to the ordinary shareholders of the Company (RMB'000)	(192,289)	(494,015)
Weighted average numbers of ordinary shares in issue (thousands)	<u>1,193,213</u>	<u>1,193,213</u>
Basic loss per share (RMB per share)	<u>(0.161)</u>	<u>(0.414)</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 2023 (six months ended 30 June 2022: same).

7. Dividends

Pursuant to the board of directors meeting held by the Company on 31 March 2023, the directors of the Company did not recommend the payment of any final dividend for the year ended 31 December 2022 (2021 dividends: nil) out of retained earnings of the Company.

No interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Receivables under service concession arrangements	7,519,712	7,588,356
Less: provision for impairment	<u>(46,274)</u>	<u>(46,274)</u>
	7,473,438	7,542,082
Portion classified as current assets	<u>(243,513)</u>	<u>(211,255)</u>
Non-current portion	<u>7,229,925</u>	<u>7,330,827</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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables		
— Related parties	2,188,421	2,184,168
— Local governments	1,583,177	1,471,665
— Third parties	2,615,384	2,557,934
Less: provision for impairment	<u>(899,198)</u>	<u>(911,312)</u>
	<u>5,487,784</u>	<u>5,302,455</u>
Other receivables		
— Related parties	38,785	38,376
— Third parties	1,548,197	1,684,329
Less: provision for impairment	<u>(161,596)</u>	<u>(171,388)</u>
	<u>1,425,386</u>	<u>1,551,317</u>
Total trade and other receivables	6,913,170	6,853,772
Less: non-current portion of other receivables	<u>(276,155)</u>	<u>(258,059)</u>
Current portion of trade and other receivables	<u>6,637,015</u>	<u>6,595,713</u>
Prepayments		
— Related parties	241,269	163,802
— Third parties	1,310,931	1,338,063
Less: provision for impairment	<u>(41,961)</u>	<u>(41,961)</u>
	1,510,239	1,459,904
Less: non-current portion of prepayments	<u>(1,230,444)</u>	<u>(1,207,570)</u>
Current portion of prepayments	<u>279,795</u>	<u>252,334</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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within one year	952,835	1,020,693
Over one year	<u>5,434,147</u>	<u>5,193,074</u>
	<u>6,386,982</u>	<u>6,213,767</u>

10. Trade and other payables

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payables		
— Related parties	1,140,664	1,144,174
— Third parties	<u>6,025,163</u>	<u>6,018,684</u>
	<u>7,165,827</u>	<u>7,162,858</u>
Other payables		
— Related parties	359,999	210,222
— Third parties	1,203,587	1,287,399
Staff welfare benefit payable	91,967	125,699
Other taxes payable	135,152	113,551
Dividend payables	<u>74,620</u>	<u>70,357</u>
	<u>1,865,325</u>	<u>1,807,228</u>
	9,031,152	8,970,086
Less: non-current portion	<u>(55,780)</u>	<u>(49,900)</u>
Current portion	<u><u>8,975,372</u></u>	<u><u>8,920,186</u></u>

Trade payables are settled in accordance with agreed terms with suppliers. As at 30 June 2023, 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within one year	511,815	914,272
Over one year	<u>6,654,012</u>	<u>6,248,586</u>
	<u><u>7,165,827</u></u>	<u><u>7,162,858</u></u>

11. Borrowings

	As at	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current		
Long-term bank borrowings	16,681,320	15,419,734
Corporate bonds and other borrowings	<u>11,369,104</u>	<u>11,328,091</u>
	<u>28,050,424</u>	<u>26,747,825</u>
Current		
Short-term bank borrowings	19,710	455,778
Current portion of long-term bank borrowings	83,267	870,331
Current portion of corporate bonds and other borrowings	<u>2,150,283</u>	<u>2,058,701</u>
	<u>2,253,260</u>	<u>3,384,810</u>
	<u><u>30,303,684</u></u>	<u><u>30,132,635</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The year 2023 marks the beginning of the comprehensive implementation of the spirit of the 20th Party Congress, and is a crucial year for the implementation of the 14th Five-Year Plan. Under the goal of “carbon neutrality and peak carbon dioxide emissions”, the 14th Five-Year Plan proposes to accelerate the promotion of green and low-carbon development, further improve the quality of the environment, enhance the quality and stability of the ecosystem, and comprehensively improve resource efficiency. The general requirements for ecological and environmental protection work in 2023 are as follows: Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implement the spirit of the 20th Party Congress and the Central Economic Work Conference, better coordinate epidemic prevention and control, economic and social development, and ecological environmental protection, and better coordinate development and security. Guided by the building of a modern and beautiful China with harmonious coexistence between man and nature, with improving the quality of the ecological environment as the core, and with precise, scientific and lawful pollution control as the work approach, coordinate industrial structure adjustment, pollution control, ecological protection, tackle climate change, jointly promote carbon reduction, pollution reduction, green expansion, promote growth and ecological priority, conservation and intensive, green and low-carbon development continue to defend the blue sky, clean water and land, strengthen ecological protection and restoration supervision to effectively prevent ecological environmental risks, further improve the modern environmental treatment system, and steadily improve the quality of the ecological environment, so as to contribute to the overall improvement of economic activities and provide strong support for a good start in building a socialist modern country in all respects.

