

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 2024**

### **FINANCIAL SUMMARY**

For the year ended 31 December 2024, the Group's:

- revenue amounted to approximately RMB1,594.2 million, representing a decrease of 11.8% from 2023. The total volume of wastewater treated for the year was 669.3 million m<sup>3</sup>, with a wastewater treatment facility utilisation rate of 98.1%; and
- net profit attributable to equity holders of the Company amounted to approximately RMB263.2 million, representing a decrease of 16.8% from 2023.

As at 31 December 2024, the Group's:

- total assets amounted to RMB12,384.0 million, representing an increase of 2.7% from RMB12,063.9 million as at 31 December 2023; and
- total equity was RMB5,242.3 million, representing an increase of 5.3% from RMB4,977.3 million as at 31 December 2023.

The board (the “**Board**”) of directors (the “**Directors**”) of Kunming Dianchi Water Treatment Co., Ltd. (the “**Company**”) hereby announces the audited results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**us**” or “**our**”) for the year ended 31 December 2024 (the “**Reporting Period**”), together with the comparative financial figures for the year ended 31 December 2023, 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 2024*

	<i>Notes</i>	<b>Year ended 31 December</b>	
		<b>2024</b>	<b>2023</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>	3(a)	<b>1,594,164</b>	1,807,488
Cost of sales	4	<b>(880,513)</b>	(1,009,248)
<b>Gross profit</b>		<b>713,651</b>	798,240
Selling expenses	4	<b>(1,139)</b>	(2,326)
Administrative expenses	4	<b>(76,134)</b>	(111,878)
Impairment loss on interests in associates	4	–	(55)
Net impairment losses on financial assets		<b>(129,041)</b>	(110,033)
Net other income	5	<b>23,076</b>	45,508
Other losses	6	<b>(5,505)</b>	(3,861)
<b>Operating profit</b>		<b>524,908</b>	615,595
Finance income	7	<b>48,038</b>	39,172
Finance costs	7	<b>(263,627)</b>	(273,065)
Finance costs – net	7	<b>(215,589)</b>	(233,893)
Share of results of associates		<b>5,035</b>	–
<b>Profit before taxation</b>		<b>314,354</b>	381,702
Income tax expense	8	<b>(50,426)</b>	(63,975)
<b>Profit for the year</b>		<b>263,928</b>	317,727

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

	<i>Notes</i>	<b>Year ended 31 December</b>	
		<b>2024</b>	<b>2023</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></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>1,116</u>	<u>860</u>
		<u>1,116</u>	<u>860</u>
<b>Total comprehensive income for the year</b>		<u><b>265,044</b></u>	<u><b>318,587</b></u>
<b>Profit attributable to:</b>			
– Equity holders of the Company		<u>263,222</u>	316,506
– Non-controlling interests		<u>706</u>	<u>1,221</u>
		<u><b>263,928</b></u>	<u>317,727</u>
<b>Total comprehensive income attributable to:</b>			
– Equity holders of the Company		<u>264,338</u>	317,366
– Non-controlling interests		<u>706</u>	<u>1,221</u>
		<u><b>265,044</b></u>	<u>318,587</u>
<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	<i>10</i>	<u><b>0.26</b></u>	<u>0.31</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	<i>Notes</i>	<b>2024</b> <b>RMB'000</b>	2023 RMB'000
<b>Non-current assets</b>			
Investment properties		<b>246,702</b>	267,855
Right-of-use assets/land use rights		<b>368,565</b>	378,384
Property, plant and equipment		<b>2,288,351</b>	2,485,500
Receivables under service concession arrangements	<i>11</i>	<b>1,688,687</b>	2,528,619
Amounts due from customers for construction contracts	<i>12</i>	<b>550,792</b>	701,415
Contract assets		<b>223,052</b>	133,203
Intangible assets		<b>825,554</b>	561,337
Interests in associates		<b>65,726</b>	–
Deferred tax assets		<b>110,075</b>	96,117
		<b><u>6,367,504</u></b>	<u>7,152,430</u>
<b>Current assets</b>			
Receivables under service concession arrangements	<i>11</i>	<b>19,496</b>	30,682
Amounts due from customers for construction contracts	<i>12</i>	<b>24,581</b>	27,116
Inventories		<b>6,212</b>	7,570
Financial assets at amortised cost		<b>119,600</b>	179,800
Trade and other receivables	<i>13</i>	<b>5,809,617</b>	4,437,299
Restricted funds		<b>25,965</b>	54,865
Cash and bank balances		<b>10,977</b>	174,088
		<b><u>6,016,448</u></b>	<u>4,911,420</u>
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	<b>1,984,442</b>	1,380,081
Contract liabilities		<b>30,127</b>	7,163
Tax payables		<b>190,597</b>	142,462
Borrowings		<b>2,490,841</b>	3,266,653
		<b><u>4,696,007</u></b>	<u>4,796,359</u>
<b>Net current assets</b>		<b><u>1,320,441</u></b>	<u>115,061</u>
<b>Total assets less current liabilities</b>		<b><u>7,687,945</u></b>	<u>7,267,491</u>

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

	<i>Notes</i>	<b>2024</b> <b>RMB'000</b>	2023 RMB'000
<b>Non-current liabilities</b>			
Deferred revenue		<b>306,653</b>	239,728
Borrowings		<b>2,098,338</b>	2,005,485
Deferred tax liabilities		<b>40,661</b>	44,974
		<u><b>2,445,652</b></u>	<u>2,290,187</u>
<b>NET ASSETS</b>		<u><b>5,242,293</b></u>	<u>4,977,304</u>
<b>Capital and reserves</b>			
Share capital		<b>1,029,111</b>	1,029,111
Other reserves		<b>1,644,580</b>	1,613,774
Accumulated profits		<b>2,558,069</b>	2,324,597
<b>Equity attributable to equity holders of the Company</b>		<b>5,231,760</b>	4,967,482
<b>Non-controlling interests</b>		<b>10,533</b>	9,822
<b>TOTAL EQUITY</b>		<u><b>5,242,293</b></u>	<u>4,977,304</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

## 1. GENERAL

Kunming Dianchi Water Treatment Co., Ltd. (the “**Company**”) 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 Wastewater Treatment Plant No. 7, Kunming Dianchi Tourist Resort.

As at 31 December 2024, the directors of the Company 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, “**KDI**”), 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. PRINCIPAL ACCOUNTING POLICIES

### Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the “**IASB**”), which collective term includes all applicable individual IFRS Accounting Standards, IAS Standards and IFRIC 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 IFRS Accounting Standards and the data recognised in accordance with the Chinese Accounting Standards.

### Application of amendments to IFRS Accounting Standards

The Group has applied, for the first time, the following new/revised IFRS Accounting standards that are relevant to the Group:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Amendments to IFRS Accounting Standards issued but not yet effective

At the date of approving these consolidated financial statements, the IASB has issued a number of revised IFRS Accounting Standards 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 21	Lack of Exchangeability <sup>(1)</sup>
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>(2)</sup>
Annual Improvements to IFRSs	Volume 11 <sup>(2)</sup>
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity <sup>(2)</sup>
IFRS 18	Presentation and Disclosure in Financial Statements <sup>(3)</sup>
IFRS 19	Subsidiaries without Public Accountability: Disclosures <sup>(3)</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(4)</sup>

<sup>(1)</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>(2)</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>(3)</sup> Effective for annual periods beginning on or after 1 January 2027

<sup>(4)</sup> The effective date to be determined

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

### Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost basis, except for investment properties which are measured at fair value as explained in the accounting policy set out below.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from equity holders of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instrument's proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by IFRS Accounting Standards.

### Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

#### *Changes in ownership interests*

Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost; and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the holding company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

#### **Subsidiaries**

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less accumulated impairment losses, if any. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

#### **Associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's interests in associate is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Goodwill arising on an acquisition of an associate is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate. Such goodwill is included in interests in associates. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.



