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雲南水務

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)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

### FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB3,117 million, representing a decrease of approximately 18% compared with the year ended 31 December 2022
- Loss for the year was approximately RMB995 million, representing a decrease of approximately 14% compared with the year ended 31 December 2022
- Loss attributable to ordinary shareholders of the Company was approximately RMB688 million, representing a decrease of approximately 35% compared with the year ended 31 December 2022
- Basic loss per share was approximately RMB0.577, representing a decrease of RMB0.312 compared with the basic loss per share for the year ended 31 December 2022
- The Board does not recommend the distribution of final dividend for the year ended 31 December 2023

The board (the “**Board**”) of directors (the “**Director(s)**”) of Yunnan Water Investment Co., Limited\* (the “**Company**”) is pleased to announce the audited consolidated results and financial position of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”) together with the comparative figures as follows:

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December	
		2023	2022
		RMB'000	RMB'000
Revenue	3	3,116,539	3,789,322
Cost of sales and services		(2,461,426)	(3,035,474)
<b>Gross profit</b>		<b>655,113</b>	753,848
Other income	4	182,394	1,358,701
Other gains/(losses) — net		60,258	(95,273)
Selling expenses		(33,511)	(42,031)
Administrative expenses		(422,827)	(1,029,308)
Net impairment losses on financial and contract assets		(335,073)	(619,678)
<b>Operating profit</b>		<b>106,354</b>	326,259
Finance income	5	4,375	16,806
Finance expenses	5	(955,614)	(1,348,984)
Finance costs — net	5	(951,239)	(1,332,178)
Share of profit of investments accounted for using the equity method		30,216	23,560
<b>Loss before income tax</b>		<b>(814,669)</b>	(982,359)
Income tax expenses	6	(179,937)	(175,990)
<b>Loss for the year</b>		<b>(994,606)</b>	(1,158,349)
<i>Items that may be reclassified to profit or loss</i>			
— Exchange differences on translation of foreign operations		(67,569)	(231,823)
<b>Total comprehensive expense for the year, net of tax</b>		<b>(1,062,175)</b>	(1,390,172)

## Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

	<i>Notes</i>	Year ended 31 December	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Loss attributable to:</b>			
— Ordinary shareholders of the Company		(688,068)	(1,060,342)
— Holders of perpetual capital instruments		—	107,555
— Non-controlling interests		(306,538)	(205,562)
		<u>(994,606)</u>	<u>(1,158,349)</u>
<b>Total comprehensive (expense)/income attributable to:</b>			
— Ordinary shareholders of the Company		(757,582)	(1,270,446)
— Holders of perpetual capital instruments		—	107,555
— Non-controlling interests		(304,593)	(227,281)
		<u>(1,062,175)</u>	<u>(1,390,172)</u>
<b>Loss per share for loss attributable to ordinary shareholders of the Company</b>			
— Basic and diluted	7	<u>RMB(0.577)</u>	<u>RMB(0.889)</u>

# Consolidated Statement of Financial Position

		As at 31 December	
		2023	2022
	Notes	RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		4,257,167	4,208,587
Investment properties		22,182	22,270
Right-of-use assets		319,577	290,352
Receivables under service concession arrangements	9	7,169,526	7,330,827
Contract assets		12,374,538	11,954,436
Intangible assets		10,836,425	11,461,398
Investments accounted for using the equity method		1,103,091	1,090,769
Financial asset at fair value through other comprehensive Income		4,675	4,675
Trade and other receivables	10	285,516	258,059
Prepayments	10	1,119,352	1,207,570
Deferred income tax assets		217,656	329,935
		<u>37,709,705</u>	<u>38,158,878</u>
<b>Current assets</b>			
Receivables under service concession arrangements	9	190,597	211,255
Inventories		126,295	129,920
Contract assets		177,188	233,236
Trade and other receivables	10	7,295,341	6,595,713
Prepayments	10	310,990	252,334
Restricted cash		135,107	82,789
Cash and cash equivalents		899,244	600,642
		<u>9,134,762</u>	<u>8,105,889</u>
Assets classified as held for sale		—	403,737
		<u>9,134,762</u>	<u>8,509,626</u>
<b>Total assets</b>		<u><u>46,844,467</u></u>	<u><u>46,668,504</u></u>

## Consolidated Statement of Financial Position (Continued)

		As at 31 December	
		2023	2022
	Notes	RMB'000	RMB'000
<b>Equity</b>			
<b>Equity attributable to ordinary shareholders of the Company</b>			
Share capital		1,193,213	1,193,213
Other reserves		2,546,012	2,560,971
Retained earnings		(1,753,051)	(1,010,428)
		<u>1,986,174</u>	<u>2,743,756</u>
Non-controlling interests		1,465,281	1,744,560
		<u>3,451,455</u>	<u>4,488,316</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		43,125	26,820
Borrowings	11	29,184,590	26,747,825
Trade and other payables	12	44,641	49,900
Deferred income		834,346	814,430
Deferred income tax liabilities		768,547	805,290
Provision		475,917	527,121
		<u>31,351,166</u>	<u>28,971,386</u>
<b>Current liabilities</b>			
Contract liabilities		126,081	101,162
Lease liabilities		7,301	12,188
Borrowings	11	1,797,851	3,384,810
Trade and other payables	12	9,489,813	8,920,186
Current taxation		620,800	570,419
		<u>12,041,846</u>	<u>12,988,765</u>
Liabilities associated with assets classified as held for sale		—	220,037
		<u>12,041,846</u>	<u>13,208,802</u>
<b>Total liabilities</b>		<u>43,393,012</u>	<u>42,180,188</u>
<b>Total equity and liabilities</b>		<u>46,844,467</u>	<u>46,668,504</u>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 1. General information and basis of presentation

### 1.1 General information

Yunnan Water Investment Co., Limited (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 Company and its subsidiaries (together 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.

These financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

## 2. Summary of material accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

## 2. Summary of material accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### 2.1.1 Going concern basis

The Group reported a net loss of RMB994,606,000 for the year ended 31 December 2023 and the Group's current liabilities exceeded its current assets by RMB2,907,084,000 as at 31 December 2023. As at the same date, the Group's total borrowings amounted to RMB30,982,441,000, of which current borrowings amounted to RMB1,797,851,000, while its cash and cash equivalents amounted to RMB899,244,000 only. The Group had capital commitments of approximately RMB7,267,516,000, which were mainly related to various concession projects and construction projects of the Group.

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

The consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 31 December 2023 and subsequently thereto up to the date when the consolidated financial statements are authorised for issue. In order to mitigate the liquidity pressure, to improve its financial position, and to sustain the Group as a going concern, certain plans and measures have been and will be taken by the Group which include, but are not limited to, the following:

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

## 2. Summary of material accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### *2.1.1 Going concern basis (continued)*

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 31 December 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, the Directors are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the 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 consolidated financial statements.

#### *2.1.2 Amendments to HKFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
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
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

### 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 organised 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;
- (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 segment.

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.

### 3. Segment information (continued)

(i) Segment results and capital expenditure for the year ended 31 December 2023 are as follows:

#### Year ended 31 December 2023:

	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	1,668,987	738,660	169,116	519,542	57,819	—	3,154,124
Inter-segment revenue	—	—	(37,585)	—	—	—	(37,585)
Revenue from external customers	1,668,987	738,660	131,531	519,542	57,819	—	3,116,539
Revenue from contracts with customers							
— Recognised at a point in time	—	635,241	11,448	—	—	—	646,689
— Recognised at over time	1,202,097	65,294	120,083	449,597	57,819	—	1,894,890
Revenue from other sources							
— Finance income	466,890	38,125	—	69,945	—	—	574,960
Gross profit	546,179	55,051	28,472	15,806	9,605	—	655,113
Other income							182,394
Other gains — net							60,258
Selling expenses							(33,511)
Administrative expenses							(422,827)
Net impairment losses on financial and contract assets							(335,073)
Finance costs — net							(951,239)
Share of profit/(loss) of investments accounted for using the equity method — net	296	—	—	(68)	29,988	—	30,216
Loss before income tax							(814,669)
Income tax expenses							(179,937)
Loss for the year							(994,606)
Depreciation and amortisation	(113,727)	(339,917)	(18,677)	(265,338)	(4,568)	—	(742,227)
Segment assets	18,268,626	15,261,882	5,147,152	7,367,225	792,171	7,411	46,844,467
Segment assets include:							
Investments accounted for using the equity method	58,260	—	—	27,008	1,017,823	—	1,103,091
Segment liabilities	11,911,088	17,694,390	5,950,390	5,093,309	1,704,207	1,039,628	43,393,012
Additions to non-current assets (other than financial instruments and deferred income tax assets)	608,106	172,174	7,535	143,259	29,357	—	960,431

### 3. Segment information (continued)

(i) Segment results and capital expenditure for the year ended 31 December 2023 are as follows (continued):

Year ended 31 December 2022:

	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	2,289,334	660,200	252,654	716,897	76,735	—	3,995,820
Inter-segment revenue	—	—	(206,498)	—	—	—	(206,498)
Revenue from external customers	2,289,334	660,200	46,156	716,897	76,735	—	3,789,322
Revenue from contracts with customers							
— Recognised at a point in time	—	586,870	27,118	—	—	—	613,988
— Recognised at over time	1,723,766	53,881	19,038	667,792	76,735	—	2,541,212
Revenue from other sources							
— Finance income	565,568	19,449	—	49,105	—	—	634,122
Gross profit	704,093	14,575	1,154	18,394	15,632	—	753,848
Other income							1,358,701
Other gains — net							(95,273)
Selling expenses							(42,031)
Administrative expenses							(1,029,308)
Net impairment losses on financial and contract assets							(619,678)
Finance costs — net							(1,332,178)
Share of (loss)/profit of investments accounted for using the equity method — net	(12,124)	—	—	(324)	36,008	—	23,560
Loss before income tax							(982,359)
Income tax expenses							(175,990)
Loss for the year							(1,158,349)
Depreciation and amortisation	(114,153)	(368,672)	(16,912)	(297,942)	(17,011)	(12,948)	(827,638)
Segment assets	18,080,978	15,060,370	5,166,026	7,614,797	726,072	20,261	46,668,504
Segment assets include: Investments accounted for using the equity method	57,964	—	—	27,076	1,005,729	—	1,090,769
Segment liabilities	11,301,511	17,207,371	5,894,442	5,032,528	1,732,637	1,011,699	42,180,188
Additions to non-current assets (other than financial instruments and deferred income tax assets)	1,524,580	156,055	11,289	163,412	24,490	8,973	1,888,799

#### 4. Other income

	Year ended	
	31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	44,240	49,969
Value-added tax refunds	2,494	1,048
Gains on substantial modification upon loan restructuring	77,256	1,006,874
Gains on non-substantial modification of borrowings	53,615	297,449
Miscellaneous income	4,789	3,361
	<u>182,394</u>	<u>1,358,701</u>

#### 5. Finance income and expenses

	Year ended	
	31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Finance income</i>		
– Interest income	<u>4,375</u>	<u>16,806</u>
<i>Finance costs</i>		
— Borrowing costs	(928,433)	(1,381,661)
Less: amounts capitalised on qualifying assets	<u>—</u>	<u>81,505</u>
	(928,433)	(1,300,156)
— Net exchange gain/(loss) on financing activities	6,132	(25,976)
— Unwinding of provision	<u>(33,313)</u>	<u>(22,852)</u>
	(955,614)	(1,348,984)
Finance costs — net	<u>(951,239)</u>	<u>(1,332,178)</u>

## 6. Income tax expenses

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current income tax		
— Corporate income tax	110,592	113,688
Deferred income tax		
— Corporate income tax	69,345	62,302
	<u>179,937</u>	<u>175,990</u>

### *(a) PRC corporate income tax*

Certain subsidiaries in certain industries operating in the western region of Mainland China can enjoy a preferential corporate income tax rate of 15%, provided their revenues generated from main operating activities accounted for more than 60% of their total revenues of the period.

