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## **Kunming Dianchi Water Treatment Co., Ltd.**

### **昆明滇池水务股份有限公司**

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

**(Stock Code: 3768)**

## **RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

### **FINANCIAL SUMMARY**

For the year ended 31 December 2022, the Group's:

- revenue amounted to approximately RMB2,065.9 million, representing a decrease of 10.9% from 2021;
- operating profit amounted to approximately RMB678.3 million, representing an increase of 28.4% from 2021;
- profit before tax amounted to approximately RMB367.5 million, representing a decrease of 7.4% from 2021;
- profit attributable to equity holders of the Company amounted to approximately RMB322.3 million, representing a decrease of 4.7% from 2021; and
- earnings per share amounted to approximately RMB0.31 representing a decrease of 6.1% from 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of Kunming Dianchi Water Treatment Co., Ltd. (the “**Company**”) is pleased to announce the audited results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**us**” or “**our**”) for the year ended 31 December 2022 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2021, as follows:

## I. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	Year ended 31 December	
		2022	2021
		RMB'000	RMB'000
<b>Revenue</b>	3(a)	<b>2,065,863</b>	2,317,738
Cost of sales	6	<u>(1,208,592)</u>	<u>(1,592,956)</u>
<b>Gross profit</b>		<b>857,271</b>	724,782
Selling expenses	6	(4,339)	(13,705)
Administrative expenses	6	(121,307)	(140,477)
Research and development expenses	6	(542)	(7,299)
Impairment loss on investment in an associate		(5,576)	–
Net impairment losses on financial assets		(114,486)	(59,593)
Other income – net	4	68,171	28,025
Other losses	5	<u>(890)</u>	<u>(3,365)</u>
<b>Operating profit</b>		<u><b>678,302</b></u>	<u>528,368</u>
Finance income		39,338	83,705
Finance costs		<u>(349,484)</u>	<u>(213,652)</u>
Finance costs – net	7	<u>(310,146)</u>	<u>(129,947)</u>
Share of results of associates		<u>(691)</u>	<u>(1,728)</u>
<b>Profit before tax</b>		<b>367,465</b>	396,693
Income tax	8	<u>(43,330)</u>	<u>(57,142)</u>
<b>Profit for the year</b>		<u><b>324,135</b></u>	<u>339,551</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)**

		<b>Year ended 31 December</b>	
		<b>2022</b>	2021
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operation		<u>(1,049)</u>	<u>(1,219)</u>
		<u>(1,049)</u>	<u>(1,219)</u>
<b>Total comprehensive income for the year</b>		<b><u>323,086</u></b>	<b><u>338,332</u></b>
<b>Profit attributable to:</b>			
– Equity holders of the Company		322,250	338,278
– Non-controlling interests		<u>1,885</u>	<u>1,273</u>
		<b><u>324,135</u></b>	<b><u>339,551</u></b>
<b>Total comprehensive income attributable to:</b>			
– Equity holders of the Company		321,201	337,059
– Non-controlling interests		<u>1,885</u>	<u>1,273</u>
		<b><u>323,086</u></b>	<b><u>338,332</u></b>
<b>Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)</b>			
– Basic and diluted earnings per share	9	<b><u>0.31</u></b>	<b><u>0.33</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2022*

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
<b>Non-current assets</b>			
Investment properties		277,462	276,377
Right-of-use assets/land use rights		411,454	424,945
Property, plant and equipment		2,716,650	2,637,090
Receivables under service concession arrangements	11	2,546,421	2,732,351
Amounts due from customers for construction contracts	12	675,715	559,714
Contract assets		109,121	249,825
Intangible assets		547,180	313,494
Investments in associates		6,526	12,793
Deferred tax assets		81,028	84,490
		<b>7,371,557</b>	7,291,079
<b>Current assets</b>			
Receivables under service concession arrangements	11	44,128	5,463
Amounts due from customers for construction contracts	12	35,602	22,785
Inventories		21,890	16,595
Financial assets at amortised cost		240,000	294,000
Trade and other receivables	13	3,676,339	2,884,020
Cash and bank balances		131,494	1,504,346
Restricted funds		181,194	49,650
		<b>4,330,647</b>	4,776,859
<b>Current liabilities</b>			
Trade and other payables	14	806,410	678,982
Contract liabilities		6,839	7,505
Tax payables		79,431	97,494
Borrowings		3,346,394	4,212,914
Financial liabilities at fair value through profit or loss		–	110,450
		<b>4,239,074</b>	5,107,345
<b>Net current assets (liabilities)</b>		<b>91,573</b>	(330,486)
<b>Total assets less current liabilities</b>		<b>7,463,130</b>	6,960,593

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Non-current liabilities</b>		
Deferred revenue	<b>230,943</b>	245,267
Borrowings	<b>2,522,693</b>	2,193,023
Deferred tax liabilities	<b>51,903</b>	86,492
	<u><b>2,805,539</b></u>	<u>2,524,782</u>
<b>NET ASSETS</b>	<u><b>4,657,591</b></u>	<u>4,435,811</u>
<b>Capital and reserves</b>		
Share capital	<b>1,029,111</b>	1,029,111
Other reserves	<b>1,575,452</b>	1,543,576
Accumulated profits	<b>2,044,427</b>	1,854,715
	<u><b>4,648,990</b></u>	<u>4,427,402</u>
<b>Equity attributable to equity holders of the Company</b>	<b>4,648,990</b>	4,427,402
<b>Non-controlling interests</b>	<b>8,601</b>	8,409
	<u><b>4,657,591</b></u>	<u>4,435,811</u>
<b>TOTAL EQUITY</b>	<u><b>4,657,591</b></u>	<u>4,435,811</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 1. GENERAL

Kunming Dianchi Water Treatment Co., Ltd. was incorporated in Yunnan Province of the People's Republic of China ("PRC") on 23 December 2010 as a joint stock company with limited liabilities under the Company Law of the PRC and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Water Purification Plant No. 7, Kunming Dianchi Tourist Resort.

As at 31 December 2022, the Directors consider the Company's immediate and ultimate holding company is Kunming Dianchi Investment Co., Ltd. (昆明滇池投資責任有限公司), a state-owned enterprise established in the PRC.

The Company and its subsidiaries (together, the "Group") are principally engaged in the development, design, construction, operation and maintenance of water supply and wastewater treatment facilities in the PRC.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). There is no significant difference between the data recognised through the IASs and the data recognised in accordance with the Chinese Accounting Standards.

#### Application of amendments to IFRSs

The Group has applied, the following amendments or annual improvements for the first time to these financial statements for the current accounting period:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, plant and equipment – Proceeds before intended use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### New and amendments to IFRSs in but not yet effective

At the date of approving these consolidated financial statements, the IASB has issued a number of new/revised IFRSs that are not yet effective for the current year and which the Group has not early adopted. These include the followings which may be relevant to the Group.

Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current and Non-current Liabilities with covenants<sup>(1)</sup></i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>(2)</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>(2)</sup></i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>(2)</sup></i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback<sup>(1)</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>(3)</sup></i>

<sup>(1)</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>(2)</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>(3)</sup> The effective date to be determined

The management of the Group does not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the Group's consolidated financial statements.

### Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost basis, except for investment properties and financial liabilities at fair value through profit or loss ("FVPL") which are measured at fair value.

### 3. REVENUE AND SEGMENT INFORMATION

#### (a) Revenue

The revenue of the Group are set out as follows:

	<b>For the year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue disaggregated by major products or service lines</b>		
Wastewater treatment	<b>1,298,089</b>	1,370,283
Operating services – under TOO/BOO model	<b>926,026</b>	919,411
Operating services – under TOT/BOT model	<b>205,304</b>	162,538
Construction services – under BT model	<b>14,888</b>	3,283
Construction services – under BOT model	<b>85,680</b>	193,360
Finance income	<b>66,191</b>	91,691
Reclaimed water supply and running water supply	<b>101,234</b>	191,534
Operating services of reclaimed water supply – under TOO/BOO model	<b>21,294</b>	35,006
Operating services of running water supply – under TOT/BOT model	<b>14,810</b>	11,023
Construction services – under BT model	<b>4,199</b>	–
Construction services – under BOT model	<b>29,980</b>	112,963
Finance income	<b>30,951</b>	32,542
Others	<b>666,540</b>	755,921
Management services	<b>332,491</b>	276,855
Transportation services	<b>6,585</b>	7,775
Construction services – under BT model	–	18,565
Construction services – under BOT model	<b>117,733</b>	280,241
Thermal production	<b>144,030</b>	133,494
Others	<b>65,701</b>	38,991
	<b>2,065,863</b>	2,317,738



### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### (a) Revenue (Continued)

Except for the finance income, all the other revenue represent revenue from contracts with customers within the scope of IFRS 15.

All the above revenue is recognised over time except for revenue from water supply operation and thermal production, which are recognised at a point in time.

- “BOO” Build-Own-Operate, a project model in which an enterprise undertakes the financing, design, construction of wastewater treatment or water supply facilities, which are owned by the enterprise, and has the right to operate such facilities in the concession period, during which the enterprise can charge service fees based on the supplied treated wastewater or tap water to cover its costs of investment, operation and maintenance and obtain reasonable returns, according to the concession agreement entered into by the enterprise and the government
- “BOT” Build-Operate-Transfer, a project model whereby, pursuant to a concession agreement entered into by an enterprise and the government, the government grants to the enterprise the rights to undertake the financing, design, construction, operation and maintenance of wastewater treatment or water supply facilities in a concession period, during which the enterprise can charge service fees based on the supplied treated wastewater or water to cover its costs of investment, operation and maintenance and obtain reasonable returns while, upon the expiration of the concession period, the relevant facilities will be transferred back to the government at nil consideration
- “BT” Build and Transfer, a project model whereby an enterprise undertakes the financing, design and construction of a facility for the proprietor for certain fees to be paid during and upon the completion of the construction
- “TOO” Transfer-Own-Operate, a project model whereby an enterprise purchases completed wastewater treatment or water supply facilities from the government and undertakes the operation of such facilities owned by the enterprise in the concession period, during which the enterprise can charge service fees based on the supplied treated wastewater or tap water to cover its costs of investment, operation and maintenance and obtain reasonable returns according to the concession agreement entered into by the enterprise and the government
- “TOT” Transfer-Operate-Transfer, a project model whereby, pursuant to a concession agreement entered into by an enterprise and the government, the government grants to the enterprise the property rights or operation rights of constructed wastewater treatment or water supply facilities in the concession period, during which the enterprise can charge service fees based on the supplied treated wastewater or tap water to cover its costs of investment, operation and maintenance and obtain reasonable returns while, upon the expiration of the concession period, the relevant facilities will be transferred back to the government at nil consideration

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### (b) Segment information

The Directors have been identified as the chief operating decision-maker of the Company. Management has determined the operating segments based on reports reviewed by the Directors of the Company for the purpose of allocating resources and assessing performance.

The Directors of the Company consider the business from product and service perspective.

The Group's reportable segments are as follows:

- Wastewater treatment;
- Water supply; and
- Others, including management services, transportation services, construction services, thermal production and treasury functions.

The Directors of the Company assess the performance of the operating segments based on the measurement of revenue and operating profit. This measurement basis excludes fair value gain on financial liabilities at FVPL, finance income, finance costs, impairment loss on investment in an associate and share of results of associates.

Unallocated assets consist of deferred tax assets and investments in associates. Unallocated liabilities consist of financial liabilities at FVPL, deferred tax liabilities and income tax payable.

Capital expenditure comprises mainly additions to right-of-use assets/land use rights, property, plant and equipment and intangible assets.

