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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 2020

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB8,396.6 million, representing an increase of approximately 28.4% compared with the year ended 31 December 2019.
- Profit for the year was approximately RMB341.3 million, representing a decrease of approximately 38.4% compared with the year ended 31 December 2019.
- Profit attributable to ordinary shareholders of the Company was approximately RMB223.1 million, representing a decrease of approximately 44.0% compared with the year ended 31 December 2019.
- Basic earnings per share was approximately RMB0.187, representing a decrease of approximately 44.0% compared with the year ended 31 December 2019.
- The Board recommends the distribution of final dividend of RMB0.06 per share (tax included) for the year ended 31 December 2020 (2019: RMB0.15 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 2020 (the “**Reporting Period**”) together with the comparative figures as follows:

Consolidated statement of profit or loss and other comprehensive income

		Year ended 31 December	
		2020	2019
	Note	RMB'000	RMB'000
Revenue	3	8,396,630	6,538,024
Cost of sales		<u>(6,300,498)</u>	<u>(4,705,711)</u>
Gross profit		2,096,132	1,832,313
Other income	4	86,668	124,024
Other gains/(losses) — net		48,810	(1,425)
Selling expenses		(42,445)	(43,398)
Administrative expenses		(441,692)	(424,196)
Impairment losses on financial assets		<u>(70,156)</u>	<u>(48,526)</u>
Operating profit		1,677,317	1,438,792
Finance income	5	28,995	66,255
Finance expenses	5	<u>(1,282,258)</u>	<u>(880,422)</u>
Finance costs — net	5	(1,253,263)	(814,167)
Share of profit of investments accounted for using the equity method		<u>78,570</u>	<u>52,924</u>
Profit before income tax		502,624	677,549
Income tax expenses	6	<u>(161,313)</u>	<u>(123,741)</u>
Profit for the year		341,311	553,808
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
— Exchange differences on translation of foreign operations		<u>12,009</u>	<u>18,215</u>
Total comprehensive income for the year, net of tax		<u>353,320</u>	<u>572,023</u>

		Year ended 31 December	
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
Profit attributable to:			
— Ordinary shareholders of the Company		223,095	398,153
— Holders of perpetual capital instruments		117,640	119,800
— Non-controlling interests		576	35,855
		<u>341,311</u>	<u>553,808</u>
Total comprehensive income attributable to:			
— Ordinary shareholders of the Company		235,104	416,368
— Holders of perpetual capital instruments		117,640	119,800
— Non-controlling interests		576	35,855
		<u>353,320</u>	<u>572,023</u>
Earnings per share for profit attributable to ordinary shareholders of the Company <i>(expressed in RMB per share)</i>			
— Basic and diluted	7	<u>0.187</u>	<u>0.334</u>

Consolidated balance sheet

		As at 31 December	
		2020	2019
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		4,081,849	3,177,451
Investment properties		23,960	24,927
Right-of-use assets		336,517	270,683
Receivables under service concession arrangements	9	5,235,494	5,026,423
Contract assets		10,959,833	6,191,854
Amounts due from customers for contract work		—	4,401
Intangible assets		12,888,550	11,445,273
Investments accounted for using the equity method		852,784	1,096,017
Financial asset at fair value through other comprehensive income		4,675	4,675
Trade and other receivables	10	422,564	43,999
Prepayments	10	1,168,930	1,364,449
Deferred income tax assets		701,437	514,623
		<u>36,676,593</u>	<u>29,164,775</u>
Current assets			
Receivables under service concession arrangements	9	65,877	51,892
Inventories		108,337	103,485
Amounts due from customers for contract work		—	5,120
Contract assets		565,470	521,058
Trade and other receivables	10	7,837,887	7,126,742
Prepayments	10	175,461	234,934
Restricted cash		125,501	192,691
Cash and cash equivalents		1,697,688	2,468,435
		<u>10,576,221</u>	<u>10,704,357</u>
Total assets		<u><u>47,252,814</u></u>	<u><u>39,869,132</u></u>

		As at 31 December	
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
EQUITY			
Equity attributable to ordinary shareholders of the Company			
Share capital		1,193,213	1,193,213
Other reserves		2,800,727	2,280,588
Retained earnings		1,181,421	1,275,515
		<hr/>	<hr/>
		5,175,361	4,749,316
Perpetual capital instruments		500,000	2,610,000
Non-controlling interests		1,932,201	1,186,669
		<hr/>	<hr/>
Total equity		7,607,562	8,545,985
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Lease liabilities		35,776	39,010
Borrowings	<i>11</i>	17,865,921	15,199,525
Trade and other payables	<i>12</i>	5,906,360	3,292,499
Deferred income		709,768	701,720
Deferred income tax liabilities		1,277,470	1,168,983
Provision		497,236	359,123
		<hr/>	<hr/>
		26,292,531	20,760,860
		<hr/>	<hr/>
Current liabilities			
Contract liabilities		88,151	106,676
Lease liabilities		13,258	11,600
Borrowings	<i>11</i>	9,675,894	6,419,405
Trade and other payables	<i>12</i>	3,129,990	3,675,541
Current income tax liabilities		445,428	349,065
		<hr/>	<hr/>
		13,352,721	10,562,287
		<hr/>	<hr/>
Total liabilities		39,645,252	31,323,147
		<hr/>	<hr/>
Total equity and liabilities		47,252,814	39,869,132
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 significant 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 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.

The Group is in a capital-intensive industry and primarily finance its operation by long-term borrowings from financial institutions or capital contribution from equity owners when the construction projects are in early stage of their business cycles but sometimes short-term borrowings are utilised. The Group recorded net current liabilities of approximately RMB2,777 million as at 31 December 2020, which is mainly because the Group has utilised certain short-term borrowings to tentatively finance its long-term assets under construction. As at 31 December 2020, the Group had capital commitment for construction projects of RMB12,540 million.

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The directors of the Company have reviewed the Group’s cash flow forecast for not less than 12 months from the balance sheet date which is prepared by management of the Group. The Directors consider the Group will be able to meet its financial obligations as they fall due for the foreseeable future after taking into account the Group’s available financial resources, its operating cashflow, the continued availability of the Group’s existing banking facilities and borrowings from an intermediate shareholder and its ability to raise funds through issuance of bonds or notes in the market. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) Amended standards adopted by the Group

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendments)	Definition of a Business
Conceptual Framework (Revised)	Revised Conceptual Framework for Financial Reporting
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform

The adoption of the amended standards does not have significant impact on the Financial Information

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted:

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2 ¹
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger ²
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020 Cycle ²
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope amendments ²
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract ²
HKFRS 3 (Amendments)	Reference to the Conceptual Framework ²
HKFRS 17 (Amendments)	Amendments to HKFRS 17 ³
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ³
HKFRS 17	Insurance contract ³
Hong Kong Interpretation 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture ⁴

1. Effective for annual periods beginning on or after 1 January 2021
2. Effective for annual periods beginning on or after 1 January 2022
3. Effective for annual periods beginning on or after 1 January 2023
4. Effective date to be determined

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

3. Segment information

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

The executive directors of the Company consider the business from product and service perspective. The Group is 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.