Key measures in water treatment include promoting the formulation and implementation of water ecological environmental protection plans for key catchment, compiling a list of key tasks and measures, fully implementing water pollution control for the catchment of Yangtze River and Yellow River, organizing and implementing the 2023 urban (including county) black and odorous water management campaign, strengthening the protection and restoration of the ecological environment of key lakes, further promoting the comprehensive management of key sea areas, firmly promoting total nitrogen treatment and control of rivers in coastal cities flowing into the sea under the “one river, one policy”, carrying out the construction of beautiful bays according to local conditions and steadily conducting the special cleaning of key bays, and jointly carrying out the “Blue Sea 2023” special law enforcement action to protect the marine ecological environment.

Key measures in the treatment of solid waste and new pollutants include further promoting the high-quality construction of “wasteless cities”, deepening and consolidating the ban on the import of foreign garbage, implementing full chain management of plastic pollution, deepening the reform of strengthening the regulation, utilization and disposal of hazardous waste, promoting substantial progress in the construction of major hazardous waste projects, vigorously promoting the information technology of environmental management of hazardous waste, promoting the implementation of the action plan for the treatment of new pollutants, organizing and completing the first round of environmental information survey on chemical substances, launching the pilot project for the treatment of new pollutants, continuing to implement the classification and grading system for environmental regulation of tailing ponds, solidly conducting the review of the pollution

control of tailing ponds in the Yangtze River Economic Belt and the comprehensive treatment of tailing ponds in the Yellow River Basin, further promoting the pollution control of pyrite area in Baihe County and the “Manganese Triangle” area, carrying out in-depth prevention and control of heavy metals pollution in key industries, and strengthening the investigation and elimination of thallium-related pollution sources.

In terms of the improvement of the modern environmental treatment system, promoting the improvement of the vertical management system for monitoring, supervision and law enforcement by ecological and environmental agencies below the provincial level, completing the construction of a system for the disclosure of environmental information according to the law by enterprises, promoting the establishment of an environmental credit evaluation system, revising the Measures for the Management of Pollutant Discharge Permits (《排污許可管理辦法》), strengthening the administration of pollutant discharge permits and quality inspection, strengthening evidence-based supervision, formulating implementation opinions on the establishment and improvement of a modernized ecological monitoring system, and taking special actions to improve the quality of national environmental monitoring.

DEVELOPMENT STRATEGIES AND PROSPECT

In the first half of 2023, Yunnan Water adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and put the spirit of the 20th CPC National Congress into full practice. In accordance with the requirements of the Group’s “3510” Action Plan, we focused on the central work and goals of the Company’s reform and development, and, with cash flow management as the core, actively promoted the work of asset disposal, debt collection, cost reduction and efficiency improvement, and revitalization of projects under construction. Fully committed to production and operation, we continued to promote multi-channel relief, striving for stable development of the Company.

We adhered to reform and innovation to effectively streamline operations. The Company has been steadily promoting the disposal of assets, and has completed the disposal of a total of five asset packages to date. We vigorously carried forward debt collection. The Company has issued the “2023 Debt Collection Plan” (《2023年度債權清收方案》) and the “2023 Reward and Punishment Plan for External Debt Collection” (《2023年對外債權清收獎懲方案》), striving for further breakthroughs in debt collection. We have achieved remarkable results for debt recovery and cash inflows in the first half of 2023.

The Company strictly implemented its cost reduction and efficiency improvement plan and further promoted cost reduction and efficiency improvement. The Company issued the “2022–2025 Implementation Plan for Cost Reduction and Efficiency Improvement” (《2022–2025年降本增效實施方案》), “Guiding Opinions on Cost Reduction and Efficiency Improvement for Operation Projects” (《運營項目降本增效指導意見》) and “Cases of Cost Reduction and Efficiency Improvement for Operation Projects” (《運營項目降本增效案例分享》), and developed the “Cost Control Standards for Operation Projects” (《運營項目成本控制標準》), which provide strong support for its operation and management.

