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YUNNAN WATER

雲南水務投資股份有限公司

Yunnan Water Investment Co., Limited*

(a joint stock limited liability company incorporated in the People's Republic of China)

(Stock code: 6839)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB2,707.7 million, representing a decrease of approximately 10.9% over the corresponding period of last year.
- Gross profit was approximately RMB660.3 million, representing an increase of approximately 6.7% over the corresponding period of last year.
- The loss for the period was approximately RMB363.3 million, compared to a loss of RMB193.2 million over the corresponding period of last year; the net loss recorded by the Group during the Reporting Period was mainly attributable to the increase in financial expenses as the result of continuous significant investments in certain projects under construction of the Group.
- Loss attributable to the ordinary shareholders of the Company was approximately RMB311.6 million, and the basic loss per share was approximately RMB0.261.
- The Board does not recommend any distribution of interim dividend for the six months ended 30 June 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of Yunnan Water Investment Co., Limited* (the “**Company**”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”).

I. FINANCIAL INFORMATION OF THE GROUP

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

		<u>Six months ended 30 June</u>	
		<u>2021</u>	<u>2020</u>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	2,707,734	3,038,646
Cost of sales		(2,047,473)	(2,419,736)
Gross profit		660,261	618,910
Other income		31,368	45,395
Other (losses)/gains — net		(18,833)	2,691
Selling expenses		(24,631)	(22,975)
Administrative expenses		(201,060)	(230,543)
Impairment losses on financial assets		(65,433)	(38,023)
Operating profit		381,672	375,455
Finance income	4	2,867	22,211
Finance costs	4	(761,239)	(581,095)
Finance costs — net		(758,372)	(558,884)
Share of (loss)/profit of investments accounted for using the equity method		(2,494)	14,439
Loss before income tax		(379,194)	(168,990)
Income tax credit/(expenses)	5	15,918	(24,181)
Loss for the period		(363,276)	(193,171)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
— Currency translation differences		(28,949)	(53,696)
Total comprehensive income for the period — net of tax		(392,225)	(246,867)

		<u>Six months ended 30 June</u>	
		2021	2020
<i>Note</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Loss attributable to:			
	— Ordinary shareholders of the Company	(311,647)	(297,951)
	— Holders of perpetual capital instruments	26,801	93,863
	— Non-controlling interests	(78,430)	10,917
		<u>(363,276)</u>	<u>(193,171)</u>
Total comprehensive income attributable to:			
	— Ordinary shareholders of the Company	(340,596)	(351,647)
	— Holders of perpetual capital instruments	26,801	93,863
	— Non-controlling interests	(78,430)	10,917
		<u>(392,225)</u>	<u>(246,867)</u>
Loss per share for loss attributable to ordinary shareholders of the Company (expressed in RMB per share)			
	— Basic and diluted	(0.261)	(0.250)
		<u>6</u>	<u>(0.250)</u>

Interim condensed consolidated balance sheet

		30 June 2021	31 December 2020
	<i>Note</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		4,242,922	4,081,849
Investment properties		24,498	23,960
Right-of-use assets		344,730	336,517
Receivables under service concession arrangements	8	5,655,031	5,235,494
Contract assets		12,146,191	10,959,833
Intangible assets		12,620,418	12,888,550
Investments accounted for using the equity method		850,290	852,784
Financial asset at fair value through other comprehensive income		4,675	4,675
Trade and other receivables	9	942,296	422,564
Prepayments	9	1,308,436	1,168,930
Deferred income tax assets		817,735	701,437
		<u>38,957,222</u>	<u>36,676,593</u>
Current assets			
Receivables under service concession arrangements	8	81,351	65,877
Inventories		118,275	108,337
Contract assets		626,075	565,470
Trade and other receivables	9	7,040,779	7,837,887
Prepayments	9	146,973	175,461
Restricted cash		105,764	125,501
Cash and cash equivalents		743,627	1,697,688
Assets classified as held for sale		204,174	—
		<u>9,067,018</u>	<u>10,576,221</u>
Total assets		<u><u>48,024,240</u></u>	<u><u>47,252,814</u></u>

		30 June 2021	31 December 2020
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
EQUITY			
Equity attributable to ordinary shareholders of the Company			
Share capital		1,193,213	1,193,213
Other reserves		2,771,778	2,800,727
Retained earnings		798,181	1,181,421
		4,763,172	5,175,361
Perpetual capital instruments		2,080,200	500,000
Non-controlling interests		2,038,579	1,932,201
Total equity		8,881,951	7,607,562
LIABILITIES			
Non-current liabilities			
Borrowings	<i>11</i>	8,594,623	17,865,921
Trade and other payables	<i>10</i>	4,739,183	5,906,360
Lease liabilities		35,632	35,776
Deferred income		765,810	709,768
Deferred income tax liabilities		1,320,761	1,277,470
Provision		511,339	497,236
		15,967,348	26,292,531
Current liabilities			
Borrowings	<i>11</i>	18,768,830	9,675,894
Trade and other payables	<i>10</i>	3,773,747	3,129,990
Lease liabilities		16,235	13,258
Contract liabilities		97,897	88,151
Current income tax liabilities		414,959	445,428
Liabilities directly associated with assets classified as held for sale		103,273	—
		23,174,941	13,352,721
Total liabilities		39,142,289	39,645,252
Total equity and liabilities		48,024,240	47,252,814

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. General information

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

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

This interim condensed consolidated financial information for the six months ended 30 June 2021 (the "Interim Financial Information") is presented in Renminbi ("RMB"), unless otherwise stated. This Interim Financial Information was approved by the Board of the Company on 31 August 2021.

2. Basis of preparation and accounting policies

(a) Basis of preparation

This Interim Financial Information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34, "Interim Financial Reporting". The Interim Financial Information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

During the six months ended 30 June 2021, the Group reported a net loss of RMB392 million. As at 30 June 2021, the Group's current liabilities exceeded its current assets by RMB14,108 million, and it had total borrowings of RMB27,363 million, of which RMB18,769 million are classified as current liabilities (including those with contractual payment dates beyond one year after 30 June 2021 (see below)), while its cash and cash equivalents amounted to RMB744 million.

The Group has certain contractual and other arrangements to settle its financial obligations and various capital expenditures. As at 30 June 2021, the Group had capital commitment of approximately RMB13,014 million, mainly in relation to various concession projects and construction projects of the Group.