3. Segment information (Continued)

(i) Segment results and capital expenditure for the year ended 31 December 2020 are as follows:

Year ended 31 December 2020:

	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	5,286,533	975,588	1,912,808	1,346,698	166,699	—	9,688,326
Inter-segment revenue	—	—	(1,291,696)	—	—	—	(1,291,696)
Revenue from external customers	5,286,533	975,588	621,112	1,346,698	166,699	—	8,396,630
Revenue from contracts with customers							
— Recognised at a point in time	—	683,764	324,143	—	—	—	1,007,907
— Recognised at over time	4,695,819	241,824	296,969	1,300,224	166,699	—	6,701,535
Revenue from other sources							
— Finance income	590,714	50,000	—	46,474	—	—	687,188
Gross profit	1,314,752	270,890	358,624	110,239	41,627	—	2,096,132
Other income							86,668
Other gains — net							48,810
Selling expenses							(42,445)
Administrative expenses							(441,692)
Impairment losses on financial assets							(70,156)
Finance costs — net							(1,253,263)
Share of profit/(loss) of investments accounted for using the equity method — net	29,699	8,918	15,299	50,231	3,499	(29,076)	78,570
Profit before income tax							502,624
Income tax expenses							(161,313)
Profit for the year							341,311
Depreciation and amortisation	(152,699)	(222,233)	(13,052)	(175,052)	(15,320)	(12,521)	(590,877)
Segment assets	21,570,460	8,254,206	6,788,458	9,076,813	986,914	575,963	47,252,814
Segment assets include: Investments accounted for using the equity method	265,724	55,507	60,660	192,462	38,033	240,398	852,784
Segment liabilities	10,110,711	1,364,570	4,327,386	3,203,200	777,924	19,861,461	39,645,252
Additions to non-current assets (other than financial instruments and deferred income tax assets)	5,295,921	731,037	333,046	1,292,150	21,306	16,066	7,689,526

3. Segment information (Continued)

(i) Segment results and capital expenditure for the year ended 31 December 2020 are as follows: (Continued)

Year ended 31 December 2019:

	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	2,978,368	1,230,737	1,618,895	1,514,561	99,791	—	7,442,352
Inter-segment revenue	—	—	(904,328)	—	—	—	(904,328)
Revenue from external customers	2,978,368	1,230,737	714,567	1,514,561	99,791	—	6,538,024
Revenue from contracts with customers							
— Recognised at a point in time	—	623,028	407,965	—	—	—	1,030,993
— Recognised at over time	2,564,606	556,004	306,602	1,505,231	99,791	—	5,032,234
Revenue from other sources							
— Finance income	413,762	51,705	—	9,330	—	—	474,797
Gross profit	946,576	236,761	337,764	266,203	45,009	—	1,832,313
Other income							124,024
Other losses — net							(1,425)
Selling expenses							(43,398)
Administrative expenses							(424,196)
Impairment losses on financial assets							(48,526)
Finance costs — net							(814,167)
Share of profit/(loss) of investments accounted for using the equity method — net	30,304	5,223	10,644	24,542	—	(17,789)	52,924
Profit before income tax							677,549
Income tax expenses							(123,741)
Profit for the year							<u>553,808</u>
Depreciation and amortisation	<u>(131,155)</u>	<u>(171,761)</u>	<u>(16,804)</u>	<u>(170,718)</u>	<u>(14,724)</u>	<u>(15,430)</u>	<u>(520,592)</u>
Segment assets	15,619,480	7,277,522	5,508,035	7,348,612	986,814	3,128,669	39,869,132
Segment assets include: Investments accounted for using the equity method	<u>236,025</u>	<u>46,590</u>	<u>45,361</u>	<u>464,034</u>	<u>34,534</u>	<u>269,473</u>	<u>1,096,017</u>
Segment liabilities	<u>5,983,320</u>	<u>1,178,220</u>	<u>2,230,171</u>	<u>2,005,710</u>	<u>1,138,799</u>	<u>18,786,927</u>	<u>31,323,147</u>
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>2,423,830</u>	<u>489,061</u>	<u>398,021</u>	<u>1,846,925</u>	<u>70,697</u>	<u>1,559</u>	<u>5,230,093</u>

4. Other income

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	41,938	88,435
Value-added tax refunds	16,355	23,460
Miscellaneous income	28,375	12,129
	86,668	124,024

5. Finance income and expenses

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Finance income</i>		
— Net exchange gains on financing activities	15,170	40,658
— Interest income	13,825	25,597
	28,995	66,255
<i>Finance expenses</i>		
— Borrowing costs	(1,477,909)	(1,063,193)
Less: amounts capitalised on qualifying assets	204,006	191,435
	(1,273,903)	(871,758)
— Unwinding of provision	(8,355)	(8,664)
	(1,282,258)	(880,422)
Finance costs — net	(1,253,263)	(814,167)

6. Income tax expenses

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current income tax		
— Corporate income tax	239,640	203,490
Deferred income tax		
— Increase in deferred income tax assets	(263,045)	(200,643)
— Increase in deferred income tax liabilities	184,718	120,894
	<u>(78,327)</u>	<u>(79,749)</u>
	<u>161,313</u>	<u>123,741</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% (2019: 25%).

(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 July 2013 to June 2020 and subject to corporate income tax at the statutory rate of 20% from July 2020.

(c) Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the year ended 31 December 2020 (2019: 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 2020 (2019: 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 2020 (2019: same).

7. 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 year ended 31 December 2020.

	Year ended 31 December	
	2020	2019
Profit attributable to the ordinary shareholders of the Company (<i>RMB'000</i>)	223,095	398,153
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>0.187</u></u>	<u><u>0.334</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 2020 (2019: same).

8. Dividends

At the board of directors meeting held on 31 March 2021, the directors of the Company proposed a final dividend for the year ended 31 December 2020 of RMB0.06 per ordinary share amounting to approximately RMB71,593,000 (2019: RMB0.15 per ordinary share amounting to approximately RMB178,982,000) 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 2020 but will be reflected as dividends distribution for the year ending 31 December 2021.

The 2019 dividends were paid in July 2020.