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### (b) Segment information (Continued)

Segment revenue and result (i.e. the operating profit) and other information for the year ended 31 December 2022 are presented as below:

	Wastewater treatment <i>RMB'000</i>	Water supply <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers	<u>1,298,089</u>	<u>101,234</u>	<u>666,540</u>	<u>2,065,863</u>
Segment gross profit	<u>627,062</u>	<u>40,997</u>	<u>189,212</u>	<u>857,271</u>
Segment profit	<u>484,890</u>	<u>31,702</u>	<u>146,313</u>	<u>662,905</u>
Fair value gain on financial liabilities at FVPL				20,973
Finance income				39,338
Finance costs				(349,484)
Impairment loss on investment in an associate				(5,576)
Share of results of associates				<u>(691)</u>
Profit before tax				367,465
Income tax				<u>(43,330)</u>
Profit for the year				<u><u>324,135</u></u>
<b>Amounts included in the measure of segment profit or segment assets:</b>				
Depreciation of property, plant and equipment	124,122	9,680	64,435	198,237
Depreciation of right-of-use assets	8,447	659	4,385	13,491
Fair value gain on investment properties	–	–	(1,085)	(1,085)
Impairment loss on trade receivables	15,687	1,223	8,143	25,053
Impairment loss on financial assets at amortised cost	–	–	54,000	54,000
Impairment loss on other receivables	10,160	792	5,275	16,227
Impairment loss on receivables under service concession arrangements	24,143	1,883	–	26,026
Reversal of impairment loss on amounts due from customers for construction contracts	(3,621)	(1,858)	(1,341)	(6,820)
Amortisation of intangible assets	12,643	986	6,563	20,192
Capital expenditures	<u>231,252</u>	<u>18,034</u>	<u>120,049</u>	<u>369,335</u>

3. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Segment assets and liabilities as at 31 December 2022 are presented below:

	Wastewater treatment <i>RMB'000</i>	Water supply <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	<u>7,481,253</u>	<u>1,176,093</u>	<u>2,957,304</u>	<u>11,614,650</u>
<b>Unallocated:</b>				
Deferred tax assets				81,028
Investments in associates				<u>6,526</u>
<b>Total assets</b>				<u><u>11,702,204</u></u>
Segment liabilities	<u>4,384,230</u>	<u>731,065</u>	<u>1,797,984</u>	<u>6,913,279</u>
<b>Unallocated:</b>				
Deferred tax liabilities				51,903
Tax payables				<u>79,431</u>
<b>Total liabilities</b>				<u><u>7,044,613</u></u>

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### (b) Segment information (Continued)

Segment revenue and result (i.e. the operating profit) and other information for the year ended 31 December 2021 are presented as below:

	Wastewater treatment <i>RMB'000</i>	Water supply <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers	<u>1,370,283</u>	<u>191,534</u>	<u>755,921</u>	<u>2,317,738</u>
Segment gross profit	<u>610,365</u>	<u>49,812</u>	<u>64,605</u>	<u>724,782</u>
Segment profit	<u>487,391</u>	<u>22,957</u>	<u>43,857</u>	<u>554,205</u>
Fair value loss on financial liabilities at FVPL				(25,837)
Finance income				83,705
Finance costs				(213,652)
Share of results of associates				<u>(1,728)</u>
Profit before tax				396,693
Income tax				<u>(57,142)</u>
Profit for the year				<u><u>339,551</u></u>
Amounts included in the measure of segment profit or segment assets:				
Depreciation of property, plant and equipment	138,183	18,953	81,434	238,570
Depreciation of right-of-use assets	6,243	803	4,245	11,291
Fair value gain on investment properties	–	–	(2,622)	(2,622)
Impairment loss on trade receivables	7,768	8,800	5,018	21,586
Impairment loss on financial assets at amortised cost	–	–	6,000	6,000
Impairment loss on other receivables	689	780	445	1,914
Impairment loss on receivables under service concession arrangements	12,092	3,889	–	15,981
Impairment loss on amounts due from customers for construction contracts	9,865	4,247	–	14,112
Amortisation of intangible assets	16,719	923	–	17,642
Capital expenditures	<u>41,492</u>	<u>3,967</u>	<u>13,671</u>	<u>59,130</u>

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### (b) Segment information (Continued)

Segment assets and liabilities as at 31 December 2021 are presented below:

	Wastewater treatment <i>RMB'000</i>	Water supply <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment assets</b>	<u>8,641,125</u>	<u>1,211,764</u>	<u>2,117,766</u>	<u>11,970,655</u>
<b>Unallocated:</b>				
Deferred tax assets				84,490
Investments in associates				<u>12,793</u>
<b>Total assets</b>				<u><u>12,067,938</u></u>
<b>Segment liabilities</b>	<u>5,910,426</u>	<u>546,681</u>	<u>880,584</u>	<u>7,337,691</u>
<b>Unallocated:</b>				
Financial liabilities at FVPL				110,450
Deferred tax liabilities				86,492
Tax payables				<u>97,494</u>
<b>Total liabilities</b>				<u><u>7,632,127</u></u>

#### (c) Geographical information

The Group's operations are principally located in the PRC, hence, geographical segment information is not considered necessary.

#### (d) Information about major customers

The major customers whose revenue amounted to 10% or more of the Group's total revenue were as below.

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from wastewater treatment segment		
Customer A	<b>905,130</b>	573,760
Customer B	N/A*	273,056
Revenue from the other segment		
Customer C	<u><u>309,530</u></u>	<u><u>N/A*</u></u>

\* The corresponding revenue did not contribute 10% or more of the Group's revenue.

#### 4. OTHER INCOME – NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Government grants:	13,333	27,740
– relating to purchase of property plant and equipment	12,339	13,162
– relating to tax refund ( <i>Note</i> )	994	14,578
Gain on disposal of a subsidiary	19,886	–
Interest income from bank deposits	4,691	3,988
Fair value change of investment properties	1,085	2,622
Fair value gain (loss) of financial liabilities at FVPL	20,973	(25,837)
Rental income	7,333	15,437
Others	870	4,075
	<u>68,171</u>	<u>28,025</u>

*Note:* Pursuant to Notice on Issuing the Catalogue of Preferential Value-added Tax (“VAT”) Policies for Products Made through and Labor Services for Integrated Utilisation of Resources issued by the State Administration of Taxation in the PRC, companies which sell self-produced products made with integrated utilised resources or provides labor services for integrated utilisation of resources can enjoy the policy of value-added tax refund upon collection from 1 July 2015. The wastewater treatment business and the reclaimed water supply business of the Group which fall into the catalogue are qualified to enjoy 70% (2021: 70% and 50% respectively) VAT refund.

#### 5. OTHER LOSSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss on disposal of property, plant and equipment – net	98	430
Donation	–	79
Penalty expenses	–	906
Penalty expenses – compensation for breach of contract	–	1,450
Others	792	500
	<u>890</u>	<u>3,365</u>

## 6. EXPENSES BY NATURE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Depreciation of property, plant and equipment	198,237	238,570
Utilities, electricity and office expenditures	56,252	120,798
Employee benefit expenses	215,499	185,214
Costs of wastewater and water supply services	301,129	201,176
Cost of construction services	222,100	587,501
Taxes and levies	25,393	33,396
Repair and maintenance costs	42,620	27,313
Commission charge	2,791	9,733
Depreciation of right-of-use assets	13,491	11,291
Subcontracting costs	26,126	90,921
Professional expenses	36,306	16,006
Research and development expenses	542	7,299
Amortisation of intangible assets	20,192	17,642
Auditor's remuneration	2,700	3,170
Fuels expenses	124,474	109,935
Reversal of write-down of inventories	–	(2,246)
Miscellaneous	46,928	96,718
	<u>1,334,780</u>	<u>1,754,437</u>
Total cost of sales, selling expenses, administrative expenses and research and development expenses	<u>1,334,780</u>	<u>1,754,437</u>

## 7. FINANCE COSTS – NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Finance income:</b>		
– Interest income charged to related parties	38,987	83,705
– Interest income charged to a third party	351	–
	<u>39,338</u>	<u>83,705</u>
<b>Finance costs:</b>		
– Total interest expenses on borrowings	(283,986)	(257,655)
– Interest expenses on unsecured borrowings	(166,598)	(178,845)
– interest expenses on corporate bonds	(2,849)	(2,768)
– Interest expenses on secured borrowings	(114,539)	(76,042)
– Less: borrowing costs capitalised in property, plant and equipment	31,064	6,017
– Interest expenses – net	(252,922)	(251,638)
– Exchange (loss) gain – net	(91,044)	39,079
– Others	(5,518)	(1,093)
	<u>(349,484)</u>	<u>(213,652)</u>
Finance costs – net	<u>(310,146)</u>	<u>(129,947)</u>



**8. INCOME TAX**

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>Current Tax – Hong Kong Profits Tax</b>		
Provision for the year	–	3,308
<b>Current tax – the PRC Corporate Income Tax</b>		
Provision for the year	75,442	61,078
Over-provision in respect of prior years	(3,035)	(606)
	<u>72,407</u>	<u>60,472</u>
Deferred tax	<u>(29,077)</u>	<u>(6,638)</u>
Income tax	<u><u>43,330</u></u>	<u><u>57,142</u></u>

**9. EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	<b>2022</b>	2021
Profit attributable to equity holders of the Company ( <i>RMB'000</i> )	<b>322,250</b>	338,278
Weighted average number of ordinary shares in issue ( <i>thousand</i> )	<u><b>1,029,111</b></u>	<u>1,029,111</u>
Basic earnings per share ( <i>RMB</i> )	<u><u><b>0.31</b></u></u>	<u><u>0.33</u></u>

The diluted earnings per share are same as the basic earnings per share as there was no dilutive potential share during the years ended 31 December 2022 and 2021.

## 10. DIVIDENDS

	2022 RMB'000	2021 RMB'000
(a) Final dividends for the year ended 31 December 2021 of RMB0.10 per share (tax inclusive) (2020: RMB0.12 (tax inclusive)) (Notes (i) and (iii))	102,911	123,493
(b) Interim dividends for the six months ended 30 June 2022 of RMBNil per share (tax inclusive) (for the six months ended 30 June 2021: RMB0.05 (tax inclusive)) (Notes (ii) and (iv))	—	51,455
	<u>102,911</u>	<u>174,948</u>
(c) Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since year end the Board has recommended the payment of a final dividend of RMB Nil per share (tax inclusive) for 2022 (2021: RMB0.10 (tax inclusive)).	—	102,911
	<u>—</u>	<u>102,911</u>

### Notes:

- (i) As approved by the annual general meeting on 29 June 2022, the Company declared a dividend of approximately RMB102,911,000 (tax inclusive) in respect of the accumulated distributable profit as at 31 December 2021. The declaration of the dividend has been reflected as an appropriation of accumulated profits during the year ended 31 December 2022. The dividends were paid out during the year ended 31 December 2022.
- (ii) The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022.
- (iii) As approved by the annual general meeting on 18 June 2021, the Company declared a dividend of approximately RMB123,493,000 (tax inclusive) in respect of the accumulated distributable profit as at 31 December 2020. The declaration of the dividend has been reflected as an appropriation of accumulated profits during the year ended 31 December 2021. The dividends were paid out during the year ended 31 December 2021.
- (iv) As approved by the extraordinary general meeting on 12 November 2021, the Company declared an interim dividend of approximately RMB51,455,000 (tax inclusive) in respect of the accumulated distributable profit as at 30 June 2021. The declaration of the interim dividends has been reflected as an appropriation of accumulated profits during the six months ended 30 June 2021. The interim dividends were paid out during the year ended 31 December 2021.

## 11. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

Summarised information of the financial assets component (receivables under service concession arrangements) with respect to the Group's service concession arrangements is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Receivables under service concession arrangements</b>		
Current portion:		
Receivables under service concession arrangements	45,029	5,495
Loss allowance	<u>(901)</u>	<u>(32)</u>
	<u>44,128</u>	<u>5,463</u>
Non-current portion:		
Receivables under service concession arrangements	2,600,616	2,761,353
Loss allowance	<u>(54,195)</u>	<u>(29,002)</u>
	<u>2,546,421</u>	<u>2,732,351</u>
	<u>2,590,549</u>	<u>2,737,814</u>

As at 31 December 2022 and 2021, the carrying amounts of receivables under service concession arrangements are principally denominated in RMB.

