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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB6,255.6 million, representing an increase of approximately 21.7% compared with the year ended 31 December 2017
- Profit for the year was approximately RMB496.7 million, representing a decrease of approximately 8.7% compared with the year ended 31 December 2017
- Core business profit¹ was approximately RMB496.7 million, representing an increase of approximately 19.7% as compared with the year ended 31 December 2017
- Profit attributable to ordinary shareholders of the Company was approximately RMB397.8 million, representing a decrease of approximately 5.9% compared with the year ended 31 December 2017
- Basic earnings per share was approximately RMB0.333, representing a decrease of approximately 5.9% compared with the year ended 31 December 2017
- The Board recommends the distribution of final dividend of RMB0.15 per share (tax included) for the year ended 31 December 2018 (2017: RMB0.13 per share)

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 2018 (the “**Reporting Period**”) together with the comparative figures as follows:

Note:

1. Core business profit represents profit for the year excluding fair value gains or losses on the remeasurement of investments accounted for using the equity method and one-off recovery of other receivable.

Consolidated statement of profit or loss and other comprehensive income

		Year ended 31 December	
		2018	2017
	Note	RMB'000	RMB'000
Revenue	5	6,255,628	5,142,242
Cost of sales		<u>(4,757,619)</u>	<u>(3,837,518)</u>
Gross profit		1,498,009	1,304,724
Other income	6	144,668	309,566
Other gains — net		10,541	57,354
Selling expenses		(43,884)	(39,524)
Administrative expenses		(395,120)	(431,477)
Impairment losses on financial assets		<u>(25,510)</u>	<u>—</u>
Operating profit		1,188,704	1,200,643
Finance income	7	99,616	—
Finance expenses	7	<u>(678,128)</u>	<u>(521,481)</u>
Finance costs — net	7	(578,512)	(521,481)
Share of profit of investments accounted for using the equity method		<u>34,034</u>	<u>23,082</u>
Profit before income tax		644,226	702,244
Income tax expenses	8	<u>(147,511)</u>	<u>(158,244)</u>
Profit for the year		<u>496,715</u>	<u>544,000</u>
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
— Exchange differences on translation of foreign operations		(172,741)	148,011
— Share of other comprehensive income of a joint venture accounted for using the equity method		<u>—</u>	<u>3,731</u>
		<u>(172,741)</u>	<u>151,742</u>
Total comprehensive income for the year, net of tax		<u><u>323,974</u></u>	<u><u>695,742</u></u>

		Year ended 31 December	
		2018	2017
	<i>Note</i>	RMB'000	RMB'000
Profit attributable to:			
— Ordinary shareholders of the Company		397,753	422,812
— Holders of perpetual capital instruments		83,194	85,444
— Non-controlling interests		15,768	35,744
		<u>496,715</u>	<u>544,000</u>
Total comprehensive income attributable to:			
— Ordinary shareholders of the Company		225,012	574,554
— Holders of perpetual capital instruments		83,194	85,444
— Non-controlling interests		15,768	35,744
		<u>323,974</u>	<u>695,742</u>
Earnings per share for profit attributable to ordinary shareholders of the Company <i>(expressed in RMB per share)</i>			
— Basic and diluted	9	<u>0.333</u>	<u>0.354</u>

Consolidated balance sheet

		As at 31 December	
		2018	2017
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,622,288	2,379,444
Investment properties		25,779	26,692
Land use rights		182,831	189,751
Receivables under service concession arrangements	11	4,165,248	5,058,220
Amounts due from customers for contract works		—	260,694
Contract assets		4,277,955	—
Intangible assets		10,153,155	8,508,853
Investments accounted for using the equity method		661,042	623,028
Available-for-sale financial assets		—	4,675
Financial asset at fair value through other comprehensive income		4,675	—
Trade and other receivables	12	13,771	30,214
Prepayments	12	942,875	1,695,626
Deferred income tax assets		314,132	314,869
		<u>23,363,751</u>	<u>19,092,066</u>
Current assets			
Receivables under service concession arrangements	11	57,852	52,928
Inventories		102,089	45,630
Amounts due from customers for contract works		—	405,060
Contract assets		338,197	—
Trade and other receivables	12	5,763,860	4,350,247
Prepayments	12	695,498	128,899
Restricted cash		123,043	124,292
Cash and cash equivalents		2,214,352	2,896,927
Financial assets at fair value through profit or loss		4,320	—
Derivative financial instruments		10,884	—
		<u>9,310,095</u>	<u>8,003,983</u>
Total assets		<u><u>32,673,846</u></u>	<u><u>27,096,049</u></u>

		As at 31 December	
		2018	2017
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY			
Equity attributable to ordinary shareholders of the Company			
Share capital		1,193,213	1,193,213
Other reserves		2,197,015	2,331,308
Retained earnings		1,166,594	1,012,044
		4,556,822	4,536,565
Perpetual capital instruments		1,200,000	1,200,000
Non-controlling interests		1,177,450	949,384
Total equity		6,934,272	6,685,949
LIABILITIES			
Non-current liabilities			
Borrowings	<i>13</i>	11,178,992	9,349,422
Trade and other payables	<i>14</i>	3,257,835	1,272,984
Deferred income		692,361	633,892
Deferred income tax liabilities		1,048,241	970,786
Provision		349,734	263,487
		16,527,163	12,490,571
Current liabilities			
Borrowings	<i>13</i>	5,755,534	4,438,574
Trade and other payables	<i>14</i>	3,017,220	3,255,709
Amounts due to customers for contract works		—	5,023
Contract liabilities		119,409	—
Current income tax liabilities		317,748	220,223
Derivative financial instruments		2,500	—
		9,212,411	7,919,529
Total liabilities		25,739,574	20,410,100
Total equity and liabilities		32,673,846	27,096,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Yunnan Water Investment Co., Limited 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 are principally engaged in the development, design, construction, operation and maintenance of municipal water supply, wastewater treatment and solid waste treatment facilities in the PRC. 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. 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 have been prepared under the historical cost convention, except for certain financial assets and liabilities (including derivative instruments) 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.

3. Accounting policies

(a) *New Standards, amendments to standards and interpretations adopted by the Group*

The Group has applied the following new standards, amendments to standards and interpretations for the first time for their annual reporting period commencing 1 January 2018.

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HK (IFRIC) 12 (Amendments)	Service concession arrangements
HKAS 28 (Amendments)	Investments in associates and joint ventures
HKAS 40 (Amendments)	Transfers to investment property
HK (IFRIC) 22	Foreign currency transactions and advance consideration
Improvements to HKFRSs	Annual improvements to HKFRSs 2014–2016 cycle

(b) *New Standards, amendments to standards and interpretations not yet adopted by the Group*

Certain new standards, amendments to standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group.

Amendments to HKFRS 9	Prepayment features with negative compensation ¹
Amendments to HKAS 19	Plan amendment, curtailment or settlement ¹
HKFRS 16	Leases ¹
HK (IFRIC) Int 23	Uncertainty over income tax treatments ¹
HKAS 28 (Amendment)	Long-term interests in associates and joint ventures ¹
Improvements to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle ¹
HKAS 1 and HKAS 8 (Amendments)	Definition of Material ²
HKFRS 3 (Amendments)	Definition of a Business ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture ³

1. Effective for annual periods beginning on or after 1 January 2019.
2. Effective for annual periods beginning on or after 1 January 2020.
3. Effective date to be determined.

4. Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial instruments, HKFRS 15 Revenue from contracts with customers and HK (IFRIC) 12 (Amendments) Service concession arrangements on the Group's financial statements.