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	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Receivables under service concession arrangements	5,304,961	5,078,315
Less: provision for impairment	<u>(3,590)</u>	<u>—</u>
	5,301,371	5,078,315
Portion classified as current assets	<u>(65,877)</u>	<u>(51,892)</u>
Non-current portion	<u><u>5,235,494</u></u>	<u><u>5,026,423</u></u>

9. Receivables under service concession arrangements (Continued)

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

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	65,877	51,892
One to two years	84,531	65,837
Two to five years	310,763	264,961
Over five years	4,843,790	4,695,625
	<u>5,304,961</u>	<u>5,078,315</u>

10. Trade and other receivables and prepayments

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
— Related parties	2,395,236	2,891,572
— Local governments	1,072,050	935,935
— Third parties	2,936,151	1,835,486
Less: provision for impairment	(145,570)	(85,804)
	<u>6,257,867</u>	<u>5,577,189</u>
Other receivables		
— Related parties	39,861	36,281
— Third parties	1,995,577	1,589,085
Less: provision for impairment	(32,854)	(31,814)
	<u>2,002,584</u>	<u>1,593,552</u>
Total trade and other receivables	8,260,451	7,170,741
Less: non-current portion of trade and other receivables	(422,564)	(43,999)
Current portion of trade and other receivables	<u>7,837,887</u>	<u>7,126,742</u>
Prepayments		
— Related parties	232,084	502,227
— Third parties	1,112,307	1,097,156
	<u>1,344,391</u>	<u>1,599,383</u>
Less: non-current portion of prepayments	(1,168,930)	(1,364,449)
Current portion of prepayments	<u>175,461</u>	<u>234,934</u>

10. Trade and other receivables and prepayments (Continued)

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	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	2,921,478	2,433,593
One to two years	1,263,267	1,776,680
Two to three years	1,103,251	855,993
Over three years	1,115,441	596,727
	<u>6,403,437</u>	<u>5,662,993</u>

The Group has 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	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Long-term bank borrowings	10,946,507	10,450,837
Corporate bonds and other borrowings	6,919,414	4,748,688
	<u>17,865,921</u>	<u>15,199,525</u>
Current		
Short-term bank borrowings	4,157,826	1,290,000
Current portion of long-term bank borrowings	2,141,836	1,157,247
Current portion of corporate bonds and other borrowings	3,376,232	3,972,158
	<u>9,675,894</u>	<u>6,419,405</u>
	<u>27,541,815</u>	<u>21,618,930</u>

12. Trade and other payables

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables:		
— Related parties	1,468,045	1,324,339
— Third parties	5,825,723	3,900,181
	<u>7,293,768</u>	<u>5,224,520</u>
Notes payables	160,000	110,000
Other payables:		
— Related parties	305,788	326,575
— Third parties	955,240	1,043,518
Staff welfare benefit payable	46,849	53,073
Other taxes payable	262,476	197,914
Dividend payables	12,229	12,440
	<u>9,036,350</u>	<u>6,968,040</u>
Less: non-current portion	<u>(5,906,360)</u>	<u>(3,292,499)</u>
Current portion	<u><u>3,129,990</u></u>	<u><u>3,675,541</u></u>

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

(b) At 31 December 2020, the ageing analysis of the trade payables based on invoice dates or contractual terms, is as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	4,202,807	2,410,152
One to two years	1,590,313	2,236,221
Two to three years	1,168,930	176,184
Over three years	331,718	401,963
	<u>7,293,768</u>	<u>5,224,520</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The year of 2020 is the last year for realization of the 13th Five-Year Plan, and the decisive year of pollution prevention and control. The sudden outbreak of COVID-19 has disrupted the pace of social economic operation. Environmental protection enterprises have shown agility to respond promptly to contribute to epidemic prevention and control. The environmental protection in the PRC industry has withstood the severe test and gained new development and growth.

Affected by the epidemic, the environmental protection industry in the PRC was severely impacted in the first and second quarters of 2020, and the overall situation was grim and complex. Since the third quarter of 2020, with the gradual effective prevention and control of the COVID-19 epidemic, enterprises in the environmental protection industry have actively resumed work and production, and the overall operation of the industry gradually recovered. In March 2020, the Ministry of Agriculture and Rural Affairs issued the Key Points of Green Development of Agriculture and Rural Areas in 2020* (《2020年農業農村綠色發展工作要點》), and several ministries jointly released a notice on promoting the governance of rural residential environment, to make the importance of rural environment governance explicit. In June 2020, the Ministry of Ecology and Environment officially published the Outline of Ecological and Environmental Monitoring Plan (2020–2035)* (《生態環境監測規劃綱要(2020–2035)年》), stating that an innovative and modern ecological and environmental monitoring system must be in place to comprehensively advance the monitor of environmental quality, pollution sources and ecological conditions. In July 2020, the National Green Development Fund Co., Ltd. (國家綠色發展基金股份有限公司) (the “Fund”) was officially introduced and commenced operation. The Fund will focus on the investment of pollution control, ecological rehabilitation and land space greening, energy and resource conservation, green transportation and clean energy. In September 2020, the revised Law on the Prevention and Control of Environment Pollution Caused by Solid Wastes (《固體廢物污染環境防治法》) was officially implemented, which further clarifies that the prevention and control of environmental pollution by solid waste should adhere to the principles of reduction, recycling and harmlessness, and that the state should implement the domestic waste classification system and impose severe punishment on illegal acts. In October 2020, the 14th Five-Year Plan put forward that green production and life style should be formed extensively in 2035, and carbon emissions will be stable after reaching the peak. The ecological environment will be improved, and the goal of beautiful China will be basically realized. In December 2020, the Measures for the Administration of Ecological Environment Standards (《生態環境標準管理辦法》) was promulgated, which is the command and guide of China’s ecological environment standard work, and stipulates the constitution, principles and implementation methods of the ecological environment standard system.

In respect of the water business industry, in recent years, the demand for water supply and drainage in the PRC and the PRC government’s efforts in environmental protection have been increasing, and the demand for water environment treatment has been developing in depth. On the one hand, the quality and efficiency of water use should be improved, and stricter water-saving system should be implemented. The construction of urban sewage facilities and the inspection of sewage discharge should be improved, so as to further release the sewage treatment capacity. With the requirements of green development, rural areas, where backward and inefficient wastewater treatment facilities

are in an urgent need of improvement, exhibit great potential for investment in water industry. In recent years, intelligent water business has been flourishing in the water business industry, which is growing more sophisticated and intelligent with the use of the internet, big data and other technologies. In light of the intelligent water business with more new technologies, water business enterprises are expected to enjoy enhanced competitiveness and broader market prospects.

As an important driving force to protect ecological balance and realize recyclable economy, solid waste treatment industry has frequently issued relevant national policies. At present, the trend of “harmless treatment” in the solid waste industry is obvious, and the “waste recycling” will become an important index affecting the competitiveness of solid waste treatment enterprises. The traditional way of waste treatment is changing, and the utilization of waste recycling will become the mainstream direction. At the same time, the development of mechanized cleaning and transportation of sanitation has accelerated, which has presented a huge market for development. In the field of hazardous waste, with the construction of large-scale treatment facilities, it is expected to become the fastest growing market for solid waste treatment. On the other hand, the market competition of solid waste treatment industry is becoming increasingly fierce. With the refinement of energy subsidy policy, enterprises must pay effort to reduce costs, and constantly research and develop technology to improve production. Enterprises will shift from focusing on scale to quality, and operation ability will play a key role in the future development of enterprises.