As at 30 June 2021, the Group did not comply with certain financial covenant requirements of certain bank borrowings amounted to RMB1,555 million, which included bank borrowings of RMB1,273 million with scheduled repayment dates beyond one year after 30 June 2021. Under the relevant bank loan agreements, such non-compliance of covenant caused the relevant bank borrowings of RMB1,555 million become immediately repayable if requested by the lenders. In addition, such non-compliance also triggered the cross default terms of certain bank and other borrowings of RMB11,429 million (which included current portion of RMB3,914 million and non-current portion of RMB7,515 million with scheduled repayment dates beyond one year after 30 June 2021), such that these loans also become immediately repayable if requested by the lenders. Accordingly, the total relevant bank and other borrowings of RMB8,788 million with scheduled repayment dates beyond one year after 30 June 2021 were reclassified as current liabilities as at 30 June 2021.

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

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

- I. In respect of the aforesaid bank borrowings with non-compliance of financial covenants of RMB1,555 million, the Group obtained written letters from the relevant banks indicating that they plan to continue to make the relevant bank borrowings available to the Group according to the original terms and conditions, however the banks did not waive their rights arising from the non-compliance. The Group will continue to monitor its compliance with the covenant requirements. Should the Group be unable to comply with the covenant requirements, the management of the Company will discuss and negotiate with the respective banks and will seek to further revise the terms and covenant requirements or obtain a waiver of compliance with the covenant requirements from the banks, if needed.
- II. The Directors will communicate with the relevant banks and lenders and based on their experience and considering their relationship with the banks and the lenders, the Directors believe that the banks and the lenders will not exercise their rights under the cross-default clauses for the bank borrowings totalling RMB11,429 million.
- III. The payment schedule of the Group's capital expenditure in respect of various concession projects and construction projects is subject to the progress of the construction which in turn is based on various factors such as government approval on the construction plan and subsequent changes (if any), the permission of land site, government's supervision on the construction progress, the actual construction environment and other force majeure such as the impact of COVID 19. The Directors forecasted the payment schedule based on their experience and industry knowledge with the consideration of the above factors. The Directors are of the view that they have the ability to manage the progress of the projects from time to time and defer the payment schedule, if necessary. The Group has uncommitted project loan facilities from banks to provide financing of up to RMB7,224 million to satisfy part of the construction cost payable and committed capital expenditure in the next twelve months from 30 June 2021. The Group has also initiated the process to obtain new project loans to fund the Group's existing and new concession projects and construction projects. Based on the past experience of the Group, the Directors are confident that they will be able to obtain such project loans from banks and other financial institutions as and when needed.
- IV. During the six months ended 30 June 2021, the Group entered into agreements with a trust company, pursuant to which the trust company set up trust plans for the Group for issuance of perpetual bonds up to RMB2,000 million. Under such arrangement, perpetual bonds of RMB1,580 million has been issued during the six months ended 30 June 2021 and a further RMB42 million was issued subsequently in July 2021. The Group plans to issue the remaining RMB378 million before the end of 2021.
- V. The Group has obtained approval from relevant authorities for the offering of short-term revolving PRC bonds with a limit of RMB2,000 million and is currently in the process of obtaining approval for additional limit. The Directors considered the Group has good credit rating and would be able to obtain additional limit from relevant authorities for the issuance of bonds as planned.
- VI. As at 30 June 2021, the Group had short-term borrowings under revolving loan facilities of RMB4,261 million, of which RMB1,539 million was renewed during the six months period ended 30 June 2021. Included in these short-term borrowings of RMB4,261 million were borrowings of RMB200 million and RMB1,608 million that were subject to non-compliance of financial covenants and cross default respectively. The Directors are confident that the Group will be able to renew the existing revolving facilities as well as to obtain new facilities as planned given the long standing relationship the Group has with the respective banks.
- VII. The Group has disposed of its interest in a subsidiary for a consideration of RMB77 million, which has been received subsequently in July 2021. The Group has plans to further divest certain of the Group's concession and construction projects, including arrangement through sales and lease back. In the meantime, the Group is also actively looking for strategic investors to invest in certain existing projects of the Group so as to enhance the capital structure and reduce overall financing expenses of the Group.

VIII. During the six months ended 30 June 2021, the Group obtained borrowings of RMB3,570 million from its intermediate shareholder, Yunnan Health & Cultural Tourism Holding Group Co., Ltd. (“YHTH”) and as at 30 June 2021, the borrowings due to YHTH was RMB1,614 million, of which RMB100 million will be repayable by October 2022 and the remaining of RMB1,514 million will be repayable by March 2023. Moreover, during the six months ended 30 June 2021, YHTH has provided corporate guarantee to the Group’s perpetual bonds of RMB2,000 million as mentioned in note IV above. YHTH also issued a letter to the Group and agreed to provide financial support to the Group for a period up to 18 months from 30 June 2021 and to take measures to enable the Group to have sufficient working capital to meet its liabilities and obligations as and when they fall due and to continue to carry on its business.

The Directors have assessed the Group’s cash flow projection covering a period of not less than twelve months from 30 June 2021. They are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the consolidated balance sheet. Accordingly, the Directors are satisfied that it is appropriate to prepare the Group’s consolidated financial statements on a going concern basis.

Notwithstanding the above, material uncertainty exists as to whether the Group is able to achieve its plans and measures as described above, which incorporate assumptions about future events and conditions that are subject to inherent uncertainties. Whether the Group will be able to continue as a going concern depends upon the followings:

- (i) Continuous compliance by the Group with the terms and conditions of the bank and other borrowings and, where applicable, continuous negotiation with the banks and other financial institutions to successfully obtain waiver or to revise the terms and conditions of the bank and other borrowings for the continuous compliance thereof as and when needed such that the existing bank and other borrowings will continue to be available to the Group and be repaid in accordance with the agreed repayment schedules;
- (ii) Successful in managing the progress of its concession and construction projects to defer the payment schedule of construction costs, if necessary and to obtain project and other financing to meet with the construction cost payable, as and when needed;
- (iii) Successful issuance of perpetual bonds of RMB378 million before the end of 2021;
- (iv) Successful issuance of short-term PRC bonds of RMB2,000 million as planned;
- (v) Successful in renewal of existing revolving bank facilities, in obtaining new bank facilities and draw down from those facilities, as and when needed;
- (vi) Successful in divesting the Group’s concession and construction projects and introduction of strategic investors to existing projects as planned;
- (vii) Successful in obtaining financial support from YHTH to meet with its financial obligation as and when needed.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(b) Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2020, except for the adoption of amended standards as set out below.