Certain subsidiaries operating wastewater and solid waste treatment projects in Mainland China are eligible for a tax holiday of three-year full exemption followed by three-year half exemption of corporate income tax commencing from their first year generating operating revenue.

Except for preferential treatments available to certain subsidiaries as mentioned above, other subsidiaries within the Group in Mainland China are subject to corporate income tax at the statutory rate of 25% (2022: 25%).

## **6. Income tax expenses (continued)**

### ***(b) Thailand corporate income tax***

The subsidiary operating solid waste treatment project in Thailand is subject to corporate income tax at the statutory rate of 20% for the year ended 31 December 2023 (2022: 20%).

### ***(c) Hong Kong profits tax***

The applicable Hong Kong profits tax rate is 16.5% for the year ended 31 December 2023 (2022: 16.5%).

No provision for Hong Kong profits tax was made as the Group did not have any assessable profit in Hong Kong for the year ended 31 December 2023 (2022: same).

### ***(d) Indonesia corporate income tax***

The subsidiary operating solid waste treatment project in Indonesia is subject to corporate income tax at the statutory rate of 22% for the year ended 31 December 2023 (2022: 22%).

## 7. Loss per share

### (a) Basic

The basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2023.

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
<u>Loss</u>		
Loss attributable to the ordinary shareholders of the Company (RMB'000)	<u>(688,068)</u>	<u>(1,060,342)</u>
	<b><u>Number of shares</u></b>	
<u>Shares</u>		
Weighted average number of ordinary shares in issue (thousands)	<u>1,193,213</u>	<u>1,193,213</u>

### (b) Diluted

Diluted loss per share is the same as basic loss per share as there were no potential diluted ordinary shares outstanding as at 31 December 2023 and 2022.

## 8. Dividends

At the board of directors meeting held on 28 March 2024, the Directors did not recommend the payment of any final dividend for the year ended 31 December 2023 out of retained earnings of the Company.

At the board of directors meeting held on 31 March 2023, the Directors did not recommend the payment of any final dividend for the year ended 31 December 2022 out of retained earnings of the Company.

## 9. 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 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Receivables under service concession arrangements	<b>7,469,014</b>	7,588,356
Less: provision for impairment	<b>(108,891)</b>	(46,274)
	<b>7,360,123</b>	7,542,082
Portion classified as current assets	<b>(190,597)</b>	(211,255)
Non-current portion	<b>7,169,526</b>	7,330,827

The expected collection schedule of receivables under service concession arrangements is as follows:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	<b>190,744</b>	211,972
One to two years	<b>264,578</b>	309,919
Two to five years	<b>992,732</b>	1,005,718
Over five years	<b>6,020,960</b>	6,060,747
	<b>7,469,014</b>	7,588,356

## 10. Trade and other receivables and prepayments

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade receivables (note a)		
— Related parties	<b>2,305,099</b>	2,184,168
— Local governments	<b>2,057,067</b>	1,471,665
— Third parties	<b>2,574,026</b>	2,557,934
Less: provision for impairment	<b>(1,167,620)</b>	(911,312)
	<b><u>5,768,572</u></b>	<u>5,302,455</u>
Other receivables		
— Related parties	<b>64,945</b>	38,376
— Third parties	<b>1,911,544</b>	1,684,329
Less: provision for impairment	<b>(164,204)</b>	(171,388)
	<b><u>1,812,285</u></b>	<u>1,551,317</u>
Total trade and other receivables	<b>7,580,857</b>	6,853,772
Less: non-current portion of trade and other receivables	<b>(285,516)</b>	(258,059)
Current portion of trade and other receivables	<b><u>7,295,341</u></b>	<u>6,595,713</u>
Prepayments		
— Related parties	<b>171,110</b>	163,802
— Third parties	<b>1,301,193</b>	1,338,063
Less: provision for impairment	<b>(41,961)</b>	(41,961)
	<b>1,430,342</b>	1,459,904
Less: non-current portion of prepayments	<b>(1,119,352)</b>	(1,207,570)
Current portion of prepayments	<b><u>310,990</u></b>	<u>252,334</u>

## 10. Trade and other receivables and prepayments (continued)

### (a) Trade receivables

Aging 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 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	<b>1,372,186</b>	1,020,693
One to two years	<b>750,644</b>	463,061
Two to three years	<b>375,271</b>	1,979,246
Over three years	<b>4,438,091</b>	2,750,767
	<b><u>6,936,192</u></b>	<b><u>6,213,767</u></b>

The Group have different credit policies for various products and services, depending on the requirements of different business segments and the contractual agreements with different customers.