HKFRS 9, HKFRS 15 and HK (IFRIC) 12 (Amendments) were generally adopted by the Group by the modified retrospective approach without restating comparative information. As a result of the changes in the Group's accounting policies, certain reclassifications and adjustments are therefore not reflected in the consolidated balance sheet as at 31 December 2017, but are recognised in the opening balance of the consolidated balance sheet on 1 January 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated balance sheet (extract)	31 December	HK (IFRIC) 12			1 January
	2017 As originally presented RMB'000	HKFRS 9 RMB'000	HKFRS 15 RMB'000	(Amendments) RMB'000	2018 Restated RMB'000
Non-current assets					
— Financial assets at fair value through other comprehensive income ("FVOCI")	—	4,675	—	—	4,675
— Available-for-sale financial assets	4,675	(4,675)	—	—	—
— Contract assets	—	—	260,694	1,729,534	1,990,228
— Amounts due from customers for contract works	260,694	—	(260,694)	—	—
— Receivables under service concession arrangements	5,058,220	—	—	(1,729,534)	3,328,686
Current assets					
— Contract assets	—	—	405,060	15,703	420,763
— Amounts due from customers for contract works	405,060	—	(405,060)	—	—
— Receivables under service concession arrangements	52,928	—	—	(15,703)	37,225
Total assets	<u>27,096,049</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>27,096,049</u>
Current liabilities					
— Amounts due to customers for contract works	5,023	—	(5,023)	—	—
— Trade and other payables	—	—	—	—	—
— advances from customers	52,531	—	(52,531)	—	—
— Contract liabilities	—	—	57,554	—	57,554
Total liabilities	<u>20,410,100</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,410,100</u>

5. 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;
- (b) Water supply;
- (c) Construction and sales of equipment;
- (d) Solid waste treatment;
- (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.

(i) Segment results and capital expenditure for the year ended 31 December 2018 are as follows:

Year ended 31 December 2018:

	Wastewater treatment <i>RMB'000</i>	Water supply <i>RMB'000</i>	Construction and sales of equipment <i>RMB'000</i>	Solid waste treatment <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Gross segment revenue	3,295,023	1,171,789	2,059,977	748,985	71,884	—	7,347,658
Inter-segment revenue	—	—	(1,092,030)	—	—	—	(1,092,030)
Revenue from external customers	3,295,023	1,171,789	967,947	748,985	71,884	—	6,255,628
Timing of revenue recognition							
— At a point in time	—	519,062	495,414	—	—	—	1,014,476
— Over time	3,295,023	652,727	472,533	748,985	71,884	—	5,241,152
Gross profit	735,879	227,446	343,094	167,091	24,499	—	1,498,009
Other income							144,668
Other gains — net							10,541
Selling expenses							(43,884)
Administrative expenses							(395,120)
Impairment losses on financial assets							(25,510)
Finance costs — net							(578,512)
Share of profit/(loss) of investments accounted for using the equity method							
— net	19,127	(8,903)	7,694	16,116	—	—	34,034
Profit before income tax							644,226
Income tax expenses							(147,511)
Profit for the year							496,715
Depreciation and amortisation	(117,348)	(162,033)	(14,378)	(151,792)	(12,768)	(12,553)	(470,872)
Segment assets	11,877,411	6,761,381	4,592,414	5,485,113	960,690	2,996,837	32,673,846
Segment assets include:							
Investments accounted for using the equity method	203,671	328,628	34,717	89,492	4,534	—	661,042
Segment liabilities	4,082,170	1,183,919	1,887,852	1,261,995	1,171,977	16,151,661	25,739,574
Additions to non-current assets (other than financial instruments and deferred income tax assets)	3,342,032	478,764	843,878	443,618	18,259	68,768	5,195,319

Year ended 31 December 2017:

	Wastewater treatment RMB'000	Water supply RMB'000	Construction and sales of equipment RMB'000	Solid waste treatment RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Gross segment revenue	1,683,515	1,194,246	1,578,866	573,461	515,254	—	5,545,342
Inter-segment revenue	—	—	(403,100)	—	—	—	(403,100)
Revenue from external customers	1,683,515	1,194,246	1,175,766	573,461	515,254	—	5,142,242
Gross profit	518,415	144,185	422,381	152,637	67,106	—	1,304,724
Other income							309,566
Other gains — net							57,354
Selling expenses							(39,524)
Administrative expenses							(431,477)
Finance costs — net							(521,481)
Share of profit/(loss) of investments accounted for using the equity method — net	24,652	(23,876)	21,002	1,304	—	—	23,082
Profit before income tax							702,244
Income tax expenses							(158,244)
Profit for the year							<u>544,000</u>
Depreciation and amortisation	<u>(115,420)</u>	<u>(159,927)</u>	<u>(13,351)</u>	<u>(129,073)</u>	<u>(12,561)</u>	<u>(10,916)</u>	<u>(441,248)</u>
Segment assets	7,528,533	6,127,885	3,204,309	4,907,107	1,224,204	4,104,011	27,096,049
Segment assets include: Investments accounted for using the equity method	<u>180,563</u>	<u>337,532</u>	<u>27,023</u>	<u>73,376</u>	<u>4,534</u>	<u>—</u>	<u>623,028</u>
Segment liabilities	<u>2,231,133</u>	<u>927,438</u>	<u>1,751,499</u>	<u>1,200,863</u>	<u>800,206</u>	<u>13,498,961</u>	<u>20,410,100</u>
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>1,194,318</u>	<u>2,037,232</u>	<u>200,485</u>	<u>1,259,929</u>	<u>21,021</u>	<u>427,916</u>	<u>5,140,901</u>

6. Other income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Government grants	90,956	111,334
Value-added tax refunds	50,225	58,265
Recovery of other receivables	—	95,054
Miscellaneous income	3,487	44,913
	<u>144,668</u>	<u>309,566</u>

7. Finance income and expenses

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
<i>Finance income</i>		
— Net exchange gains on financing activities	67,253	—
— Miscellaneous income	32,363	—
	<u>99,616</u>	<u>—</u>
<i>Finance expenses</i>		
— Borrowing costs	(777,686)	(599,353)
Less: amounts capitalised on qualifying assets	109,474	105,246
	<u>(668,212)</u>	<u>(494,107)</u>
— Unwinding of provision	(9,916)	(10,086)
— Net exchange losses on financing activities	—	(17,288)
	<u>(678,128)</u>	<u>(521,481)</u>
Finance costs — net	<u>(578,512)</u>	<u>(521,481)</u>

8. Income tax expenses

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Current income tax		
— Corporate income tax	178,073	172,192
Deferred income tax		
— Increase in deferred income tax assets	(82,609)	(44,169)
— Increase in deferred income tax liabilities	52,047	30,221
	<u>147,511</u>	<u>158,244</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 70% 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% (2017: same).

(b) Thailand corporate income tax

The subsidiary operating solid waste treatment project in Thailand is eligible for an eight-year tax holiday of full exemption from 2013 to 2020.

(c) *Hong Kong profits tax*

The applicable Hong Kong profits tax rate is 16.5% for the year ended 31 December 2018 (2017: same).

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 2018 (2017: 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 25% for the year ended 31 December 2018 (2017: same).

9. Earnings per share

(a) *Basic*

The basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares issued during the years ended 31 December 2018 and 2017.

	Year ended 31 December	
	2018	2017
Profit attributable to the ordinary shareholders of the Company (<i>RMB'000</i>)	397,753	422,812
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>1,193,213</u>	<u>1,193,213</u>
Basic earnings per share (<i>RMB per share</i>)	<u><u>0.333</u></u>	<u><u>0.354</u></u>

(b) *Diluted*

Diluted earnings per share is the same as basic earnings per share as there were no potential diluted ordinary shares outstanding as at 31 December 2018 and 2017.

10. Dividends

At the board of directors meeting held on 27 March 2019, the directors of the Company proposed a final dividend for the year ended 31 December 2018 of RMB0.15 per ordinary share amounting to approximately RMB178,982,000 (2017: RMB0.13 per ordinary share amounting to approximately RMB155,118,000) out of retained earnings of the Company. These proposed dividends have not been reflected as dividends payable in these consolidated financial statements for the year ended 31 December 2018 but will be reflected as dividends distribution for the year ending 31 December 2019.

The 2017 dividends were paid on 27 July 2018.