### 3. REVENUE AND SEGMENT INFORMATION

#### (a) Revenue

	For the year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue disaggregated by major products or service lines</b>		
Wastewater treatment	<b>1,151,793</b>	1,233,095
Operating services – under TOO/BOO model	<b>897,723</b>	910,089
Operating services – under TOT/BOT model	<b>117,989</b>	151,067
Construction services – under BT model	<b>20,714</b>	232
Construction services – under BOT model	<b>64,241</b>	74,768
Finance income	<b>51,126</b>	96,939
Reclaimed water supply and running water supply	<b>174,379</b>	129,440
Operating services – under TOO/BOO model	<b>28,251</b>	40,949
Operating services – under TOT/BOT model	<b>73,597</b>	37,496
Construction services – under BT model	<b>7,192</b>	6,278
Construction services – under BOT model	<b>30,190</b>	5,598
Finance income	<b>35,149</b>	39,119
Others	<b>267,992</b>	444,953
Management services	<b>177,629</b>	176,783
Transportation services	<b>462</b>	3,094
Construction services – under BT model	<b>1,790</b>	1,413
Construction services – under BOT model	<b>8,619</b>	55,424
Thermal production	<b>13,476</b>	151,689
Others	<b>66,016</b>	56,550
	<b><u>1,594,164</u></b>	<b><u>1,807,488</u></b>

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

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

#### (a) Revenue (Continued)

“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

#### (b) Segment information

The directors of the Company have been identified as the chief operating decision-maker of the Company. The 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 determine the business from the 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 interests in associates and share of results of associates.

Unallocated assets consist of deferred tax assets and interests 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 2024 are presented as below:

	Wastewater treatment RMB'000	Water supply RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers	1,151,793	174,379	267,992	1,594,164
Segment gross profit	501,713	60,042	151,896	713,651
Segment profit	364,118	37,905	122,885	524,908
Finance income				48,038
Finance costs				(263,627)
Share of results of associates				5,035
Profit before taxation				314,354
Income tax expense				(50,426)
Profit for the year				<u>263,928</u>
<b>Other segment information included in the measurement of segment profit or segment assets:</b>				
Depreciation of property, plant and equipment	199,701	12,036	604	212,341
Depreciation of right-of-use assets	9,748	71	–	9,819
Fair value loss on investment properties	–	–	21,153	21,153
Impairment loss on trade receivables	22,666	28,388	2,184	53,238
Impairment loss on financial assets at amortised cost	–	–	60,000	60,000
Impairment loss on other receivables	12,215	1,849	2,843	16,907
(Reversal of) impairment loss on receivables under service concession arrangements	822	616	(1,105)	333
Impairment loss on contract assets	2,040	–	–	2,040
(Reversal of) impairment loss on amounts due from customers for construction contracts	157	(3,635)	–	(3,478)
Amortisation of intangible assets	9,626	42,431	14,495	66,552
Capital expenditures	28,007	45,238	87,945	161,190

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

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

Segment assets and liabilities as at 31 December 2024 are presented below:

	Wastewater treatment RMB'000	Water supply RMB'000	Others RMB'000	Total RMB'000
<b>Segment assets</b>	<b>9,607,259</b>	<b>1,814,154</b>	<b>786,738</b>	<b>12,208,151</b>
Unallocated:				
Deferred tax assets				110,075
Interests in associates				65,726
<b>Total assets</b>				<b>12,383,952</b>
<b>Segment liabilities</b>	<b>5,178,196</b>	<b>549,797</b>	<b>1,182,408</b>	<b>6,910,401</b>
<b>Unallocated:</b>				
Deferred tax liabilities				40,661
Tax payables				190,597
<b>Total liabilities</b>				<b>7,141,659</b>

Segment revenue and result (i.e. the operating profit) and other information for the year ended 31 December 2023 are presented as below:

	Wastewater treatment RMB'000	Water supply RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers	1,233,095	129,440	444,953	1,807,488
Segment gross profit	580,581	63,841	153,818	798,240
Segment profit	456,015	50,765	108,870	615,650
Finance income				39,172
Finance costs				(273,065)
Impairment loss on interests in associates				(55)
Profit before taxation				381,702
Income tax expense				(63,975)
Profit for the year				317,727
<b>Other segment information included in the measurement of segment profit or assets:</b>				
Depreciation of property, plant and equipment	158,835	16,673	57,314	232,822
Depreciation of right-of-use assets	10,210	72	344	10,626
Fair value gain on investment properties	–	–	848	848
Impairment loss on trade receivables	19,284	9,615	1,389	30,288
Impairment loss on financial assets at amortised cost	–	–	60,000	60,000
(Reversal of) impairment loss on other receivables	(7,290)	(620)	17,638	9,728
(Reversal of) impairment loss on receivables under service concession arrangements	5,445	(1,919)	1,443	4,969
Impairment loss on contract assets	3,024	–	–	3,024
Impairment loss on amounts due from customers for construction contracts	107	1,083	834	2,024
Amortisation of intangible assets	11,114	10,974	9,691	31,779
Capital expenditures	77,493	31,555	3,687	112,735

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

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

Segment assets and liabilities as at 31 December 2023 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>9,180,312</u>	<u>1,762,831</u>	<u>1,024,590</u>	<u>11,967,733</u>
Unallocated: Deferred tax assets				<u>96,117</u>
<b>Total assets</b>				<u><u>12,063,850</u></u>
<b>Segment liabilities</b>	<u>5,039,664</u>	<u>481,037</u>	<u>1,378,409</u>	<u>6,899,110</u>
Unallocated: Deferred tax liabilities Tax payables				<u>44,974</u> <u>142,462</u>
<b>Total liabilities</b>				<u><u>7,086,546</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>2024</b> <b><i>RMB'000</i></b>	2023 <i>RMB'000</i>
<b>Revenue from wastewater treatment segment</b>		
Customer A	–	207,399
Customer B	<b>885,077</b>	696,460
Customer C	<u><b>175,225</b></u>	<u>N/A*</u>

\* The customer contributed less than 10% of the total revenue of the Group for the relevant Reporting Periods.

#### 4. EXPENSES BY NATURE

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Depreciation of property, plant and equipment	212,341	232,822
Utilities and office expenditures	10,900	27,936
Employee benefit expenses	171,608	193,015
Costs of wastewater and water supply services	269,732	281,379
Cost of construction services	124,727	135,661
Other taxes and levies	28,512	25,906
Repair and maintenance costs	31,192	34,081
Depreciation of right-of-use assets	9,819	10,626
Professional expenses	12,872	12,706
Amortisation of intangible assets	66,552	31,779
Fuels expenses	14,239	128,147
Miscellaneous	5,292	9,394
	<u>957,786</u>	<u>1,123,452</u>

\* During the year, the payments for audit services and non-audit services as the remuneration of auditor were approximately RMB1,950,000 and RMB30,000, respectively.

#### 5. NET OTHER INCOME

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Government grants:	8,774	14,079
– relating to purchase of property, plant and equipment	7,687	10,037
– relating to tax refund ( <i>Note</i> )	1,087	4,042
Gain on disposal of a subsidiary	10,312	5,352
Interest income from bank deposits	838	3,506
Fair value (loss) gain on investment properties	(21,153)	848
Gross rental income*	8,935	11,496
Gain on disposal of property, plant and equipment	5,795	–
Gain on disposal of interest in an associate	467	–
Others	9,108	10,227
	<u>23,076</u>	<u>45,508</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% (2023: 70%) VAT refund.

\* The direct operating expenses incurred for investment properties that generated rental income were minimal in both of the years.

## 6. OTHER LOSSES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Loss on disposal of property, plant and equipment – net	–	806
Others	5,505	3,055
	<u>5,505</u>	<u>3,861</u>

## 7. FINANCE COSTS – NET

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
<b>Finance income:</b>		
– Interest income charged to related parties	47,987	38,651
– Interest income charged to a third party	51	521
	<u>48,038</u>	<u>39,172</u>
<b>Finance costs:</b>		
– Interest expenses on unsecured borrowings	(44,042)	(48,152)
– Interest expenses on secured borrowings	(228,973)	(234,591)
	<u>(273,015)</u>	<u>(282,743)</u>
Total interest expenses on borrowings	(273,015)	(282,743)
– Less: borrowing costs capitalised in property, plant and equipment	23,680	20,747
	<u>(249,335)</u>	<u>(261,996)</u>
– Interest expenses – net	(249,335)	(261,996)
– Exchange loss – net	(13,479)	(10,638)
– Others	(813)	(431)
	<u>(263,627)</u>	<u>(273,065)</u>
Finance costs – net	<u>(215,589)</u>	<u>(233,893)</u>

## 8. INCOME TAX EXPENSE

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current tax – the PRC Corporate Income Tax Provision for the year	51,391	85,915
Under provision in respect of prior years	21,872	2,007
	<u>73,263</u>	<u>87,922</u>
Deferred tax	(22,837)	(23,947)
Income tax	<u>50,426</u>	<u>63,975</u>

## 9. DIVIDENDS

The Board of the Company does not recommend the distribution of a final dividend for the financial year 2024 (2023: Nil).