2. Basis of preparation and accounting policies (Continued)

(b) Accounting policies (Continued)

(i) Amended standards adopted by the Group

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments) HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2 Covid-19-related Rent Concessions
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The adoption of the amended standards does not have significant impact on the Interim Financial Information.

(ii) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2021 and have not been early adopted:

Accounting Guideline 5 (Revised) Annual Improvements	Revised Accounting Guideline 5 Merger ¹ Annual Improvements to HKFRS Standards 2018-2020 Cycle ¹
HKFRS 3, HKAS 16 and HKAS 37 (Amendments) HKAS 37 (Amendments) HKFRS 3 (Amendments) HKFRS 17 (Amendments) HKAS 1 (Amendments) HKFRS 17 Hong Kong Interpretation 5 (2020)	Narrow-scope amendments ¹ Onerous Contracts — Cost of Fulfilling a Contract ¹ Reference to the Conceptual Framework ¹ Amendments to HKFRS 17 ² Classification of Liabilities as Current or Non-current ² Insurance contract ² Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
HKFRS 10 and HKAS 28 (Amendment)	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 2022
2. Effective for annual periods beginning on or after 1 January 2023
3. Effective date to be determined

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:

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

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

3. Segment information (Continued)

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

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

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

(i) Segment results for the six months ended 30 June 2021 are as follows:

Six months ended 30 June 2021:

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

3. Segment information (Continued)

(i) Segment results for the six months ended 30 June 2021 are as follows: (Continued)

Six months ended 30 June 2020:

	Wastewater treatment <i>RMB'000</i>	Water supply <i>RMB'000</i>	Construction and sales of equipment <i>RMB'000</i>	Solid waste treatment <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Gross segment revenue	1,760,911	405,387	343,221	621,545	49,634	—	3,180,698
Inter-segment revenue	—	—	(142,052)	—	—	—	(142,052)
Revenue from external customers	1,760,911	405,387	201,169	621,545	49,634	—	3,038,646
Revenue from contracts with customers							
— Recognised at a point in time	—	291,094	29,003	—	—	—	320,097
— Recognised over time	1,507,295	87,600	172,166	609,826	49,634	—	2,426,521
Revenue from other sources							
— Finance income	253,616	26,693	—	11,719	—	—	292,028
Gross profit	439,929	89,034	27,200	47,287	15,460	—	618,910
Other income							45,395
Other gains — net							2,691
Selling expenses							(22,975)
Administrative expenses							(230,543)
Impairment losses on financial assets							(38,023)
Finance costs — net							(558,884)
Share of profit/(loss) of investments accounted for using the equity method – net	4,527	1,120	1,501	11,485	—	(4,194)	14,439
Loss before income tax							(168,990)
Income tax expenses							(24,181)
Loss for the period							<u>(193,171)</u>
Depreciation and amortisation	<u>(74,365)</u>	<u>(108,672)</u>	<u>(6,026)</u>	<u>(85,964)</u>	<u>(6,749)</u>	<u>(14,761)</u>	<u>(296,537)</u>

3. Segment information (Continued)

(ii) Segment assets and liabilities as at 30 June 2021 are as follows:

As at 30 June 2021:

	Wastewater treatment <i>RMB'000</i>	Water supply <i>RMB'000</i>	Construction and sales of equipment <i>RMB'000</i>	Solid waste treatment <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	<u>23,005,709</u>	<u>8,358,963</u>	<u>5,753,350</u>	<u>9,208,325</u>	<u>1,032,427</u>	<u>665,466</u>	<u>48,024,240</u>
Segment assets include: Investments accounted for using the equity method	<u>261,259</u>	<u>55,507</u>	<u>60,660</u>	<u>192,462</u>	<u>40,004</u>	<u>240,398</u>	<u>850,290</u>
Segment liabilities	<u>11,214,339</u>	<u>1,350,639</u>	<u>3,809,853</u>	<u>3,658,716</u>	<u>834,238</u>	<u>18,274,504</u>	<u>39,142,289</u>

As at 31 December 2020:

	Wastewater treatment <i>RMB'000</i>	Water supply <i>RMB'000</i>	Construction and sales of equipment <i>RMB'000</i>	Solid waste treatment <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	<u>21,570,460</u>	<u>8,254,206</u>	<u>6,788,458</u>	<u>9,076,813</u>	<u>986,914</u>	<u>575,963</u>	<u>47,252,814</u>
Segment assets include: Investments accounted for using the equity method	<u>265,724</u>	<u>55,507</u>	<u>60,660</u>	<u>192,462</u>	<u>38,033</u>	<u>240,398</u>	<u>852,784</u>
Segment liabilities	<u>10,110,711</u>	<u>1,364,570</u>	<u>4,327,386</u>	<u>3,203,200</u>	<u>777,924</u>	<u>19,861,461</u>	<u>39,645,252</u>

4. Finance costs — net

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Finance income		
— Interest income	2,867	9,946
— Net exchange gain on financing activities	—	12,265
	<u>2,867</u>	<u>22,211</u>
Finance costs		
— Borrowing costs	(811,722)	(655,155)
Less: amounts capitalised on qualifying assets	74,796	81,436
	<u>(736,926)</u>	<u>(573,719)</u>
— Net exchange loss on financing activities	(20,077)	—
— Unwinding of provision	(4,236)	(7,376)
	<u>(761,239)</u>	<u>(581,095)</u>
Finance costs — net	<u>(758,372)</u>	<u>(558,884)</u>

5. Income tax (credit)/expenses

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Current income tax		
— Corporate income tax	57,089	47,430
Deferred income tax		
— Corporate income tax	(73,007)	(23,249)
	<u>(15,918)</u>	<u>24,181</u>

6. Loss per share

(a) Basic

The basic loss per share is calculated by dividing the loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares issued during the six months ended 30 June 2021.

	Six months ended 30 June	
	2021	2020
Loss attributable to the ordinary shareholders of the Company (<i>RMB'000</i>)	(311,647)	(297,951)
Weighted average numbers of ordinary shares in issue (<i>thousands</i>)	1,193,213	1,193,213
Basic loss per share (<i>RMB per share</i>)	<u>(0.261)</u>	<u>(0.250)</u>

(b) Diluted

Diluted loss per share is the same as basic loss per share as there were no potential diluted ordinary shares outstanding during the six months ended 30 June 2021 (six months ended 30 June 2020: same).