The receivables under service concession arrangements were mainly due from governmental authorities in the PRC, as grantors in respect of the Group's service concession arrangements in which the Group has an unconditional right to receive cash.

## 12. AMOUNTS DUE FROM CUSTOMERS FOR CONSTRUCTION CONTRACTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>The amount due from customers for construction contracts represent contract assets under BT arrangements:</b>		
Current portion:		
Amounts due from customers for construction contracts	36,329	23,340
Loss allowance	<u>(727)</u>	<u>(555)</u>
	<u>35,602</u>	<u>22,785</u>
Non-current portion:		
Amounts due from customers for construction contracts	689,505	580,496
Loss allowance	<u>(13,790)</u>	<u>(20,782)</u>
	<u>675,715</u>	<u>559,714</u>
	<u>711,317</u>	<u>582,499</u>

As at 31 December 2022 and 2021, the carrying amounts of amounts due from customers for construction contracts are principally denominated in RMB.

### 13. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Trade receivables (Note (b)):</b>		
– Third parties	202,799	107,999
– Related parties	551,514	277,462
– Local government	2,200,998	1,381,406
– Loss allowance	<u>(81,712)</u>	<u>(56,898)</u>
<b>Trade receivables – net</b>	<u><b>2,873,599</b></u>	<u>1,709,969</u>
<b>Other receivables:</b>		
– Third parties	99,155	149,949
– Related parties	584,390	865,438
– Local government	70,666	53,891
– Loss allowance	<u>(23,671)</u>	<u>(7,447)</u>
<b>Other receivables – net</b>	<u><b>730,540</b></u>	<u>1,061,831</u>
Prepayments:		
– Others	72,204	112,224
– Loss allowance	<u>(4)</u>	<u>(4)</u>
<b>Prepayments – net</b>	<u><b>72,200</b></u>	<u>112,220</u>
<b>Trade and other receivables – net</b>	<u><b>3,676,339</b></u>	<u><b>2,884,020</b></u>

*Notes:*

- (a) As at 31 December 2022 and 2021, the carrying amounts of trade and other receivables are principally denominated in RMB. The trade receivables are due for payment upon presentation of invoices.
- (b) Ageing analysis of gross trade receivables at the end of the reporting period, based on the invoice dates, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
– Within one year	1,771,954	1,238,288
– Over one year and within two years	1,041,909	467,025
– Over two years	<u>141,448</u>	<u>61,554</u>
	<u><b>2,955,311</b></u>	<u><b>1,766,867</b></u>

#### 14. TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables to third parties ( <i>Note b</i> )	295,842	317,188
Other payables due to:	172,989	183,428
– related parties	12,104	11,513
– local government	840	500
– third parties	160,045	171,415
Notes payable	20,063	–
Consideration payable for acquisition of subsidiaries	16,464	34,150
Staff salaries and welfare payables	42,704	42,898
Payables for acquisition of property, plant and equipment due to:	175,322	17,829
– related parties	28,942	16,040
– third parties	146,380	1,789
Payables for acquisition of land use rights from related parties	31,000	58,194
Interest payables	25,442	7,537
Accrued taxes other than income tax	26,584	17,758
	<u>806,410</u>	<u>678,982</u>

#### Notes:

- (a) As at 31 December 2022 and 2021, the carrying amounts of trade and other payables are principally denominated in RMB.
- (b) Ageing analysis of trade payables to third parties based on the invoice dates at the end of the reporting period is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
– Within one year	192,094	198,579
– Over one year and within two	4,651	37,523
– Over two years	99,097	81,086
	<u>295,842</u>	<u>317,188</u>

#### 15. EVENTS AFTER THE REPORTING PERIOD

There was no significant events affecting the Group after the year end up to the date of this announcement.

## **II. MANAGEMENT DISCUSSION AND ANALYSIS**

### **A. OPERATING ENVIRONMENT**

In 2022, the geopolitical situation was turbulent. The downside risks of the world economy were increasing. The domestic economy was repeatedly impacted by multiple unexpected factors such as frequent outbreaks of epidemics and extremely high temperature weather. The complexity, severity and uncertainty of development environment were on the rise. On the whole, however, the economy of the PRC overcame difficulties and made steady and long-term progress in a stable manner, demonstrating strong resilience and dynamism. The pace of steady progress was solid and powerful.

The year of 2022 was a crucial year for the implementation of the “14th Five-Year Plan” and for intensifying the battle against pollution. The report of the 20th National Congress of the Communist Party of the PRC proposed that it is necessary to firmly establish and practise the concept that green water and green mountains are mountains of gold and silver, further promoting the prevention and control of environmental pollution and continuing to fight the battle to defend blue sky, clear water and pure land. During the “14th Five-Year Plan” period, there is still room for development of the wastewater treatment industry, to which the Company’s principal business belong, with the continuous release of demand from the rising urbanisation rate, quality and efficiency improvement of wastewater, and load control of wastewater treatment plants. In the future, the water and environmental protection industry will develop in a high-quality direction of refinement, wisdom, resourcefulness, low carbon, ecology and socialisation.

#### **1. Overview of Wastewater Treatment Industry**

Since the “14th Five-Year Plan”, the country has paid great attention to the healthy development of the wastewater treatment industry. In order to continue to fight the tough battle of pollution prevention and control, and achieve green development and dual carbon goals, in 2022, the PRC successively issued the “Guiding Opinions on Accelerating the Construction of Urban Environmental Infrastructure”\* (《關於加快推進城鎮環境基礎設施建設的指導意見》), the “14th Five-Year Plan for Comprehensive Management of Water Environment in Key River Basins”\* (《「十四五」重點流域水環境綜合治理規劃》) and other documents, which proposed higher quality development requirements for the collection and treatment targets, pipeline network renovation requirements and the expansion and renovation of wastewater treatment facilities of the wastewater treatment industry in the future. With the continuous implementation of relevant policies, local governments will also continue to increase the investment of resources in the wastewater treatment industry.

Moreover, the water market has entered an era of professional operation. The focus of business has changed from rebuilding facilities to improving quality and efficiency and sustainable development. The operation and maintenance of wastewater networks, wastewater collection rates, pollutant reduction rates and recycled water utilisation, etc. are increasingly important, and promoting green and sustainable development of the industry becomes the direction of future development.

## **2. Overview of Reclaimed Water Industry**

In recent years, the PRC has actively promoted the resourceful use of wastewater, however, the construction of wastewater resourceful use facilities has lagged behind and the pattern of water supply according to demand and quality has yet to be formed. In January 2022, the PRC issued the “Guiding Opinions on Accelerating the Construction of Urban Environmental Infrastructure”\* (《關於加快推進城鎮環境基礎設施建設的指導意見》) which proposed that by 2025, new construction, reconstruction and expansion of reclaimed water capacity will not be less than 15 million cubic metres per day. Meanwhile, under the “Guiding Opinions on Promoting the Resourceful Use of Wastewater”\* (《關於推進污水資源化利用的指導意見》) and its “1+N” policy system, reclaimed water will be gradually incorporated into the urban water supply system and integrated into the unified allocation of water resources which will be gradually promoted in the fields of industrial production, municipal miscellaneous use and ecological environment, etc. It is expected that, during the “14th Five-Year Plan” period, the use of reclaimed water in the PRC will be developed more rapidly. Planning, construction, operation, maintenance and management of reclaimed water plants have huge development potential and market space.

## **3. Overview of Municipal Water Supply Industry**

In recent years, with the implementation of the national rural revitalization strategy and the increase in urbanization rate, the municipal water supply industry has maintained a steady development trend.

In the future, with the in-depth implementation of the “Urban Water Supply Price Management Measures”\* (《城鎮供水價格管理辦法》) and “Urban Water Supply Pricing and Cost Monitoring Measures”\* (《城鎮供水定價成本監審辦法》) and other policies, they will have a positive impact on in clearing fees and smoothing prices for water supply enterprises and achieving sustainable development. The accelerating urbanisation of the PRC and the continuous advancement of the development strategy of urban-rural water supply integration will be an inexhaustible impetus for the sustainable development of the industry which will also put forward higher requirements for high-quality development of the water industry.

#### **4. Impact of the COVID-19 Pandemic**

The outbreak of COVID-19 that has been spreading around the world since 2020 has caused extensive impact on the health and economy of the world. Facing the challenges from the pandemic, the Group prioritised to guarantee that, during the pandemic, the quality of wastewater treatment, reclaimed water and running water supply fulfilled relevant standards, while ensuring the safety and health of the employees. During the Reporting Period, all wastewater treatment plants, reclaimed water supply facilities and running water supply facilities of the Company maintained normal operation, and wastewater treatment volume increased steadily as compared to the same period of previous year. During the Reporting Period, the COVID-19 pandemic did not cause any material and adverse impact on the Group's production and operation.

As the main business of the Company is water treatment, revenue is mainly generated from the local governments. To combat the pandemic with unremitting effort, the fiscal expenditures of the local governments are prioritised for pandemic prevention and the “Six Stability and Six Guarantees”, which may have an impact on the timing of settlement of receivables from local government. At the end of 2022, the Chinese government optimized and adjusted the epidemic prevention and control measures, and the Chinese economy was also accelerating its recovery. Meanwhile, the Company has also set up a dedicated receivables management leading team to formulate collection plans for each of the Company's receivables which intensifies collection efforts. As such, we are of the view that the pandemic of COVID-19 will not have a significant and adverse impact on the Company's cash flow, production and operation.

#### **B. DEVELOPMENT STRATEGY AND PROSPECTS**

Looking ahead to 2023, although the external environment is complicated and severe, the PRC's economy has strong resilience with sufficient potential and wide room for manoeuvre. Long-term and positive fundamentals remain unchanged. As the epidemic prevention and control has entered a new stage, the order of production and life will be restored at an accelerated pace and the endogenous momentum of economic growth will continue to accumulate and strengthen. In 2023, China's economic performance is expected to recover in general.



The year of 2023 is the inaugural year for the full implementation of the spirit of the 20th National Congress of the Communist Party of the PRC. Guided by the “National Development Plan for the Resource Utilization of Urban Wastewater Treatment Agents in the 14th Five-Year Plan”\* (十四五城鎮污水處理劑資源化利用發展規劃) and the “14th Five-Year Plan for the Development of the Environmental Protection Industry”\* (十四五環保產業發展規劃) in Yunnan Province, etc., the Company adheres to the development philosophy of “unitary domination with diversified development”, upholds the general working keynote of “stability as the first priority” and is committed to enhancing its comprehensive ecological and environmental management capabilities. In the future, the Company will continue to cultivate its main wastewater treatment business, actively explore solid waste treatment and disposal, continue to develop new strategic businesses such as comprehensive use of high-quality reclaimed water, distribute photovoltaic power generation and continue to build up its professional system service capability in the water industry. We will focus on stabilising operations, improving performance, grasping projects, expanding financing, promoting reform, strengthening the team, consolidating inventories, increasing the volume, and coordinating sustainable development of the Company. On the one hand, we will maintain a steady improvement in core business operations, optimise and improve corporate governance and risk management mechanisms, revitalise existing assets, broaden financing channels and steadily promote the Company’s various operation and management; and, on the other hand, guided by national strategies and market demands, we will strengthen and optimize main business, seize new opportunities in market development and achieve high-quality development of the Company.

### **C. BUSINESS REVIEW**

We principally adopt the TOO, TOT and BOT project models, with a focus on the TOO model. For the year ended 31 December 2022, our TOO projects contributed to 44.1% of our total revenue. Our TOT and BOT projects contributed to 25.2% of our total revenue. We also adopt the BOO and BT project models for some of our projects.