## 10. 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:

	2024	2023
Profit attributable to equity holders of the Company ( <i>RMB'000</i> )	263,222	316,506
Weighted average number of ordinary shares in issue ( <i>thousand</i> )	<u>1,029,111</u>	<u>1,029,111</u>
Basic earnings per share ( <i>RMB</i> )	<u><u>0.26</u></u>	<u><u>0.31</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 2024 and 2023.

## 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:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
<b>Receivables under service concession arrangements</b>		
Current portion:		
Receivables under service concession arrangements	19,939	31,379
Loss allowance	<u>(443)</u>	<u>(697)</u>
	<u>19,496</u>	<u>30,682</u>
Non-current portion:		
Receivables under service concession arrangements	1,727,027	2,586,029
Loss allowance	<u>(38,340)</u>	<u>(57,410)</u>
	<u>1,688,687</u>	<u>2,528,619</u>
	<u><u>1,708,183</u></u>	<u><u>2,559,301</u></u>

As at 31 December 2024 and 2023, the carrying amounts of receivables under services concession arrangements are principally denominated in RMB.

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



## 12. AMOUNTS DUE FROM CUSTOMERS FOR CONSTRUCTION CONTRACTS

The amounts due from customers for construction contracts represent contract assets under BT arrangements:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current portion:		
Amounts due from customers for construction contracts	25,139	27,732
Loss allowance	<u>(558)</u>	<u>(616)</u>
	<u>24,581</u>	<u>27,116</u>
Non-current portion:		
Amounts due from customers for construction contracts	563,297	717,340
Loss allowance	<u>(12,505)</u>	<u>(15,925)</u>
	<u>550,792</u>	<u>701,415</u>
	<u><u>575,373</u></u>	<u><u>728,531</u></u>

As at 31 December 2024 and 2023, the carrying amounts of amounts due from customer for construction contracts are principally denominated in RMB.

## 13. TRADE AND OTHER RECEIVABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
<b>Trade receivables (Note (b)):</b>		
– Third parties	222,636	194,924
– Related parties	228,337	228,236
– Local government	4,137,952	3,233,175
– Loss allowance	<u>(160,861)</u>	<u>(108,337)</u>
<b>Trade receivables – net</b>	<u>4,428,064</u>	<u>3,547,998</u>
<b>Other receivables:</b>		
– Third parties	174,436	97,942
– Related parties	1,154,707	713,921
– Local government	28,582	28,185
– Loss allowance	<u>(50,241)</u>	<u>(33,334)</u>
<b>Other receivables – net</b>	<u>1,307,484</u>	<u>806,714</u>
<b>Prepayments:</b>		
– Others	<u>74,069</u>	<u>82,587</u>
<b>Prepayments – net</b>	<u>74,069</u>	<u>82,587</u>
<b>Trade and other receivables – net</b>	<u><u>5,809,617</u></u>	<u><u>4,437,299</u></u>

### 13. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

- (a) As at 31 December 2024 and 2023, 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:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
– Within one year	1,370,811	1,341,523
– Over one year and within two years	1,162,766	1,471,773
– Over two years	<u>2,055,348</u>	<u>843,039</u>
	<u><b>4,588,925</b></u>	<u><b>3,656,335</b></u>

### 14. TRADE AND OTHER PAYABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade payables to third parties ( <i>Note (b)</i> )	789,715	454,721
Other payables due to:	849,277	464,099
– related parties	455,370	9,808
– local government	90,039	94,657
– third parties	303,868	359,634
Staff salaries and welfare payables	112,863	60,919
Payables for acquisition of property, plant and equipment due to:	167,706	225,308
– related parties	28,942	28,942
– third parties	138,764	196,366
Payables for acquisition of land use rights from related parties	31,000	31,000
Accrued taxes other than income tax	33,881	24,034
Advance received from disposal of equity interests in subsidiaries	–	120,000
Total trade and other payables	<u><b>1,984,442</b></u>	<u><b>1,380,081</b></u>

**14. TRADE AND OTHER PAYABLES (Continued)**

*Notes:*

- (a) As at 31 December 2024 and 2023, the Group's 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:

	<b>2024</b>	2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
– Within one year	<b>559,120</b>	197,904
– Over one year and within two years	<b>133,547</b>	165,679
– Over two years	<b>97,048</b>	91,138
	<b><u>789,715</u></b>	<u>454,721</u>

**15. EVENTS AFTER THE REPORTING PERIOD**

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

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

### **A. OPERATING ENVIRONMENT**

In 2024, the global economy continues to recover with overall robust economic growth. The consumption ability of residents in major economies is relatively strong, and the fixed asset investment presents certain resilience. Meanwhile, issues such as the slowdown in global demand, persistently high fiscal deficits, intensified geopolitical tensions, deepening supply chain reconstruction and tightening credit environment persist. The global economy has achieved a moderate recovery under multiple challenges, but the growth rate remains below pre-pandemic levels. Risk factors such as unbalanced development and increased uncertainty are prominent, and economic development still faces significant challenges.

The year 2024 is a crucial year for our country to implement the goals and tasks of the “14th Five-Year Plan”, and is also a crucial year for our country to advance the Beautiful China Initiative. China’s economic and social development has entered a green, low carbon and high-quality development stage, and the construction of a beautiful China has become an important goal of building a modern socialist country in an all-round way. An important deployment was made at the Third Plenary Session of the 20th Central Committee of the Communist Party of the PRC to further comprehensively deepen the reform and promote the Chinese path to modernization, among which, it is proposed to deepen the reform of ecological civilization system, improve the ecological civilization infrastructure, develop sound ecological governance system and enhance the green, low-carbon development mechanism. Along with the progress of related reforms and the introduction of the systems, not only the business model for water and environmental conservation area changed further, many segments and emerging areas would also unleash the room for growth in the future. In addition, the government work report of the National People’s Congress and the Chinese People’s Political Consultative Conference in 2024 listed “modernizing the industrial system and developing new quality productive forces at a faster pace” as the priority task of the annual government work, endowing high-quality development with new connotations. The water treatment industry has transitioned from an “incremental era” to a “quality era”, where refinement, low-carbon, intelligence, and resource utilization have become the inevitable paths for high-quality development of the water treatment industry. In the planning, design, construction, operation and maintenance, renovation and transformation of facilities, it is essential to strengthen technological innovation, achieve technological iteration through new and high-quality productivity, and promote the adaptation of traditional municipal infrastructure to the high-quality development needs of urbanization in the new era, which will bring new development opportunities for the water treatment industry.

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

Wastewater treatment is an important component of the environmental protection sector and a crucial industry related to national livelihood projects. With the country’s strong emphasis on energy conservation and emission reduction, relevant supporting policies and regulations have been actively introduced, market mechanisms have been introduced, and investment in wastewater treatment infrastructure construction has been increased. Policies help to promote the improvement of quality and efficiency in wastewater treatment, enhance the wastewater collection and treatment capacity in key areas, and gradually establish a wastewater treatment pattern of “integrated plant and network, treating water and soil concurrently, and recycling”.

Currently, China's urban wastewater treatment is transitioning from incremental construction to a balanced focus on systematic of quality and efficiency improvement, and structural adjustment optimization, enhancing existing capacities and optimizing new capacities, and systematically advancing the high-quality construction and operation and maintenance transformation of urban wastewater treatment facilities. Driven by the dual forces of increased demand for high-quality development in wastewater treatment and the promotion of national environmental protection policies, the wastewater treatment industry is rapidly developing. The volume and capacity of wastewater treatment continue to improve, but the wastewater treatment industry still faces challenges such as incomplete drainage network construction and the need for upgrades and reforms in wastewater treatment plants, which is a gap between them and the requirements for high-quality development. To promote high-quality development and address the shortcomings in the development of the wastewater treatment industry, the government has successively issued relevant policies and regulations such as the "Development Plan for the Urban Wastewater Treatment and Resource Utilisation in the 14th Five-Year Plan" (《「十四五」城鎮污水處理及資源化利用發展規劃》), the "Notice on Strengthening the Construction and Operation Maintenance of Urban Domestic Wastewater Pipe Networks" (《關於加強城市生活污水管網建設和運行維護的通知》), and the "Guiding Opinions on Further Promoting the Treatment of Rural Domestic Sewage" (《關於進一步推進農村生活污水治理的指導意見》). These documents provide direction for the industry's development from aspects such as long-term development goals, key development tasks, and cost assurance mechanisms, thereby facilitating the high-quality development of the wastewater treatment industry.