7. Dividends

Pursuant to the resolution of the Company's Annual General Meeting held on 11 June 2021, the Company has declared 2020 dividends of RMB71,593,000 (2019 dividends: RMB178,982,000). The 2020 dividends were paid in August 2021.

No interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil) has been proposed by the Board of Directors of the Company.

8. Receivables under service concession arrangements

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

	As at	
	30 June 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Receivables under service concession arrangements	5,740,254	5,304,961
Less: provision for impairment	<u>(3,872)</u>	<u>(3,590)</u>
	5,736,382	5,301,371
Portion classified as current assets	<u>(81,351)</u>	<u>(65,877)</u>
Non-current portion	<u>5,655,031</u>	<u>5,235,494</u>

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

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

9. Trade and other receivables and prepayments

	As at	
	30 June 2021 RMB'000	31 December 2020 RMB'000
Trade receivables		
— Related parties	2,176,841	2,395,236
— Local governments	1,190,610	1,072,050
— Third parties	2,634,484	2,936,151
Less: provision for impairment	<u>(193,136)</u>	<u>(145,570)</u>
	<u>5,808,799</u>	<u>6,257,867</u>
Other receivables		
— Related parties	39,445	39,861
— Third parties	2,184,617	1,995,577
Less: provision for impairment	<u>(49,786)</u>	<u>(32,854)</u>
	<u>2,174,276</u>	<u>2,002,584</u>
Total trade and other receivables	7,983,075	8,260,451
Less: non-current portion of other receivables	<u>(942,296)</u>	<u>(422,564)</u>
Current portion of trade and other receivables	<u>7,040,779</u>	<u>7,837,887</u>
Prepayments		
— Related parties	281,986	232,084
— Third parties	1,173,423	1,112,307
	<u>1,455,409</u>	<u>1,344,391</u>
Less: non-current portion of prepayments	<u>(1,308,436)</u>	<u>(1,168,930)</u>
Current portion of prepayments	<u>146,973</u>	<u>175,461</u>

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

	As at	
	30 June 2021 RMB'000	31 December 2020 RMB'000
Within one year	2,512,504	2,921,478
Over one year	<u>3,489,431</u>	<u>3,481,959</u>
	<u>6,001,935</u>	<u>6,403,437</u>

10. Trade and other payables

	As at	
	30 June 2021 RMB'000	31 December 2020 RMB'000
Trade payables		
— Related parties	1,330,941	1,468,045
— Third parties	5,213,938	5,825,723
	<u>6,544,879</u>	<u>7,293,768</u>
Notes payable	338,799	160,000
Other payables		
— Related parties	258,282	305,788
— Third parties	1,031,579	955,240
Staff welfare benefit payable	47,937	46,849
Other taxes payable	206,076	262,476
Dividend payables	85,378	12,229
	<u>8,512,930</u>	<u>9,036,350</u>
Less: non-current portion	<u>(4,739,183)</u>	<u>(5,906,360)</u>
Current portion	<u>3,773,747</u>	<u>3,129,990</u>

Trade payables are settled in accordance with agreed terms with suppliers. As at 30 June 2021, the aging analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice dates or contractual terms is as follows:

	As at	
	30 June 2021 RMB'000	31 December 2020 RMB'000
Within one year	3,832,960	4,202,807
Over one year	2,711,919	3,090,961
	<u>6,544,879</u>	<u>7,293,768</u>

11. Borrowings

	As at	
	30 June 2021 RMB'000	31 December 2020 RMB'000
Non-current		
Long-term bank borrowings	3,813,832	10,946,507
Corporate bonds and other borrowings	4,780,791	6,919,414
	<u>8,594,623</u>	<u>17,865,921</u>
Current		
Short-term bank borrowings	4,265,399	4,157,826
Current portion of long-term bank borrowings	9,790,284	2,141,836
Current portion of corporate bonds and other borrowings	4,713,147	3,376,232
	<u>18,768,830</u>	<u>9,675,894</u>
	<u><u>27,363,453</u></u>	<u><u>27,541,815</u></u>

As at 30 June 2021, the Group did not comply with certain financial covenant requirements of certain bank borrowings amounted to RMB1,555 million, which included bank borrowings of RMB1,273 million with scheduled repayment dates beyond one year after 30 June 2021. Under the relevant bank loan agreements, such non-compliance of covenant caused the relevant bank borrowings of RMB1,555 million become immediately repayable if requested by the lenders. In addition, such non-compliance also triggered the cross default terms of certain bank and other borrowings of RMB11,429 million (which included current portion of RMB3,914 million and non-current portion of RMB7,515 million with scheduled repayment dates beyond one year after 30 June 2021), such that these loans also become immediately repayable if requested by the lenders. Accordingly, the total relevant bank and other borrowings of RMB8,788 million with scheduled repayment dates beyond one year after 30 June 2021 were reclassified as current liabilities as at 30 June 2021.

In respect of the aforesaid bank borrowings with non-compliance of financial covenant of RMB1,555 million, the Group obtained written letters from the relevant banks indicating that they plan to continue to make the relevant bank borrowings available to the Group according to the original terms and conditions, however the banks did not waive their rights arising from the non-compliance. The Group will continue to monitor its compliance with the covenant requirements. Should the Group be unable to comply with the covenant requirements, the management of the Company will discuss and negotiate with the respective banks and will seek to further revise the terms and covenant requirements or obtain a waiver of compliance with the covenant requirements from the banks, if needed.

In respect of the aforesaid bank and other borrowings with cross default terms of RMB11,429 million, the Directors will communicate with the relevant banks and lenders, and based on their experience and considering their relationship with the banks and the lenders, the Directors believe that the banks and the lenders will not exercise their rights under the cross default clauses.