In recent years, China’s sludge treatment technology has made some progress, and the policies and standards of sludge treatment are gradually improved. However, in the face of the higher requirements of social development for biomass energy and environmental quality, the transformation of sludge treatment from harmless to recycling will become trending for environmental protection enterprises in the future.

2020 is the critical year for the construction of ecological civilization. In the face of the severe and complex international situation, coupled with the impact of the COVID-19 epidemic and the tremendous pressure of the economic downturn, environmental protection enterprises have shown great market resilience and stamina from pause to recovery. The Group will unify its operation objectives and social responsibilities, and contribute to the development of environmental protection industry and the construction of ecological civilization.

DEVELOPMENT STRATEGIES AND PROSPECT

In the face of the severe and complex international situation, the severe impact of the epidemic and the tremendous pressure of the economic downturn, the Group was capable to tackle difficulties in 2020 by overcoming the adverse impact of COVID-19 pandemic, properly dealing with the severe and complex development environment, and carrying out substantial work in project operation, engineering construction and market development.

Going forward in 2021, on the basis of continuing to consolidate the existing project construction progress and operation management level, the Group will strengthen equity financing, reduce financial leverage, and focus on market opportunities in comprehensive solid waste treatment, sludge treatment and comprehensive rural environmental improvement, so as to further improve its profit quality.

Optimize the financing structure. The Group will overcome the obstacles brought by the impact of the COVID-19 epidemic, accelerate the implementation progress of projects under construction and planned to ensure the realization of investment profits as soon as possible; At the same time, the Group will consider other ways of financing, such as equity financing to improve the existing capital structure, enhance the financing space, realize the repair of performance and valuation, so as to better realize the benign operation. Meanwhile, the Group will continue to implement the regional management mode, accelerate the cultivation of key projects through prudent and reasonable capital expenditure, so as to realize the adjustment of income structure and the stable expansion of business.

Continuously improve operation quality. The Group will continue to carry out benchmarking management. By evaluating the relevant indicators reflecting the performance of operation management, the Group will formulate benchmarking management plan according to the actual situation of the Company and the project to integrate with the annual assessment of operation management. The Group will accelerate the improvement of quality and efficiency of existing projects and further optimize the yield of sewage projects, at the same time, to accelerate the promotion and popularization of the intelligent water business of the Group, enhance the core competitiveness of the Group's sewage treatment in rural areas, and build up the operation and management advantages of the Group.

The Group will continue to accelerate its progress in technology research and development and market promotion on the basis of core technology, fully tap into the potential of employees, attract and retain talents, and continuously enhance the enterprise's innovation ability and sustainable development ability. At the same time, the Group pays close attention to various new policies and new hot spots in the field of environmental protection industry, pays close attention to technology exploration and technology promotion, cooperates with advantageous enterprises in the industry authorized by the government, provides one-stop solutions to cities and towns in order to further enhance the core competitiveness of the Group.

Looking forward, the Group will continue to adhere to the development goal of “based in Yunnan, covering the nation and going global, striving to be a leading integrated environmental services provider at the municipal level”* (立足雲南、面向全國、走向國際，致力成為領先的城鎮環境綜合服務商), and pay close attention to the development of the industry, grasp the industry development trend, further improve the Group's technical strength, core competitiveness and social influence, and constantly create greater value for its shareholders.

BUSINESS REVIEW

The Group is one of the leading integrated service providers in the urban environmental protection industry in China. The Group mainly adopts the Build-Operate-Transfer (“**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, 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 2020, 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 6,433,600 tonnes. As at 31 December 2020, 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 4,045,500 tonnes.

Wastewater Treatment Projects

As at 31 December 2020, the Group had a total of 128 concession wastewater treatment projects, including 7 BOO projects, 69 BOT projects, 2 TOO projects, 20 TOT projects, 2 ROT projects and 28 municipal environment comprehensive treatment projects, with total daily treatment capacity of approximately 3,568,800 tonnes, representing a reduction of 1 TOT project, and an addition of 5 municipal environment comprehensive treatment projects year-on-year, and an increase in the daily wastewater treatment capacity of approximately 188,400 tonnes or a growth rate of approximately 5.6% as compared with the year ended 31 December 2019.

As at 31 December 2020, 93 concession projects with total daily treatment capacity of approximately 2,533,000 tonnes had commenced commercial operation (including 1 municipal environment comprehensive treatment project with a total daily wastewater treatment capacity of approximately 11,000 tonnes), representing a reduction of 1 TOT project, and an addition of 3 BOT projects which commenced operation year-on-year, and an increase in total daily treatment capacity of approximately 55,000 tonnes as compared with the year ended 31 December 2019. During the Reporting Period, the Group’s effective wastewater treatment utilization rate was approximately 77.4%, and the average unit charge of wastewater treatment was approximately RMB1.47 per tonne.

As at 31 December 2020, 35 concession projects with total daily treatment capacity of approximately 1,035,800 tonnes had not commenced commercial operation (including 27 municipal environment comprehensive treatment projects with total daily treatment capacity of approximately 757,900 tonnes), representing an addition of 6 municipal environment comprehensive treatment projects, 1 municipal environment comprehensive treatment project converted to EPC model, 3 BOT projects under construction converted to operation, and the daily treatment capacity increased by approximately 133,400 tonnes as compared with 31 December 2019.

Water Supply Projects

As at 31 December 2020, the Group had a total of 68 concession water supply projects with total daily treatment capacity of approximately 2,480,100 tonnes, including 15 BOO projects, 36 BOT projects, 11 TOT projects and 6 municipal environment comprehensive treatment projects, representing an addition of 1 BOT project and 1 municipal environment comprehensive treatment project, and an increase in total daily capacity of approximately 35,000 tonnes as compared with 31 December 2019, representing a growth rate of approximately 1.4%.

As at 31 December 2020, 46 concession projects with total daily capacity of approximately 1,530,000 tonnes had commenced commercial operation (including 1 municipal environment comprehensive treatment project with a total daily treatment capacity of approximately 30,000 tonnes), representing an addition of 8 BOT projects, and an increase in the total daily capacity of approximately 125,000 tonnes as compared with 31 December 2019. During the Reporting Period, the Group's commercial water supply decreased due to the impact of the COVID-19 pandemic. the Group's effective water supply utilization rate was approximately 63.8%, and the average unit charge of water supply was approximately RMB2.24 per tonne.

As at 31 December 2020, 22 concession projects with total daily capacity of approximately 950,100 tonnes had not commenced commercial operation (including 5 municipal environment comprehensive treatment projects with total daily treatment capacity of approximately 429,700 tonnes), representing an addition of 1 PPP project and 1 BOT project, 8 BOT projects under construction converted to operation, and the total daily capacity decreased by approximately 90,000 tonnes as compared with 31 December 2019.