In the future, with the acceleration of industrialisation and urbanisation, the market for sewage treatment services will continue to expand, and the sewage treatment industry has favorable prospects for development in metropolises, small and medium-sized cities, small towns and rural areas. Meanwhile, water management will no longer remain at the end level of sewage treatment and interception pipe networks, but will be transformed into a comprehensive management model that includes the whole process of source control, process interception and end-level treatment, involving multiple aspects such as treatment, restoration and ecological landscape. In recent years, the rules in various segments of water management have been introducing, setting specific requirements for sub-sectors such as wastewater treatment, black and stink water body treatment, and sponge city construction. This also signifies a deepening and solidification of water management towards integration and diversification, requiring related enterprises to gradually shift from single wastewater treatment to comprehensive water environment management. At the same time, in terms of industry standards, the upgrading and transformation of wastewater treatment plants bring new development opportunities for industry advancement.

## 2. Overview of Reclaimed Water Industry

Against the backdrop of increasing water resource demand and worsening water scarcity issues in our country, the state has been paying increasing attention to the problem of water scarcity, leading to rapid development in the domestic reclaimed water industry. As the second source of water for cities, treated wastewater can be recycled for agricultural irrigation, urban landscaping irrigation and industrial cooling water, effectively alleviating the shortage of natural water resources. Regarding the market space for reclaimed water utilization during the “14th Five-Year Plan” period, the “Development Plan for the Urban Wastewater Treatment and Resource Utilisation in the 14th Five-Year Plan” (《「十四五」城鎮污水處理及資源化利用發展規劃》) requires that the newly built, renovated and expanded reclaimed water production capacity during this period should not be less than 15 million cubic meters per day. The “Opinions on Accelerating the Recycling System of Waste” (《關於加快廢棄物循環利用體系的意見》) proposes to accelerate the promotion of wastewater resource utilization, combining the upgrading and capacity expansion of existing wastewater treatment facilities, systematically planning and constructing wastewater recycling facilities, and implementing regional reclaimed water recycling projects according to local conditions. The “Implementation Opinions on Promoting Synergy and Efficiency of Pollution Reduction and Carbon Reduction in Wastewater Treatment” (《關於推進污水處理減污降碳協同增效的實施意見》) points out that by 2025, the reclaimed water utilization rate in water-scarce cities at the prefecture level and above should reach over 25%, and 100 green low-carbon benchmark plants for efficient energy resource recycling in wastewater treatment should be established. In the future, the utilization of reclaimed water has great development potential and market space in terms of economic, social and environmental benefits.

## 3. Overview of Municipal Water Supply Industry

Water supply services are a part of national public utilities. Water supply facilities play a crucial role in the development of urban modernization, serving as an important prerequisite for protecting the human living environment and improving the standard of material life, as well as being one of the key indicators for measuring the level of modern cities. With the progress of urban and rural water supply integration, the water supply industry is mainly concentrated in the field of municipal water supply. In recent years, China has introduced a series of policies to promote the market-oriented reform of the water supply industry. The separation of government and enterprises and the entry of private capital further activated the market vitality of the water supply industry.

At present, the issues of aging and severely damaged water supply networks in some cities in our country are quite prominent, affecting both the quality of water supply and leading to leakage problems. In rural areas, there are also issues such as inconsistent urban-rural standards, insufficient scale of projects and weak management and maintenance of project operations. Therefore, accelerating the large-scale development of urban and rural water supply and significantly enhancing the water supply security levels in both urban and rural areas will be beneficial in fully supporting urban economic and rural revitalization development, as well as improving the utilization of ecological environment and water resources. At the same time, it also provides space for the continuous advancement and development of the industry.

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

Looking ahead to 2025, the world has generally entered a cycle of interest rate cuts, leverage ratios have fallen to low levels, the credit environment is gradually turning loose, and the decline in inflation along with the continued implementation of monetary easing policies by economies may moderately boost global economic activities. The economy is expected to remain resilient in the future. However, the domestic transition between old and new growth drivers and the era of major geopolitical clashes have not changed, and the global economic environment will remain challenging, with uncertainties and potential obstacles still present across various industries.

The year 2025 marks the concluding year of the “14th Five-Year Plan” and the first critical milestone of the 2035 long-range objectives. Despite the complex and volatile internal and external economic environment, the Company will continue to uphold the general keynote of “seeking progress while maintaining stability, promoting stability with progress”, focusing on its core business and maintaining steady operations. Firstly, we will strengthen and optimize the main business, steadily advance the expansion and extension of the industrial chain, enhance core functions, and improve core competitiveness. Secondly, we will optimize development strategies, and enhance management and investment efficiency. Thirdly, we will optimize industrial layout, develop new quality productivity, and continuously deepen the reform of state-owned assets and enterprises. Fourthly, we will focus on creating benefits from existing projects, deeply explore cost control potential, intensify efforts to recover debts, and use multiple means to broaden cash flow sources. At the same time, the Company will continuously explore new technologies and methods, optimize service processes, improve service quality, and realise the Company’s high-quality and healthy development in a stable operation.

## **C. BUSINESS REVIEW**

The Group principally adopts the TOO, TOT and BOT project models, with a focus on the TOO model. For the year ended 31 December 2024, our TOO projects contributed to 58.1% of our total revenue. Our TOT and BOT projects contributed to 18.5% of our total revenue, and 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 the project type. As of 31 December 2024, we had a total of 38 plants (34 wastewater treatment plants and 4 running water plants) under concession agreements. Among the 38 plants in operation, 14 were TOO projects, 2 were TOT projects, 20 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 2024, the total volume of wastewater treated was approximately 669.3 million m<sup>3</sup> with an average facility utilisation rate of approximately 98.1%.

## **Wastewater Treatment Projects**

As of 31 December 2024, we had a total of 34 wastewater treatment plants in operation (including 14 in Kunming and 20 in other areas of the PRC), with a total wastewater treatment capacity of 1.9 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 providing high quality wastewater treatment services. The Company's wastewater treatment plants in operation adopt a variety of processes such as oxidation ditch, A<sup>2</sup>/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.

During the Reporting Period, in order to reduce investment losses and mitigate operational risks, the Company entered into the Concession Termination Agreement with the Administrative Committee of Bokeo Special Economic Zone in Laos on 8 April 2024, terminating the Concession Contracts for the running water plants and the wastewater treatment plants signed by both parties on 16 October 2015 (for details, please refer to the announcement of the Company dated 8 April 2024).

In addition, we were entrusted to provide operation management services to a total of 26 township wastewater treatment stations, with a total designed wastewater treatment capacity of 0.45 million m<sup>3</sup>. We have been entrusted to operate and manage rural domestic sewage collection and treatment facilities in 887 villages, covering 11 towns.

## **Reclaimed Water Business**

We carried out the reclaimed water business by relying on our own sewage treatment plants that receive entrusted operation services. As of 31 December 2024, we had 12 reclaimed water stations and 2 second-stage booster pump stations. Meanwhile, we provided entrusted operation services for 5 reclaimed water stations/booster pump stations, with a total designed daily production capacity of reclaimed water facilities of 334,000 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 96.1 million m<sup>3</sup>.

## **Running Water Business**

For our running water business, as of 31 December 2024, we had 4 running water plants in the PRC. During the Reporting Period, the supply of running water amounted to 7.745 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 raised from our global offering, bank loans, corporate bonds and other means of financing. For the year ended 31 December 2024, our total borrowings amounted to RMB4,589.2 million, representing a decrease of 13.0% from RMB5,272.1 million in 2023. As of 31 December 2024, our net gearing ratio, calculated as net debt divided by total capital, was 46.5%.