11. 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	
	2018	2017
	RMB'000	RMB'000
Receivables under service concession arrangements	4,223,100	5,111,148
Portion classified as current assets	(57,852)	(52,928)
	<u>4,165,248</u>	<u>5,058,220</u>

12. Trade and other receivables and prepayments

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables		
— Related parties	2,575,260	1,984,773
— Local governments	824,240	659,286
— Third parties	1,155,422	865,067
Less: provision for impairment	(59,986)	(41,721)
	<u>4,494,936</u>	<u>3,467,405</u>
Other receivables		
— Related parties	31,921	31,412
— Third parties	1,259,880	889,206
Less: provision for impairment	(9,106)	(7,562)
	<u>1,282,695</u>	<u>913,056</u>
Total trade and other receivables	5,777,631	4,380,461
Less: non-current portion of other receivables	(13,771)	(30,214)
	<u>5,763,860</u>	<u>4,350,247</u>
Prepayments		
— Related parties	161,135	67,595
— Third parties	1,477,238	1,756,930
	<u>1,638,373</u>	<u>1,824,525</u>
Less: non-current portion of prepayments	(942,875)	(1,695,626)
	<u>695,498</u>	<u>128,899</u>

In general, the Group grants credit periods of 90 to 180 days to its customers. 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 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	2,813,369	2,451,422
One to two years	1,035,378	803,928
Two to three years	511,217	101,300
Over three years	194,958	152,476
	<u>4,554,922</u>	<u>3,509,126</u>

13. Borrowings

	As at 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Long-term bank borrowings		
— Secured	3,178,349	2,867,218
— Unsecured	2,381,819	1,595,996
Corporate bonds and other borrowings		
— Unsecured	5,618,824	4,886,208
	<u>11,178,992</u>	<u>9,349,422</u>
Current		
Short-term bank borrowings		
— Secured	5,000	—
— Unsecured	2,562,745	3,197,013
Current portion of long-term bank borrowings		
— Secured	877,515	455,044
— Unsecured	238,594	232,776
Current portion of corporate bonds and other borrowings		
— Unsecured	2,071,680	553,741
	<u>5,755,534</u>	<u>4,438,574</u>
	<u>16,934,526</u>	<u>13,787,996</u>

14. Trade and other payables

	As at 31 December	
	2018	2017
	RMB'000	<i>RMB'000</i>
Trade payables:		
— Related parties	1,542,830	1,192,382
— Third parties	3,287,340	1,836,469
Notes payables	44	40,000
Other payables:		
— Related parties	85,651	82,562
— Third parties	1,109,245	1,056,272
Advances from customers	—	52,531
Staff welfare benefit payable	55,837	38,562
Other taxes payable	194,108	229,915
Less: non-current portion	<u>(3,257,835)</u>	<u>(1,272,984)</u>
Current portion	<u>3,017,220</u>	<u>3,255,709</u>

(a) Trade payables are settled in accordance with agreed terms with suppliers.

(b) At 31 December 2018 and 2017, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2018	2017
	RMB'000	<i>RMB'000</i>
Within one year	3,735,975	1,830,650
One to two years	487,378	757,182
Two to three years	363,768	213,277
Over three years	243,049	227,742
	<u>4,830,170</u>	<u>3,028,851</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

With the increasing emphasis on the environmental protection from the Party and the State, along with the gradual improving top-level design of ecological civilization in recent years, the environmental protection industry is forming a new development pattern. In 2018, the inclusion of “ecological civilization” into the Constitution of the PRC and establishment of the Ministry of Ecology and Environment and the Ministry of Natural Resources strengthened the integrated management of ecology and environment. The environmental protection supervision “review” was officially launched and supervision was completed at the grassroots level during the year. The long-term mechanism for environmental protection supervision has become more standardized. The official release of the Three-Year Action Plan for Ecological Environment Monitoring Quality Supervision and Inspection* (《生態環境監測質量監督檢查三年行動計劃》) marked government’s increasing emphasis on the quality of environmental monitoring. The Action Plan on Pollution Prevention and Control Campaign for Agriculture and Rural Areas* 《農業農村污染防治攻堅戰行動計劃》 clarified the overall requirements, action objectives, main tasks and safeguard measures as well as deployment for the pollution governance for agriculture and rural areas. At the end of the year, the State Council conducted the special action to solve the problem of payments to enterprises in arrears, which is of great significance for improvement of the cash flow in the environmental protection industry, and it was proposed at the Central Economic Working Conference to improve the monetary policy transmission mechanism, resulting in improved financing environment and stronger confidence of enterprises. In the new pattern, the environmental protection segment market has shown vigorous vitality, and rural environmental protection, hazardous waste treatment, soil remediation, environmental monitoring and other fields have become hot spots for future development.

Under the background of ecological civilization construction and environmental protection supervision, the operational pressure of the water business industry has become more prominent. On one hand, under the requirements of upgrading, reconstruction and standardized operation, the industry construction and operation capacity does not match the high standard operation requirements; on the other hand, the water inflow beyond standards, aging of pipe network and other problems also restrict the further development of certain enterprises’ water business segment. However, the water business industry still has demands in many segments — the industrial wastewater treatment still has a broad market. The wastewater treatment in villages and towns is also urgently needed to be resolved under the support of relevant national policies; the municipal pipe network is the “shortcoming” of the industry and needs to be further improved and constructed; the black and odorous water treatment needs to be upgraded from quantity to quality.

Attributing to the increasingly stringent national policies, solid waste treatment, an indispensable part of ecological civilization construction, has become one of the fastest growing areas among China’s environmental protection industry. In 2018, despite the overall downturn in the environmental protection industry, the solid waste markets including garbage incineration power generation and hazardous waste treatment maintained a strong development speed. In particular, hazardous waste treatment is in a growing period and featured by high profitability and strong demands. The production capacity will be released in a faster way in the future.

In terms of soil remediation, the promulgation of the Law of the People's Republic of China on Soil Pollution Prevention and Control* (《中華人民共和國土壤污染防治法》) filled a gap in respect of laws on soil pollution prevention and control in China and also brought new development opportunities for the soil pollution prevention and control market. At present, the soil remediation industry is still in its infancy, and the industry's output value accounts for a small proportion of the total output value of the environmental protection industry. There is still a large gap as compared with developed countries. As the national macro-control and industrial policies pay more attention to soil remediation, the market demand will gradually increase and the scale of the industry will usher in a huge room for improvement.

As a key part in the industry chain of environmental governance, environmental monitoring will become the internal driving force for the transformation and upgrading of the environmental protection industry. Environmental monitoring enterprises that master the intelligent environmental protection data and technologies will enjoy advantages in the future development of intelligent environmental protection and realize the transition from equipment suppliers to system integrators and platform operators.

2018 is the 40th anniversary of reform and opening up of the PRC while its ecological civilization construction has entered into a new era of development. Meanwhile, the concept of "Lucid waters and lush mountains are invaluable assets" has gradually been in place, and the country's determination on the treatment of the ecological environment is unprecedentedly strong. With the implementation of various policies, the market potential for environmental treatment will be continuously released, which will generate more opportunities and greater development potential for the environmental protection industry.

DEVELOPMENT STRATEGIES AND PROSPECT

In 2018, under the backdrop of "de-leverage" in the macro environment and strict supervision of the environmental protection industry, opportunities and challenges coexisted in the environmental protection industry. The Group paid close attention to the changes in the external business environment, timely adjusted the asset structure, and proactively expanded domestic and international key regional markets. Through continuous improvement of the operational management of projects, the Group overcame many difficulties and achieved certain operational benefits and stable development.

The Group strengthened project collaboration and business synergy by actively promoting a new model of regional management. On one hand, the Group continued to expand the market size of the water business segment through proactive participation in market bidding, investment in new construction and equity acquisition; on the other hand, the solid waste treatment business segment, as the cultivation focus in the Group's business strategy, also realized rapid growth of scale in 2018, laying a solid foundation for future development. In the future, the Group will pay close attention to the impacts on its business operation of the policies and regulations as well as the change in interest rate, and focus on improving its operational management level and quality. Meanwhile, on the basis of consolidating and expanding the scale of water business, the Group will accelerate the development of solid waste treatment business, and proactively engage in emerging environmental protection fields by virtue of its existing technology accumulation and outreach cooperation, while continually consolidating and developing the Group's market competitiveness among the industry.