For the TOO and TOT models, we acquire concessions to operate existing facilities at agreed prices from the relevant local governments. For the BOT model, we finance, construct and operate relevant facilities. After the expiration of the relevant concessions, we either obtained new concessions from or transferred the relevant facilities back to the relevant local governments, depending on project types. As of 31 December 2022, we had a total of 48 plants (40 wastewater treatment plants and 8 running water plants) under concession agreements, of which 47 plants were in operation and 1 plant was under construction. Among the 47 plants in operation, 14 were TOO projects, 21 were TOT projects, 10 were BOT projects and 2 were BOO projects.

During the Reporting Period, the utilisation rate of our facilities was maintained at a high level. For the year ended 31 December 2022, the total volume of wastewater treated was approximately 718.9 million m<sup>3</sup> with an average facility utilisation rate of approximately 97%.

## **Wastewater Treatment Projects**

As of 31 December 2022, we had a total of 40 wastewater treatment plants in operation (including 14 in Kunming and 26 in other areas of the PRC), with a total wastewater treatment capacity of 2.03 million m<sup>3</sup> per day. With our technologically advanced facilities, independently developed patents and strong management skills, we have been able to maintain low costs while provide high quality wastewater treatment services. The Company's wastewater treatment plants in operation adopt a variety of processes such as oxidation ditch, A2/O, ICEAS, MBR, CAST and SBR. The Company's core competitiveness in the wastewater treatment industry is its extensive and comprehensive operational management experience and technical management team.

In addition, we provided operation management services to 25 facilities under entrustment with a designed total wastewater treatment capacity of approximately 0.48 million m<sup>3</sup> per day. We have been entrusted to operate and manage rural domestic sewage collection and treatment facilities in 886 villages, covering 19 towns.

## **Reclaimed Water Business**

For our reclaimed water business, as of 31 December 2022, we had 12 of our wastewater treatment plants producing reclaimed water, with a total designed daily production capacity of 237,000 m<sup>3</sup>. Customers of our reclaimed water include commercial and industrial establishments, enterprises and public institutions and other entities in Kunming. During the Reporting Period, reclaimed water supply was 56.588 million m<sup>3</sup>.

During the Reporting Period, our reclaimed water supply maintained a stable growth. The Company has wastewater treatment plants in a number of regions across the country, which lay a solid foundation for the future development of our reclaimed water business in those regions, and we will continue to promote the development of our reclaimed water business in accordance with local policies and market demand and supply conditions.

## **Running Water Business**

For our running water business, as of 31 December 2022, we had 7 running water plants in the PRC, and 1 running water plant under construction. During the Reporting Period, the supply of running water amounted to 17.231 million m<sup>3</sup>, and the quality of water supplied met the requirements of the "Standards for Drinking Water Quality GB5749-2022"\* (《生活飲用水衛生標準GB5749-2022》).

## **D. MAJOR RISKS**

The operational risks facing the Group are mainly the capital-intensive characteristics of the industry, requirements of water quality standards and other force majeure events.

### **Capital-intensive characteristics of the industry**

We are engaged in wastewater treatment, reclaimed water supply and running water supply projects, which typically require significant initial cash outlays and have long payback periods. On average, the investment payback periods for our projects range from five to ten years. If we fail to obtain financing or refinancing for such projects in the amounts required, we may need to finance these projects from our internal resources, which may strain our resources for other corporate purposes. Additionally, we may fail to properly perform our obligations in respect of these projects as a result of a funding shortage, which may lead to a reduction in our returns and may even lead to the loss of our initial capital investments.

We are required to make substantial capital investments during the initial phases of our projects. These investments are primarily dependent on the funds we raise in our global offering, bank loans, corporate bonds and other means to finance. For the year ended 31 December 2022, our total interest-bearing liabilities amounted to RMB5,869.1 million, representing a decrease of 8.4% from RMB6,405.9 million in 2021. As of 31 December 2022, our net gearing ratio, calculated as net debt divided by total capital, was 54.4%.

We expect to continue to utilise bank loans, corporate bonds and a diverse combination of financing facilities to finance a portion of our investments in our projects. The interest rate of bank loans is mainly affected by the quoted market rate of RMB loans issued by the National Interbank Funding Center each month. Increase in interest rates may increase our total interest expenses on RMB borrowings. The financing efficiency and financing cost of corporate bonds and other financing instruments are affected by factors such as the economic environment, financing market conditions and the Company's own operating conditions. Changes in relevant factors may affect the Company's financing efficiency and financing costs.

## **Requirements of water quality standards**

Our wastewater treatment, reclaimed water supply and running water supply facilities are built to treat wastewater and raw water to specified quality standards. The quality of our treated wastewater and supplied reclaimed and running water depends on the level of pollution of the inflow of wastewater into our facilities and normal operation of our facilities. We are subject to risks of unknown or undiscovered inflow of wastewater into our equipment that exceeds our treatment capacity or defects or compatibility problems with our equipment. We cannot assure that we will always be able to timely discover and repair malfunctioning equipment or any other problems with our treatment process or facilities. In such circumstances, our facilities may not be able to treat wastewater or raw water in compliance with the relevant regulatory and contractual standards, which could result in us being subject to claims from our customers or governmental penalties, and could lead to the suspension of our operations pending rectification as well as reputational damage. In addition, the incoming wastewater or raw water to be treated by our facilities may contain pollutants exceeding the types and quantity of pollutants that we contemplated during the design and construction of the facilities which will adversely affect our operating costs, deterioration of our facilities and effluent quality.

## **Force majeure events**

Any future occurrence of force majeure events, natural disasters or outbreaks of pandemics may restrict business in the areas affected and adversely affect our business and results of operations. These risks include damage to facilities, equipment and structures caused by natural disasters such as heavy rainfall, extremely high or low temperatures and lightning strikes, resulting in interruption of production operation and damage to facilities and equipment. The Company has formulated contingency plans to respond to unexpected force majeure events and conducts emergency drills in daily operation to enhance the ability of the Company and its employees to respond to such events, and procures relevant materials and conducts safety inspections before the onset of the rainy season in places where it operates to reduce the impact of such force majeure events on the Company.

## **E. FINANCIAL REVIEW**

### **1. Consolidated Results of Operations**

Our revenue decreased by RMB251.8 million, or 10.9%, to RMB2,065.9 million for the year ended 31 December 2022, from RMB2,317.7 million for the year ended 31 December 2021. Gross profits increased by RMB132.5 million, or 18.3%, to RMB857.3 million for the year ended 31 December 2022, from RMB724.8 million for the year ended 31 December 2021. During the Reporting Period, revenue from wastewater treatment services, reclaimed water and running water supply and other segments accounted for 63%, 5% and 32% of the total revenue, respectively.

The following discussion addresses the principal trends that have affected our results of operations during the Reporting Period. The following table sets out our consolidated results of operations for the periods indicated:

	<b>For the year ended 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<i>RMB'000</i>
<b>Revenue</b>	<b>2,065,863</b>	2,317,738
Cost of sales	<u>(1,208,592)</u>	<u>(1,592,956)</u>
<b>Gross profit</b>	<b>857,271</b>	724,782
Selling expenses	(4,339)	(13,705)
Administrative expenses	(121,307)	(140,477)
Research and development expenses	(542)	(7,299)
Impairment loss on investment in an associate	(5,576)	–
Net impairment losses on financial assets	(114,486)	(59,593)
Other income – net	68,171	28,025
Other losses	<u>(890)</u>	<u>(3,365)</u>
<b>Operating profit</b>	<u><b>678,302</b></u>	<u>528,368</u>
Finance income	39,338	83,705
Finance costs	<u>(349,484)</u>	<u>(213,652)</u>
Finance costs – net	(310,146)	(129,947)
Share of results of associates	<u>(691)</u>	<u>(1,728)</u>
<b>Profit before tax</b>	<b>367,465</b>	396,693
Income tax	<u>(43,330)</u>	<u>(57,142)</u>
<b>Profit for the year</b>	<b>324,135</b>	339,551
Other comprehensive income	<u>(1,049)</u>	<u>(1,219)</u>
<b>Total comprehensive income for the year</b>	<u><b>323,086</b></u>	<u>338,332</u>

**a. Revenue**

Our revenue decreased by RMB251.8 million, or 10.9%, to RMB2,065.9 million for the year ended 31 December 2022 from RMB2,317.7 million for the year ended 31 December 2021, primarily due to:

- Our revenue from wastewater treatment business decreased by RMB72.2 million or 5.3% from RMB1,370.3 million for the year ended 31 December 2021 to RMB1,298.1 million for the year ended 31 December 2022. In particular, wastewater treatment operating income increased by RMB49.4 million; the construction income decreased by approximately RMB96.1 million, which was mainly due to the decrease in new wastewater treatment construction projects in 2022, and decrease in investment in existing projects as compared to 2021 as such projects gradually entered the final stage of construction; and the decrease in finance income of approximately RMB25.5 million.
- Our revenue from water supply segment decreased by RMB90.3 million or 47.2% from RMB191.5 million for the year ended 31 December 2021 to RMB101.2 million for the year ended 31 December 2022. In particular, water supply operating income decreased by approximately RMB9.9 million, which was mainly due to the decrease in water supply income due to the change in structure of water supply operation services; the construction income decreased by approximately RMB78.8 million, which was mainly due to the decrease in new reclaimed water supply and fresh water supply construction projects in 2022, and decrease in investment in existing projects as compared to 2021 as such projects gradually entered the final stage of construction; and the decrease in finance income of approximately RMB1.6 million.
- Our revenue from other segments decreased by RMB89.4 million or 11.8% from RMB755.9 million for the year ended 31 December 2021 to RMB666.5 million for the year ended 31 December 2022. The management service income increased by approximately RMB55.6 million resulting from the increase in water treatment volume of entrusted management business provided by the Company in 2022; the construction income decreased by approximately RMB181.1 million resulting from the decrease in investment in existing projects such as the Kunming Domestic Waste Sanitary Landfill Construction Project as compared to 2021. The gas and thermal supply increased during the year, resulting in an increase of approximately RMB10.5 million in relevant income.

**b. Cost of sales**

Our cost of sales decreased by RMB384.4 million, or 24.1%, to RMB1,208.6 million for the year ended 31 December 2022, from RMB1,593.0 million for the year ended 31 December 2021. Details are as follows:

- Our cost of sales for wastewater treatment segment decreased by RMB88.9 million, or 11.7%, to RMB671.0 million for the year ended 31 December 2022, from RMB759.9 million for the year ended 31 December 2021, which was mainly due to the decrease in cost of wastewater treatment operation services of RMB72.3 million during the Reporting Period.
- Our cost of sales for water supply segment decreased by RMB81.5 million, or 57.5%, to RMB60.2 million for the year ended 31 December 2022, from RMB141.7 million for the year ended 31 December 2021, which was mainly due to the decrease in construction cost of approximately RMB71.6 million resulting from the decrease in new water supply construction projects during the Reporting Period and decrease in investment in existing projects as compared to 2021.
- Our cost of sales for other segments decreased by RMB214.0 million, or 31.0%, to RMB477.3 million for the year ended 31 December 2022, from RMB691.3 million for the year ended 31 December 2021. In particular, the entrusted management costs decreased by approximately RMB44.5 million; the construction cost decreased by approximately RMB168.3 million resulting from the decrease in investment in existing projects such as the Kunming Domestic Waste Sanitary Landfill Construction Project as compared to 2021. In addition, the cost of gas and power supply increased by approximately RMB27.3 million.

**c. Gross margin**

Our gross profit increased by RMB132.5 million, or 18.3%, to RMB857.3 million for the year ended 31 December 2022, from RMB724.8 million for the year ended 31 December 2021, which was mainly due to the increase in gross profit from wastewater treatment segment of RMB16.7 million, decrease in gross profit from water supply segment of RMB8.8 million and increase in gross profit from other segments of RMB124.6 million.

Our gross margin increased by 10.2% from 31.3% for the year ended 31 December 2021 to 41.5% for the year ended 31 December 2022, which was mainly due to the significant increase in gross margin of water supply segment and other segments as compared to 2021.