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 RMB213.3 million, or 11.8%, to RMB1,594.2 million for the year ended 31 December 2024, from RMB1,807.5 million for the year ended 31 December 2023. Gross profits decreased by RMB84.5 million, or 10.6%, to RMB713.7 million for the year ended 31 December 2024, from RMB798.2 million for the year ended 31 December 2023. During the Reporting Period, revenue from wastewater treatment services, reclaimed water and running water supply and other segments accounted for 72.3%, 10.9% and 16.8% 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>2024</b>	2023
	<b>RMB'000</b>	RMB'000
<b>Revenue</b>	<b>1,594,164</b>	1,807,488
Cost of sales	<u>(880,513)</u>	<u>(1,009,248)</u>
<b>Gross profit</b>	<b>713,651</b>	798,240
Selling expenses	(1,139)	(2,326)
Administrative expenses	(76,134)	(111,878)
Impairment loss on interests in associates	–	(55)
Net impairment losses on financial assets	(129,041)	(110,033)
Other income, net	23,076	45,508
Other losses	<u>(5,505)</u>	<u>(3,861)</u>
<b>Operating profit</b>	<b><u>524,908</u></b>	<u>615,595</u>
Finance income	48,038	39,172
Finance costs	<u>(263,627)</u>	<u>(273,065)</u>
Finance costs – net	<u>(215,589)</u>	<u>(233,893)</u>
Share of results of associates	<u>5,035</u>	<u>–</u>
<b>Profit before taxation</b>	<b>314,354</b>	381,702
Income tax	<u>(50,426)</u>	<u>(63,975)</u>
<b>Profit for the year</b>	<b><u>263,928</u></b>	<u>317,727</u>
Other comprehensive income	<u>1,116</u>	<u>860</u>
<b>Total comprehensive income for the year</b>	<b><u><u>265,044</u></u></b>	<b><u><u>318,587</u></u></b>

**a. Revenue**

Our revenue decreased by RMB213.3 million, or 11.8%, to RMB1,594.2 million for the year ended 31 December 2024 from RMB1,807.5 million for the year ended 31 December 2023, primarily due to:

- Our revenue from wastewater treatment business decreased by RMB81.3 million or 6.6% from RMB1,233.1 million for the year ended 31 December 2023 to RMB1,151.8 million for the year ended 31 December 2024. In particular, wastewater treatment operating income decreased by RMB45.4 million, the finance income decreased by approximately RMB45.8 million, which was mainly due to the completion of the disposal of Zhaotong Guorun Water Treatment Co., Ltd.\* (昭通國潤水務有限公司) (“**Zhaotong Guorun Water**”) (formerly known as Zhaotong Dianchi Water Treatment Co., Ltd.\* (昭通滇池水務有限公司)), Suijiang Guorun Water Treatment Co., Ltd.\* (綏江國潤水務有限公司) (“**Suijiang Guorun Water**”) (formerly known as Suijiang Dianchi Water Treatment Co., Ltd.\* (綏江滇池水務有限公司)) and Yiliang Guorun Water Treatment Co., Ltd.\* (彝良國潤水務有限公司) (“**Yiliang Guorun Water**”) (formerly known as Yiliang Dianchi Water Treatment Co., Ltd.\* (彝良滇池水務有限公司)) in 2024; the construction income increased by approximately RMB10.0 million, which was mainly due to the increase in investment in wastewater treatment construction projects in 2024 as compared to 2023.
- Our revenue from water supply segment increased by RMB45.0 million or 34.8% from RMB129.4 million for the year ended 31 December 2023 to RMB174.4 million for the year ended 31 December 2024. In particular, water supply operating income increased by approximately RMB23.4 million; the construction services income increased by approximately RMB25.5 million, which was mainly due to the increase in investment in reclaimed water supply and fresh water supply projects in 2024.
- Our revenue from other segments decreased by RMB177.0 million or 39.8% from RMB445.0 million for the year ended 31 December 2023 to RMB268.0 million for the year ended 31 December 2024. The construction income decreased by approximately RMB46.4 million resulting from the decrease in investment in existing projects such as the Kunming Domestic Waste Sanitary Landfill Construction Project as compared to 2023. The thermal power income from the subsidiary, Liuyang Hongyu Thermal Power Co., Ltd.\* (瀏陽市宏宇熱電有限公司) (“**Hongyu Thermal Power**”), decreased by approximately RMB146.6 million resulting from the completion of its disposal in December 2023.

**b. Cost of sales**

Our cost of sales decreased by RMB128.7 million, or 12.8%, to RMB880.5 million for the year ended 31 December 2024, from RMB1,009.2 million for the year ended 31 December 2023. Details are as follows:

- Our cost of sales for wastewater treatment segment decreased by RMB2.4 million, or 0.4%, to RMB650.1 million for the year ended 31 December 2024, from RMB652.5 million for the year ended 31 December 2023.
- Our cost of sales for water supply segment increased by RMB48.7 million, or 74.2%, to RMB114.3 million for the year ended 31 December 2024, from RMB65.6 million for the year ended 31 December 2023.
- Our cost of sales for other segments decreased by RMB175.0 million, or 60.1%, to RMB116.1 million for the year ended 31 December 2024, from RMB291.1 million for the year ended 31 December 2023. In which, due to the completion of disposal of the subsidiary, Hongyu Thermal Power, in December 2023, the heat costs from it decreased by approximately RMB140.3 million.

**c. Gross margin**

Our gross profit decreased by RMB84.5 million, or 10.6%, to RMB713.7 million for the year ended 31 December 2024, from RMB798.2 million for the year ended 31 December 2023, which was mainly due to the decrease in gross profit from wastewater treatment segment of RMB78.9 million, decrease in gross profit from water supply segment of RMB3.8 million and decrease in gross profit from other segments of RMB1.9 million.

Our gross margin increased by 0.6 percentage points from 44.2% for the year ended 31 December 2023 to 44.8% for the year ended 31 December 2024.

- Our gross profit from wastewater treatment segment decreased by RMB78.9 million, or 13.6%, to RMB501.7 million for the year ended 31 December 2024, from RMB580.6 million for the year ended 31 December 2023. Our segment gross margin decreased by 3.5 percentage points from 47.1% for the year ended 31 December 2023 to 43.6% for the year ended 31 December 2024.

- Our gross profit from water supply segment decreased by RMB3.8 million, or 6.0%, to RMB60.0 million for the year ended 31 December 2024, from RMB63.8 million for the year ended 31 December 2023. Our segment gross margin decreased by 14.9 percentage points from 49.3% for the year ended 31 December 2023 to 34.4% for the year ended 31 December 2024.
- Our gross profit from other segments decreased by RMB1.9 million, or 1.2%, to RMB151.9 million for the year ended 31 December 2024, from RMB153.8 million for the year ended 31 December 2023. Our segment gross margin increased by 22.1 percentage points from 34.6% for the year ended 31 December 2023 to 56.7% for the year ended 31 December 2024.

**d. *Selling expenses***

Our selling expenses decreased by RMB1.2 million or 52.2% from RMB2.3 million for the year ended 31 December 2023 to RMB1.1 million for the year ended 31 December 2024, which was mainly due to the selling expenses were mainly derived from Qujing Zeyuan Water Treatment Co., Ltd.\* (曲靖澤源水務有限公司) (formerly known as Qujing Dianchi Water Treatment Co., Ltd.\* (曲靖滇池水務有限公司)), which completed its disposal in September 2023.

**e. *Administrative expenses***

Administrative expenses decreased by RMB35.8 million, or 32.0%, to RMB76.1 million for the year ended 31 December 2024, from RMB111.9 million for the year ended 31 December 2023, which was mainly due to the decrease in the remuneration of employees, depreciation and amortisation charge during the Reporting Period.

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

Impairment losses on financial assets increased by RMB19.0 million or 17.3% from RMB110.0 million for the year ended 31 December 2023 to RMB129.0 million for the year ended 31 December 2024.

**g. Net other income**

Our other income decreased from RMB45.5 million for the year ended 31 December 2023 to RMB23.1 million for the year ended 31 December 2024, representing a decrease of RMB22.4 million or 49.3%, which was mainly due to the receipt of default income of RMB9.8 million in 2023, and the decrease in the amortisation of government grants for the year compared to 2023.

**h. Other losses**

Our other losses increased to RMB5.5 million for the year ended 31 December 2024, from RMB3.9 million for the year ended 31 December 2023.

**i. Operating profit**

As a result of the foregoing factors, our operating profit decreased by RMB90.7 million, or 14.7%, to RMB524.9 million for the year ended 31 December 2024, from RMB615.6 million for the year ended 31 December 2023. Our operating margins for the years ended 31 December 2024 and 31 December 2023 were 32.9% and 34.1%, respectively.

**j. Finance income**

Our finance income increased by RMB8.8 million, or 22.4%, to RMB48.0 million for the year ended 31 December 2024, from RMB39.2 million for the year ended 31 December 2023.

**k. Finance costs**

Our finance costs decreased by RMB9.5 million, or 3.5%, to RMB263.6 million for the year ended 31 December 2024, from RMB273.1 million for the year ended 31 December 2023.

***l. Profit before income tax***

As a result of the foregoing factors, our profit before income tax decreased by RMB67.3 million, or 17.6%, to RMB314.4 million for the year ended 31 December 2024 from RMB381.7 million for the year ended 31 December 2023.

***m. Income tax expense***

We incurred income tax expenses of RMB64.0 million for the year ended 31 December 2023 and RMB50.4 million for the year ended 31 December 2024 at effective tax rates of 16.8% and 16.0%, 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 utilisation projects eligible for preferential corporate income tax rate and 10% of the income of such subsidiaries was not subject to corporate income tax.

***n. Total comprehensive income***

As a result of the foregoing factors, our total comprehensive income decreased by RMB53.6 million, or 16.8%, to RMB265.0 million for the year ended 31 December 2024 from RMB318.6 million for the year ended 31 December 2023.