Solid Waste Treatment Projects

As at 31 December 2020, the Group had 23 solid waste treatment projects with total annual treatment capacity of 4,045,500 tonnes, 8 of which with an annual treatment capacity of 1,169,400 tonnes had commenced commercial operation and 15 of them with an annual treatment capacity of 2,876,100 tonnes were under construction (including 3 municipal environment comprehensive treatment projects with an annual treatment capacity of approximately 1,119,800 tonnes, and the municipal environment comprehensive treatment projects were reduced by 1 as compared with 31 December 2019, because the project converted to BOT model). As compared to 31 December 2019, 2 additional solid waste treatment projects were under construction and the total annual treatment capacity increased by 474,500 tonnes. During the Reporting Period, the Group's effective solid waste treatment utilization rate was approximately 80.4%.

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 2020, 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, representing an addition of 2 EPC project as compared with 31 December 2019.

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 and water supply owned by third parties as well as provision of technical and consultancy services in relation to environmental protection. As at 31 December 2020, the Group had 29 O&M projects, representing a reduction of 1 wastewater treatment project as compared with 31 December 2019. These projects included 28 wastewater treatment projects with total daily treatment capacity of approximately 379,700 tonnes (including the capacity of wastewater treatment projects adopting O&M model within municipal environment comprehensive treatment projects), and 1 water supply project with daily treatment capacity of approximately 5,000 tonnes.

FINANCIAL REVIEW

Results of Operation

During the Reporting Period, the Group recorded revenue of approximately RMB8,396.6 million, representing an increase of approximately 28.4% compared with the year ended 31 December 2019. The Group realized a net profit of approximately RMB341.3 million, representing a decrease of approximately 38.4% compared with the year ended 31 December 2019. Profit attributable to the ordinary shareholders of the Company was approximately RMB223.1 million, representing a decrease of approximately 44.0% as compared with 31 December 2019. Earnings per share for the year ended 31 December 2020 was approximately RMB0.187.

Revenue

Revenue of the Group increased from approximately RMB6,538.0 million for the year ended 31 December 2019 to approximately RMB8,396.6 million for the Reporting Period, representing an increase of approximately 28.4%.

In respect of the business segments of the Group, revenue from wastewater treatment significant increased from approximately RMB2,978.4 million for the year ended 31 December 2019 to approximately RMB5,286.5 million for the Reporting Period. Revenue from water supply decreased by approximately 20.7% from approximately RMB1,230.7 million for the year ended 31 December 2019 to approximately RMB975.6 million for the Reporting Period. Revenue from solid waste treatment decreased by approximately 11.1% from RMB1,514.6 million for the year ended 31 December 2019 to approximately RMB1,346.7 million for the Reporting Period. Revenue from construction and sales of equipment decreased by approximately 13.1% from approximately RMB714.6 million for the year ended 31 December 2019 to approximately RMB621.1 million for the Reporting Period. Revenue from other business increased from approximately RMB99.8 million for the year ended 31 December 2019 to approximately RMB166.7 million for the Reporting Period.

The increase in revenue from the wastewater treatment segment was mainly attributable to the increase in construction revenue of the existing and new wastewater treatment projects in the course of construction during the Reporting Period.

The decrease in revenue from the water supply business segment was mainly attributable to the decrease in construction revenue as some water supply projects were completed during the Reporting Period.

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

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

Cost of Sales

Cost of sales of the Group for the Reporting Period was approximately RMB6,300.5 million, representing an increase of approximately 33.9% as compared with approximately RMB4,705.7 million for the year ended 31 December 2019. The increase was primarily due to (i) some water plants under construction in 2019 were converted to operation in 2020, and started to recognise depreciation and operating costs during the Reporting Period; (ii) some projects were renovated or expanded with higher treatment capacity during the Reporting Period which resulted in the increase of revenue and operating costs accordingly.

Gross Profit

During the Reporting Period, gross profit of the Group was approximately RMB2,096.1 million, representing an increase of approximately 14.4% as compared with approximately RMB1,832.3 million for the year ended 31 December 2019.

Other Income

During the Reporting Period, the Group recorded other income of approximately RMB86.7 million as compared with approximately RMB124.0 million for the year ended 31 December 2019, representing a decrease of approximately 30.1%. The decrease in other income was mainly due to a decrease in income of government grants.

Other Gains — net

During the Reporting Period, the Group recorded other net gains of approximately RMB48.8 million, representing an increase of approximately RMB50.2 million as compared with a net loss of approximately RMB1.4 million for the year ended 31 December 2019. The increase in other gains was mainly due to net gain on disposal of investment in a joint venture.

Selling Expenses

During the Reporting Period, selling expenses of the Group was approximately RMB42.4 million, representing a decrease of approximately 2.3% as compared with RMB43.4 million for the year ended 31 December 2019.

Administrative Expenses

Administrative expenses of the Group increased by RMB17.5 million from approximately RMB424.2 million for the year ended 31 December 2019 to approximately RMB441.7 million for the Reporting Period, representing an increase of approximately 4.1%. The increase in administrative expenses was primarily due to an increase in depreciation and amortisation and legal and professional fee.

Finance Costs — net

Net finance costs increased by RMB439.1 million from approximately RMB814.2 million for the year ended 31 December 2019 to approximately RMB1,253.3 million for the Reporting Period, representing an increase of approximately 53.9%. The increase in net finance costs was primarily due to an increase in borrowings and increase of average interest rate on borrowings during the Reporting Period.

The average interest rate on borrowings of the Group for the Reporting Period was approximately 5.74% per annum, representing an increase compared with approximately 5.32% per annum for the year ended 31 December 2019.

Profit Before Income Tax

As a result of the above factors, the Group recorded profit before income tax of approximately RMB502.6 million for the Reporting Period, representing a decrease of approximately 25.8% as compared with approximately RMB677.5 million recorded for the year ended 31 December 2019.

Income Tax Expenses

Income tax expenses increased by RMB37.6 million from approximately RMB123.7 million for the year ended 31 December 2019 to approximately RMB161.3 million for the Reporting Period, representing an increase of approximately 30.4%. The increase is caused by a change in the profitability of the Group's subsidiaries in respective countries and regions as a result of different corporate income tax rates being applied during the Reporting Period.

Profit and Net Profit Margin for the Reporting Period

As a result of the foregoing, profit for the Reporting Period decreased by RMB212.5 million from approximately RMB553.8 million for the year ended 31 December 2019 to approximately RMB341.3 million for the Reporting Period, representing a decrease of approximately 38.4%. Net profit margin decreased from approximately 8.5% for the year ended 31 December 2019 to approximately 4.1% for the Reporting Period.

Receivables under Service Concession Arrangements

The Group's receivables under service concession arrangements increased by RMB223.1 million from approximately RMB5,078.3 million as at 31 December 2019 to approximately RMB5,301.4 million as at 31 December 2020, representing an increase of approximately 4.4%. Such increase was due to a number of concession projects commenced commercial operation during the Reporting Period.