- Our gross profit from wastewater treatment segment increased by RMB16.7 million, or 2.7%, to RMB627.1 million for the year ended 31 December 2022, from RMB610.4 million for the year ended 31 December 2021. Our segment gross margin increased by 3.8% from 44.5% for the year ended 31 December 2021 to 48.3% for the year ended 31 December 2022.

- Our gross profit from water supply segment decreased by RMB8.8 million, or 17.7%, to RMB41.0 million for the year ended 31 December 2022, from RMB49.8 million for the year ended 31 December 2021. Our segment gross margin increased by 14.5% from 26.0% for the year ended 31 December 2021 to 40.5% for the year ended 31 December 2022, which was mainly due to the decrease in proportion of construction business with relatively low profit margin during the Reporting Period, resulting in increase in overall profit margin.
- Our gross profit from other segments increased by RMB124.6 million, or 192.9%, to RMB189.2 million for the year ended 31 December 2022, from RMB64.6 million for the year ended 31 December 2021. Our segment gross margin increased by 19.9% from 8.5% for the year ended 31 December 2021 to 28.4% for the year ended 31 December 2022, which was mainly due to the increase in profit margin of entrusted management business and decrease in proportion of the Kunming Domestic Waste Sanitary Landfill Construction Project with decreased investment in construction during the Reporting Period, resulting in increase in overall profit margin.

**d. *Selling expenses***

Our selling expenses decreased by RMB9.4 million or 68.6% from RMB13.7 million for the year ended 31 December 2021 to RMB4.3 million for the year ended 31 December 2022, which was mainly due to the decrease in sales handling fees and commission expenses during the Reporting Period.

**e. *Administrative expenses***

Administrative expenses decreased by RMB19.2 million, or 13.7%, to RMB121.3 million for the year ended 31 December 2022, from RMB140.5 million for the year ended 31 December 2021, which was mainly due to the decrease in technical service cost.

**f. *Research and development expenses***

Research and development expenses decreased by RMB6.8 million, or 93.2%, to RMB0.5 million for the year ended 31 December 2022, from RMB7.3 million for the year ended 31 December 2021.

**g. *Net impairment losses on financial assets***

Impairment losses on financial assets increased by RMB54.9 million from RMB59.6 million for the year ended 31 December 2021 to RMB114.5 million for the year ended 31 December 2022, which was mainly due to the increase in provision for losses that need to be recognised for trade receivables and receivables under concession agreements.



***h. Other income – net***

Our other income – net increased from RMB28.0 million for the year ended 31 December 2021 to RMB68.2 million for the year ended 31 December 2022, representing an increase of RMB40.2 million or 143.6%, which was mainly due to the gain on disposal of RMB19.9 million from the disposal of Fanchang Dianchi Water Treatment Co., Ltd. (“**Fanchang Dianchi Water**”), a subsidiary, during the Reporting Period; and fair value gain of financial liabilities at fair value through profit or loss of RMB21.0 million.

***i. Other losses***

Our other losses decreased to other losses of RMB0.9 million for the year ended 31 December 2022, from other losses of RMB3.4 million for the year ended 31 December 2021, which was mainly attributable to the decrease in compensation expense.

***j. Operating profit***

As a result of the foregoing factors, our operating profit increased by RMB149.9 million, or 28.4%, to RMB678.3 million for the year ended 31 December 2022, from RMB528.4 million for the year ended 31 December 2021. Our operating margins for the years ended 31 December 2022 and 2021 were 32.8% and 22.8%, respectively.

***k. Finance income***

Our finance income decreased by RMB44.4 million, or 53.0%, to RMB39.3 million for the year ended 31 December 2022, from RMB83.7 million for the year ended 31 December 2021, primarily due to the decrease in interest income from borrowings to related parties.

***l. Finance costs***

Our finance costs increased by RMB135.8 million, or 63.5%, to RMB349.5 million for the year ended 31 December 2022, from RMB213.7 million for the year ended 31 December 2021, primarily due to the exchange loss of RMB91.0 million from the foreign currency borrowings of the Company due to change in foreign exchange in 2022, representing an increase of RMB130.1 million from last year.

***m. Profit before income tax***

As a result of the foregoing factors, our profit before income tax decreased by RMB29.2 million, or 7.4%, to RMB367.5 million for the year ended 31 December 2022 from RMB396.7 million for the year ended 31 December 2021.

**n. *Income tax***

We incurred income tax expenses of RMB57.1 million for the year ended 31 December 2021 and RMB43.3 million for the year ended 31 December 2022 at effective tax rates of 14.4% and 11.8%, respectively. Certain subsidiaries were eligible for the preferential corporate income tax rate for small and micro-profit enterprises and certain subsidiaries were eligible for the preferential 15% corporate income tax rate under the “Western Development Policy” during the year. In addition, certain newly upgraded wastewater treatment facilities owned by certain PRC subsidiaries meet the criteria provided in the catalogue for public basic infrastructure projects qualified for corporate income tax preferential treatments and are entitled to three years’ exemption from corporate income tax followed by three years of a 50% tax reduction on relevant taxable income derived from such new projects, and certain PRC subsidiaries used resources specified in the catalogue of resources comprehensive utilization projects eligible for preferential corporate income tax rate and 10% of the income of such subsidiaries was not subject to corporate income tax. As a result, the effective tax rate for 2022 is different from the effective tax rate for 2021.

**o. *Total comprehensive income***

As a result of the foregoing factors, our total comprehensive income decreased by RMB15.2 million, or 4.5%, to RMB323.1 million for the year ended 31 December 2022 from RMB338.3 million for the year ended 31 December 2021.

**2. *Liquidity and Capital Resources***

Our primary uses of cash are for investing in, constructing, operating and maintaining our wastewater treatment and water supply facilities. To date, we have funded our investments and operations principally with bank loans, cash generated from our operations, equity contributions and issuance of debt instruments.

The following table sets out our cash flows for the years indicated:

	<b>For the year ended 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<i>RMB'000</i>
Net cash used in operating activities	<b>(302,629)</b>	(716,957)
Net cash (used in) from investing activities	<b>(96,537)</b>	230,908
Net cash (used in) from financing activities	<b>(973,537)</b>	1,244,124
	<hr/>	<hr/>
Net (decrease)increase in cash and cash equivalents	<b>(1,372,703)</b>	758,075
Effect of change in foreign exchange rates	<b>(149)</b>	(3,669)
Cash and cash equivalents at the beginning of the Reporting Period	<b>1,504,346</b>	749,940
	<hr/>	<hr/>
Cash and cash equivalents at the end of the Reporting Period	<b>131,494</b>	1,504,346
	<hr/> <hr/>	<hr/> <hr/>

**a. Net cash used in operating activities**

Our net cash used in operating activities primarily consists of cash received from our clients for services provided by us which net of used cash in our operations for the purchase of raw materials and other inventories, payments to suppliers and subcontractors, payments of expenses such as salaries and benefits, and payments of interest and income tax.

For the year ended 31 December 2022, our net cash used in operating activities was net outflow of RMB302.6 million, primarily comprising cash used in operations amounting to RMB15.0 million, income tax paid amounting to RMB90.5 million and interest paid amounting to RMB197.1 million. The net cash used in operating activities in 2022 increased by RMB414.3 million compared with that of 2021, primarily due to the decrease in cash used in operations in 2022 as compared to 2021.

**b. Net cash (used in) from investing activities**

Our net cash (used in) from investing activities has principally been used to purchase property, plant and equipment, loans to related parties and other investments.

As of 31 December 2022, the net cash (used in) from investing activities amounted to net outflow of RMB96.5 million, primarily comprising the purchase of property, plant and equipment amounting to RMB366.4 million, purchase of intangible assets amounting to RMB2.9 million, net collection of loans granted to related parties amounting to RMB140.0 million and interests received amounting to RMB29.2 million. The net cash used in investing activities in 2022 decreased by RMB327.4 million compared with that of 2021, primarily due to the increase in cost of purchase of property and intangible assets as compared to last year.

**c. Net cash (used in) from financing activities**

Our net cash (used in) from financing activities primarily represents repaying and obtaining borrowings. Our net cash generated from financing activities decreased from net inflow of RMB1,244.1 million for the year ended 31 December 2021 to net outflow of RMB973.5 million for the year ended 31 December 2022, which was primarily attributable to an increase in repayment of borrowings in 2022 compared with 2021.

**3. Working Capital**

The table below presents our current assets and current liabilities as of the dates indicated:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Current assets</b>		
Receivables under service concession arrangements	<b>44,128</b>	5,463
Amounts due from customers for construction contracts	<b>35,602</b>	22,785
Inventories	<b>21,890</b>	16,595
Financial assets at amortised cost	<b>240,000</b>	294,000
Trade and other receivables	<b>3,676,339</b>	2,884,020
Cash and bank balances	<b>131,494</b>	1,504,346
Restricted funds	<b>181,194</b>	49,650
	<u>4,330,647</u>	<u>4,776,859</u>
<b>Total current assets</b>		
<b>Current liabilities</b>		
Trade and other payables	<b>806,410</b>	678,982
Contract liabilities	<b>6,839</b>	7,505
Tax payables	<b>79,431</b>	97,494
Borrowings	<b>3,346,394</b>	4,212,914
Financial liabilities at fair value through profit or loss	<b>–</b>	110,450
	<u>4,239,074</u>	<u>5,107,345</u>
<b>Total current liabilities</b>		
<b>Net current assets/(liabilities)</b>	<b>91,573</b>	<b>(330,486)</b>

We recorded net current assets of RMB91.6 million as of 31 December 2022 and net current liabilities of RMB330.5 million as of 31 December 2021. The increase in our net current assets was mainly attributable to the decrease in short-term borrowings.

**a. *Receivables under service concession arrangements***

Our receivables under service concession arrangements refer to the outstanding receivables arising from our construction services (for BOT projects) or acquisition considerations (for TOT projects). Under our BOT and TOT agreements, the amounts of receivables under service concession arrangements will be settled by tariff payments to be received during the operation phases of our BOT and TOT projects (adjusted by operation services and finance income). The portion of the receivables under service concession arrangements due within twelve months from a particular balance sheet date are classified as current assets as at that balance sheet date and the remainder is classified as non-current assets.

Our receivables under service concession arrangements decreased by RMB147.3 million or 5.4% from RMB2,737.8 million on 31 December 2021 to RMB2,590.5 million on 31 December 2022, primarily because our receivables under service concession arrangements that were classified as non-current assets decreased by RMB185.9 million or 6.8% year-on-year from 2021 to 2022. The decrease was mainly due to the decrease of RMB122.9 million in receivables under service concession arrangements as compared to last year resulting from the disposal of Fanchang Dianchi Water; receipt of payment of RMB30.0 million from the Project of Comprehensive Improvement of Water Environment and Ecological Recharge with Reclaimed Water for Dongda River – Zhong River in Jinning District; and receipt of payment of RMB30.0 million from the Project of Comprehensive Improvement of Water Environment and Ecological Recharge with Reclaimed Water for Baiyu River in Jinning District.

**b. *Inventories***

Our total inventory balance increased by RMB5.3 million, or 31.9%, to RMB21.9 million as of 31 December 2022 from RMB16.6 million as of 31 December 2021, which was mainly due to the fact that parts and components increased by RMB2.2 million, or 91.7%, to RMB4.6 million as of 31 December 2022 from RMB2.4 million as of 31 December 2021.

Our inventory turnover days increased from 3.2 days on 31 December 2021 to 5.8 days on 31 December 2022 (calculated as the average inventories for the relevant year divided by the cost of sales recognised for the relevant year, multiplied by 365 days. The arithmetic mean of the opening and closing balances of inventories is used for the years ended 31 December 2021 and 2022).

**c. Amounts due from customers for construction contracts**

The portion of amounts due from customers for construction contracts due within twelve months from a particular balance sheet date are classified as current assets as at that balance sheet date and the remainder is classified as non-current assets.