In terms of deepening organizational reform, in 2023, the Company appointed a third-party on site to sort out our organizational structure, optimize its existing management level and improve the performance-based compensation system of our headquarters. In accordance with the requirements of our development strategies and goals, the Company optimized the organizational structure of our headquarters, sorted out departmental functions, clarified terms of reference, and re-evaluated our staffing.

In the second half of 2023, the Company will continue to accelerate the construction of key projects and strengthen the investment of funds and other resources as well as technical expert support for key projects to advance their construction. We will strengthen communication with the government for stronger government support, promote project construction and accelerate project completion. We will continue to steadily advance asset disposal, explore asset disposal models such as the combination of asset disposal and asset revitalization, joint disposal of multiple-district projects, and transfer of partial equity by project companies within the district, engage with interested parties in various ways, and seek more opportunities for cooperation with interested parties. Continuous cost reduction and efficiency improvement requires further improvement of the internal drivers for cost reduction and efficiency improvement. The Company will establish its salary payment model in view of the existing market-oriented salary management system in the environmental protection industry, educate all employees for unity in thinking and action. In terms of refined management, we will actively explore the potential for reducing operating costs based on internal and industry benchmarks, and will strive to narrow losses on loss-making projects and increase revenue and profit on profit-making projects. Through multiple optimization methods, such as management optimization, energy consumption optimization, facilities optimization, and process optimization, we will continue to guide and supervise regions and projects to reduce operating costs and effectively promote cost reduction and efficiency improvement.

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 2023, 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 6,052,152 tonnes. As at 30 June 2023, 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 4,117,280 tonnes.

Wastewater Treatment Projects

As at 30 June 2023, the Group had a total of 127 concession wastewater treatment projects, including 7 BOO projects, 65 BOT projects, 2 TOO projects, 24 TOT projects, 1 ROT project and 28 municipal environmental comprehensive treatment projects, with a total daily treatment capacity of approximately 3,273,400 tonnes, representing a reduction of 1 TOT project, and a decrease in total daily wastewater treatment capacity of approximately 15,000 tonnes due to asset disposal as compared with 31 December 2022.

As at 30 June 2023, 104 concession projects with a total daily treatment capacity of approximately 2,692,550 tonnes had commenced commercial operation (including 6 municipal environmental comprehensive treatment projects with a total daily wastewater treatment capacity of approximately 243,550 tonnes), representing a reduction of 1 TOT project year-on-year due to asset disposal as compared with 31 December 2022. During the Reporting Period, the Group's average utilization rate of wastewater treatment was approximately 73.05%, and the average unit charge of wastewater treatment was approximately RMB1.37 per tonne.

As at 30 June 2023, 23 concession projects with total daily treatment capacity of approximately 580,825 tonnes had not commenced commercial operation (including 22 municipal environmental comprehensive treatment projects with a total daily treatment capacity of approximately 576,825 tonnes).

Water Supply Projects

As at 30 June 2023, the Group had a total of 66 concession water supply projects with a total daily treatment capacity of approximately 2,429,100 tonnes, including 15 BOO projects, 34 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 2022.

As at 30 June 2023, 50 concession projects with a total daily capacity of approximately 1,625,000 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, the Group's average utilization rate of water supply was approximately 59.8%, and the average unit charge of water supply was approximately RMB2.27 per tonne.

As at 30 June 2023, 16 concession projects with a total daily capacity of approximately 804,100 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 2022.

Solid Waste Treatment Projects

As at 30 June 2023, the Group had 24 solid waste treatment projects with a total annual treatment capacity of 4,117,280 tonnes, 13 of which with an annual treatment capacity of 2,186,630 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 1,930,650 tonnes were under construction (including 2 municipal environmental comprehensive treatment projects with a total annual treatment capacity of approximately 950,750 tonnes). As compared to that as at 31 December 2022, the total treatment capacity remained stable. During the Reporting Period, the Group's average utilization rate of solid waste treatment was approximately 86.34%.

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 2023, 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 2023, the Group was providing relevant operation services for 27 O&M projects. These projects included 26 wastewater treatment projects with a total daily treatment capacity of approximately 344,562 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, representing a reduction of 2 wastewater treatment projects due to asset disposal as compared with 31 December 2022.