In terms of financing, against the backdrop of credit scale getting tighter and capital cost rising gradually in 2018, the Group made over arrangements for financing. First, it continued to deepen cooperation with financial institutions and expand the scale of financing through multiple channels. Second, it proactively expanded the overseas financing channels. Third, based on the project resource advantages of different projects, the Group give full play to the financing function of key projects to enrich the capital needs of the Group. In the future, in the external environment where the financing environment recovers and on the premise of control of liability ratio, the Group will continue to strengthen centralized management of funds and internal and external funds accommodation, and solve fund demand by making full use of the financing functions of the regions.

In terms of investment, the Group will uphold the efficiency principle for external investment projects and equity mergers and acquisitions, and will give priority to the operational projects which are supported by stable cash flow and with reasonable gain; for operation management, the Group will speed up the pace of quality improvement and efficiency enhancement for the existing operating projects to reduce operating costs and relevant expenses, while continuously improving the operational efficiency of existing projects, to increase the positive cash flow of the Group's operating activities. Meanwhile, the Group will strictly control the financial costs, strengthen management of funds to further improve the efficiency of the use of internal funds of the Group, and reinforce overall arrangement to prevent liquidity risks. In 2019, with the implementation of government's various stimulus policies on schedule and the marginal improvement of the external financing environment of environmental protection enterprises, the Group will accelerate the cultivation of industrial hazardous waste, medical hazardous waste, and garbage incineration while consolidating and expanding its existing businesses, and proactively engage in emerging fields including soil remediation and improvement and smart environmental protection by leveraging on its existing technology accumulation and outreach cooperation.

Looking forward, the Group will continue to adhere to the development goal of “based in Yunnan, covering the country and going global, striving to be a leading integrated service provider of municipal environment”, and to seize more market opportunities in the environmental protection industry. Meanwhile, by taking advantage of new environmental protection policies, the Group will further enhance its technological capabilities, innovation capabilities, investment and financing capabilities, core competitiveness and social influence, thereby continuously creating greater value for shareholders.

BUSINESS REVIEW

The Group is one of the leading integrated service providers in the urban environmental protection industry in China. The Group mainly adopts the BOT (“**Build-Operate-Transfer**”), BOO (“**Build-Own-Operate**”), TOT (“**Transfer-Operate-Transfer**”), TOO (“**Transfer-Own-Operate**”), BT (“**Build and Transfer**”), EPC (“**Engineering-Procurement-Construction**”), ROT (Rehabilitate-Operate-Transfer), O&M (“**Operation and Maintenance**”) 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 31 December 2018, 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 the total daily treatment capacity of approximately 5,627,000 tonnes, representing an increase of approximately 19.4% as compared to the total daily treatment capacity of 4,712,700 tonnes as at 31 December 2017. As at 31 December 2018, 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 the total annual treatment capacity of approximately 3,673,500 tonnes, representing an increase of approximately 66.1% as compared to the total annual capacity of 2,211,000 tonnes as at 31 December 2017.

Meanwhile, the Group has been closely following the policies introduced by the Chinese government, and actively capturing the market opportunities to expand its footage in the municipal environment comprehensive treatment projects. During the Reporting Period, the Group had obtained 12 main relevant projects including "urban water comprehensive treatment works" in Qinyang City, Henan Province, "construction of wastewater treatment facilities" in the entire Xuwen County, Zhanjiang City, Guangdong Province, "urban water transformation and upgrading works" in Wuzhi County, Jiaozuo City, Henan Province, "the integration of water supply and drainage" in Shuangcheng District, Harbin City, Heilongjiang Province, "the wastewater treatment system" in Xianmei Area, Rongcheng District, Jieyang City, Guangdong Province, "the integrated treatment of solid wastes" for the Venous Industrial Park in Ganquanpu Economic Development Zone in Urumqi and etc., The total investment amount of the abovementioned 12 projects was approximately RMB9 billion with business involving wastewater treatment, the integration of water supply and solid waste treatment and etc., among which most of the projects are carried out by way of service concession arrangement (eg. BOT model). As at 31 December 2018, the Group had 26 projects in relation to the municipal environment comprehensive treatment under construction.

Wastewater Treatment Projects

As at 31 December 2018, the Group had a total of 115 concession wastewater treatment projects under construction and in operation, including 7 BOO projects, 68 BOT projects, 2 TOO projects, 20 TOT projects, 1 ROT project and 17 municipal environment comprehensive treatment projects, with total daily treatment capacity of approximately 3,027,200 tonnes, representing an addition of 2 BOO projects, 2 BOT projects, 6 TOT projects, 1 ROT project and 7 municipal environment comprehensive treatment projects year-on-year, and an increase in the total daily wastewater treatment capacity of approximately 508,200 tonnes or a growth rate of approximately 20.2% as compared with the year ended 31 December 2017.

As at 31 December 2018, 83 concession projects with total daily treatment capacity of approximately 2,352,000 tonnes had commenced commercial operation, representing an addition of 6 TOT projects year-on-year which commenced commercial operation and an increase in total daily treatment capacity of approximately 168,000 tonnes compared with the year ended 31 December 2017. During the Reporting Period, the Group's effective wastewater treatment utilization rate was approximately 75.51%, and the average unit charge of wastewater treatment was approximately RMB1.35 per tonne.

As at 31 December 2018, 32 concession projects with total daily treatment capacity of approximately 675,200 tonnes (including 17 municipal environment comprehensive treatment projects with total daily treatment capacity of approximately 294,700 tonnes) had not commenced commercial operation, representing an addition of 2 BOT projects, 2 BOO project, 1 ROT project and 7 municipal environment comprehensive treatment projects and an increase in total daily treatment capacity of approximately 340,200 tonnes as compared with 31 December 2017.

Water Supply Projects

As at 31 December 2018, the Group had a total of 62 concession water supply projects with total daily treatment capacity of approximately 2,221,000 tonnes under construction or in operation, including 15 BOO projects, 31 BOT projects, 11 TOT projects and 5 municipal environment comprehensive treatment projects, representing an addition of 7 BOT projects, 2 BOO projects and 3 municipal environment comprehensive treatment projects year-on-year, and an increase in total daily capacity of approximately 354,000 tonnes compared with 31 December 2017, representing a growth rate of approximately 19%.

As at 31 December 2018, 32 concession projects with total daily capacity of approximately 1,285,000 tonnes had commenced commercial operation. During the Reporting Period, the Group's effective water supply utilization rate was approximately 70.18%, and the average unit charge of water supply was approximately RMB2.39 per tonne.

As at 31 December 2018, 30 concession projects with total daily capacity of approximately 936,000 tonnes had not commenced commercial operation (including 5 municipal environment comprehensive treatment projects with total daily treatment capacity of approximately 332,000 tonnes), representing an addition of 7 BOT projects, 2 BOO projects and 3 municipal environment comprehensive treatment projects year-on-year and an increase in total daily capacity of approximately 354,000 tonnes.

Solid Waste Treatment Projects

As at 31 December 2018, the Group had 19 solid waste treatment projects with total annual treatment capacity of 3,527,500 tonnes, 8 of which with an annual treatment capacity of 1,168,000 tonnes had commenced commercial operation and 11 of them with an annual treatment capacity of 2,359,500 tonnes was under construction (including 4 municipal environment comprehensive treatment projects with total annual treatment capacity of approximately 1,243,000 tonnes). As compared to 31 December 2017, 7 additional solid waste treatment projects were under construction and the total annual treatment capacity increased by 1,480,500 tonnes. During the Reporting Period, the Group's effective solid waste treatment utilization rate was approximately 87.6%.

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 2018, the Group had a total of 11 BT projects, which were either under construction and/or completed, among which income of 10 BT projects were recognised during the Reporting Period.