Our total amounts due from customers for construction contracts increased by RMB128.8 million, or 22.1%, to RMB711.3 million as of 31 December 2022 from RMB582.5 million as of 31 December 2021, primarily due to the increased investment in construction for projects such as the Shipansi and Laoqingshan Flood Control and Detention Works and the Environmental Protection Project in Haitou Village, Qingshuihai Conservation Area, Xundian County and the increase in recognised amounts due from customers for construction contracts.

**d. Trade and other receivables**

Our trade and other receivables primarily consist of (i) trade receivables from local governments, related parties and third parties; (ii) other receivables from related parties, third parties and local governments; and (iii) prepayments. Our trade receivables are amounts due from customers for operation services provided to the customers in TOO, TOT and BOT projects. Our other receivables primarily consist of loans granted to and interest receivable from related parties, and VAT refund yet to be received. Our prepayments primarily consist of prepaid construction payables and prepayment for goods.

The following table shows the breakdown of our consolidated trade and other receivables as of the dates indicated:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Trade receivables:</b>		
– Third parties	<b>202,799</b>	107,999
– Related parties	<b>551,514</b>	277,462
– Local government	<b>2,200,998</b>	1,381,406
– Loss allowance	<b>(81,712)</b>	(56,898)
	<u>2,873,599</u>	<u>1,709,969</u>
<b>Trade receivables – net</b>		
	<u>2,873,599</u>	<u>1,709,969</u>
<b>Other receivables:</b>		
– Third parties	<b>99,155</b>	149,949
– Related parties	<b>584,390</b>	865,438
– Local government	<b>70,666</b>	53,891
– Loss allowance	<b>(23,671)</b>	(7,447)
	<u>730,540</u>	<u>1,061,831</u>
<b>Other receivables – net</b>		
	<u>730,540</u>	<u>1,061,831</u>
<b>Prepayments:</b>		
– Others	<b>72,204</b>	112,224
– Impairment loss	<b>(4)</b>	(4)
	<u>72,200</u>	<u>112,220</u>
<b>Prepayments – net</b>		
	<u>72,200</u>	<u>112,220</u>
<b>Trade and other receivables – net</b>	<u><b>3,676,339</b></u>	<u><b>2,884,020</b></u>

Our net trade and other receivables increased by RMB792.3 million, or 27.5%, to RMB3,676.3 million as of 31 December 2022 from RMB2,884.0 million as of 31 December 2021, reflecting in (i) an increase in trade receivables due from local government by RMB819.6 million, or 59.3%, to RMB2,201.0 million as of 31 December 2022 from RMB1,381.4 million as of 31 December 2021; (ii) an increase in amounts due from related parties by RMB274.0 million, or 98.7%, to RMB551.5 million as of 31 December 2022 from RMB277.5 million as of 31 December 2021; (iii) a decrease in amounts due from other third parties by RMB281.0 million, or 32.5%, to RMB584.4 million as of 31 December 2022 from RMB865.4 million as of 31 December 2021, mainly attributable to the decrease in net entrusted loans for the year; and (iv) decrease in total prepayment of RMB40.0 million in 2022.

The ageing analysis of trade receivables of our Group is shown as follows:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
– Within one year	<b>1,771,954</b>	1,238,288
– Over one year and within two years	<b>1,041,909</b>	467,025
– Over two years	<b>141,448</b>	61,554
	<u><b>2,955,311</b></u>	<u>1,766,867</u>

(a) Ageing analysis of gross trade receivables at the respective balance sheet dates, based on the invoice dates, is as follows:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
– Within one year	<b>1,771,954</b>	1,238,288
– Over one year and within two years	<b>1,041,909</b>	467,025
– Over two years	<b>141,448</b>	61,554
	<u><b>2,955,311</b></u>	<u>1,766,867</u>

The Group does not hold any collateral as security over these debtors.

The following table sets out our receivable turnover days for the periods indicated:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b>Days</b>	<b>Days</b>
Trade receivable turnover days <sup>(1)</sup>	<b>404.9</b>	223.3
Trade and other receivable turnover days <sup>(2)</sup>	<b>579.5</b>	415.4

*Notes:*

- (1) Calculated as the average net trade receivables for the relevant period divided by the revenue for the relevant period and multiplied by 365 days. The arithmetic mean of the opening and closing balances of trade receivables is used for the years ended 31 December 2021 and 2022.
- (2) Calculated as the average net trade and other receivables for the relevant period divided by the revenue for the relevant period and multiplied by 365 days. The arithmetic mean of the opening and closing balances of trade and other receivables is used for the years ended 31 December 2021 and 2022.



e. **Trade and other payables/Contract liabilities**

*Trade and other payables*

Our trade and other payables primarily consist of trade payables, other payables, staff salaries and welfare payables, advance from customers, payables on acquisition of property, plant and equipment, payables on acquisition of land use rights from related parties, interest payables, and accrued taxes other than income tax.

The following table shows the breakdown of our trade and other payables as of the dates indicated:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<i>RMB'000</i>
Trade payables	<b>295,842</b>	317,188
Other payables	<b>172,989</b>	183,428
Note payables	<b>20,063</b>	–
Consideration payable for acquisition of subsidiaries	<b>16,464</b>	34,150
Staff salaries and welfare payables	<b>42,704</b>	42,898
Payables on acquisition of property, plant and equipment	<b>175,322</b>	17,829
Payables on acquisition of land use rights from related parties	<b>31,000</b>	58,194
Interest payables	<b>25,442</b>	7,537
Accrued taxes other than income tax	<b>26,584</b>	17,758
	<b>806,410</b>	678,982

*Contract liabilities*

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<i>RMB'000</i>
Contract liabilities		
– related parties	<b>3,184</b>	–
– third parties	<b>3,655</b>	7,505
	<b>6,839</b>	7,505

Our trade and other payables increased by RMB127.4 million, or 18.8%, to RMB806.4 million as of 31 December 2022 from RMB679.0 million as of 31 December 2021, which was mainly due to the increase in interest payables and payables on acquisition of property, plant and equipment in 2022.

On each balance sheet date, the ageing analysis of the total trade payables based on sales invoices is as follows:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
– Within one year	<b>192,094</b>	198,579
– Over one year and within two years	<b>4,651</b>	37,523
– Over two years	<b>99,097</b>	81,086
	<b>295,842</b>	317,188

As at 31 December 2021 and 2022, all trade and other payables of the Group were not required to pay interests, and their fair values approximated their carrying amounts due to their short maturities.

The following table sets out our payable turnover days for the periods indicated:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b>Days</b>	<b>Days</b>
Trade and other payables turnover days <sup>(1)</sup>	<b>224.3</b>	157.9
Trade payables turnover days <sup>(2)</sup>	<b>132.4</b>	138.3

*Notes:*

- (1) Calculated as the average trade and other payables for the relevant period divided by cost of sales for the relevant period and multiplied by 365 days. The arithmetic mean of the opening and closing balances of trade and other payables is used for the years ended 31 December 2021 and 2022.
- (2) Calculated as the balance of trade payables at the end of the relevant period divided by total purchase of materials for such period and multiplied by 365 days for the years ended 31 December 2021 and 2022.

Our trade payables turnover days decreased by 5.9 days in 2022 as compared with 2021, mainly due to the decrease in trade payables as at the end of relevant year.

The Directors confirm that up to 31 December 2022, there was no material default in payment of trade payables.

#### 4. Indebtedness

##### a. Borrowings

All of our borrowings are denominated in RMB, HKD or USD and some are secured by our property, plant and equipment and some are secured by corporate guarantee issued by the Company. The following table shows our borrowings as of the dates indicated:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
<b>Non-current portion</b>		
Unsecured long-term borrowings	989,400	1,492,600
Secured long-term borrowings	<u>1,533,293</u>	<u>700,423</u>
<b>Total non-current borrowings</b>	<b><u>2,522,693</u></b>	<b><u>2,193,023</u></b>
<b>Current portion</b>		
Unsecured short-term borrowings	2,687,428	2,129,226
Secured short-term borrowings	658,966	2,044,877
Corporate bonds	<u>–</u>	<u>38,811</u>
<b>Total current borrowings</b>	<b><u>3,346,394</u></b>	<b><u>4,212,914</u></b>
<b>Total borrowings</b>	<b><u>5,869,087</u></b>	<b><u>6,405,937</u></b>

The weighted average effective interest rates at each balance sheet date are as follows:

	As at 31 December	
	2022	2021
Weighted average effective interest rates	<b><u>4.05%</u></b>	<b><u>5.34%</u></b>

As of 31 December 2021 and 2022, our total borrowings amounted to RMB6,405.9 million and RMB5,869.1 million respectively, mainly due to the decrease in total borrowings for the year of RMB536.8 million as a result of the reduction in the number of construction projects undertaken by the Company during the Reporting Period, lower capital requirements for construction and the Company's timely repayment of borrowings. Among our indebtedness, borrowings amounting to RMB697.3 million and RMB841.8 million as of 31 December 2021 and 2022 respectively, were secured by our property, plant and equipment. In addition to the above borrowings, our total borrowings also include corporate bonds of approximately RMB700.0 million we issued on 25 December 2015 in the PRC for a term of seven years with an annual interest rate at 4.35%. At the end of the fifth year, the Company may adjust the interest rates for the remaining two years (within a range of 0.00% to 3.00%). In the event that investors disagree with the adjustment made to the interest rates, they may choose to demand an early redemption of outstanding corporate bonds at nominal value.

In 2020, the Company has repurchased corporate bonds with a nominal value of RMB660.0 million, and reduced the coupon rate of the bonds to 4.15%, which will remain unchanged in the sixth and seventh years of lifetime (from 25 December 2020 to 24 December 2022). As at 24 December 2022, the bonds have matured and the Company has completed the repurchase of the remaining bonds and the principal and interest on the bonds have been repaid as of the end of the Reporting Period.

As of 31 December 2022, we did not have any breaches of covenants in the loan agreements that could materially affect our business operations and no bank has withdrawn any banking facilities previously extended to us or demanded early repayment of borrowings. As we have the ability to obtain borrowings from other banks, we believe that we are not subject to any potential risk of withdrawal of banking facilities or early repayment of outstanding loans. As of 31 December 2022, we had not received any requests for early repayment of the principal or interests under any of our loan agreements.

The table below sets out the maturity profiles of our borrowings as of the dates indicated:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
On demand or within 1 year	<b>3,346,394</b>	4,212,914
Between 1 and 2 years	<b>928,216</b>	1,020,349
Between 2 and 5 years	<b>1,304,021</b>	883,544
Later than 5 years	<b>290,456</b>	289,130
	<b><u>5,869,087</u></b>	<u>6,405,937</u>

As of 31 December 2021 and 2022, our net gearing ratios were 52.2% and 54.4%, respectively. Our net gearing ratios as at 31 December 2022 increased by 2.2% as compared with 31 December 2021, primarily due to the changes in cash and cash equivalent and net debt during the period.

Except as disclosed above, as of the 31 December 2022, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

**b. Commitments**

*(a) Capital commitments*

Capital expenditures contracted for at each balance sheet date, but not yet incurred are as follows:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Property, plant and equipment	<u><b>499,550</b></u>	<u>317,311</u>

*(b) Concession projects and construction projects contracted at each balance sheet date, but not yet incurred are as follows:*

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Concession projects and construction projects	<u><b>1,760,522</b></u>	<u>1,288,760</u>

**c. Capital expenditure**

Our capital expenditure mainly comprises purchases of land use rights, property, plant and equipment and intangible assets. Our capital expenses were RMB59.1 million and RMB369.3 million for the years ended 31 December 2021 and 2022, respectively. We expect to fund our contractual commitments and capital expenditures principally through net cash generated from our operating activities, proceeds from borrowings and the proceeds we receive from the global offering of H shares.