**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>2024</b>	2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Net cash from operating activities	<b>293,820</b>	220,948
Net cash from investing activities	<b>75,666</b>	303,830
Net cash used in financing activities	<b>(532,835)</b>	(480,552)
Net (decrease) increase in cash and cash equivalents	<b>(163,349)</b>	44,226
Effect of change in foreign exchange rates	<b>238</b>	(1,632)
Cash and cash equivalents at the beginning of the Reporting Period	<b>174,088</b>	131,494
Cash and cash equivalents at the end of the Reporting Period, represented by cash and bank balances	<b>10,977</b>	174,088

**a. Net cash from operating activities**

Our net cash from 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 2024, our net cash from operating activities was RMB293.8 million, primarily comprising cash received in operations amounting to RMB535.7 million, income tax paid amounting to RMB21.8 million and interest paid amounting to RMB220.1 million. The net cash from operating activities in 2024 increased by RMB72.9 million compared with that of 2023, primarily due to the increase in receipt of cash due from enterprises in 2024 as compared to 2023.

**b. *Net cash from investing activities***

Our net cash from investing activities primarily consisted of cash received from disposal of subsidiaries, repayments received from related parties and used for purchase of property, plant and equipment, loans to related parties and other investments.

As of 31 December 2024, the net cash from investing activities amounted to RMB75.7 million, primarily comprising the payment for purchase of property, plant and equipment and additions of receivables under new concession agreements amounting to RMB104.4 million, net collection of loans granted to related parties amounting to RMB8.2 million, interests received amounting to RMB39.5 million, proceeds from disposal of subsidiaries of RMB76.2 million and proceeds from disposal of property, plant and equipment of RMB55.7 million. The net cash from investing activities in 2024 decreased by RMB228.2 million compared with that of 2023, primarily due to the decrease in proceeds from disposal of subsidiaries received and advance received from disposal of equity interests in subsidiaries as compared to last year.

**c. *Net cash used in financing activities***

Our net cash used in financing activities primarily represents repaying and obtaining borrowings. Our net cash generated from financing activities increased from net outflow of RMB480.6 million for the year ended 31 December 2023 to net outflow of RMB532.8 million for the year ended 31 December 2024.

### 3. Working Capital

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
<b>Current assets</b>		
Receivables under service concession arrangements	19,496	30,682
Amounts due from customers for construction contracts	24,581	27,116
Inventories	6,212	7,570
Financial assets at amortised cost	119,600	179,800
Trade and other receivables	5,809,617	4,437,299
Restricted funds	25,965	54,865
Cash and bank balances	10,977	174,088
<b>Total current assets</b>	<b>6,016,448</b>	<b>4,911,420</b>
<b>Current liabilities</b>		
Trade and other payables	1,984,442	1,380,081
Contract liabilities	30,127	7,163
Tax payables	190,597	142,462
Borrowings	2,490,841	3,266,653
<b>Total current liabilities</b>	<b>4,696,007</b>	<b>4,796,359</b>
<b>Net current assets</b>	<b>1,320,441</b>	<b>115,061</b>

We recorded net current assets of RMB1,320.4 million as at 31 December 2024 and net current assets of RMB115.1 million as at 31 December 2023.

**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) throughout a concession period. 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 RMB11.2 million or 36.5% from RMB30.7 million on 31 December 2023 to RMB19.5 million on 31 December 2024, primarily due to the completion of disposal of Zhaotong Guorun Water, Suijiang Guorun Water and Yiliang Guorun Water in 2024.

**b. *Inventories***

Our total inventory balance decreased by RMB1.4 million, or 18.4%, to RMB6.2 million as of 31 December 2024 from RMB7.6 million as of 31 December 2023.

Our inventory turnover days decreased from 5.3 days on 31 December 2023 to 2.9 days on 31 December 2024 (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 2023 and 2024).

**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 decreased by RMB2.5 million, or 9.2%, to RMB24.6 million as of 31 December 2024 from RMB27.1 million as of 31 December 2023.

**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>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Trade receivables:</b>		
– Third parties	222,636	194,924
– Related parties	228,337	228,236
– Local government	4,137,952	3,233,175
– Loss allowance	<u>(160,861)</u>	<u>(108,337)</u>
<b>Trade receivables – net</b>	<u><b>4,428,064</b></u>	<u>3,547,998</u>
<b>Other receivables:</b>		
– Third parties	174,436	97,942
– Related parties	1,154,707	713,921
– Local government	28,582	28,185
– Loss allowance	<u>(50,241)</u>	<u>(33,334)</u>
<b>Other receivables – net</b>	<u><b>1,307,484</b></u>	<u>806,714</u>
<b>Prepayments:</b>		
– Others	<u>74,069</u>	<u>82,587</u>
<b>Prepayments – net</b>	<u><b>74,069</b></u>	<u>82,587</u>
<b>Trade and other receivables – net</b>	<u><u><b>5,809,617</b></u></u>	<u><u>4,437,299</u></u>

Our net trade and other receivables increased by RMB1,372.3 million, or 30.9%, to RMB5,809.6 million as of 31 December 2024 from RMB4,437.3 million as of 31 December 2023, reflecting in (i) an increase in trade receivables due from local government by RMB904.8 million, or 28.0%, to RMB4,138.0 million as of 31 December 2024 from RMB3,233.2 million as of 31 December 2023; (ii) an increase in other amounts due from third parties by RMB76.5 million, or 78.1%, to RMB174.4 million as of 31 December 2024 from RMB97.9 million as of 31 December 2023; (iii) an increase in other amounts due from related parties by RMB440.8 million, or 61.7%, to RMB1,154.7 million as of 31 December 2024 from RMB713.9 million as of 31 December 2023; and (iv) a decrease in total prepayment of approximately RMB8.5 million in 2024.

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

	<b>As at 31 December</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	<i>RMB'000</i>
– Within one year	<b>1,370,811</b>	1,341,523
– Over one year and within two years	<b>1,162,766</b>	1,471,773
– Over two years	<b>2,055,348</b>	843,039
	<b><u>4,588,925</u></b>	<u>3,656,335</u>

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

	<b>As at 31 December</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	<i>RMB'000</i>
– Within one year	<b>1,370,811</b>	1,341,523
– Over one year and within two years	<b>1,162,766</b>	1,471,773
– Over two years	<b>2,055,348</b>	843,039
	<b><u>4,588,925</u></b>	<u>3,656,335</u>

The Group does not hold any collateral as security.

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

	<b>As at 31 December</b>	
	<b>2024</b>	2023
	<b>Days</b>	<b>Days</b>
Trade receivable turnover days <sup>(1)</sup>	<b>913.1</b>	648.4
Trade and other receivable turnover days <sup>(2)</sup>	<b>1,173.1</b>	819.2

*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 2023 and 2024.
- (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 2023 and 2024.

Our trade receivables turnover days increased by 264.7 days in 2024 as compared with 2023, mainly due to the delays in government payment during the Reporting Period.

***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, 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>2024</b>	2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade payables	<b>789,715</b>	454,721
Other payables	<b>849,277</b>	464,099
Staff salaries and welfare payables	<b>112,863</b>	60,919
Payables on acquisition of property, plant and equipment	<b>167,706</b>	225,308
Payables on acquisition of land use rights from related parties	<b>31,000</b>	31,000
Accrued taxes other than income tax	<b>33,881</b>	24,034
Advance received from disposal of equity interests in subsidiaries	–	120,000
	<b><u>1,984,442</u></b>	<u>1,380,081</u>

*Contract liabilities*

	<b>As at 31 December</b>	
	<b>2024</b>	2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Contract liabilities		
– Related parties	<b>2,921</b>	3,184
– Third parties	<b>27,206</b>	3,979
	<b><u>30,127</u></b>	<u>7,163</u>

Our trade and other payables increased by RMB604.3 million, or 43.8%, to RMB1,984.4 million as of 31 December 2024 from RMB1,380.1 million as of 31 December 2023, which was mainly due to the increase in payables to third parties and other payables to third parties in 2024.



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

	<b>As at 31 December</b>	
	<b>2024</b>	2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
– Within one year	<b>559,120</b>	197,904
– Over one year and within two years	<b>133,547</b>	165,679
– Over two years	<b>97,048</b>	91,138
	<b><u>789,715</u></b>	<u>454,721</u>

As at 31 December 2023 and 2024, except for other payables arising from financing nature, 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>2024</b>	2023
	<b><i>Days</i></b>	<i>Days</i>
Trade and other payables turnover days <sup>(1)</sup>	<b>697.4</b>	395.4
Trade payables turnover days <sup>(2)</sup>	<b>257.9</b>	182.7

*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 2023 and 2024.
- (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 2023 and 2024.