During the Reporting Period, the Group had a total of 10 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 31 December 2018, the Group had 32 O&M projects, including 30 wastewater treatment projects with total daily treatment capacity of approximately 373,800 tonnes (including the capacity of wastewater treatment projects adopting O&M model within municipal environment comprehensive treatment projects), 1 water supply project with daily capacity of approximately 5,000 tonnes and 1 solid waste treatment project with annual capacity of approximately 146,000 tonnes.

FINANCIAL REVIEW

Results of Operation

During the Reporting Period, the Group recorded revenue of approximately RMB6,255.6 million, representing an increase of approximately 21.7% compared with the year ended 31 December 2017. During the Reporting Period, the Group realized core business profit of approximately RMB496.7 million, representing an increase of approximately 19.7% as compared with the year ended 31 December 2017. Core business profit represents profit for the year excluding fair value gains or losses on the remeasurement of investments accounted for using the equity method and one-off recovery of other receivables. During the Reporting Period, the Group realized a net profit of approximately RMB496.7 million, representing a decrease of approximately 8.7% compared with the year ended 31 December 2017. Profit attributable to the ordinary shareholders of the Company was approximately RMB397.8 million, representing a decrease of approximately 5.9% as compared with 31 December 2017. Earnings per share for the year ended 31 December 2018 was approximately RMB0.333.

Revenue

Revenue of the Group increased from approximately RMB5,142.2 million for the year ended 31 December 2017 to approximately RMB6,255.6 million for the Reporting Period, representing an increase of approximately 21.7%.

In respect of the business segments of the Group, revenue from wastewater treatment tremendously increased from approximately RMB1,683.5 million for the year ended 31 December 2017 to approximately RMB3,295.0 million for the Reporting Period. Revenue from water supply decreased by approximately 1.9% from approximately RMB1,194.2 million for the year ended 31 December 2017 to approximately RMB1,171.8 million for the Reporting Period. Revenue from solid waste treatment increased by approximately 30.6% from RMB573.5 million for the year ended 31 December 2017 to approximately RMB749.0 million for the Reporting Period. Revenue from construction and sales of equipment decreased by approximately 17.7% from approximately RMB1,175.8 million for the year ended 31 December 2017 to approximately RMB967.9 million for the Reporting Period. Revenue from other business decreased from approximately RMB515.3 million for the year ended 31 December 2017 to approximately RMB71.9 million for the Reporting Period.

The increase in revenue from the wastewater treatment segment was mainly attributable to (i) an increase in construction revenue generated by the large-scale construction investments of certain municipal environment comprehensive treatment projects during the Reporting Period; (ii) certain wastewater projects acquired and recorded less than 12 months' revenue in 2017, realized full year revenue during the Reporting Period; and (iii) certain wastewater treatment projects newly acquired by the Group in 2018 which generated operating revenue during the Reporting Period.

The decrease in revenue from the water supply segment was mainly attributable to (i) a decrease in construction revenue due to several main water supply projects were nearly completed during the Reporting Period; and (ii) the increase in operating revenue is less than the decrease in construction revenue.

The increase in revenue from the solid waste treatment segment was mainly attributable to (i) an increase in construction revenue generated by certain solid waste treatment projects under construction; (ii) certain solid waste projects which acquired at the second half of 2017 recorded a full year revenue during the Reporting Period; and (iii) existing solid waste treatment projects recorded an increase in revenue which credit to the successful market exploration.

The decrease in revenue from the construction and sales of equipment segment was mainly attributable to (i) the completion of the exiting BT projects and the decrease amount of new BT projects; and (ii) the decrease of the construction and equipment sales of EPC projects during the Reporting Period.

Cost of Sales

Cost of sales of the Group for the Reporting Period was approximately RMB4,757.6 million, representing an increase of approximately 24.0% as compared with approximately RMB3,837.5 million for the year ended 31 December 2017. The increase was primarily due to (i) an increase in construction costs due to the constructions of several ongoing and newly-gained wastewater treatment and solid waste treatment projects; (ii) certain solid waste treatment projects acquired in 2017 achieved full year operation during the Reporting Period; (iii) certain wastewater and water supply projects acquired in 2018 had commenced commercial operation, resulting in an increase in operating costs; and (iv) the operating expansion of the existing water supply and wastewater treatment projects.

Gross Profit Margin

During the Reporting Period, gross profit margin of the Group was approximately 23.9%, representing a slight decrease of approximately 1.5% as compared with approximately 25.4% for the year ended 31 December 2017.

Other Income

During the Reporting Period, the Group recorded other income of approximately RMB144.7 million as compared with approximately RMB309.6 million for the year ended 31 December 2017, representing a decrease of approximately 53.3%. The decrease in other income during the Reporting Period was mainly due to (i) the recovery of certain other receivables in the first half of 2017, which return to normal during the Reporting Period; and (ii) a decrease in government grants during the Reporting Period.

Other Gains — net

During the Reporting Period, the Group recorded other net gains of approximately RMB10.5 million, representing a decrease of approximately 81.7% as compared with approximately RMB57.4 million for the year ended 31 December 2017. The decrease was mainly due to fair value gains on the remeasurement of a joint venture and an associate for the year ended 31 December 2017, whereas there was no such remeasurement during the Reporting Period.

Selling Expenses

During the Reporting Period, selling expenses of the Group was approximately RMB43.9 million, representing an increase of approximately 11.1% from approximately RMB39.5 million for the year ended 31 December 2017. The increase was due to selling development of water supply and waste treatment businesses which led to an increase in employee benefit expenses and vehicle costs.

Administrative Expenses

Administrative expenses of the Group decreased by RMB36.4 million from approximately RMB431.5 million for the year ended 31 December 2017 to approximately RMB395.1 million for the Reporting Period, representing a decrease of approximately 8.4%. The decrease in administrative expenses was primarily due to a decrease in legal and professional fees which was led by slowing-down business acquisitions during the Reporting Period.

Finance Costs — net

Net finance costs increased by RMB57.0 million from approximately RMB521.5 million for the year ended 31 December 2017 to approximately RMB578.5 million for the Reporting Period, representing an increase of approximately 10.9%. The increase in net finance costs was primarily due to an increase of bank borrowings and the issuance of debt instruments.

The average interest rate on borrowings of the Group for the Reporting Period was approximately 4.86% per annum, representing an increase compared with approximately 4.27% per annum for the year ended 31 December 2017 due to the increase in market interest rate and diversified financing channels.

Profit Before Income Tax

As a result of the above factors, the Group recorded profit before income tax of approximately RMB644.2 million for the Reporting Period, representing a decrease of approximately 8.3% as compared with approximately RMB702.2 million recorded for the year ended 31 December 2017.

Income Tax Expenses

Income tax expenses decreased by RMB10.7 million from approximately RMB158.2 million for the year ended 31 December 2017 to approximately RMB147.5 million for the Reporting Period, representing a decrease of approximately 6.8%. The weighted average effective tax rate was approximately 20.1% (2017: 20.1%).

Profit and Net Profit Margin for the Reporting Period

As a result of the foregoing, profit for the Reporting Period decreased by RMB47.3 million from approximately RMB544.0 million for the year ended 31 December 2017 to approximately RMB496.7 million for the Reporting Period, representing a decrease of approximately 8.7%. Net profit margin decreased from approximately 10.6% for the year ended 31 December 2017 to approximately 7.9% for the Reporting Period.

Receivables under Service Concession Arrangements

The Group's receivables under service concession arrangements decreased by RMB888.0 million from approximately RMB5,111.1 million as at 31 December 2017 to approximately RMB4,223.1 million as at 31 December 2018, representing a decrease of approximately 17.4%. Such decrease was primarily due to the Group's adoption of HK(IFRIC) 12 (Amendments) "Service concession arrangements", which led to reclassifying certain receivables under service concession arrangements as contract assets during the Reporting Period.

Trade and Other Receivables and Prepayments

The Group's trade and other receivables and prepayments increased by RMB1,211.0 million from approximately RMB6,205.0 million as at 31 December 2017 to approximately RMB7,416.0 million as at 31 December 2018, representing an increase of approximately 19.5%. Such increase was primarily due to a continuous operation of EPC construction and sales of equipment business.