Trade and Other Receivables and Prepayments

The Group's trade and other receivables and prepayments increased by RMB834.7 million from approximately RMB8,770.1 million as at 31 December 2019 to approximately RMB9,604.8 million as at 31 December 2020, representing an increase of approximately 9.5%. Such increase was primarily due to the continuous operation of EPC construction and sales of equipment business,

Cash and Cash Equivalents

The Group's cash and cash equivalents decreased by RMB770.7 million from approximately RMB2,468.4 million as at 31 December 2019 to approximately RMB1,697.7 million as at 31 December 2020, representing a decrease of approximately 31.2%. Such decrease was primarily due to the net cash used in operating and investment activities which was partially offset by the net cash generated from financing activities during the Reporting Period.

Trade and Other Payables

The Group's trade and other payables increased by RMB2,068.4 million from approximately RMB6,968.0 million as at 31 December 2019 to approximately RMB9,036.4 million as at 31 December 2020, representing an increase of approximately 29.7%. 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 2020, the Group had borrowings of approximately RMB27,541.8 million (31 December 2019: approximately RMB21,618.9 million). As at 31 December 2020, the Group had unsecured borrowings of approximately RMB15,365.8 million (31 December 2019: approximately RMB12,885.1 million), and secured borrowings of approximately RMB12,176.0 million (31 December 2019: approximately RMB8,733.8 million).

Pledge of Assets

As at 31 December 2020, borrowing of approximately RMB12,176.0 million (31 December 2019: approximately RMB8,733.8 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 69.14% as at 31 December 2019 to approximately 77.26% as at 31 December 2020. The increase in gearing ratio was mainly due to the increased scale of debt financing during the Reporting Period.

The Board will closely monitor and improve the gearing ratio of the Group. In respect of financial resources available, the Group has reached an investment cooperation intention with a trust company on the scale of about RMB2 billions of perpetual bond, and the specific cooperation scheme is under final consideration by both parties.

Employees and Remuneration Policy

As at 31 December 2020, the Group employed 7,007 employees (31 December 2019: 6666). During the Reporting Period, staff cost was approximately 588.9 million (for the year ended 31 December 2019: 605.3 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 conduct business will not have significant effect on the Group's financial position and results of operations.

Contingent Liabilities

As at 31 December 2020, the Group did not have any significant contingent liabilities.

Final Dividend

The Board has resolved to declare a final dividend of RMB0.06 per share (tax included) for the year ended 31 December 2020. 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 31 July 2021.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

- On 17 June 2020, the Company entered into a capital increase agreement with Yunnan Asset Management Co., Ltd.* (雲南省資產管理有限公司) (“**Yunnan Asset Management**”) and Yunnan Yunshui Construction & Engineering Co., Ltd.* (雲南雲水建設工程有限公司) (the “**Target Company**”), pursuant to which Yunnan Asset Management has agreed to subscribe for the interests in the Target Company (representing 19.38% of the registered capital of the Target Company on a fully diluted basis as enlarged by the capital increase) at a consideration of RMB300,000,000 (including the additional registered capital of approximately RMB134,573,800 and capital reserve of approximately RMB165,426,200). On 31 December 2020, the Company entered into the second capital injection agreement and the supplemental agreement with Yunnan Asset Management and the Target Company, pursuant to which Yunnan Asset Management agreed to (i) further subscribe for the subscription shares (representing approximately 23.958% of the registered capital of the Target Company upon completion of the Second capital increase) at a consideration of RMB500,000,000 (including the additional registered capital of approximately RMB261,234,800 and capital reserve of approximately RMB238,765,200), and (ii) as part of the transaction, the Company agreed to reduce its paid-up capital in the Target Company by RMB42,404,100, from RMB560,000,000 to RMB517,595,900 and to convert RMB42,404,100 from the registered capital to the capital reserve of the Target Company. Upon completion of the second capital increase, the registered capital of the Target Company will be increased from RMB694,573,800 as at the date of this announcement to RMB913,404,500 and the Target Company will be owned as to approximately 56.667% and approximately 43.333% by the Company and Yunnan Asset Management respectively, therefore, the Target Company will remain a subsidiary of the Company and its accounts will continue to be consolidated with those of the Group.
- Pursuant to a renewable trust loan contract dated 11 September 2020 entered into between the Company and Yunnan International Trust Co. Ltd.* (雲南國際信託有限公司) (the “**Lender**”), the Lender has granted to the Company a loan with a principal amount of up to RMB500,000,000 for a term of 12 months from the date of the trust loan contract, subject to renewal for an additional term. In respect of the loans granted by the Lender to the Company, the trust funds are entrusted by the banks to the Lender pursuant to the capital trust contract. In relation to the Trust Loan Contract, Yunnan Investment Holdings Group Company Limited* (雲南省投資控股集團有限公司) (“**Yunnan Investment Group**”) entered into a guarantee agreement in favour of the Lender to guarantee the repayment obligations of the Company under the Trust Loan Contract. As part of the counter-guarantee, on 11 December 2020, the Company entered into an equity pledge agreement with the Yunnan Investment Group, pursuant to which the Company (as pledgee) has agreed to pledge its entire equity interest in Yunnan Solid Waste (雲南固廢) to the Yunnan Investment Group (as pledgee) as security for the Parent Company Guarantee provided by the Yunnan Investment Group in favour of the Lender under the Guarantee Agreement. On the same date, in consideration of the Parent Company Guarantee, the Company entered into a guarantee fee agreement with the Yunnan Investment Group, pursuant to which the Company shall pay to Yunnan Investment Group, as part of the Counter Guarantee, an annual guarantee fee calculated at 1% of the actual drawdown of the Loan Amount in the relevant year pursuant to the trust loan agreement.