## 11. Borrowings

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current</b>		
Long-term bank borrowings	<b>16,712,426</b>	15,419,734
Corporate bonds and other borrowings	<b>12,472,164</b>	11,328,091
	<b><u>29,184,590</u></b>	<b><u>26,747,825</u></b>
<b>Current</b>		
Short-term bank borrowings	<b>78,937</b>	455,778
Current portion of long-term bank borrowings	<b>135,403</b>	870,331
Current portion of corporate bonds and other borrowings	<b>1,583,511</b>	2,058,701
	<b><u>1,797,851</u></b>	<b><u>3,384,810</u></b>
	<b><u>30,982,441</u></b>	<b><u>30,132,635</u></b>

## 12. Trade and other payables

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade payables:		
— Related parties	<b>1,617,926</b>	1,144,174
— Third parties	<b>5,719,801</b>	6,018,684
	<u><b>7,337,727</b></u>	<u>7,162,858</u>
Other payables:		
— Related parties	<b>321,131</b>	210,222
— Third parties	<b>1,426,311</b>	1,287,399
Staff welfare benefit payable	<b>107,451</b>	125,699
Other taxes payable	<b>277,042</b>	113,551
Dividend payables	<b>64,792</b>	70,357
	<u><b>9,534,454</b></u>	<u>8,970,086</u>
Less: non-current portion	<u><b>(44,641)</b></u>	<u>(49,900)</u>
Current portion	<u><b>9,489,813</b></u>	<u>8,920,186</u>

- (a) Trade payables are settled in accordance with agreed terms with suppliers.
- (b) At 31 December 2023, the aging analysis of the trade payables based on invoice dates or contractual terms, is as follows:

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within one year	<b>334,165</b>	914,272
One to two years	<b>900,901</b>	1,553,742
Two to three years	<b>1,473,969</b>	2,623,526
Over three years	<b>4,628,692</b>	2,071,318
	<u><b>7,337,727</b></u>	<u>7,162,858</u>

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

In February 2023, the General Office of the Ministry of Water Resources issued the “Key Points of Water Resources Management Work in 2023”(《二零二三年水資源管理工作要點》), which points out that we should carefully use water resources, strictly manage water resources, promote the establishment of a rigid constraint system of water resources, strengthen supervision and management of water access and use, make efforts to restore the ecological environment of rivers and lakes, enhance the protection and management of underground water, continuously promote the intensive conservation and utilization of water resources, and solidly promote the high-quality development of water conservancy in the new stage. In April 2023, five departments (including the Ministry of Ecology and Environment) jointly issued the “Water Ecological Environment Protection Plan for Key Watersheds”(《重點流域水生態環境保護規劃》), which states that by 2025, the total discharge of major water pollutants will continue to decrease, the water ecological environment will continue to improve, and breakthroughs will be made in non-point source pollution prevention and control, and water ecological restoration, etc. The water ecological environment protection system will be further improved, and the pattern of systematic governance and overall planning of water resources, water environment, water ecology and other elements will be basically formed. Looking forward to the year 2035, the water ecological environment will fundamentally improve with a virtuous ecosystem circle, and the goal of beautiful China’s water ecological environment will be basically achieved.

On 1 April 2023, 11 departments (including the Standardization Administration) issued a notice on the “Guidelines for the Construction of the Standard System for Carbon Peaking and Carbon Neutrality(《碳達峰碳中和標準體系建設指南》)”. The main goal is to basically complete the construction of standard system for carbon peaking and carbon neutrality surrounding basic general standards, as well as development needs such as carbon emission reduction, carbon removal, and carbon markets. By 2025, no less than 1,000 national standards and industry standards (including foreign language versions) will be formulated and revised, and the degree of consistency with international standards will be significantly improved. The carbon accounting and verification of major industries will achieve full coverage of standards, and the energy efficiency standards of key industries and products will be steadily improved. China will substantially participate in no less than 30 international standards related to green and low-carbon matters, and the level of green and low-carbon international standards will be significantly improved. On 7 November 2023, the third meeting of the Central Commission for the Comprehensive Deepening of Reform reviewed and approved the “Opinions on Comprehensively Promoting the Construction of a Beautiful China(《關於全面推進美麗中國建設的意見》)”. Building a beautiful China is an important goal of building a modern socialist country in an all-round way. It is necessary to anchor the basic achievement of the goal of a beautiful China by 2035, continue to deepen pollution prevention and control, accelerate the green transformation of the development mode, enhance the diversity, stability and sustainability of the ecosystem, keep a solid safety bottom line, improve the security system, and promote the fundamental improvement of the ecological environment.

From the perspective of water policy, China is committed to strengthening the regulation of environmental protection, and strives to build a high-efficiency, energy-saving, low-carbon and environmentally friendly economic development environment. Among them, sewage treatment and recycling are major investment areas. In accordance with the overall requirements of “demand driven, application first, digital empowerment, and enhanced capabilities (需求牽引、應用至上、數字賦能、提升能力)”, it will focus on accelerating the construction of water resources management information systems and improving the level of digitalization, networking, and intelligence of water resources management. At the same time, it will establish a policy system and market mechanism for wastewater resource utilization to form a systematic, safe, environmentally friendly, and economical wastewater resource utilization pattern.

From the perspective of solid waste policy, the policy document focuses on formulating and revising key technologies, equipment, and product quality grading standards for domestic waste incineration power generation, biomass pyrolysis and gasification, etc., formulating and revising standards for cyclic economy management, performance evaluation, etc., to improve market stability and predictability; at the same time, the policy document introduces Internet of Things and big data analytics technology to provide enterprises with data support and intelligent decision-making, and introduces automation equipment and intelligent control systems to achieve rapid classification, sorting, and treatment of solid waste. With technological innovation driving the transformation and upgrading of the industry, the solid waste market is developing towards the direction of intelligence, automation, and intensification.

## **DEVELOPMENT STRATEGIES AND PROSPECT**

2023 was a crucial year for the Company to comprehensively deepen reform. Throughout the year, under the strong and coherent leadership of the provincial committee of the CPC, government and the provincial SASAC of Yunnan Province as well as all shareholders, we joined hands with all employees and closely focused on the goal of the year, forging ahead with determination and overcoming difficulties. Our collective efforts were dedicated to accelerating production and operations, propelling the Company towards a new phase of transformation.

In 2023, massive measures were implemented, such as broadening sources of income, managing debt pressure, enhancing cash flow management, disposal of assets, debt collection, cost reduction and efficiency improvement to advance production and operations, guaranteeing and promising to meet the basic expenditures in time. As such, net operational cash has consistently flowed in, and operating revenue has shown steady growth, and the loss on operating profit, excluding impairment provisions, has significantly decreased compared to last year.