INDUSTRY OVERVIEW

In the first half of 2021, the global economic and social activities have been hit hard by the COVID-19 pandemic. As the second quarter started, the overall situation of China's environmental protection industry remained complicated amid the increasing pressure from possible imported cases and lingering risks of domestic resurgence of the COVID-19 pandemic. In January 2021, 10 departments including the National Development and Reform Commission, Ministry of Ecology and Environment and Ministry of Finance jointly issued the Guiding Opinions on Promoting the Recycling Utilization of Wastewater* (《關於推進污水資源化利用的指導意見》) in order to accelerate the recycling utilization of wastewater, and promote the solution of water resource shortages, water environmental pollution, water ecological damage and other issues. In January 2021, the Ministry of Ecology and Environment issued an announcement on the National Catalog of Advanced Pollution Prevention and Control Technologies (Solid Waste and Soil Pollution Prevention and Control Field)* (《國家先進污染防治技術目錄(固體廢物和土壤污染防治領域)》), in which a batch of advanced technologies in the field of solid waste and soil pollution prevention has been collected and screened to promote technological progress in the field of solid waste and soil pollution prevention and to meet the demand for advanced technologies in pollution control. In April 2021, the revised Regulations on the Administration of Pollution Discharge Permits* (《排污許可管理條例》) were formally implemented, which formed a solution path for some major issues, laid a legal foundation for a more mature and complete management system for fixed pollution sources, and provided a long-term effective mechanism for improving the quality of the ecological environment.

The water industry as a whole has entered a mature stage, where water supply is in the late stage of maturity, and wastewater treatment is in the early stage of maturity. In general, the future development opportunities for the water industry are secondary water supply, rural environmental management, black and odorous water treatment, and comprehensive water environment management. The government will continue to intensify the efforts to improve the ecological environment, remedy the wastewater outfalls into rivers and seas and urban black and odorous water, and improve the capacity of urban domestic wastewater collection and industrial wastewater treatment in industrial parks; continue to adhere to the concept that *green water and green mountains are golden and silver mountains*, marking the continued improvement of the water industry. There will be greater demand for such water infrastructure projects, however, private enterprises will be less willing to invest, and more investment will be led by central enterprises and state-owned assets in the future. In this process, private enterprises mainly play their own advantages in efficiency, technology and operations, namely in a state of following. In recent years, intelligent water business has become a hot spot for the development of water industry, various funds, technologies and talents have already flowed to this industry. The technology of intelligent water business has enhanced the competitiveness of water business and represents the development direction of the industry.

With the implementation of the pilot program for the construction of China's waste-free cities, in order to achieve the goal of minimizing the amount of urban solid waste, full recycling utilization and safe disposal, the integration of two networks, construction of a four-level network system and development of "Internet +" solid waste treatment industry is a major trend, and by then China's

urban solid waste treatment system will also usher in a comprehensive upgrade. At present, the National Catalog of Advanced Pollution Prevention and Control Technologies* (《國家先進污染防治技術目錄》) has been issued to advance solid waste treatment technology and accelerate the release of demand, and pay more attention to the development of independent intellectual property rights and technological innovation. Among them, the waste incineration power generation industry and the hazardous waste treatment industry are the two most important sub-sectors. These sub-sectors started late and are still in the stage of rapid growth; there is a broad market prospect in the future. Incineration will gradually replace landfill and become the main method of urban domestic waste treatment.

The harmless and recycling treatment of sludge has always been a subdivision that has attracted much attention in the environmental protection field. With the successive introduction of national sludge disposal policies and technologies, the improvement of recycling and harmless treatment and the reduction of treatment costs, the sludge treatment industry will usher in a vast market.

In the first half of 2021, due to the impact of COVID-19 pandemic, all industries have suffered shocks, and environmental protection companies are also facing unprecedented opportunities and challenges. The Group will continue to focus on research and development, increase research and development efforts, enhance core competitiveness, keep up with industry trends, expand the scope of operation and investment, to integrate business objectives with social responsibilities, and ensure the stable development.

DEVELOPMENT STRATEGIES AND PROSPECT

In the first half of 2021, “recycling” became a more popular topic in the environmental protection industry. With the further improvement of the China’s requirements for environmental protection, the upgrading of environmental protection enterprises from technology to concept has become the focus of future development. The Group pays close attention to the industry trends, vigorously overcomes the adverse impact of the COVID-19 pandemic and makes unremitting efforts to properly respond to the severe and complex development environment. Due to the impact of the COVID-19 pandemic and the current high financial cost of the Group, the profitability in the first half of the year was lower than expected. In the second half of the year, the Group will continue to do its best to make up for the losses in the first half of the year.

Optimize the debt structure

At present, the asset-liability ratio of the Group is high, and the financing cost is rising. Subsequently, the Group will actively seek equity financing channels and strive to obtain capital supplement. Meanwhile, the Group will continue to adjust the long-term and short-term debt structure, adopt the strategy of comprehensive cost control, compare the financing costs horizontally and vertically, and find the optimal balance between long-term income and short-term income. The Group will also continue to expand innovative financing channels, reduce financial costs and optimize asset-liability ratio.

Strengthen operation management

The Group will continue to improve the operation quality and launch the three-year action of improving the quality and efficiency of the Group's operation business according to the Group's development plan. Combined with the current operation status, reasonably calculate the indicators of each project to eliminate the unstable factors and hidden dangers exceeding the standard in the operation process. At the same time, by popularizing intelligent water business and other technologies, improve the operation efficiency of operation projects, reduce operation costs and realize greater operation income.

Strengthen project construction

The Group will concentrate its advantageous resources such as manpower, material, financial and technical resources to fully promote the development and construction of key projects, highlight the implementation of key projects, and ensure the smooth realization of the annual construction objectives.

Enhance the Company's core technology

Based on the Group's core technology, accelerate technology R&D and market promotion. Strengthen the development and application of biochar technology as the core R&D direction, and pyrolysis and carbonization process as a new generation of solid waste disposal technology, so as to fully realize the reduction, harmlessness, stabilization and recycling of solid organic waste treatment.

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 further improve the operation and management standard, optimize the debt structure, overcome various challenges, and 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 (the "BOT"), Build-Own-Operate (the "BOO"), Transfer-Operate-Transfer (the "TOT"), Transfer-Own-Operate (the "TOO"), Build and Transfer (the "BT"), Engineering-Procurement-Construction (the "EPC"), Rehabilitate-Operate-Transfer (the "ROT"), Operation and Maintenance (the "O&M") and licensed operation models to provide customized and integrated turnkey solutions for water supply, wastewater treatment and solid waste treatment as well as system integration services of core technologies to customers. The Group's businesses are carried out in China and the southeast Asian countries, the Group's principal businesses comprise five major segments, namely, wastewater treatment, water supply, solid waste treatment, construction and sales of equipment and others.