Our capital expenditure for each of our segments as at the dates indicated below is as follows:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Wastewater treatment	<b>231,252</b>	41,492
Water supply	<b>18,034</b>	3,967
Others	<b>120,049</b>	13,671
	<hr/>	<hr/>
Total	<b><u>369,335</u></b>	<u>59,130</u>

Based on our current business plan, we expect to incur capital expenditure amounting to RMB339.8 million for the year ending 31 December 2023. Our anticipated capital expenditure is subject to change from time to time based on the reassessment of our business plan, prevailing market conditions, regulatory environment and outlook of our future operational results.

#### **5. Off-balance sheet arrangements**

Save as disclosed in this report, as of 31 December 2022, we did not have any outstanding off-balance sheet guarantees, commodity forward contracts or other off-balance sheet arrangements. We do not engage in trading activities involving non-exchange traded contracts. The Group's policy does not participate in and invest in any financial products that are speculative and/or have significant risks. In the course of our normal business, we do not enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

#### **6. Initial public offering and use of proceeds from initial public offering**

The H shares of the Company were listed on the Stock Exchange on 6 April 2017 and the Company issued 339,430,000 H shares of par value of RMB1.00 per share with the Offer Price of HK\$3.91 per H share. The total issuance size (before deducting the expenses) amounted to approximately HK\$1,327,171,300. Following the Listing of H shares of the Company, a total of 593,000 H shares were over-allocated. After deducting (i) the net proceeds from the sale of Sale Shares by the Selling Shareholders in the Global Offering; and (ii) the underwriting commissions and other expenses relating to the Global Offering, the Company received net cash proceeds of RMB1,072.3 million from the Global Offering.

In order to enhance the efficiency of use of proceeds and reduce finance costs, on 5 July 2022, the Board considered and approved the resolution on change of use of net proceeds from the Company's Global Offering and the unutilised net proceeds are expected to be fully utilised by 30 June 2023 based on the changed use and utilisation plan. Please refer to the Company's announcement dated 5 July 2022 for further details.

As of 31 December 2022, approximately RMB1,061.9 million, accounting for 99.0% of RMB1,072.3 million of net proceeds from the Initial Public Offering, has been used in accordance with the use as stated in the paragraph headed “Future Plans and Use of Proceeds” in the Prospectus or the use after change on 5 July 2022. The use of proceeds is as follows:

Use after change	Percentage of total net proceeds from the Initial Public Offering	Planned use of net proceeds from the Initial Public Offering	Unused net proceeds from the Initial Public Offering as at 1 January 2022	Actual	Actual	Unused net proceeds from the Initial Public Offering
				use of net proceeds from the Initial Public Offering for the period from 1 January 2022 to 31 December 2022	use of net proceeds from the Initial Public Offering from the Listing Date to the period ended 31 December 2022	
				RMB million	RMB million	RMB million
Investments in BOT/BOO wastewater treatment and running water supply projects	35%	378.36	60.76	44.12	361.72	16.64
To acquire TOT/TOO wastewater treatment plants and running water supply projects	27%	289.70	–	–	289.70	–
Repayment of bank borrowings	24%	258.47	45.57	45.57	258.47	–
To supplement working capital and for general corporate purposes	14%	152.77	45.57	44.82	152.02	0.75
Total	100%	1,079.30 <sup>(1)</sup>	151.9	134.51	1,061.91	17.39

Note (1): The amount of RMB1,079.30 million includes gain or loss on foreign exchange and interest income.

As of 31 December 2022, the unused net proceeds from the Initial Public Offering for each of the business strategies as stated in the above table have been placed as deposits in licensed banks of the PRC which will be used in accordance with the progress of the Company’s investment projects. Affected by the COVID-19 pandemic, the original progress of utilisation was slight delayed, and is expected to be used up by June 2023. The business objectives, future plans and planned use of the proceeds as stated in the Company’s announcement dated 5 July 2022 were based on the best estimation and assumptions of future market conditions and industry developments made by the Company at the time of making resolution on the change of use of proceeds, while the proceeds from the Initial Public Offering were used in accordance with the business of the Group and the actual development of the relevant industry.

The net proceeds from the Initial Public Offering were used and expected to be used according to the intentions previously disclosed in the Prospectus and the Company’s announcement dated 5 July 2022. Save as disclosed above, as of 31 December 2022, there was no material change in the use of proceeds of the Company.

On 1 March 2023, based on the actual situation and operation and development needs of the Company, the Board changed the use of the remaining unutilized proceeds, please refer to the Company's announcement dated 1 March 2023 for details.

## 7. Exchange rate risk and management

The Group still retains some foreign currency funds and foreign currency borrowings, and foreign currency funds mainly include Hong Kong dollars and US dollars, with principals of HKD5,768,566 and USD1,241,087 respectively. Exchange rate fluctuations have a certain impact on the retention of foreign currency funds and the return of principal and interest on borrowings. The Group entered into a confirmation of RMB foreign exchange currency swap transactions with financial institution to fix the exchange rate at the time of loan repayment and interest payment, which was used to hedge the risk of foreign exchange fluctuations when repaying foreign currency borrowings and foreign currency interest. The hedging instrument expired in March 2022. For part of the foreign currency borrowings, we enter into an agreement with a domestic financial institution which converts the foreign currency borrowings into Renminbi borrowings to lend to the Group. The Group is only required to pay the principal and interest of the RMB borrowings at a fixed interest rate to the domestic financial institutions upon each payment of principal and interest, thereby hedging the risk of foreign exchange rate fluctuations.

## 8. Employees and remuneration policies

### *Relationship with Employees*

As of 31 December 2022, we had 1,492 full-time employees, all of whom were in China and most of whom were based in Yunnan. The following table sets forth the breakdown of our employees by function as of 31 December 2022:

<b>Function</b>	<b>Number</b>
Management and Administration	191
Finance	56
Research and Development	66
Quality Monitoring	250
Marketing	17
Operations	867
Construction and Maintenance	45
	<hr/>
Total	<u>1,492</u>

We recruit our employees on the open market. Compensation for our employees includes basic wages, performance-based wages, bonuses and other staff benefits. For the years ended 31 December 2021 and 2022, our employee benefits amounted to approximately RMB185.2 million and RMB215.5 million, respectively.



We believe our employees are the most valuable resources to achieve our success. To ensure the quality of our employees at all levels, we have in-house training programs to train our staff. New employees at our production facility receive trainings pertinent to their job duties. We also own Kunming Dianchi Water Treatment Vocational Training School, which provides more training courses for our employees.

The labor union communicates closely with the management regarding labor matters and represents our employees' interests. During the Reporting Period, we had not experienced any interruptions to our operations caused by major labor disputes and there were no complaints or claims from our employees which had a material adverse effect on our business. The Directors believe that we have a good relationship with our employees. During the Reporting Period, the Group had no major labor disputes which might produce significant impact on the normal business and operation of the Group.

#### **9. Contingent liabilities**

As at 31 December 2022, the Group did not have any significant contingent liabilities.

#### **10. Material charges on assets**

As at 31 December 2022, the Group's secured bank and other borrowings are secured by:

- (i) certain rights and income of wastewater treatment, water supply and other concession rights (comprising operating concessions and receivables under service concession arrangements) which are under the management of the Group pursuant to the relevant service concession agreements signed with the grantors; and
- (ii) certain equipment of the Group's wastewater treatment facilities.

#### **11. Major investment and acquisition**

On 29 September 2021, the Company (as the asset entrustor) entered into an asset management agreement (the "**Mutual Trust No. 5 Asset Management Agreement**") with Bosera Capital Management Co., Ltd. (as the asset manager) and Kunming Branch of China Merchants Bank Company Limited\* (招商銀行股份有限公司昆明分行) ("**China Merchants Bank**") (as the asset trustee) in relation to the investment and management of the entrusted assets. Pursuant to the agreement, the Company agreed to entrust an amount of RMB300 million as the entrusted assets for investment in the credits of accounts receivable held by Kunming Agricultural Development Investment Co., Ltd. ("**KADI**") for a term of 3 months. The Company invested RMB300 million in such asset management plan. On 31 December 2021, the parties to the agreement entered into a supplemental agreement in relation to the extension of the term of the Mutual Trust No. 5 Asset Management Agreement, extending the term of the Mutual Trust No. 5 Asset Management Agreement and the asset management plan thereunder to 10 April 2022. For details, please refer to the announcements of the Company dated 29 September 2021 and 31 December 2021.

The Mutual Trust No. 5 Asset Management Agreement has expired on 10 April 2022. As at the maturity date, the asset manager allocated the assets under the asset management plan to the Company in their current status as at the maturity date in accordance with the terms of the Mutual Trust No. 5 Asset Management Agreement. For details, please refer to the announcement of the Company dated 11 April 2022.

As at the end of the Reporting Period, such asset management plan accounted for approximately 2.1% of the total assets of the Company. As at the date of this announcement, KADI has yet to repurchase such creditor's rights of the trade receivables.

On 7 July 2022, the Company entered into the Kunming Luquan Yi and Miao Autonomous County Beautiful County Water Environment Comprehensive Improvement Project Contract\* (《昆明市祿勸彝族苗族自治縣美麗縣城水環境綜合治理項目合同》) with the People's Government of Luquan Yi and Miao Autonomous County in Kunming (the "**People's Government of Luquan County**"), pursuant to which the Company will invest approximately RMB170 million to implement four sub-projects under the contract and obtain 30-year or 15-year concession rights for each sub-project. For details, please refer to the announcement of the Company dated 7 July 2022.

The Company's investments mainly focus on its main business and relevant environmental protection industries in the upstream and downstream. On the basis of prioritising the investments in the main business and related industries, and in accordance with the progress of project implementation, the Company will manage idle funds, if any, to improve the efficiency of capital utilisation on the premise of keeping the risks under control.

Save as disclosed above, the Company had no plans of major investments or capital and asset acquisition as of 31 December 2022.

## **12. Disposal of subsidiaries, associates and joint ventures**

On 29 June 2022, the Company, the People's Government of Suncun Town, Fanchang District (the "**People's Government of Suncun Town**") and Fanchang Dianchi Water, the Company's wholly-owned subsidiary, entered into an equity transfer agreement, pursuant to which the Company conditionally agreed to sell and the People's Government of Suncun Town conditionally agreed to acquire 100% equity interest in Fanchang Dianchi Water, which is principally engaged in wastewater treatment, for a consideration expected not exceeding RMB163 million (including equity transfer consideration, dividend receivable, principal and interest of borrowings receivable). For details, please refer to the announcements of the Company dated 29 June 2022 and 7 July 2022, respectively. Completion of this transaction would be subject to certain conditions stated in the equity transfer agreement. Upon transfer of control, Fanchang Dianchi Water ceased to be a subsidiary of the Company, the Group ceased to have any equity interest in Fanchang Dianchi Water and its financial results ceased to be consolidated in the accounts of the Group.

On 18 November 2022, the Group officially transferred the control of Fanchang Dianchi Water to relevant local government. As of the end of the Reporting Period, the relevant transfer procedures were still in progress.

Save as disclosed above, the Company had no other disposal of subsidiaries, associates and joint ventures as of 31 December 2022.

### 13. Loans to Certain Entities

The Company entered into a entrusted loan contract with Kunming Bus Group Co., Ltd.\* (昆明公交集團有限責任公司) (the “**Kunming Bus**”) and Yunnan Branch of Bank of Communications Co., Ltd.\* (交通銀行股份有限公司雲南省分行) (“**Bank of Communications**”) on 22 February 2021, pursuant to which the Company entrusted Bank of Communications to grant a loan of RMB300 million respectively to Kunming Bus with an annual interest rate of 8.5%. For details, please refer to the announcement of the Company dated 22 February 2021. The loan has become due during the Reporting Period, and the Company has received all principal and interest in accordance with the terms of the entrusted loan contract.