Cash and Cash Equivalents

The Group's total cash balance decreased by RMB682.5 million from approximately RMB2,896.9 million as at 31 December 2017 to approximately RMB2,214.4 million as at 31 December 2018, representing a decrease of approximately 23.6%. Such decrease was primarily due to an increase of the payment of construction cost of existing and newly acquired municipal environment comprehensive treatment projects.

Trade and Other Payables

The Group's trade and other payables increased by RMB1,746.4 million from approximately RMB4,528.7 million as at 31 December 2017 to approximately RMB6,275.1 million as at 31 December 2018, representing an increase of approximately 38.6%. Such increase was primarily due to an increase in construction services payable due to the continuous investments in municipal environment comprehensive treatment projects under construction.

Borrowings

As at 31 December 2018, the Group had borrowings of approximately RMB16,934.5 million (31 December 2017: approximately RMB13,788.0 million).

As at 31 December 2018, the Group had unsecured borrowings of approximately RMB12,873.6 million (31 December 2017: approximately RMB10,465.7 million), and secured borrowings of approximately RMB4,060.9 million (31 December 2017: approximately RMB3,322.3 million).

Pledge of Assets

As at 31 December 2018, the Group had borrowings of approximately RMB2,103.9 million which were secured by the Group's shares of subsidiaries, property, plant and equipment, intangible assets and land use right (31 December 2017: borrowings of approximately RMB1,633.4 million were secured by the Group's shares of subsidiaries and land use rights. As at 31 December 2018, the Group had borrowings of approximately RMB1,957.0 million (31 December 2017: approximately RMB1,688.9 million) which were secured by rights of charges from concession projects of water supply and wastewater treatment and BT projects.

Capital Commitments

The Group's capital commitments increased by RMB2,225.8 million from approximately RMB7,949.7 million as at 31 December 2017 to approximately RMB10,175.5 million as at 31 December 2018, representing an increase of approximately 28.0%. Such increase was primarily due to the Group's increased investments in several municipal environment comprehensive treatment projects.

Gearing Ratio

The Group's gearing ratio (calculated as net debt divided by total capital) increased from approximately 61.96% as at 31 December 2017 to approximately 67.98% as at 31 December 2018. The increase in gearing ratio was mainly due to the increased scale of debt financing during the Reporting Period.

Employees and Remuneration Policy

As at 31 December 2018, the Group employed 6,207 employees (31 December 2017: 5,302). During the Reporting Period, staff cost was approximately RMB549.4 million (for the year ended 31 December 2017: RMB411.4 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\$”), Euro (“EUR”) 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 conducts business will not have significant effect on the Group’s financial position and results of operations.

Contingent Liabilities

As at 31 December 2018, the Group did not have any significant contingent liabilities.

Final Dividend

The Board has resolved to declare a final dividend of RMB0.15 per share (tax included) for the year ended 31 December 2018. The proposed distribution of final dividend by the Company is subject to approval at the forthcoming annual general meeting. Upon approval, the final dividend will be paid on or before 30 July 2019.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

- On 10 December 2018, the Company together with Yunnan Construction and Investment Holding Group Co., Ltd. were formally awarded the PPP project in relation to the rural domestic wastewater treatment facilities in Yanliang District, which is granted by Yanliang County Water Authority* (閩良縣水務局) authorized by the People’s Government of Yanliang District, Xi’an City, Shaanxi Province, the PRC by way of public tender. The total estimated investment of the Project amounted to approximately RMB385,973,700.
- On 3 December 2018, the Company together with Guangzhou Engineering Contractor Group Co., Ltd.* (廣州工程總承包集團有限公司) and Zhongdu Engineering Design Co., Ltd.* (中都工程設計有限公司) were formally awarded the PPP project in relation to construction of wastewater treatment facilities in the entire Luoding City, which was granted by Environmental Protection Bureau of Luoding City, Guangdong Province, the PRC by way of public tender. The total estimated investment of the Project amounted to approximately RMB732,882,600.
- On 21 November 2018, the Company entered into joint venture agreements with Maoming Jianjiang River Basin Water Conservancy and Hydropower Construction and Installation Engineering Co., Ltd.* (茂名市鑿江流域水利水電建築安裝工程有限公司) and Guangzhou Environmental Protection Engineering Co., Ltd.* (廣州市環境保護工程設計院有限公司) in relation to establishment of joint venture company I and joint venture company II in Xinyi City, Maoming City, Guangdong Province, the PRC, respectively. The total investment in joint venture company I: Xinyi City Yunshui Environmental Protection Co., Ltd.* (信宜市雲水環保有限公司) was RMB168,750,000 and the total investment in joint venture company II: Xinyi City Yunshui Water Co., Ltd.* (信宜市雲水水務有限公司) was RMB192,890,000.

- On 2 November 2018, the Company together with Guangzhou Engineering Contractor Group Co., Ltd.* (廣州工程總承包集團有限公司) were formally awarded the PPP project in relation to the rural domestic wastewater treatment facilities in three towns including Yamen town, which is granted by Agriculture and Forestry Bureau of Xinhui District, Jiangmen City, Guangdong Province* (廣東省江門市新會區農林局), the PRC by way of public tender. The total estimated investment of the Project amounted to approximately RMB149 million.
- On 18 October 2018, the Company and Xinjiang Derun Economic Construction and Development Co., Ltd.* (新疆德潤經濟建設發展有限公司) entered into the shareholders' agreement in relation to establishment of Xinjiang Yunrun Recycling Economy Co., Ltd.* (新疆雲潤循環經濟有限公司) as a joint venture company in Ganquanpu Economic Development Zone in Urumqi City, Xinjiang Uygur Autonomous Region, the PRC with a total investment amount of RMB132,917,600.
- On 12 October 2018, the Company, Funan Huai'an Water Co., Ltd.* (阜南縣淮岸水務有限公司), Yunnan Railway General Corporation* (雲南省鐵路總公司) and Fuyang Urban and Rural Planning and Design Institute* (阜陽市城鄉規劃設計研究院) entered into a joint venture agreement in relation to establishment of Funan Yunshui Urban and Rural Environmental Protection Technology Co., Ltd.* (阜南雲水城鄉環保科技有限公司) as a joint venture company in Funan County, Fuyang City, Anhui Province, the PRC with a total investment amount of RMB180,000,000.
- On 27 September 2018, the Company together with Yunnan Railway General Corporation* (雲南省鐵路總公司) and Fuyang Urban and Rural Planning and Design Institute* (阜陽市城鄉規劃設計研究院) were formally awarded the PPP project in relation to the domestic wastewater treatment for the government locations of townships and towns in Funan County, which is granted by Funan County Housing and Urban-Rural Construction Bureau* (阜南縣住房和城鄉建設局) by way of public tender and is authorized by the People's Government of Fuyang City (阜陽市人民政府), Anhui Province, the PRC. The total estimated investment amount of the Project is approximately RMB929,223,400.
- On 19 September 2018, the PPP project in relation to the whole package of water purification facilities of Xinyi City, which is granted by Xinyi City Housing and Urban-Rural Construction Bureau* (信宜市住房和城鄉規劃建設局) of Guangdong Province, the PRC, was been formally awarded to the Company together with Maoming Jianjiang River Basin Water Conservancy and Hydropower Construction and Installation Engineering Co., Ltd.* (茂名市鑿江流域水利水電建築安裝工程有限公司) and Guangzhou Environmental Protection Engineering Co., Ltd.* (廣州市環境保護工程設計院有限公司). The total estimated investment amount of the Project is approximately RMB1,053,690,000.
- On 6 September 2018, the Company and Guangzhou Engineering Contractor Group Co., Ltd.* (廣州工程總承包集團有限公司) entered into a joint venture agreement in relation to the establishment of Jiexi Yunshuiqing Environmental Protection Co., Ltd.* (揭西縣雲水清環保有限公司) as a joint venture company in Jiexi County, Jieyang City, Guangdong Province, the PRC with a total investment amount of RMB176,000,000.