As at 30 June 2021, the Group's water related projects (including the following wastewater treatment projects, water supply projects and all water related projects under other business segments) had a total daily treatment capacity of approximately 6,412,650 tonnes. As at 30 June 2021, the Group's

solid waste treatment related projects (including the following solid waste treatment projects and all solid waste treatment related projects under other business segments) had a total annual treatment capacity of approximately 4,081,900 tonnes.

Wastewater Treatment Projects

As at 30 June 2021, the Group had a total of 133 concession wastewater treatment projects, including 7 BOO projects, 69 BOT projects, 2 TOO projects, 26 TOT projects, 1 ROT project and 28 municipal comprehensive environmental treatment projects, with a total daily treatment capacity of approximately 3,573,900 tonnes, with an addition of 6 TOT projects and a reduction of 1 ROT project, and an increase in the daily wastewater treatment capacity of approximately 5,100 tonnes or a growth rate of approximately 0.14% as compared to that as at 31 December 2020.

As at 30 June 2021, 100 concession projects with a total daily treatment capacity of approximately 2,609,000 tonnes had commenced commercial operation (including 2 municipal comprehensive environmental treatment projects with a total daily wastewater treatment capacity of approximately 11,000 tonnes), with an addition of 6 TOT projects, an addition of 1 municipal environment comprehensive treatment project which commenced operation, and an increase in total daily treatment capacity of approximately 76,000 tonnes as compared to that as at 31 December 2020. During the Reporting Period, the Group's effective wastewater treatment utilization rate was approximately 77.3%, and the average unit charge of wastewater treatment was approximately RMB1.59 per tonne.

As at 30 June 2021, 33 concession projects with total daily treatment capacity of approximately 964,900 tonnes had not commenced commercial operation (including 26 municipal comprehensive environmental treatment projects with a total daily treatment capacity of approximately 814,900 tonnes), with 1 municipal comprehensive environmental treatment project under construction and 1 ROT project converted to operation as compared to that as at 31 December 2020, the daily treatment capacity decreased by approximately 70,900 tonnes.

Water Supply Projects

As at 30 June 2021, the Group had a total of 66 concession water supply projects with a total daily treatment capacity of approximately 2,449,100 tonnes, including 15 BOO projects, 34 BOT projects, 11 TOT projects and 6 municipal comprehensive environmental treatment projects, with a reduction of 2 BOT projects, and a decrease in the total daily capacity of approximately 30,400 tonnes as compared to that as at 31 December 2020.

As at 30 June 2021, 47 concession projects with a total daily capacity of approximately 1,550,000 tonnes had commenced commercial operation (including 1 municipal comprehensive environmental treatment project with a total daily treatment capacity of approximately 30,000 tonnes), with an addition of 1 BOO project, and an increase in the total daily capacity of approximately 20,000 tonnes as compared to that as at 31 December 2020. During the Reporting Period, the Group's water supply for non-residential and special industries decreased, while the effective water supply utilization rate was approximately 62%, and the average unit charge of water supply was approximately RMB2.18 per tonne.

As at 30 June 2021, 19 concession projects with a total daily capacity of approximately 899,100 tonnes had not commenced commercial operation (including 5 municipal comprehensive environmental treatment projects with a total daily treatment capacity of approximately 429,700 tonnes), with a reduction of 2 BOT projects as compared to that as at 31 December 2020. 1 BOO project under construction converted to operation, the total daily capacity decreased by approximately 51,000 tonnes.

Solid Waste Treatment Projects

As at 30 June 2021, the Group had 24 solid waste treatment projects with a total annual treatment capacity of 4,081,900 tonnes, 13 of which with an annual treatment capacity of 2,186,600 tonnes had commenced commercial operation (including 1 municipal comprehensive environmental treatment project with an annual treatment capacity of approximately 219,000 tonnes), and 11 of them with an annual treatment capacity of 1,895,300 tonnes were under construction (including 2 municipal comprehensive environmental treatment projects with an annual treatment capacity of approximately 900,800 tonnes). As compared to that as at 31 December 2020, 5 projects under construction converted to operation, 1 additional solid waste treatment project was under construction and the total annual treatment capacity of the Group increased by 36,400 tonnes. During the Reporting Period, the Group's effective solid waste treatment utilization rate was approximately 82.2%.

Construction and Sales of Equipment

The Group's construction and sales of equipment segment comprises BT projects, EPC projects and sales of equipment. As at 30 June 2021, the Group had a total of 11 BT projects, which were either under construction and/or completed, among which the income of 10 BT projects was recognised as revenue during the Reporting Period.

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

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

Others

During the Reporting Period, the Group also undertook O&M projects for wastewater treatment, water supply and solid waste treatment facilities owned by third parties as well as provision of technical and consultancy services in relation to environmental protection. As at 30 June 2021, the Group had 30 O&M projects, with an addition of 1 wastewater treatment project as compared to that as at 31 December 2020. These projects included 29 wastewater treatment projects with a total daily treatment capacity of approximately 363,650 tonnes (including the capacity of wastewater treatment projects adopting O&M model within municipal environment comprehensive treatment projects), and 1 water supply project with daily treatment capacity of approximately 5,000 tonnes.

FINANCIAL REVIEW

Results of Operation

During the Reporting Period, the Group recorded revenue of approximately RMB2,707.7 million, representing a period-on-period decrease of approximately 10.9% as compared to that for the six months ended 30 June 2020. During the Reporting Period, the Group recorded a net loss of approximately RMB363.3 million, compared to a loss of RMB193.2 million over the six months ended 30 June 2020. Loss attributable to the ordinary shareholders of the Company was approximately RMB311.6 million, compared to loss attributable to the ordinary shareholders of the Company of RMB298.0 million over the six months ended 30 June 2020. Loss per share for the six months ended 30 June 2021 was approximately RMB0.261.

Revenue

Revenue of the Group decreased from approximately RMB3,038.6 million for the six months ended 30 June 2020 to approximately RMB2,707.7 million for the Reporting Period, representing a decrease of approximately 10.9%.