FINANCIAL REVIEW

Results of Operation

During the Reporting Period, the Group recorded revenue of approximately RMB1,477.3 million, representing a period-on-period decrease of approximately 32.2% as compared to that for the six months ended 30 June 2022. During the Reporting Period, the Group recorded a net loss of approximately RMB248.8 million, compared to a loss of approximately RMB502.3 million over the six months ended 30 June 2022. Loss attributable to the ordinary shareholders of the Company was approximately RMB192.3 million, compared to loss attributable to the ordinary shareholders of the Company of approximately RMB494.0 million over the six months ended 30 June 2022. Loss per share for the six months ended 30 June 2023 was approximately RMB0.161.

Revenue

Revenue of the Group decreased from approximately RMB2,180.3 million for the six months ended 30 June 2022 to approximately RMB1,477.3 million for the Reporting Period, representing a decrease of approximately 32.2%.

In respect of the business segments of the Group, revenue from the wastewater treatment business segment decreased by approximately 45.9% from approximately RMB1,425.6 million for the six months ended 30 June 2022 to approximately RMB770.7 million for the Reporting Period. Revenue from the water supply segment increased by approximately 1.7% from approximately RMB345.8 million for the six months ended 30 June 2022 to approximately RMB351.5 million for the Reporting Period. Revenue from solid waste treatment business segment decreased by approximately 11.7% from approximately RMB302.5 million for the six months ended 30 June 2022 to approximately RMB267.1 million for the Reporting Period. Revenue from construction and sales of equipment business segment decreased by approximately 27.1% from approximately RMB55.3 million for the six months ended 30 June 2022 to approximately RMB40.3 million for the Reporting Period. Revenue from other business decreased by approximately 6.7% from approximately RMB51.1 million for the six months ended 30 June 2022 to approximately RMB47.7 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 and finance income.

The increase in revenue from the water supply business segment was mainly attributable to the increase in operating revenue during the Reporting Period.

The decrease in revenue from the solid waste treatment business segment was mainly attributable to 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 construction revenue 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 and Services

During the Reporting Period, the Group recorded cost of sales and services of approximately RMB1,179.9 million, representing a period-on-period decrease of approximately RMB531.2 million or 31.0% as compared to approximately RMB1,711.1 million for the six months ended 30 June 2022. The decrease in cost of sales and services was mainly attributable to the decrease in cost for construction which was in line with the decrease in construction revenue of the existing wastewater treatment projects under construction during the construction period.

Gross Profit Margin

During the Reporting Period, gross profit margin of the Group was approximately 20.1%, representing a decrease of approximately 1.4% as compared to approximately 21.5% for the six months ended 30 June 2022.

Other Income

During the Reporting Period, the Group recorded other income of approximately RMB100.6 million, representing a period-on-period increase of approximately RMB83.1 million or 474.9% as compared with approximately RMB17.5 million for the six months ended 30 June 2022. The increase in other income was mainly attributable to the adjustment of revision to the terms of the loan agreements resulting in the reduction in the carrying value of financial liabilities during the Reporting Period.

Selling Expenses

During the Reporting Period, selling expenses of the Group were approximately RMB18.3 million, representing a period-on-period decrease of approximately RMB2.6 million or 12.4%, from approximately RMB20.9 million for the six months ended 30 June 2022.

Administrative Expenses

During the Reporting Period, administrative expenses of the Group were approximately RMB161.8 million, representing a period-on-period decrease of approximately RMB52.3 million or 24.4% from approximately RMB214.1 million for the six months ended 30 June 2022. The decrease in administrative expenses was primarily due to the decrease in employee benefit expense during the Reporting Period.

Finance Costs — net

Net finance costs decreased by approximately RMB249.5 million from approximately RMB741.1 million for the six months ended 30 June 2022 to approximately RMB491.6 million for the Reporting Period, representing a decrease of approximately 33.7%. The decrease in net finance costs was primarily due to the Group began to revise the terms of the loan agreements with the banks and certain related borrowers starting from the second half of 2022, the maturity dates of the bank borrowings were renewed from range of 1 year to 24 years to range of less than 1 year to 24 years, and the interest rates of the bank borrowings were renewed from range of 3% to 9% per annum to range of 1.8% to 5.5% per annum.

The average interest rate on borrowings of the Group for the Reporting Period was approximately 3.4% per annum, representing a period-on-period decrease compared with approximately 5.68% per annum for the six months ended 30 June 2022.

Loss before Income Tax

As a result of the foregoing, the Group recorded a loss before income tax of approximately RMB244.9 million for the six months ended 30 June 2023, compared to a loss before income tax of approximately RMB499.9 million for the six months ended 30 June 2022.