- On 9 December 2020, Qinggeda Yunshui entered into a finance lease agreement with CITIC Financial Leasing, pursuant to which CITIC Financial Leasing has agreed to, among other things, (i) acquire the leased assets from the Lessee at a consideration of RMB90,000,000, which will be paid to the Lessee in a lump sum and (ii) lease the leased assets back to the Lessee for a term of five years with an estimated total lease payment of RMB106,419,400, of which the total rent will be paid by the Lessee in ten equal principal instalments to CITIC Financial Leasing.
- On 9 December 2020, Kaifa Xinquan (Tiantai) entered into a finance lease contract with ABC Financial Leasing, pursuant to which ABC Financial Leasing has agreed to, among other things, (i) acquire the leased assets from Kaifa Xinquan (Tiantai) at a consideration of RMB110,000,000, which will be paid to Kaifa Xinquan (Tiantai) in installments and (ii) lease the leased assets back to Kaifa Xinquan (Tiantai) for a term of 10 years with a total lease payment of approximately RMB140,458,006.37, which will be paid by Kaifa Xinquan (Tiantai) to ABC Financial Leasing in 20 equal installments. The total lease payment of approximately RMB140,458,006.37 will be paid by Kaifa Xinquan (Tiantai) to ABC Financial Leasing in 20 equal installments.
- On 9 December 2020, Dali Water entered into a finance lease agreement with BoCOM Leasing, pursuant to which BoCOM Leasing has agreed to, among other things, (i) acquire the leased assets from the lessee at a consideration of RMB60,000,000 and (ii) lease the leased assets back to the lessee for a term of 60 months with an estimated total lease payment of RMB68,626,841.60, which will be paid by the Lessee to BoCOM Leasing in 20 equal installments.
- On 27 November 2020, Dali Water entered into a finance lease agreement with BoCom Leasing, pursuant to which, BoCom Leasing has agreed to, among other things, (i) acquire the leased assets from the lessee at a consideration of RMB140,000,000 and (ii) lease back the leased assets to the lessee with the lease term for 60 months and an estimated total lease payment of RMB160,129,296.80, which will be paid by the Lessee to BoCom Leasing in 20 equal installments.
- On 23 October 2019, Guizhou Tongren City Development and Investment Group Co., Ltd.* (貴州省銅仁市城市開發投資集團有限公司), Guizhou Province Shiqian County Water Investment Co., Ltd.* (貴州省石阡縣水務投資有限責任公司), Guizhou Province Yinjiang Autonomous County Yinfeng Municipal Urban and Rural Construction Investment Group Co., Ltd.* (貴州省印江自治縣銀豐城鄉建設投資集團有限公司) entered into a shareholders agreement with the Company and China Urban Construction Design & Research Institute*(中國城建研究院), pursuant to which the parties to the shareholders agreement agreed to establish the JV company in Tongren City, Guizhou Province, the PRC. On 14 October 2020, the JV Company was established, the registered capital of which has not been paid up by the parties yet. Due to changes in the macroeconomic conditions of our country, adjustments to environmental protection policies and regulation of the financing environment, in order to adapt to such objective environments, Tongren Municipal People’s Government, Guizhou Province, the PRC* (中國貴州省銅仁市人民政府) (“**Tongren Municipal Government**”)

intends to change the investment model of the PPP project. As agreed between the parties with negotiation, the PPP project contract and the shareholders agreement shall be terminated and released. After negotiation with the Tongren Municipal Government, the costs incurred for design and leveling of the construction site under the PPP project shall be paid by the government directly to the design or construction units. The parties will carry out the dissolution and liquidation of the JV company in accordance with the Company Law and relevant provisions set out in the shareholders agreement.

- On 29 September 2020, the Company (as the vendor) and Fuzhou Dingrong Environmental Protection Technology Co., Ltd.* (福州市鼎榕環保科技有限公司), (as the purchaser) entered into an equity transaction agreement and the supplemental agreement to the equity transaction agreement, pursuant to which, the Company has agreed to sell, and Dingrong Environmental Protection has agreed to acquire, the 40% interest in Fujian Dongfei Environment Group Co., Ltd* (福建東飛環境集團有限公司) legally and beneficially owned by the Company at the consideration of RMB375,200,000. Upon completion of the disposal, the Company shall cease to have any interest in the target company.
- On 20 September 2020, HLJ Yunshui entered into a finance lease agreement with BoCom Leasing, pursuant to which, BoCom Leasing has agreed to, among other things, (i) acquire the leased assets from the lessee at a consideration of RMB98,000,000, which will be paid to the lessee and (ii) lease back the leased assets to the lessee with the lease term for 60 months and an estimated total lease payment of RMB114,443,086, of which the total rentals will be paid by the lessee to BoCom Leasing in 20 installments.
- On 7 August 2020, (I) the Company, Shandong Qingzheng and AVIC International Leasing entered into finance lease agreement A, pursuant to which, AVIC International Leasing has agreed (among others) (i) to purchase the leased asset A from lessee A at the consideration of RMB90,000,000 and pay the consideration to lessee A in two installments and (ii) to lease back the leased asset A to lessee A, with the lease term of five years (60 months) and the total rent of RMB104,724,895.00 estimated by the matching principal method, which will be paid by Lessee A to AVIC International Leasing in 10 installments; (II) the Company, Shandong Binxin and AVIC International Leasing entered into finance lease agreement B, pursuant to which, AVIC International Leasing has agreed (among others) (i) to purchase the leased asset B from lessee B at the consideration of RMB160,000,000 and pay the consideration to lessee B in two installments and (ii) to lease back the leased asset B to lessee B, with the lease term of five years (60 months) and the total rent of RMB186,177,591.12 estimated by the matching principal method, which will be paid by lessee B to AVIC International Leasing in 10 installments.
- On 17 June 2020, the Company, Emin Water and China Resources Financial Leasing entered into a finance lease agreement, pursuant to which, China Resources Financial Leasing has agreed to, among other things, (i) acquire the leased assets from the lessees at a consideration of RMB300,000,000, which will be paid to the lessees in a lump sum and (ii) lease back the leased assets to the lessees with the lease term of 60 months and the total lease payment is estimated to be RMB356,753,891.88, in which, total rents will be paid by the lessees to China Resources Financial Leasing in 20 installments.

- On 12 June 2020, Qinggeda Yunshui and CITIC Financial Leasing entered into a finance lease agreement, pursuant to which, CITIC Financial Leasing has agreed to, among other things, (i) acquire the leased assets from the lessee at a consideration of RMB210,000,000, which will be paid to the lessee in a lump sum and (ii) lease back the leased assets to the lessee with the lease term of five years and the total lease payment is estimated to be RMB247,887,266.66, in which, total rents will be paid by the lessee to CITIC Financial Leasing in ten equal instalments of principal.
- On 14 May 2020, the Company together with Hunan No.8 Engineering Co., Ltd.* (湖南省第八工程有限公司) and Guangzhou Public Utilities Planning & Design Institute Co., Ltd.* (廣州市公用事業規劃設計院有限公司) were formally awarded the public-private-partnership project of facilitating the construction of domestic wastewater treatment facilities in Lu Feng by the People’s Government of Lu Feng, Shanwei City, Guangdong Province by way of public tender. The total estimated investment amount of the project is approximately RMB1,592,590,000.
- On 22 April 2020, 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) and Powerchina Northwest Engineering Corporation Limited* (中國電建集團西北勘測設計研究院有限公司) were formally awarded the concession project of Tailan River depression reservoir engineering in Wensu County, which is granted by the People’s Government of Wensu County, Aksu Region, Xinjiang Uygur Autonomous Region by way of public tender. The total estimated investment of the project amounted to approximately RMB1,355,183,900.
- On 13 March 2020, the Company together with Central and Southern China Municipal Engineering Design and Research Institute Co., Ltd.* (中國市政工程中南設計研究總院有限公司) and Jiangxi Construction Engineering Third Construction Limited Liability Company* (江西建工第三建築有限責任公司) were awarded the public-private partnership project of the facilitating construction in relation to the new round of the urban and rural wastewater treatment in Yingde, which is granted by the People’s Government of Yingde City, Guangdong Province by way of public tender. The total estimated investment of the Project amounted to approximately RMB626,850,500.
- On 10 March 2020, Langfang Hyflux entered into (I) a sale and purchase contract and (II) a leaseback contract with Greatwall Guoxing, pursuant to which, Greatwall Guoxing has agreed to, among other things, (i) acquire the leased assets from Langfang Hyflux at a consideration of RMB380,000,000, which will be paid to Langfang Hyflux in one lump sum and (ii) lease back the leased assets to Langfang Hyflux with the lease term for 60 months, and a total lease payment of approximately RMB458,236,994.99 shall be paid by Langfang Hyflux to Greatwall Guoxing in 10 installments at floating lease rate.
- On 20 February 2020, Sanming Jinliya entered into a finance lease agreement with ABC Financial Leasing, pursuant to which, ABC Financial Leasing has agreed to, among other things, (i) acquire the leased assets from Sanming Jinliya at a consideration of RMB300,000,000, which will be paid to Sanming Jinliya by instalments and (ii) lease back the leased assets to Sanming Jinliya with the lease term for 8 years and a total lease payment of approximately RMB371,474,504.84, the principal and interest of which will be paid by Sanming Jinliya to ABC Financial Leasing in 32 equal installments.