In respect of the business segments of the Group, revenue from the wastewater treatment business segment increased by approximately 4.0% from approximately RMB1,760.9 million for the six months ended 30 June 2020 to approximately RMB1,831.7 million for the Reporting Period. Revenue from the water supply segment decreased by approximately 3.3% from approximately RMB405.4 million for the six months ended 30 June 2020 to approximately RMB392.1 million for the Reporting Period. Revenue from solid waste treatment business segment decreased by approximately 43.7% from approximately RMB621.5 million for the six months ended 30 June 2020 to approximately RMB349.6 million for the Reporting Period. Revenue from construction and sales of equipment business segment decreased by approximately 66.3% from approximately RMB201.2 million for the six months ended 30 June 2020 to approximately RMB67.8 million for the Reporting Period. Revenue from other business increased by approximately 34.1% from approximately RMB49.6 million for the six months ended 30 June 2020 to approximately RMB66.5 million for the Reporting Period.

The increase in revenue from the wastewater treatment business segment was mainly attributable to the increase in operating revenue caused by the increase in wastewater treatment unit price or treatment capacity of some water plants during the Reporting Period.

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

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

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

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

Cost of Sales

During the Reporting Period, the Group recorded cost of sales of approximately RMB2,047.5 million, representing a period-on-period decrease of approximately RMB372.2 million or 15.4% as compared to approximately RMB2,419.7 million for the six months ended 30 June 2020. The decrease in cost of sales was mainly attributable to the decrease in cost for construction which was in line with the decrease in construction revenue of the existing solid waste projects and wastewater treatment projects under construction during the construction period.

Gross Profit Margin

During the Reporting Period, gross profit margin of the Group was approximately 24.4%, representing an increase of approximately 4.0% as compared to approximately 20.4% for the six months ended 30 June 2020.

Other Income

During the Reporting Period, the Group recorded other income of approximately RMB31.4 million, representing a period-on-period decrease of approximately RMB14.0 million or a decrease rate of approximately 30.8% as compared with approximately RMB45.4 million for the six months ended 30 June 2020. The decrease in other income was mainly attributable to a decrease in other non-operating income during the Reporting Period.

Selling Expenses

During the Reporting Period, selling expenses of the Group were approximately RMB24.6 million, representing a period-on-period increase of approximately RMB1.6 million or 7.0%, from approximately RMB23.0 million for the six months ended 30 June 2020.

Administrative Expenses

During the Reporting Period, administrative expenses of the Group were approximately RMB201.1 million, representing a period-on-period decrease of approximately RMB29.4 million or 12.8% from approximately RMB230.5 million for the six months ended 30 June 2020. The decrease in administrative expenses was primarily due to the Group did not need to provide impairment losses on non-financial assets during the Reporting Period.

Finance Costs — net

Net finance costs increased by approximately RMB199.5 million from approximately RMB558.9 million for the six months ended 30 June 2020 to approximately RMB758.4 million for the Reporting Period, representing an increase of approximately 35.7%. The increase in net finance costs was primarily due to that certain projects under construction of the Group are in the early stage during which significant investment is required to be made on an ongoing basis, resulting in an increase in financial costs during the Reporting Period.

The average interest rate on borrowings of the Group for the Reporting Period was approximately 5.63% per annum, representing a period-on-period increase compared with approximately 5.34% per annum for the six months ended 30 June 2020.

Loss before Income Tax

As a result of the foregoing, the Group recorded a loss before income tax of approximately RMB379.2 million for the six months ended 30 June 2021, compared to a loss before income tax of approximately RMB169.0 million for the six months ended 30 June 2020.

Income Tax Credit/(Expenses)

The Group recorded income tax credit of approximately RMB15.9 million for the six months ended 30 June 2021, compared to income tax expenses of approximately RMB24.2 million for the six months ended 30 June 2020.

Loss for the Reporting Period

As a result of the foregoing, loss for the Reporting Period increased by approximately RMB170.1 million from a net loss of approximately RMB193.2 million for the six months ended 30 June 2020 to a net loss of approximately RMB363.3 million for the Reporting Period.

Receivables under Service Concession Arrangements

The Group's receivables under service concession arrangements increased by approximately RMB435.0 million from approximately RMB5,301.4 million as at 31 December 2020 to approximately RMB5,736.4 million as at 30 June 2021, representing an increase of approximately 8.2%. The increase was mainly attributable 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 decreased by approximately RMB166.3 million from approximately RMB9,604.8 million as at 31 December 2020 to approximately RMB9,438.5 million as at 30 June 2021, representing a decrease of approximately 1.7%. Such decrease was primarily due to the decrease in the amounts due from related parties and project outsourcers due to the Group's collection of receivables during the Reporting Period.

Cash and Cash Equivalents

The Group's total cash balance decreased by approximately RMB954.1 million from approximately RMB1,697.7 million as at 31 December 2020 to approximately RMB743.6 million as at 30 June 2021, representing a decrease of approximately 56.2%. Such decrease was primarily due to the net cash used in operating and investing activities exceeding the net cash generated from financing activities during the Reporting Period.

Trade and Other Payables

The Group's trade and other payables decreased by approximately RMB523.5 million from approximately RMB9,036.4 million as at 31 December 2020 to approximately RMB8,512.9 million as at 30 June 2021, representing a decrease of approximately 5.8%. Such decrease was primarily due to the payment for construction and installation during the Reporting Period.

Borrowings

As at 30 June 2021, the Group had borrowings of approximately RMB27,363.5 million (31 December 2020: approximately RMB27,541.8 million). As at 30 June 2021, the Group had unsecured borrowings of approximately RMB14,743.0 million (31 December 2020: approximately RMB15,365.8 million), and secured borrowings of approximately RMB12,620.5 million (31 December 2020: approximately RMB12,176.0 million).

Pledge of Assets

As at 30 June 2021, borrowings of approximately RMB12,620.5 million (31 December 2020: approximately RMB12,176.0 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.

Capital Commitments

The Group's capital commitments increased by approximately RMB234.0 million from approximately RMB12,780.1 million as at 31 December 2020 to approximately RMB13,014.1 million as at 30 June 2021, representing an increase of approximately 1.8%.