In response to the requirement to deepen the enterprises reforming, the Company comprehensively improves its organizational structure by downsizing departments of the headquarters and adjusting the division of area. It further clarifies the rights and duties of the headquarters and narrows the management scope of areas under its jurisdiction to achieve resource integration. In terms of constructing an internal control system, to make sure that such system characterized by completeness, scientificity and effectiveness can standardize all businesses and address issues, we have continuously rescinded, revised and introduced it. In terms of constructing a legal compliance system, the Company has appointed a general counsel to oversee legal compliance, coordinated the development of the compliance structure and system, established and improved the compliance reporting mechanism, conducted activities such as compliance training and all employees signing the compliance commitments, so as to actively foster an excellent legal culture within the Company. In terms of project operation and management, the Company has closely communicated with the government and completed the price and workload adjustment of some projects, to provide an operating revenue security. In terms of debt collection, the amount has slightly increased compared to the same period of last year.

In 2024, the Company will continue to focus on its main business, revitalizing it and striving for profit growth. For production operating, the Company intensifies internal management and cost control and improves production efficiency, strengthening project management and control across the entire process, actively seeking out viable business opportunities and enhancing project profitability. For project management, the Company conducts strict review and supervision on compliance documents, procedure handling, investment confirmation, quality, progress, contract management, security and project settlement for the projects under construction. At the same time, great efforts are being made to complete and operate ongoing projects in each area for the successful fulfillment of annual goal. For fund raising, the Company initiates communication with financial institutions to promptly respond to changes in financial market and related policies. It also formulates a detailed plan based on the actual needs of the Company and market conditions. For asset structure, an asset optimization plan of the Company is set for strategic development based on the existing asset structure, quality and risk. The plan aims to merge or reorganize inefficient or invalid assets, optimize the asset structure and reduce operating costs. For talent management, the Company will further optimize the employment mechanism, improve the promotion system and the remuneration and performance assessment system to motivate the employees, and enrich the talent pool to provide fresh impetus for the development of the Company.

## **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 (“BOT”), Build-Own-Operate (“BOO”), Transfer-Operate-Transfer (“TOT”), Transfer-Own-Operate (“TOO”), Build and Transfer (“BT”), Engineering-Procurement-Construction (“EPC”), Rehabilitate-Operate-Transfer (“ROT”), Operation and Maintenance (“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 the PRC and the Southeast Asian countries, and 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 31 December 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 6,073,050 tonnes. As at 31 December 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 31 December 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 environment comprehensive treatment projects, with a total daily treatment capacity of approximately 3,273,300 tonnes.

As at 31 December 2023, 103 concession projects with a total daily treatment capacity of approximately 2,642,550 tonnes had commenced commercial operation (including 7 municipal environment comprehensive treatment projects with a total daily wastewater treatment capacity of approximately 243,550 tonnes). During the Reporting Period, the Group’s average wastewater treatment utilisation rate was approximately 75.57%, and the average unit charge of wastewater treatment was approximately RMB1.41 per tonne.

As at 31 December 2023, 22 concession projects with a total daily treatment capacity of approximately 580,800 tonnes had not commenced commercial operation (including 21 municipal environment comprehensive treatment projects with a total daily treatment capacity of approximately 576,800 tonnes).

## **Water Supply Projects**

As at 31 December 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 environment comprehensive treatment projects, generally maintaining stable as compared with 30 June 2023.

As at 31 December 2023, 52 concession projects with a total daily treatment capacity of approximately 1,685,000 tonnes had commenced commercial operation (including 1 municipal environment comprehensive treatment project with a total daily treatment capacity of approximately 30,000 tonnes). During the Reporting Period, the Group's average water supply utilisation rate was approximately 58.89%, and the average unit charge of water supply was approximately RMB2.27 per tonne.

As at 31 December 2023, 14 concession projects with a total daily treatment capacity of approximately 744,100 tonnes had not commenced commercial operation (including 5 municipal environment comprehensive treatment projects with a total daily treatment capacity of approximately 389,700 tonnes).

## **Solid Waste Treatment Projects**

As at 31 December 2023, the Group had 24 solid waste treatment projects with a total annual treatment capacity of approximately 4,117,280 tonnes, 13 of which with an annual treatment capacity of approximately 2,186,630 tonnes had commenced commercial operation ((including 1 municipal environment comprehensive treatment project with an annual treatment capacity of approximately 219,000 tonnes); 10 of which with an annual treatment capacity of approximately 1,840,650 tonnes were under construction (including 2 municipal environment comprehensive treatment projects with a total annual treatment capacity of approximately 950,750 tonnes). The treatment capacity remained generally stable as compared with 30 June 2023. During the Reporting Period, the Group's average solid waste treatment utilisation rate was approximately 83.5%.

## **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 31 December 2023, the Group had a total of 11 BT projects, which were either under construction and/or completed, among which revenue of 10 BT projects was recognised during the Reporting Period.

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

## **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 31 December 2023, the Group was providing relevant operational services for 27 O&M projects, which included 26 wastewater treatment projects with a total daily treatment capacity of approximately 344,650 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 RMB3,116.5 million, representing a decrease of approximately 17.8% as compared with the year ended 31 December 2022. The Group realized a net loss of approximately RMB994.6 million, representing a decrease of approximately 14.1% as compared with the year ended 31 December 2022. Loss attributable to the ordinary shareholders of the Company was approximately RMB688.1 million, representing a decrease of approximately 35.1% as compared with 31 December 2022. Loss per share for the year ended 31 December 2023 was approximately RMB0.577.

## Revenue

Revenue of the Group decreased from approximately RMB3,789.3 million for the year ended 31 December 2022 to approximately RMB3,116.5 million for the Reporting Period, representing a decrease of approximately 17.8%.