For details of the above-mentioned significant investments and acquisitions, please refer to the announcements published by the Company on 31 December 2020, 11 December 2020, 9 December 2020, 27 November 2020, 14 October 2020, 29 September 2020, 20 September 2020, 7 August 2020, 17 June 2020, 12 June 2020, 14 May 2020, 22 April 2020, 13 March 2020, 10 March 2020 and 20 February 2020, respectively.

Subsequent Events:

- On 15 January 2021, the Company entered into a framework agreement with Zhejiang Qianjiang Biochemical Co., Ltd.* (“**Qianjiang Biochemical**”) and Haining Municipal Water Investment Group Co., Limited* (“**Haining Water Investment Group**”), pursuant to which Qianjiang Biochemical will purchase the 51% equity in Zhejiang Haiyun Environmental Protection, 40% equity in Capital Water, 40% equity in Shikang Water, 40% equity in Lvdong Haiyun held by Haining Water Investment Group, and 49% equity in Zhejiang Haiyun Environmental Protection held by the Company by means of non-public issue of shares to Haining Water Investment Group and the Company. Upon completion of the transactions proposed by the parties to the framework agreement, Qianjiang Biochemical will hold 100% equity in Zhejiang Haiyun Environmental Protection, 40% equity in Capital Water, 40% equity in Shikang Water and 40% equity in Lvdong Haiyun. The potential transactions are subject to the negotiation and formal agreements. As of the date of this announcement, (i) all major terms and conditions of the potential transactions are still under negotiation and have not yet been finalized; and (ii) the formal agreements have not yet been entered into by the Company.

For details of the above-mentioned subsequent events, please refer to the announcements published by the Company on 15 January 2021.

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.

During the year of 2020, the Group was not aware of any material non-compliance with all relevant laws and regulations in relation to its business, including but not limited to health and safety, labour standards, employment and the environment, which would have a significant impact on the Group. Such as the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), the Law of the PRC on Work Safety (《中華人民共和國安全生產法》), the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Standard for Pollution Control on the Landfill Site of Municipal Solid Waste (《生活垃圾填埋場污染控制標準》) (GB16889-2008), the Standard for Pollution Control on the Municipal Solid Waste Incineration (《生活垃圾焚燒污染控制標準》) (GB18485-2014), the Technical Requirements on Medical Waste Incinerator (《醫療廢物焚燒爐技術要求》) (GB 19218-2003), the Pollution Control Standard for Hazardous Waste Incineration (《危險廢物焚燒污染控制標準》) (GB 18484-2014) and the applicable pollutant emission standards formulated by local governments. The Group believes 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 2020 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. 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; 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, and reviewed matters concerning the distribution of dividends, re-appointment of auditors and determination of the auditors' remuneration. 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. Li Jialong (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 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 new Directors and Supervisors.

REMUNERATION COMMITTEE

The Remuneration Committee consists of one executive Director, Mr. Yu Long, and two independent non-executive Directors, Mr. Zhong Wei (as chairman) and Mr. Zhou Beihai. The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the policy and structure of remuneration for all Directors and senior management members and on the establishment of a formal and transparent procedure for developing remuneration policy; 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 has reviewed on the formulation of incentives and punishments for the collection of accounts receivable for operating projects.

COMPLIANCE COMMITTEE

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

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

The information of the Directors and supervisors of the Company (the "Supervisor(s)") required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Listing Rules has been changed as follows:

Mr. Yang Tao resigned as a non-executive Director, chairman of the Board and chairman and member of the Nomination Committee on 10 June 2020, and his resignation took effect at the conclusion of the extraordinary general meeting held on 16 July 2020.

Mr. Li Jialong was appointed as a non-executive Director of the second session of the Board, chairman of the Board and chairman and member of the Nomination Committee on 16 July 2020.

Mr. Hu Song resigned as an independent non-executive Director, and member of the Audit Committee, Nomination Committee and Compliance Committee and member and chairman of the Remuneration Committee on 14 July 2020.

The Board and the supervisory committee of the Company completed their re-election on 12 October 2020. Mr. He Yuanping and Mr. Ma Shihao resigned and no longer participated in the re-election for the third session of the Board.

Mr. Dai Richeng was appointed as a non-executive Director of the third session of the Board on 12 October 2020.

Mr. Zhong Wei was appointed as an independent non-executive Director of the third session of the Board, member of the Audit Committee and Nomination Committee, member and chairman of the Remuneration Committee and Compliance Committee on 12 October 2020.

Mr. Zhou Beihai was appointed as an independent non-executive Director of the third session of the Board, member of the Audit Committee, Remuneration Committee, Nomination Committee and Compliance Committee on 12 October 2020.

For details of the above-mentioned particulars of Directors and Supervisors, please refer to the announcements published by the Company on 12 June 2020, 14 July 2020 and 15 September 2020, 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 October 2020.

Audit Committee

Mr. Liu Shuen Kong (Chairman)

Mr. Zhong Wei

Mr. Zhou Beihai

Remuneration Committee

Mr. Zhong Wei (Chairman)

Mr. Yu Long

Mr. Zhou Beihai

Nomination Committee

Mr. Li Jialong (Chairman)

Mr. Zhou Beihai

Mr. Zhong Wei

Compliance Committee

Mr. Zhong Wei (Chairman)

Mr. Yu Long

Mr. Yang Fang

Mr. Liu Shuen Kong

Mr. Zhou Beihai

Mr. Huang Yi (Supervisor)

Save as disclosed above, after having made all reasonable enquiries, the Company is not aware of any other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company's annual report for the year ended 31 December 2020.

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 2020 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 2020.

By order of the Board
Yunnan Water Investment Co., Limited*
Li Jialong
Chairman

Kunming, the PRC
31 March 2021

As at the date of this announcement, the executive Directors are Mr. Yu Long (Vice-chairman) and Mr. Yang Fang, the non-executive Directors are Li Jia long (Chairman), Mr. Dai Richeng, Ms. Li Bo and Mr. Chen Yong, and the independent non-executive Directors are Mr. Liu Shuen Kong, Mr. Zhong Wei and Mr. Zhou Beihai.

** For identification purposes only*