- On 16 August 2018, the PPP project in relation to the integrated treatment of solid wastes for the Venous Industrial Park in Ganquanpu Economic Development Zone in Urumqi, which is granted by Management Center for Construction and Development of Service Industries of Ganquanpu Industrial Zone in Urumqi by way of public tender and is authorized by the People’s Government of Urumqi City, Xinjiang Uygur Autonomous Region (新疆維吾爾自治區烏魯木齊市人民政府), the PRC, was formally awarded to the Company. The total estimated construction investment amount of the Project is approximately RMB398,529,000.
- On 24 July 2018, the PPP project in relation to the whole package of domestic wastewater treatment facilities in Jiexi County, which is granted by Jieyang City Jiexi County Housing and Urban-Rural Construction Bureau* (揭陽市揭西縣住房和城鄉建設局) by way of public tender and is authorized by the People’s Government of Jieyang City, Guangdong Province (廣東省揭陽市人民政府), the PRC, was formally awarded to the Company together with Guangzhou Engineering Contractor Group Co., Ltd.* (廣州工程總承包集團有限公司). The total estimated investment amount of the Project is approximately RMB726,709,300.
- On 12 June 2018, the Company, Wuzhi County Investment Group Co., Ltd.* (武陟縣投資集團有限公司) and YCIH No.5 Construction Co., Ltd.* (雲南建投第五建設有限公司) entered into a joint venture agreement in relation to establishment of Wuzhi Yunshui Ecological Development Co., Ltd.* (武陟雲水生態發展有限公司) as a joint venture company in Wuzhi County, Jiaozuo City, Henan Province, the PRC with a total investment amount of RMB260,997,600.
- On 25 May 2018, the PPP project in relation to the wastewater treatment system construction project in Xianmei Area, Rongcheng District, Jieyang City, Guangdong Province, the PRC, which is granted by Jieyang City Rongcheng District Construction Bureau* (揭陽市榕城區建設局) by way of public tender and is authorized by the People’s Government of Jieyang City, Guangdong Province (廣東省揭陽市人民政府), was formally awarded to the Company together with Guangzhou Engineering Contractor Group Co., Ltd.* (廣州工程總承包集團有限公司) and Anhui Urban Construction Design Institute Corp., Ltd.* (安徽省城建設計研究總院股份有限公司). The total estimated investment amount of the Project is approximately RMB287,892,900.
- On 4 May 2018, the Company, Guangdong Yixin Great Wall Construction Group Co., Ltd.* (廣東一新長城建築集團有限公司) and Zhongdu Engineering Design Co., Ltd.* (中都工程設計有限公司) entered into a joint venture agreement in relation to establishment of Xuwen Yunshui Environmental Protection Management Co., Ltd.* (徐聞縣雲水環境管理有限公司) as a joint venture company in Xuwen County, Zhanjiang City, Guangdong Province, the PRC with a total investment amount of RMB380,000,000.
- On 3 May 2018, the PPP project in relation to the integration of water supply and drainage in Shuangcheng District, Harbin City, Heilongjiang Province, the PRC, which is granted by Harbin Shuangcheng Water Supply and Drainage Group Co., Ltd.* (哈爾濱市雙城區供排水集團公司) by way of public tender and is authorized by the People’s Government of Harbin City, Heilongjiang Province (黑龍江省哈爾濱市人民政府), has been formally awarded to the Company together with Heilongjiang Shuangxing Municipal Engineering Co., Ltd.* (黑龍江雙興市政工程有限責任公司). The total estimated investment amount of the Project is approximately RMB1,260,669,800.

- On 4 April 2018, the PPP project in relation to Wuzhi County urban water transformation and upgrading works in Wuzhi County, Jiaozuo City, Henan Province, the PRC, which is granted by Wuzhi County Water Resources Bureau* (武陟縣水利局) by way of public tender and is authorized by the People’s Government of Wuzhi County (武陟縣人民政府), was formally awarded to the Company together with YCIH No.5 Construction Co., Ltd.* (雲南建投第五建設有限公司). The total estimated investment amount of the Project is approximately RMB1,103,097,800.
- On 21 March 2018, the Company together with Guangdong Yixin Great Wall Construction Group Co., Ltd.* (廣東一新長城建築集團有限公司) and Zhongdu Engineering Design Co., Ltd.* (中都工程設計有限公司) were formally awarded the PPP project in relation to the construction of wastewater treatment facilities in the entire Xu Wen County in Zhanjiang City, Guangdong Province, the PRC through public tender by the Housing and Urban-Rural Development Bureau of Xu Wen County* (徐聞縣住房和城鄉建設局) authorized by the People’s Government of Xu Wen County, Zhanjiang City, Guangdong Province, the PRC. The total estimated investment amount of the project is approximately RMB1,249,740,000.
- On 13 February 2018, Yunnan Water (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Mr. Wang Zhi in relation to acquisition of the 35% equity interests in Future International Group Co., Limited at a consideration of RMB200,000,000.
- On 24 January 2018, the Company entered into a joint venture agreement with Qinyang Qinbei Construction Investment Co., Ltd.* (沁陽市沁北建設投資有限公司) (“**Qinbei Construction Investment**”) and YCIH No.5 Construction Co., Ltd.* (雲南建投第五建設有限公司) (“**YCIH No.5 Construction**”) in relation to the establishment of Qinyang Yunhuai Water Co., Ltd. Ltd.* (沁陽市雲懷水務有限公司) (“**Qinyang Yunhuai Water**”) as a joint venture company in Qinyang, Henan Province, the PRC, with a total investment amount of RMB442,003,000.
- On 11 January 2018, the Company together with YCIH No.5 Construction were formally awarded a PPP project in relation to Qinyang urban water comprehensive treatment works in Qinyang City, Henan Province, the PRC through public tender by Qinyang Housing and Urban-Rural Development Bureau* (沁陽市住房和城鄉建設局) authorized by the People’s Government of Qinyang City. The total estimated investment amount of the Project is approximately RMB1,767,973,000.

For details of the abovementioned significant investments and acquisitions, please refer to the announcements of the Company dated 10 December 2018, 3 December 2018, 21 November 2018, 2 November 2018, 18 October 2018, 12 October 2018, 27 September 2018, 19 September 2018, 6 September 2018, 16 August 2018, 24 July 2018, 12 June 2018, 25 May 2018, 4 May 2018, 3 May 2018, 4 April 2018, 21 March 2018, 13 February 2018, 24 January 2018, and 11 January 2018, respectively.

Subsequent Events:

- On 8 March 2019, Qinyang Yunhuai Water has received the Notice on Alteration of Qinyang Urban Water System Comprehensive Treatment Works PPP Project* (《關於沁陽市城區水系綜合治理工程 PPP 項目變更的通知》) issued by Qinyang Housing and Urban-Rural Development Bureau* (沁陽市住房和城鄉建設局) that the cooperation content of the PPP project in relation to Qinyang urban water comprehensive treatment works in Qinyang City was reduced from eight sub-projects to three sub-projects due to the adjustment to the implementation plan of the project. The total budget investment amount of the project was then reduced from RMB1,767,973,000 to RMB737,847,500 and the registered capital of Qinyang Yunhuai Water was adjusted from RMB442,003,000 to RMB184,467,500 accordingly. The Company, Qinbei Construction and YCIH No.5 Construction entered into the Supplemental Agreement afresh according to the Notices, pursuant to which, the parties agreed to amend their respective amount of capital contribution in accordance with their respective shareholdings as stipulated in the Joint Venture Agreement based on the adjusted total investment amount and registered capital.
- On 29 January 2019, the Company, Guangzhou Engineering Contractor Group Co., Ltd.* (廣州工程總承包集團有限公司) and Zhongdu Engineering Design Co., Ltd.* (中都工程設計有限公司) entered into the joint venture agreement in relation to establishment of Luoding City Yunshui Environmental Protection Co., Ltd.* (羅定市雲水環保有限公司) as a joint venture company in Luoding (a county-level city), Yunfu City, Guangdong Province, the PRC with a total investment amount of RMB219,864,800.
- On 25 January 2019, the Company entered into an investment agreement with Waytop Investment Group Limited* (滙鼎投資集團有限公司) and Xinde Investment Limited* (鑫德投資有限公司), both being the existing shareholders, Mr. Wang Xinyan and Mr. Chenjian, both being the beneficial owners and, Fujian Dongfei Environment Group Co., Ltd* (福建東飛環境集團有限公司), as the target company, pursuant to which (i) the Company has conditionally agreed to acquire the 20% equity interests in Fujian Dongfei Environment Group Co., Ltd* (福建東飛環境集團有限公司) at a consideration of RMB120,000,000; and (ii) the Company has conditionally agreed to subscribe for 20% equity interests in Fujian Dongfei Environment Group Co., Ltd* (福建東飛環境集團有限公司) at a consideration of RMB200,000,000. On 8 February 2019, the parties to the investment agreement entered into a supplemental agreement to the effect that instead of the Chairman, the General Manager will be the legal representative who, subject to the approval of the Chairman, will be responsible for attending to the external affairs of the target company and representing the target company in execution of commercial and other corporate documents.