In respect of the business segments of the Group, revenue from wastewater treatment decreased from approximately RMB2,289.3 million for the year ended 31 December 2022 to approximately RMB1,669.0 million for the Reporting Period. Revenue from water supply increased by approximately 11.9% from approximately RMB660.2 million for the year ended 31 December 2022 to approximately RMB738.7 million for the Reporting Period. Revenue from construction and sales of equipment increased by approximately 185.0% from approximately RMB46.2 million for the year ended 31 December 2022 to approximately RMB131.5 million for the Reporting Period. Revenue from solid waste treatment decreased by approximately 27.5 % from RMB716.9 million for the year ended 31 December 2022 to approximately RMB519.5 million for the Reporting Period. Revenue from other business decreased from approximately RMB76.7 million for the year ended 31 December 2022 to approximately RMB57.8 million for the Reporting Period.

The decrease in revenue from the wastewater treatment segment was mainly attributable to the decrease in construction revenue from the existing wastewater treatment projects under construction during the Reporting Period.

The increase in revenue from the water supply segment was mainly attributable to the increase in construction revenue from the existing water supply projects under construction and operating revenue from water supply service projects during the Reporting Period.

The decrease in revenue from the solid waste treatment segment was mainly attributable to the decrease in revenue from construction in solid waste projects during the Reporting Period.

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

### **Cost of Sales and Services**

During the Reporting Period, cost of sales of the Group was approximately RMB2,461.4 million, representing a decrease of approximately 18.9% as compared with approximately RMB3,035.5 million for the year ended 31 December 2022. The decrease was primarily due to the decrease in cost for construction which was in line with the decrease in construction revenue from the existing wastewater treatment projects and solid waste projects under construction during the construction period.

### **Gross Profit Margin**

During the Reporting Period, gross profit margin of the Group was approximately 21.02%, representing an increase of approximately 1.13% as compared with approximately 19.89% for the year ended 31 December 2022.

### **Other Income**

During the Reporting Period, the Group recorded other income of approximately RMB182.4 million, representing a decrease of approximately 86.6% as compared with approximately RMB1,358.7 million for the year ended 31 December 2022. The decrease in other income was mainly due to the decrease in income from debt restructuring in the current year.

### **Other Gains/(Losses) — Net**

During the Reporting Period, the Group recorded other net gains of approximately RMB60.3 million, representing an increase of approximately RMB155.6 million as compared with a net loss of approximately RMB95.3 million for the year ended 31 December 2022. The change in other gains/(losses), on the one hand, was due to the revenue generated from the withdrawal of a water supply project and a wastewater project of approximately RMB36.2 million and RMB55.3 million respectively in the current year, while a net loss of RMB28.4 million was generated from the sale of investment in subsidiary company and a net loss of RMB11.7 million was generated from the withdrawal of a solid waste management license project last year.

## **Selling Expenses**

During the Reporting Period, selling expenses of the Group were approximately RMB33.5 million, representing a decrease of approximately RMB8.5 million or 20.2% as compared with approximately RMB42.0 million for the year ended 31 December 2022.

## **Administrative Expenses**

Administrative expenses of the Group decreased by RMB606.5 million from approximately RMB1,029.3 million for the year ended 31 December 2022 to approximately RMB422.8 million for the Reporting Period, representing a decrease of approximately 58.9%. The decrease in administrative expenses was primarily due to the decrease in the provision for impairment of intangible assets in the current year of RMB508.7 million compared to last year.

## **Finance Costs — Net**

Net finance costs decreased by RMB381.0 million from approximately RMB1,332.2 million for the year ended 31 December 2022 to approximately RMB951.2 million for the Reporting Period, representing a decrease of approximately 28.6%. The decrease in net finance costs was primarily because of loan agreements successively entered by the Group and the debtors such as the bank in the second half of 2022, in order to revise and extend the repayment schedule of such borrowings, and update the interest rate from 2% to 9% per annum to 1.48% to 4% per annum. Such arrangements reduced interest rates on borrowings of the Group, resulting in a decrease in borrowing costs.

The average interest rate on borrowings of the Group for the Reporting Period was approximately 3.04% per annum, representing a decrease compared to approximately 4.42% per annum for the year ended 31 December 2022.

## **Loss Before Income Tax**

As a result of the above factors, the Group recorded loss before income tax of approximately RMB814.7 million for the Reporting Period, representing a decrease of approximately 17.1% as compared with the loss before income tax of approximately RMB982.4 million recorded for the year ended 31 December 2022.

## **Income Tax Expenses**

Income tax expenses increased by RMB3.9 million from approximately RMB176.0 million for the year ended 31 December 2022 to approximately RMB179.9 million for the Reporting Period, representing an increase of approximately 2.2%. The increase was mainly due to the increase in the amount of non-deductible tax expense.

## **Loss for the Reporting Period**

As a result of the foregoing, loss for the Reporting Period decreased by approximately RMB163.7 million from the loss of approximately RMB1,158.3 million for the year ended 31 December 2022 to the loss of approximately RMB994.6 million for the Reporting Period, representing a decrease of approximately 14.1%.

## **Receivables under Service Concession Arrangements**

The Group's receivables under service concession arrangements decreased by approximately RMB182.0 million from approximately RMB7,542.1 million as at 31 December 2022 to approximately RMB7,360.1 million as at 31 December 2023, representing a decrease of approximately 2.4%. The decrease was mainly due to the settlement presented as trade receivables during the Reporting Period.

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

The Group's trade and other receivables and prepayments increased by approximately RMB697.5 million from approximately RMB8,313.7 million as at 31 December 2022 to approximately RMB9,011.2 million as at 31 December 2023, representing an increase of approximately 8.4%. The increase was mainly due to the increase in the amounts due from the government in the current period.