The Company entered into an entrusted loan contract with Kunming Xindu Investment Co., Ltd.\* (昆明新都投資有限公司) (the “**Xindu Investment**”) and Kunming Panlong Sub-branch of Bank of China Limited (“**Panlong Sub-branch of Bank of China**”) on 24 September 2021, pursuant to which the Company entrusted Panlong Sub-branch of Bank of China to provide a RMB350 million loan to Xindu Investment with an annual interest rate of 7.5%. For details, please refer to the announcement of the Company dated 24 September 2021. The loan has become due during the Reporting Period, and the Company has received all principal and interest in accordance with the terms of the entrusted loan contract.

The Company entered into an entrusted loan contract with Xindu Investment and Kunming Chenggong District Rural Credit Cooperative\* (昆明市呈貢區農村信用合作聯社) (“**Chenggong District Rural Credit Cooperative**”) on 28 February 2022, pursuant to which the Company entrusted Chenggong District Rural Credit Cooperative to provide a loan of RMB250 million to Xindu Investment with an annual interest rate of 8.5% which shall become due on 28 March 2022. After arm’s length negotiation, on 28 March 2022, the Company entered into an entrusted loan extension agreement for the entrusted loan contract with Xindu Investment and Chenggong District Rural Credit Cooperative to extend the term of the entrusted loan contract and the entrusted loan transaction thereunder to 28 July 2022 and adjust the interest rate to 9.0% per annum for the extension period. Meanwhile, the Company entered into a security contract with Xindu Investment, pursuant to which Xindu Investment agreed to mortgage the mortgaged asset as security for the entrusted loan extension agreement and the transactions thereunder. For details, please refer to the announcements of the Company dated 28 February 2022 and 28 March 2022. The loan has become due during the Reporting Period, and the Company has received all principal and interest of such entrusted loan in accordance with the terms of the extension agreement.

On 9 June 2022, the Company entered into an entrusted loan contract with Kunming Municipal Urban Construction Investment & Development Co., Ltd.\* (昆明市城建設投資開發有限責任公司) (the “**Kunming Construction**”) and Kunming Panlong District Rural Credit Cooperative\* (昆明市盤龍區農村信用合作聯社) (“**Panlong District Rural Credit Cooperative**”), pursuant to which the Company entrusted Panlong District Rural Credit Cooperative to provide a loan of RMB310 million to Kunming Construction with an annual interest rate of 8.5% which shall become due on 8 June 2023. Kunming Dianchi Investment Co., Ltd.\* (昆明滇池投資有限責任公司) (the “**Kunming Dianchi Investment**”) provided a full and joint liability guarantee for the entrusted loan transaction under the entrusted loan contract. For details, please refer to the announcement of the Company dated 9 June 2022.

On 24 October 2022, the Company entered into the entrusted loan contract with Kunming Development Investment Group Co., Ltd.\* (昆明發展投資集團有限公司) (the “**Kunming DIG**”) and Kunming Chenggong District Rural Credit Cooperative\* (昆明市呈貢區農村信用合作聯社) (“**Chenggong District Rural Credit Cooperative**”), pursuant to which the Company entrusted Chenggong District Rural Credit Cooperative to provide a loan of RMB200 million to Kunming DIG with an annual interest rate of 8.5% which shall become due on 24 September 2023. For details, please refer to the announcement of the Company dated 24 October 2022.

According to the knowledge of the Company, Kunming Bus, Xindu Investment, Kunming Construction and Kunming DIG are all controlled or held by State-owned Assets Supervision and Administration Commission of the Kunming People’s Government\* (昆明市人民政府國有資產監督管理委員會) (the “**Kunming SASAC**”), and Kunming DIG holds 15.58% of the shares of Kunming Construction and 6.82% of the shares of Xindu Investment. Saved as disclosed above, Kunming Bus, Xindu Investment, Kunming Construction and Kunming DIG are not related to each other, and neither are they the connected persons as defined in the Listing Rules.

On the basis of prioritising the investments in the main business and related industries, and in accordance with the progress of project implementation, the Company will manage idle funds, if any, to improve the efficiency of capital utilisation on the premise of keeping the risks under control. When selecting counterparties, we will assess the risk of capital recovery based on the counterparties’ operating conditions and past cooperation, and will continuously monitor whether there is any material adverse impact on the counterparties’ operations so that we can take timely measures to ensure the safety of the Company’s capital.

#### **14. Pledge of shares by controlling shareholder**

On 24 October 2022, Kunming Dianchi Investment, the controlling shareholder of the Company, entered into an agreement with Agricultural Bank of China Limited Kunming Dianchi National Tourism Resort Sub-branch (the “**Lender**”), to pledge up to 198,080,068 domestic shares in the issued shares of the Company, representing 30% of its shareholding of the Company (the “**Pledged Shares**”), in favour of the Lender as security for a loan facility in an aggregate amount of RMB200,000,000 granted to the Company (the “**Loan Facility**”). The Pledged Shares represent approximately 19.25% of the total issued shares of the Company, and are expected to be discharged and released upon repayment of the Loan Facility in full. For details, please refer to the announcement of the Company dated 23 October 2022. As of the end of the Reporting Period, the Loan Facility was not yet due.

### 15. Facility agreement subject to due performance of specific conditions by the controlling shareholder

On 25 March 2022, Dianchi International Holdings Limited (the “**Borrower**”), a direct wholly-owned subsidiary of the Company, as borrower and the Company as guarantor signed a facility agreement (“**Facility Agreement**”) with various banks (the “**Banks**”). Pursuant to the Facility Agreement, the Banks will provide the banking facilities of up to US\$300 million or equivalent foreign currency (the “**Facility**”) to the Borrower. The final repayment date of the Facility shall be the date falling 36 months after the first withdrawal date. As at the date of entering into the Facility Agreement, Kunming SASAC holds 90% of the share capital of Kunming Dianchi Investment, and Kunming Dianchi Investment holds approximately 64.16% of the issued share capital of the Company. Pursuant to the Facility Agreement, if Kunming SASAC no longer directly or indirectly owns 51% or more of the share capital of the Company, it would be deemed as a change of control, and the Banks would be entitled to cancel its loan facilities pursuant to the Facility Agreement and to declare that all amounts outstanding under the Facility (including interests accrued) and all other amounts shall immediately become due and payable (unless waived by the majority of the Banks). For details, please refer to the Company’s announcement dated 25 March 2022. As of the date of this announcement, Kunming SASAC directly or indirectly owned 51% or more of the share capital of the Company and no change of control as described in the Facility Agreement has occurred.

### III. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Being a company listed on the Stock Exchange, the Company is always dedicated to maintaining the corporate governance practices at a high standard. The Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”) and other provisions relating to corporate governance as its own corporate governance code. During the Reporting Period, the Company had established various committees under the Board and formulated the relevant corporate governance system in accordance with the provisions contained in the Corporate Governance Code.

The Directors of the Company believe that during the Reporting Period, the Company has been observing all mandatory code provisions as stipulated in the Corporate Governance Code except for provision B.2.2.

Under code provision B.2.2, every director, including those appointed for a specific term, should be subjected to retirement by rotation at least once every three years. As at the end of the Reporting Period, the terms of office of the first Board and the board of supervisors of the Company (the “**Supervisors**”) have expired for 3 years, but the relevant nomination work of relevant candidates has not yet ended. At the same time, the Board considers the continuity of the Board and the Supervisors. Under the relevant provisions of the Articles of Association of the Company, if, upon the expiry of a director’s term of office, a new director cannot be elected on a timely basis, before the re-elected director commences his/her term of office, such director shall continue to perform his/her duties in accordance with the laws, administrative regulations, departmental rules and the Articles of Association of the Company. Therefore, the Board considers that deviations from provision B.2.2 of the CG Code will not have a significant impact on the Group’s operation as a whole and the Company will complete the relevant work as soon as possible.

The Board will examine and review, from time to time, the Company's corporate governance practices and operation in order to comply with the relevant provisions under the Listing Rules and to protect shareholders' interests.

#### **IV. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES DEALINGS BY THE DIRECTORS AND SUPERVISORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for its directors, supervisors and relevant employees (has the same meaning ascribed to it under the Corporate Governance Code) in respect of their dealings in the Company's securities. After making specific enquiries to all of the Directors (except Mr. Luo Yun which was not contactable by the Company as at the date of this announcement) and Supervisors, the Directors and Supervisors confirmed that they had strictly complied with the required standards as set out in the Model Code during the Reporting Period.

#### **V. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

We issued corporate bonds with par value of RMB700.0 million for a term of 7 years, bearing interest at 4.35% per annum on 25 December 2015. At the end of the fifth year, the Company may adjust the interest rates for the remaining two years. In the event that investors disagree with the adjustment made to the interest rates, they may choose to demand for an early redemption of corporate bonds outstanding.

In 2020, the Company has repurchased the corporate bonds with a nominal value of RMB660.0 million, and reduced the coupon rate of the bonds to 4.15%, which will remain unchanged in the sixth and seventh years of its lifetime (from 25 December 2020 to 24 December 2022). On 24 December 2022, the bonds became due, the Company completed the repurchase of the remaining bonds, and the principal and interest on the bonds were settled as at the end of the Reporting Period.

Save as disclosed above, neither the Company nor any of its subsidiaries had made any purchase, sale or redemption of the Company's listed securities during the Reporting Period.

#### **VI. SHARE SCHEMES AND ISSUANCE OF EQUITY SECURITIES**

As at 31 December 2022, the Company or any of its subsidiaries had no share option schemes and share award schemes. During the Reporting Period, there was also no issuance of equity securities (including securities convertible into equity securities) for cash.

#### **VII. AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed the Financial Statements of the Group for the year ended 31 December 2022 prepared in accordance with the International Financial Reporting Standards in 2022.

## **VIII. SCOPE OF WORK OF THE COMPANY’S AUDITOR**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Company’s auditor, Messrs. Baker Tilly Hong Kong Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by the Company’s auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company’s auditor on the preliminary announcement.

## **IX. FINAL DIVIDEND**

Taking into account the future plans and the financial position and cash flow position of the Company, the Board does not recommend the distribution of a final dividend for the year ended 31 December 2022 (for the year ended 31 December 2021: final cash dividend of RMB0.100 (tax inclusive) per share).

## **X. CLOSURE OF REGISTER OF MEMBERS**

The Company expects to convene and hold the 2022 Annual General Meeting (the “**2022 AGM**”) at 2:30 pm on Thursday, 29 June 2023 at the meeting room of the Company on the 1st floor at Wastewater Treatment Plant No.7, Kunming Dianchi Tourist Resort, Yunnan Province, the PRC.

For the purpose of determining H shareholders’ entitlement to attend the 2022 AGM, the H share register of shareholders of the Company will be closed from Thursday, 8 June 2023 to Thursday, 29 June 2023 (both days inclusive), during which no transfer of shares will be registered. In order to attend the 2022 AGM, H share shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company’s H share registrar, Tricor Investor Services Limited, 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 7 June 2023. The H share shareholders of the Company whose names appear on the Company’s register of shareholders for H shares as at Thursday, 29 June 2023 are entitled to attend the 2022 AGM.

## **XI. PUBLICATION OF ANNUAL REPORT**

The annual report for the year ended 31 December 2022 of the Company will be dispatched to the holders of H shares of the Company in due course pursuant to the requirements of the Listing Rules and available for public viewing and downloading on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.kmdcwt.com](http://www.kmdcwt.com)).

By order of the Board  
**Kunming Dianchi Water Treatment Co., Ltd.**  
**Zeng Feng**  
*Chairperson and executive Director*

Kunming, the PRC, 24 March 2023

*As of the date of this announcement, the Board comprises Mr. Zeng Feng, Mr. Chen Changyong and Mr. Luo Yun, as executive Directors; Ms. Song Hong, Ms. Ren Na and Mr. Zhang Yang, as non-executive Directors; and Ms. Wang Dongfang, Ms. Zheng Dongyu and Mr. Ong King Keung, as independent non-executive Directors.*

\* *For identification purposes only*