Our trade payables turnover days increased by 75.2 days in 2024 as compared with 2023, mainly due to the increase in trade payables during the Reporting Period and the decrease in total purchase as compared with the last year.

The Directors confirm that up to 31 December 2024, 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. Some are pledged by wastewater treatment income, 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:

	<b>As at 31 December</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
<b>Non-current portion</b>		
Unsecured long-term borrowings	<b>337,800</b>	169,200
Secured long-term borrowings	<b>1,760,538</b>	1,836,285
<b>Total non-current borrowings</b>	<b><u>2,098,338</u></b>	<u>2,005,485</u>
<b>Current portion</b>		
Unsecured short-term borrowings	<b>705,285</b>	875,770
Secured short-term borrowings	<b>1,785,556</b>	2,390,883
<b>Total current borrowings</b>	<b><u>2,490,841</u></b>	<u>3,266,653</u>
<b>Total borrowings</b>	<b><u>4,589,179</u></b>	<u>5,272,138</u>

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

	<b>As at 31 December</b>	
	<b>2024</b>	2023
Weighted average effective interest rates	<u><b>5.77%</b></u>	<u>5.17%</u>

As of 31 December 2023 and 2024, our total borrowings amounted to RMB5,272.1 million and RMB4,589.2 million respectively, mainly due to the decrease in total borrowings for the year of RMB682.9 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 RMB2,196.1 million and RMB1,679.7 million as of 31 December 2023 and 2024 respectively, were secured by our sewage treatment revenue.

As of 31 December 2024, 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 2024, 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>2024</b>	2023
	<b>RMB'000</b>	RMB'000
On demand or within 1 year	<b>2,490,841</b>	3,266,653
Between 1 and 2 years	<b>844,235</b>	99,100
Between 2 and 5 years	<b>1,085,745</b>	1,369,599
Later than 5 years	<u><b>168,358</b></u>	<u>536,786</u>
	<u><b>4,589,179</b></u>	<u>5,272,138</u>

As of 31 December 2023 and 2024, our net gearing ratios were 50.3% and 46.5%, respectively. Our net gearing ratios as at 31 December 2024 decreased by 3.8 percentage points as compared with 31 December 2023, primarily due to the changes in cash and cash equivalent and net debt for the current period during the Reporting Period.

Except as disclosed above, as of 31 December 2024, 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>2024</b>	2023
	<b>RMB'000</b>	RMB'000
Property, plant and equipment	<b>84,030</b>	13,648

*(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>2024</b>	2023
	<b>RMB'000</b>	RMB'000
Concession projects and construction projects	<b>730,962</b>	727,479

**c. Capital expenditure**

Our capital expenditure mainly comprises purchases of land use rights, property, plant and equipment and intangible assets. Our capital expenditure was RMB112.7 million and RMB161.2 million for the years ended 31 December 2023 and 2024, respectively. We expect to fund our contractual commitments and capital expenditures principally through net cash generated from our operating activities and proceeds from borrowings.

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

	<b>As at 31 December</b>	
	<b>2024</b>	2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Wastewater treatment	<b>28,007</b>	77,493
Water supply	<b>45,238</b>	31,555
Others	<b>87,945</b>	3,687
	<hr/>	<hr/>
Total	<b>161,190</b>	112,735
	<hr/> <hr/>	<hr/> <hr/>

Based on our current business plan, we expect to incur capital expenditure amounting to RMB66.8 million for the year ending 31 December 2025. 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 announcement, as of 31 December 2024, 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 is not to 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. 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 HKD582,520,000 and USD8,280,000 respectively. Exchange rate fluctuations have a certain impact on the retention of foreign currency funds and the return of principal and interest on borrowings. 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 repays the corresponding foreign currency interest in Renminbi upon each payment of principal and interest.

## 7. Employees and remuneration policies

### *Relationship with Employees*

As of 31 December 2024, we had 1,115 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 2024:

<b>Function</b>	<b>Number</b>
Management and Administration	197
Finance	47
Research and Development	60
Quality Monitoring	211
Marketing	23
Operations	535
Construction and Maintenance	<u>42</u>
Total	<u><u>1,115</u></u>

We recruit our employees on the open market. Compensation for our employees includes post wages, performance-based wages, allowances and subsidies, overtime payment, bonuses and other staff benefits. For the years ended 31 December 2023 and 2024, our employee benefits expenses amounted to approximately RMB193.0 million and RMB171.6 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.

## 8. Contingent liabilities

As of 31 December 2024, the Group did not have any significant contingent liabilities.

## 9. Material charges on assets

As at 31 December 2024, the Group's secured bank borrowings 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.

## 10. 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 1.0% of the total assets of the Company. As at the date of this announcement, KADI has yet to fully repurchase such creditor's rights of the trade receivables.

During the Reporting Period, the Company did not enter into any new major investment and acquisition agreements (including major acquisition agreements of subsidiaries, associates, and joint ventures), and the projects under the original investment and acquisition agreements are actively progressing.

The Company's investments mainly focus on its main business. Prior to project investment, the Company will conduct feasibility study and analysis of the relevant project to confirm that the project is feasible and meets the rate of return required by the Company before implementation. 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. The management and use of idle funds of the Company are currently mainly aimed at ensuring the safety of funds and achieving reasonable returns. The Company will not invest in non-principal guaranteed investment products such as financial assets held for trading.

Save as disclosed above, the Group had no new plans of major investments or capital and asset acquisition as of 31 December 2024.

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

On 29 December 2023, (i) the Company (as the Transferor), Sichuan Development Guorun Water Investment Co., Ltd.\* (四川發展國潤水務投資有限公司) (as the Transferee) and Zhaotong Guorun Water (as the Target Company I) entered into the Equity Transfer Agreement I; (ii) the Company (as the Transferor), Sichuan Development Guorun Water Investment Co., Ltd.\* (四川發展國潤水務投資有限公司) (as the Transferee) and Yiliang Guorun Water (as the Target Company II) entered into the Equity Transfer Agreement II; and (iii) the Company (as the Transferor), Sichuan Development Guorun Water Investment Co., Ltd.\* (四川發展國潤水務投資有限公司) (as the Transferee) and Suijiang Guorun Water (as the Target Company III) entered into the Equity Transfer Agreement III, pursuant to all of which the Company has conditionally agreed to sell and the Transferee has conditionally agreed to purchase 80% equity interest in each of the Target Companies, at a consideration comprising the equity transfer price in the sum of approximately RMB242,762,000 and the interest as agreed to be calculated based on the price to be paid by the Transferee in instalments. Upon completion of the disposal, the Group only was interested in 20% of each of the Target Companies, each of which ceased to be subsidiaries of the Company, and their financial results ceased to be consolidated into the consolidated financial statements of the Group. For details, please refer to the announcement of the Company dated 29 December 2023.

As of the end of the Reporting Period, the relevant procedures of equity transfer have been completed.



On 10 July 2024, the Company (as the transferor) signed the equity transfer agreement with Yunnan Tongrui Construction Engineering Consulting Co., Ltd.\* (雲南通瑞建設工程諮詢有限公司), pursuant to which the Company sold its 40% equity interest in an associate, Yunnan Dianchi Information Construction Management Co., Ltd.\* (雲南滇池信息建設管理有限公司) (“**Dianchi Information**”), to an independent third party, Yunnan Tongrui Construction Engineering Consulting Co., Ltd.\* (雲南通瑞建設工程諮詢有限公司), for a consideration of RMB467,000. Upon completion of the disposal, the Company ceased to hold any equity interest in Dianchi Information.

As of the end of the Reporting Period, the relevant procedures of equity transfer have been completed.

Save as disclosed above, as of December 31, 2024, the Group had no other disposals of subsidiaries, associates and joint ventures.

## 12. Loans to Certain Entities

On 9 June 2022, the Company entered into the entrusted loan contract (the “**Entrusted Loan Contract**”) with Kunming Municipal Urban Construction Investment & Development Co., Ltd.\* (昆明市城建投資開發有限責任公司) (“**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. KDI provided a full and joint liability guarantee for the entrusted loan transaction under the Entrusted Loan Contract; on 9 June 2023, the parties entered into the entrusted loan extension agreement (the “**Entrusted Loan Extension Agreement I**”) for the Entrusted Loan Contract to extend the term of RMB180 million of the principal amount thereunder to 8 June 2024; on 29 April 2024, the parties entered into the entrusted loan extension agreement for the Entrusted Loan Contract and the Entrusted Loan Extension Agreement I to extend the term of RMB180 million of the principal amount thereunder to 7 June 2026. For details, please refer to the announcements of the Company dated 9 June 2022, 9 June 2023, 12 June 2023 and 29 April 2024, respectively.