## **Cash and Cash Equivalents**

The Group's cash and cash equivalents increased by approximately RMB298.6 million from approximately RMB600.6 million as at 31 December 2022 to approximately RMB899.2 million as at 31 December 2023, representing an increase of approximately 49.7%. The increase was mainly due to an increase in the cash inflows generated from investing activities and the bank deposits during the Reporting Period.

## **Trade and Other Payables**

The Group's trade and other payables increased by approximately RMB564.4 million from approximately RMB8,970.1 million as at 31 December 2022 to approximately RMB9,534.5 million as at 31 December 2023, representing an increase of approximately 6.3%.

## **Borrowings**

As at 31 December 2023, the Group had borrowings of approximately RMB30,982.4 million (31 December 2022: approximately RMB30,132.6 million). As at 31 December 2023, the Group had unsecured borrowings of approximately RMB18,119.1 million (31 December 2022: approximately RMB16,968.5 million), and secured borrowings of approximately RMB12,863.3 million (31 December 2022: approximately RMB13,164.1 million).

## **Pledge of Assets**

As at 31 December 2023, borrowings of approximately RMB12,863.3 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 subsidiaries.

## **Gearing Ratio**

The Group's gearing ratio (calculated as net debt divided by total capital) increased from approximately 86.81% as at 31 December 2022 to approximately 89.71% as at 31 December 2023. The increase in gearing ratio was mainly due to the loss during the Reporting Period.

The Board will closely monitor and improve the gearing ratio of the Group.

## **Employees and Remuneration Policy**

As at 31 December 2023, the Group employed 5,586 employees (31 December 2022: 6,516). During the Reporting Period, staff cost was approximately RMB522.5 million (for the year ended 31 December 2022: RMB605.0 million). The Group will strive to ensure that the remuneration level of employees is in line with industry practices and prevailing market conditions, and remunerations of employees will be determined based on their performance. The remuneration package provided to employees also includes basic and floating salaries, discretionary bonus and staff benefits. The Group also provides external and internal training programs for its employees.

The Group did not experience any significant labour disputes causing any material impact on its normal business operations.

## **Foreign Exchange Risk**

The Group principally operates in the PRC with most of the transactions being settled in RMB, which is the functional currency of most of the group entities. The Group also has certain subsidiaries in foreign operations. Foreign exchange risk arises from the recognised assets and liabilities and net investments in foreign operations. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through financing activities denominated in the relevant foreign currencies.

The group entities are exposed to foreign exchange risk of foreign currencies other than their functional currencies, primarily with respect to the US dollars ("US\$") and Hong Kong dollars ("HKD") (together "Non-functional Currencies"). The Group seeks to limit its exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. Management considers the fluctuations in exchange rates between the functional currencies of respective group entities and Non-functional Currencies in which the group entities conduct business will not have significant effect on the Group's financial position and results of operations.

## **Contingent Liabilities**

Affected by the cases of construction contract dispute, some assets of the Group were taken property preservation measures by the relevant courts. As at 31 December 2023 and the date when the consolidated financial statements were authorised for issue, 0.70% equity interests with carrying value of RMB34,329,000 and 1.05% equity interests with carrying value of RMB51,280,000 have not yet been released from the property preservation respectively. At present, the Company is actively communicating with relevant suppliers of projects involved in the lawsuit, seeking solutions from the professional lawyer team, hoping to reach a settlement through mediation and ensuring the smooth implementation of relevant settlement agreements. If the relevant settlement matters can be reached, the Company's assets subject to preservation measures and enforcement may be unfrozen, and such release will not have any adverse impact on the ownership of relevant assets and the circulation of funds in the account. Therefore, the Company believes that the property preservation and enforcement caused by relevant construction contract disputes will not constitute major contingent liabilities of the Group.

## **Final Dividend**

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2023.

## SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 27 February 2023, the Company (as vendor) and Beijing Enterprises Water Group (China) Investment Limited\* (北控水務(中國)投資有限公司) (“**Beijing Enterprise Water**”) (as purchaser) entered into (a) the Honghe Equity Transaction Agreement, pursuant to which, the Company has agreed to sell, and the Beijing Enterprise Water has agreed to acquire, 100% equity interests in Honghe Water Industry Investment Co., Ltd.\* (紅河州水務產業投資有限公司) at the consideration of RMB155,400,000; and (b) the Shuifu Equity Transaction Agreement, pursuant to which, the Company has agreed to sell, and Beijing Enterprise Water has agreed to acquire, 100% equity interests in Shuifu Water Industry Investment Co., Ltd.\* (水富縣水務產業投資有限公司) at the aggregate consideration of RMB28,300,000.

For details of the above-mentioned transactions, please refer to the announcements published by the Company on 27 February 2023 and 25 April 2023 respectively.

## EVENTS AFTER THE REPORTING PERIOD

- On 4 January 2024, the Company intended to dispose the 100% interests of Xiaoxian Yunshui Water Investment Co., Ltd.\* (蕭縣雲水水務投資有限公司) held by the Company through public tender on YNEX.
- On 5 January 2024, the Company intended to dispose the 100% interests of Hyflux NewSpring (Guanyun) Co., Ltd.\* (凱發新泉自來水(灌雲)有限公司) held by the Company through public tender on YNEX.
- Mr. Liu Jianjun submitted a resignation letter to the Board due to work adjustment reasons, to (1) resign as an executive Director, vice-chairman of the Board, member of the Compliance Committee of the Company and the Authorised Representative with effect from the date of the upcoming EGM to be held by the Company; and (2) resign as the general manager of the Company with effect from 27 March 2024.
- On 27 March 2024, the Company intended to dispose the 65% interests of Hunan Lizhou Water Co., Ltd.\* (湖南澧州水務有限公司) held by the Company through public tender on YNEX.

For details of the above-mentioned particulars, please refer to the announcements published by the Company on 4 January 2024, 5 January 2024 and 27 March 2024.