- On 31 December 2018, Finergy Development, a substantial shareholder of the Company, and Yantai Xinzhen Tianying Equity Investment Center (Limited Partnership)*(煙台信貞添盈股權投資中心 (有限合夥)) (“**Xinzhen Tianying**”) entered into a share transfer agreement, pursuant to which Finergy Development has agreed to dispose of and Xinzhen Tianying has agreed to purchase the 124,754,169 domestic shares of the Company, representing approximately 10.4553% of the issued shares of the Company (the “**Transfer**”). As at 23 January 2019, the Transfer had been completed. After the completion, Finergy Development directly holds 13,125,831 domestic shares of the Company, representing approximately 1.1000% of the issued shares of the Company, and ceases to be a substantial shareholder of the Company. Xinzhen Tianying directly holds 124,754,169 domestic shares of the Company, representing approximately 10.4553% of the issued shares of the Company, and becomes a substantial shareholder of the Company.
- On 4 January 2019, the State-owned Assets Supervision and Administration Commission of the Yunnan Provincial People’s Government* (雲南省人民政府國有資產監督管理委員會) (the “**Yunnan SASAC**”) transferred 10% of the entire equity interests in YMCI directly held by it (being 5.62% equity interests in YMCI directly held by the Yunnan SASAC with a carrying amount of approximately RMB232,832,900) to the Yunnan Provincial Department of Finance for free. The Equity Interests are held by the Yunnan Provincial Department of Finance on behalf of the Yunnan Provincial People’s Government and are used exclusively to fortify the social security funds. After the transfer, the Yunnan SASAC directly holds 2,095,495,776 shares of YMCI, representing 50.59% of the total share capital of YMCI; Yunnan Provincial Department of Finance holds 232,832,864 shares of YMCI, representing 5.62% of the total share capital of YMCI. As at 4 January 2019, the registration of equity changes of the Transfer has been completed. There were no changes to the controlling shareholder and de facto controller of the Company.
- On 2 January 2019, the Company together with YCIH No.1 Water Resources and Hydropower Construction Co., Ltd.* (雲南建投第一水利水電建設有限公司) were formally awarded the PPP project in relation to the phase II drainage reconstruction and expansion project in Hetian City, which is granted by Bureau of Housing and Urban Rural Construction of Hetian City, Xinjiang Uygur Autonomous Region* (新疆維吾爾自治區和田市住房和城鄉建設局), the PRC by way of public tender. The total estimated investment of the Project amounted to approximately RMB326,581,500.

For details of the above-mentioned subsequent events, please refer to the announcements published by the Company on 8 March 2019, 29 January 2019, 25 January 2019, 8 February 2019, 23 January 2019, 4 January 2019 and 2 January 2019, respectively.

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, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

An environmental, social and governance (“**ESG**”) report is being prepared with reference to Appendix 27 Environmental, Social and Governance Reporting Guide 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 2018 annual report of the Company to be despatched to the Company's shareholders in due course and published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.yunnanwater.cn).

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 code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the “**Corporate Governance Code**”) in Appendix 14 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 10 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 consists of three independent non-executive Directors, Mr. Liu Shuen Kong (as chairman), Mr. Hu Song and Mr. Ma Shihao. 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; monitor 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.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Reporting Period. 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 consists of one non-executive Director, Mr. Yang Tao (as chairman), and two independent non-executive Directors, Mr. Hu Song and Mr. Ma Shihao. 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 to be 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 has reviewed the appointment of the members of the second session of the Board.

REMUNERATION COMMITTEE

The Remuneration Committee consists of one executive Director, Mr. Yang Fang, and two independent non-executive Directors, Mr. Hu Song (as chairman) and Mr. Ma Shihao. 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.

COMPLIANCE COMMITTEE

The Compliance Committee consists of two executive Directors, Mr. Yu Long (as chairman) and Mr. Yang Fang, three independent non-executive Directors, Mr. Liu Shuen Kong, Mr. Hu Song and Mr. Ma Shihao, 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.

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.

PARTICULARS OF DIRECTORS AND SUPERVISORS

On 13 April 2018, Mr. Kwok For Chi resigned as an independent non-executive Director, the chairman and member of the Audit Committee and member of the Compliance Committee with effective upon the conclusion of the 2018 annual general meeting.

Mr. Liu Shuen Kong was appointed as an independent non-executive Director of the second session of the Board, the chairman and member of the Audit Committee and member of the Compliance Committee with effect from 13 June 2018.

Mr. Dai Richeng was re-designated from an executive Director to a non-executive Director, and ceased to be the vice chairman of the Board with effect from 30 August 2018.

Mr. He Yuanping was re-designated from a non-executive Director to an executive Director with effect from 30 August 2018.

Mr. Dai Richeng resigned as a non-executive Director, and member and the chairman of the Compliance Committee with effect from the conclusion of the 2018 second extraordinary general meeting.

Mr. He Yuanping was re-designated from an executive Director to a non-executive Director with effect from 16 October 2018.

Mr. Yu Long was appointed as an executive Director of the second session of the Board, the vice chairman and the chairman and member of the Compliance Committee with effect from 12 December 2018.

Ms. Yang Chuanyun resigned as the Company's employee representative Supervisor and member of the Compliance Committee with effect from 21 May 2018.

Mr. Huang Yi was elected as the Company's employee representative Supervisor with effect from 21 May 2018.

Mr. Huang Yi was elected as the member of the Compliance Committee with effect from 25 May 2018.

For details of the above-mentioned particulars of Directors and Supervisors, please refer to the announcements published by the Company on 13 April 2018, 13 June 2018, 30 August 2018, 19 October 2018, 12 December 2018, 21 May 2018 and 25 May 2018, respectively.

The composition of new session of each of the audit committee, remuneration committee, nomination committee and compliance committee of the Company is as follows. For further details, please refer to the announcements published by the Company on 12 December 2018.

Audit Committee

Mr. Liu Shuen Kong (*Chairman*)

Mr. Hu Song

Mr. Ma Shihao

Remuneration Committee

Mr. Hu Song (*Chairman*)

Mr. Yang Fang

Mr. Ma Shihao

Nomination Committee

Mr. Yang Tao (*Chairman*)

Mr. Hu Song

Mr. Ma Shihao

Compliance Committee

Mr. Yu Long (*Chairman*)

Mr. Yang Fang

Mr. Liu Shuen Kong

Mr. Hu Song

Mr. Ma Shihao

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 2017.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual 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 2018 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 2018.

By order of the Board
Yunnan Water Investment Co., Limited*
Yang Tao
Chairman

Kunming, the PRC
27 March 2019

As at the date of this announcement, the executive Directors of the Company are Mr. Yu Long (Vice-chairman) and Mr. Yang Fang, the non-executive Directors of the Company are Mr. Yang Tao (Chairman), Mr. He Yuanping, Ms. Li Bo, and Mr. Feng Zhuangzhi, and the independent non-executive Directors of the Company are Mr. Liu Shuen Kong, Mr. Hu Song and Mr. Ma Shihao.

* *For identification purposes only*