Gearing Ratio

The Group's gearing ratio (calculated by net debt divided by total capital) decreased from approximately 77.3% as at 31 December 2020 to approximately 75.0% as at 30 June 2021, representing a decrease of approximately 2.3%. The decrease was primarily due to the issuance of equity financing instruments by the Group during the Reporting Period.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

- On 15 January 2021, the Company entered into a framework agreement with, among others, Zhejiang Qianjiang Biochemical Co. Ltd.* (“**Qianjiang Biochemical**”), pursuant to which, Qianjiang Biochemical will purchase 49% equity interest in Zhejiang Haiyun Environmental Protection Company Limited* (“**Zhejiang Haiyun Environmental Protection**”) by means of non-public issue of shares to the Company. On 6 June 2021, the Company entered into an equity acquisition and share issuance agreement with, among others, Qianjiang Biochemical, pursuant to which, Qianjiang Biochemical agreed to acquire 49% equity interest in Zhejiang Haiyun Environmental Protection held by the Company at the consideration of RMB777,140,000, which would be settled by Qianjiang Biochemical through the issuance of consideration shares. Upon completion of the aforesaid transactions, the Company ceases to hold any equity in Zhejiang Haiyun Environmental Protection and holds approximately 22.6% equity in Qianjiang Biochemical, which will be accounted for as an associated company of the Company. For details, please refer to the announcements published by the Company on 15 January 2021 and 6 June 2021 and circular published by the Company on 25 June 2021.
- On 4 March 2021, the Company resolved to dispose of 51% equity interest in Yueyang Dongting Water Investment Co., Ltd.* (“**Yueyang Dongting Water**”). On 1 July 2021, the Company (as the vendor) and Yueyang Construction and Investment Group Co., Ltd.* (“**Yueyang Construction and Investment**”)(as the purchaser) entered into the equity transaction agreement and its supplemental agreement, pursuant to which, the Company has agreed to sell, and Yueyang Construction and Investment has agreed to acquire, 51% equity interest in Yueyang Dongting Water at a consideration of RMB77,630,000. Upon completion of the aforesaid transactions, the Company ceases to have any interest in Yueyang Dongting Water. For details, please refer to the announcements published by the Company on 4 March 2021, 28 June 2021 and 2 July 2021.

NOMINATION COMMITTEE

The Nomination Committee currently consists of one executive Director, Ms. Li Bo (as chairperson), and two independent non-executive Directors, Mr. Zhou Beihai and Mr. Zhong Wei.

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

During the Reporting Period, the Nomination Committee had convened one meeting, to discuss Mr. Yang Fang's application to resign as an executive Director of the Company and a member of the Compliance Committee and nominate Ms. Ling Hui and Mr. Liu Hui as executive Director candidate and non-executive Director candidate for the third session of the Board, respectively.

REMUNERATION COMMITTEE

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

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

AUDIT COMMITTEE

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

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

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

The first meeting was held to discuss the annual results of 2020 of the Company, the proposed distribution of final dividend, re-appointment of auditor and other matters.

The second meeting was held to discuss the Company's proposal to determine the remuneration of PricewaterhouseCoopers Zhong Tian and PricewaterhouseCoopers.

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

COMPLIANCE COMMITTEE

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

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

INFORMATION ON DIRECTORS AND SUPERVISORS

Changes in information on Directors and supervisors of the Company (the “**Supervisors**”) which are required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Listing Rules are as follows:

On 31 March 2021, Mr. Li Jialong resigned as a non-executive Director, Chairman, and chairman and member of the Nomination Committee, with effective from the conclusion of the AGM convened on 11 June 2021.

On 31 March 2021, Mr. Yang Fang resigned as an executive Director and member of the Compliance Committee, with effective from the conclusion of the AGM convened on 11 June 2021.

On 11 June 2021, Ms. Ling Hui was appointed as an executive Director and authorized representative of the third session of the Board.

On 11 June 2021, Mr. Liu Hui was appointed as a non-executive Director of the third session of the Board.

On 11 June 2021, Ms. Li Bo was appointed as the Chairman of the third session of the Board; and was re-designated from a non-executive Director to an executive Director on 24 June 2021.

For details of the above-mentioned Directors and Supervisors, please refer to the announcements published by the Company on 31 March 2021, 11 June 2021 and 24 June 2021, respectively.

After these changes, the composition of the Audit Committee, Remuneration Committee, Nomination Committee and Compliance Committee is as follows. For further details, please refer to the announcement published by the Company on 24 June 2021.

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

Ms. Li Bo (*Chairperson*)

Mr. Zhou Beihai

Mr. Zhong Wei

Compliance Committee

Mr. Zhong Wei (*Chairman*)

Mr. Yu Long

Mr. Liu Shuen Kong

Mr. Zhou Beihai

Mr. Huang Yi (*Supervisor*)

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company had complied with all code provisions as set out in the Corporate Governance Code throughout the six months ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

The Company had made specific enquiries with all of its Directors and Supervisors, and all Directors and Supervisors had confirmed that they have fully complied with the required standard set out in the Model Code throughout the six months ended 30 June 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2021, to the best knowledge of the Board, none of the Directors and Supervisors and their respective associates had any business or interest that competes or may compete with the business of the Group or had or might have any conflict of interest with the Group.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

PUBLIC FLOAT

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

REVIEW OF THE INTERIM RESULTS

The Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2021 has been reviewed by the auditor of the Company, PricewaterhouseCoopers, in accordance with the Hong Kong Review Engagement Standards 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certified Public Accountants. The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 has also been reviewed by the Audit Committee.

EXTRACT OF REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The following is the extract of report on review of interim financial information from the external auditor of the Company:

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

Material uncertainty related to going concern

We draw your attention to Note 2(a) to the interim consolidated financial information, which states that the Group reported a net loss of RMB392 million for the period ended 30 June 2021 and as at the same date, the Group's current liabilities exceeded its current assets by RMB14,108 million. As at 30 June 2021, the Group did not comply with the certain financial covenant requirements of certain bank borrowings of RMB1,555 million. Such non-compliance also triggered the cross default terms of certain other bank and other borrowings totalled RMB11,429 million. As a result, these bank and other borrowings become immediately repayable if requested by the lenders, and total relevant bank borrowings of RMB8,788 million with scheduled repayment dates beyond one year after 30 June 2021 were reclassified as current liabilities as at 30 June 2021. These events or conditions, along with other matters as set forth in Note 2(a) to the interim consolidated financial information, indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement has been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.yunnanwater.cn). The interim report of the Group for the six months ended 30 June 2021 will be dispatched to Shareholders in due course and published on the aforesaid websites of the Stock Exchange and the Company.

By Order of the Board
Yunnan Water Investment Co., Limited*
Li Bo
Chairperson

Kunming, the PRC
31 August 2021

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

* For identification purposes only