## **ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE**

The Group believes that effective environmental, social and corporate governance management policies are crucial to the sustainability of the Group's business. As such, the Group proactively enhances its understanding of the latest laws and regulations and the best practices both within and outside the PRC, which are relevant to the Group's business, as well as its management approach and management system. As a responsible corporation, the Group is also committed and dedicated to maintaining the highest environmental and social standards.

The Group has complied with all relevant laws and regulations in relation to its business, including but not limited to health and safety, workplace conditions, employment and the environment. The Group understands that a better future depends on everyone's participation and contribution. Towards that end, it has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole. The Group also maintains strong relationships with its employees, enhancing cooperation with its suppliers and providing high quality products and services for its customers so as to ensure sustainable development.

An environmental, social and governance (“**ESG**”) report is being prepared with reference to the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The ESG report represents our contribution to sustainable development during the Reporting Period, and covers the major environmental and social policies, environmental indicators of our Group, measures adopted for reducing emissions by our Group and the relevant achievements of such policies.

The ESG report will be included in the 2023 annual report of the Company to be despatched to the Company's shareholders requiring a printed copy and 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)) in due course.

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

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

At present, the Board has four professional committees including the Audit Committee, Nomination Committee, Remuneration Committee and Compliance Committee.

During the Reporting Period, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code (the “**Corporate Governance Code**”) in Appendix C1 to the Listing Rules.

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

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

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and supervisors of the Company (the “**Supervisors**”). The Group has made specific enquiries with all of its Directors and Supervisors, and all Directors and Supervisors have confirmed that they have fully complied with the required standard set out in the Model Code during the Reporting Period.

## **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 systems of the Company, including making recommendations on appointing or 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; oversight of the Company’s financial reporting system, risk management and internal control system; 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 a total of five meetings, the main contents of the five meetings are summarized as follows:

The first meeting was held to discuss matters relating to the annual results of 2022 of the Company and not recommending the distribution of final dividend. The second meeting was held to discuss matters relating to 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. The third meeting was held to discuss matters relating to the re-appointment of Da Hua Certified Public Accountants LLP as the PRC auditors and Moore CPA Limited (formerly named as “Moore Stephens CPA Limited”) as the international auditors. The fourth meeting was held to discuss matters relating to the interim results for the six months ended 30 June 2023 of the Company and not recommending the distribution of interim dividend for the six months ended 30 June 2023. The fifth meeting was held to discuss matters relating to the remuneration of the Da Hua Certified Public Accountants LLP and Moore CPA Limited (formerly named as “Moore Stephens CPA Limited”).

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Reporting Period, and reviewed matters concerning the distribution of dividends, proposed appointment of auditors. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management of the Company.

## **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 a total of two meetings, the main contents of the two meetings are summarized as follows:

The first meeting was held to discuss the candidates of the executive Directors of the third session of the Board of the Company and the General Manager. The second meeting was held to discuss the candidates of non-executive Directors, executive Directors, independent non-executive Directors of the fourth session of the Board of the Company and candidates of supervisors of the fourth session of the Supervisory Committee.

## **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; review and approval 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 to advise Shareholders with respect to the service contracts of Directors that require Shareholders' approval under 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 a total of two meetings, the main contents of the two meetings are summarized as follows:

The first meeting was held to discuss the standard for monthly salary paid in advance of the General Manager of the Company. The second meeting was held to discuss the payment of performance compensation of the Company's senior management for the third quarter of 2023.

## **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 our business operations by authorization from the Board. The Company established the Compliance Committee to ensure the acquisition projects and operations of the Group have complied with our 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 a total of two meetings, the main contents of the two meetings are summarized as follows:

The first meeting was held to discuss matters in relation to the Company's amendments to the compliance management system. The second meeting was held to discuss matters relating to the Company's amendments to the articles of associations, the formulation of the administration measures on authorization to the management by the Board, formulation of general manager's working rules and the formulation of and amendments to a series of basic management systems.

## **RISK MANAGEMENT AND INTERNAL CONTROL**

The Board is responsible for maintaining an adequate risk management and internal control system to safeguard the Shareholder's investments and the Company's assets, and reviewing the effectiveness of such system on an annual basis with the support of the Audit Committee.

The Board, through the Audit Committee, has reviewed the effectiveness of the internal audit system and the risk management and internal control system of the Company and its subsidiaries, including the adequacy of resources, qualifications and experience of staff in the aforementioned systems and of the Company's accounting and financial reporting function, and the adequacy of their training programmes and budget.

During the Reporting Period, the Board, through a review, considered that the risk management and internal control system of the Company and its subsidiaries was effective and adequate.

## **EXTRACT OF INDEPENDENT AUDITOR’S REPORT**

The following is an extract of the independent auditor’s report issued by the auditor of the Group on the Group’s consolidated financial statements for the year ended 31 December 2023.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

As described in note 2.1 to the consolidated financial statements, the Group reported a net loss of RMB 994,606,000 for the year ended 31 December 2023 and the Group’s current liabilities exceeded its current assets by RMB2,907,084,000 as at 31 December 2023. As at the same date, the Group’s total borrowings amounted to RMB30,982,441,000, of which current borrowings amounted to RMB1,797,851,000, while its cash and cash equivalents amounted to RMB899,244,000 only. As at 31 December 2023, the Group had capital commitments of approximately RMB7,267,516,000, which were mainly related to various concession projects and construction projects of the Group.

These conditions, together with other matters described in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

This annual results announcement is 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 2023 annual report of the Company will be despatched to the Company’s shareholders and published on the aforesaid websites in due course.

## APPRECIATION

The Board would like to take this opportunity to express its sincere gratitude to the Company's shareholders for their support and to the Group's staff for their hard work and contribution in 2023.

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

Kunming, the PRC  
28 March 2024

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

\* *For identification purposes only*