Income Tax Expenses

The Group recorded income tax expenses of approximately RMB3.9 million for the six months ended 30 June 2023, compared to income tax expense of approximately RMB2.4 million for the six months ended 30 June 2022.

Loss for the Period

As a result of the foregoing, loss for the period decreased by approximately RMB253.5 million from a net loss of approximately RMB502.3 million for the six months ended 30 June 2022 to a net loss of approximately RMB248.8 million for the Reporting Period.

Receivables under Service Concession Arrangements

The Group's receivables under service concession arrangements decreased by approximately RMB68.7 million from approximately RMB7,542.1 million as at 31 December 2022 to approximately RMB7,473.4 million as at 30 June 2023, representing an decrease of approximately 0.9%.

Trade and Other Receivables and Prepayments

The Group's trade and other receivables and prepayments increased by approximately RMB109.7 million from approximately RMB8,313.7 million as at 31 December 2022 to approximately RMB8,423.4 million as at 30 June 2023, representing an increase of approximately 1.3%.

Cash and Cash Equivalents

The Group's total cash balance decreased by approximately RMB81.4 million from approximately RMB600.6 million as at 31 December 2022 to approximately RMB519.2 million as at 30 June 2023, representing a decrease of approximately 13.6%.

Trade and Other Payables

The Group's trade and other payables increased by approximately RMB61.1 million from approximately RMB8,970.1 million as at 31 December 2022 to approximately RMB9,031.2 million as at 30 June 2023, representing an increase of approximately 0.7%.

Borrowings

As at 30 June 2023, the Group had borrowings of approximately RMB30,303.7 million (31 December 2022: approximately RMB30,132.6 million). As at 30 June 2023, the Group had unsecured borrowings of approximately RMB17,616.5 million (31 December 2022: approximately RMB16,968.5 million), and secured borrowings of approximately RMB12,687.2 million (31 December 2022: approximately RMB13,164.1 million).

Pledge of Assets

As at 30 June 2023, borrowings of approximately RMB12,687.2 million (31 December 2022: approximately RMB13,164.1 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 RMB86.5 million from approximately RMB9,587.6 million as at 31 December 2022 to approximately RMB9,501.1 million as at 30 June 2023, representing a decrease of approximately 0.9%.

Gearing Ratio

The Group's gearing ratio (calculated by net debt divided by total capital) increased from approximately 86.81% as at 31 December 2022 to approximately 87.60% as at 30 June 2023, representing an increase of approximately 0.79%. The increase was primarily due to the increase in net debt of the Group during the Reporting Period.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

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

CHANGES SINCE 31 DECEMBER 2022

Save as disclosed herein, there had been no material change in the Group's business and financial position, and no important event affecting the Group had occurred since the publication of the Company's 2022 annual report.

NOMINATION COMMITTEE

The Nomination Committee currently consists of one non-executive Director, Mr. Mei Wei (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.

During the Reporting Period, the Nomination Committee had convened one meeting to discuss the candidates of the executive Directors of the third session of the Board and the General Manager.

REMUNERATION COMMITTEE

The Remuneration Committee currently consists of one executive Director, Mr. Liu Hui, 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.

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 2022 of the Company, does not recommend distribution of final dividend and other matters. The second meeting was held to discuss the establishment of the risk management system, the establishment of the internal control management system, the 2022 annual risk assessment report and the 2022 annual internal control assessment report and other matters. The third meeting was held to discuss the re-appointment of Da Hua Certified Public Accountants LLP as the PRC auditors and Moore Stephens CPA Limited as the international auditors and other matters.

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. Liu Jianjun, 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.

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. Liu Hui

Mr. Zhou Beihai

Nomination Committee

Mr. Mei Wei (*Chairman*)

Mr. Zhou Beihai

Mr. Zhong Wei

Compliance Committee

Mr. Zhong Wei (*Chairman*)

Mr. Liu Jianjun

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 2022.

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 2023.

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 2023.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2023, 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 2023, 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 Audit Committee has discussed the accounting policies and practices adopted by the Group together with the management and the independent auditors, and has reviewed the Group’s unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023.

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) and the website of the Company (www.yunnanwater.cn). The interim report of the Group for the six months ended 30 June 2023 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*
Mei Wei
Chairman

Kunming, the PRC
31 August 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Liu Jianjun (Vice-Chairman), Mr. Liu Hui and Mr. Zhou Zhimi, the non-executive Directors of the Company are Mr. Mei Wei (Chairman), Mr. Dai Richeng and Mr. Chen Yong, 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*