On 24 October 2022, the Company entered into the entrusted loan contract (the “**Chenggong District Entrusted Loan Contract**”) with Kunming Development Investment Group Co., Ltd.\* (昆明發展投資集團有限公司) (“**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; on 22 September 2023, the parties entered into the entrusted loan extension agreement (the “**Chenggong District Entrusted Loan Extension Agreement I**”) and the supplemental entrusted loan extension agreement (the “**Supplemental Entrusted Loan Extension Agreement I**”) for the Chenggong District Entrusted Loan Contract to extend the term of entrusted loan with principal amount of RMB200 million to 24 August 2024. On 15 July 2024, the parties entered into the entrusted loan extension agreement for the Chenggong District Entrusted Loan Contract, the Chenggong District Entrusted Loan Extension Agreement I and the Supplemental Entrusted Loan Extension Agreement I to extend the term of entrusted loan with principal amount of RMB200 million to 24 July 2025. For details, please refer to the announcements of the Company dated 24 October 2022, 22 September 2023, 13 November 2023 and 15 July 2024, respectively.

On 16 June 2023, the Company entered into the entrusted loan contract with Kunming Anju Group Co., Ltd.\* (昆明市安居集團有限公司) (“**Anju Group**”) and Jinma Branch of Kunming Guandu Rural Cooperative Bank\* (昆明官渡農村合作銀行金馬支行) (“**Jinma Branch of Guandu Rural Cooperative Bank**”), pursuant to which the Company entrusted Jinma Branch of Guandu Rural Cooperative Bank to provide a RMB80 million loan to Anju Group with an annual interest rate of 8.5% and a term commencing on 16 June 2023 and ending on 16 June 2024. On 13 June 2024, the parties entered into the entrusted loan extension agreement for the entrusted loan contract to extend the term of entrusted loan with principal amount of RMB72 million to 16 June 2025. For details, please refer to the announcements of the Company dated 16 June 2023 and 13 June 2024, respectively.

On 29 April 2024, the Company entered into the mutual guarantee agreement with Kunming Water Supply Group Co., Ltd.\* (昆明自來水集團有限公司) (“**Kunming Water Supply Group**”), pursuant to which the Company and Kunming Water Supply Group agreed to provide guarantees in respect of the liabilities relating to the loans obtained by the other party for a cumulative amount of not more than RMB500 million each, which shall be non-recurring upon full utilization of the amount, and the term of the guarantees to be provided in respect of each loan shall not be more than five years from the date of signing of each loan guarantee agreement. As of the end of the Reporting Period, Kunming Water Supply Group has provided guarantees for the Company’s loans of RMB197.0 million, while the Company has provided guarantees for Kunming Water Supply Group’s loans of RMB110.0 million (for details, please refer to the announcement of the Company dated 29 April 2024 and the circular of the Company dated 22 May 2024).

According to the knowledge of the Company, Kunming Construction, Kunming DIG, Anju Group and Kunming Water Supply Group are all controlled or held by the 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) (“**Kunming SASAC**”), and Kunming DIG holds approximately 15.58% of the shares of Kunming Construction. Saved as disclosed above, Kunming Construction, Kunming DIG, Anju Group and Kunming Water Supply Group 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 and increase revenue on the premise of keeping the risks under control. When selecting counterparties, we will conduct necessary due diligence on them, including the assessment of their financial position, cash flow situation, ultimate beneficial owners and legal risks, etc., and consider the risk of capital recovery based on the counterparties' operating conditions and past cooperation. In terms of the method of granting loans, we will grant funds through bank entrusted loans to incorporate the repayment of principal and interest by counterparties into the bank credit supervision system, promote counterparties to perform their obligations of repayment of principal and interest pursuant to contracts, and reduce the risk of the Company. When granting loans, we will determine the interest rate of loans to be granted with reference to the then applicable loan prime rate for RMB loans of the same period and our own financing costs, so as to protect the Company's reasonable returns. In terms of the approval of granting loans, the Company has formulated policies such as the "Three Important and One Large Matters (三 重 一 大)", which together with the Company's articles of association (the "**Articles of Association**") stipulate clear division of the relevant approval authority for granting funds. During the Reporting Period, the approval procedures for granting loans have been effectively implemented as required. In the future, the Company will continue to pay attention to the operation of the counterparties by continuously obtaining the periodic financial information of the counterparties and enquiring the market information. If there are significant changes in the financial position and operation of the counterparties, the management of the Company and the Board will follow up and take corresponding measures in a timely manner to ensure the safety of the Company's capital. After comprehensive assessment, there were no indications of significant impairment for the abovementioned entrusted loans as of 31 December 2024.

### **13. Pledge of Shares by the Controlling Shareholder**

On 24 October 2022, KDI, the controlling shareholder, 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 (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 has matured and the Company has fulfilled all related repayment obligations, while the procedures for the release of the Pledged Shares are still in process.

### **14. 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 USD300 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. Pursuant to the Facility Agreement, if Kunming SASAC no longer directly or indirectly owns more than 51% 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. In 2023, the Company entered into a pledge of receivables contract with Bank of Communications (Hong Kong) Limited (as the guarantee agent), pursuant to which the Company pledged the trade receivables of RMB800 million held by it to Bank of Communications (Hong Kong) Limited to provide guarantee for the loans under the loan agreement signed by the Group on 25 March 2022.

As of the date of this announcement, Kunming SASAC directly or indirectly controlled more than 51% 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

The Company is mainly engaged in sewage treatment, reclaimed water and running water supply and environmental protection related industries. During the Reporting Period, the Company focused on its main business, continuously enhancing the operational capabilities of its sewage treatment and reclaimed water supply businesses, optimizing and revitalizing assets, and consistently improving internal management efficiency. At the same time, the Company attaches great importance to maintaining a high standard of corporate governance. The Board is dedicated to creating long-term value for shareholders, is responsible for leading and monitoring the Company and is responsible for the strategic planning, business development, compliance governance and cultural promotion, environmental, social and governance management and supervision to ensure that relevant strategies and culture are in line with the Company's development direction and that corporate governance continues to be effective, so as to enhance shareholders' value and protect shareholders' rights and interests and provide effective guarantees for the Company's sustainable high-quality development.

The Company has adopted the code provisions of the Corporate Governance Code (the "CG Code") as contained in Part 2 of Appendix C1 to the Listing Rules as its own corporate governance code. The Company has established and enhanced the corporate governance structure in accordance with the Listing Rules and the CG Code and has set up a series of corporate governance policies. The Directors believe that during the Reporting Period, the Company has been observing all mandatory code provisions as stipulated in the CG Code except for provision B.2.2.

Under code provision B.2.2, every director, including those appointed for a specific term, should be subject 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 "Board of Supervisors") had reached 3 years, but the work for the nomination of relevant candidates has not yet completed. At the same time, the Board considers the continuity of the Board and the Board of Supervisors. Under the relevant provisions of the Articles of Association, 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. 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 C3 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 CG Code) in respect of their dealings in the Company’s securities. After making specific enquiries to all of the Directors 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**

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. The Company does not have any treasury shares (as defined under the Listing Rules) as of 31 December 2024.

#### **VI. AUDIT COMMITTEE**

The audit committee of the Company has reviewed the Financial Statements of the Group for the year ended 31 December 2024 prepared in accordance with the International Financial Reporting Standards in 2024.

#### **VII. 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 2024 as set out in the preliminary announcement have been agreed by the Company’s auditor, Forvis Mazars CPA Limited (formerly known as: Mazars CPA 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.

#### **VIII. 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 2024 (for the year ended 31 December 2023: no final cash dividend).

## **IX. CLOSURE OF REGISTER OF MEMBERS**

The Company expects to convene and hold the Company's 2024 annual general meeting (the "2024 AGM") at 2:30 pm on Friday, 27 June 2025 at the meeting room of the Company on the 1st floor at Wastewater Plant No.7, Kunming Dianchi Tourist Resort, Yunnan Province, the PRC.

For the purpose of determining H shareholders' entitlement to attend the 2024 AGM, the H share register of shareholders of the Company will be closed from Saturday, 7 June 2025 to Friday, 27 June 2025 (both days inclusive), during which no transfer of shares will be registered. In order to attend the 2024 AGM, H 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 Friday, 6 June 2025. The H shareholders whose names appear on the Company's register of shareholders for H shares as at the close of business on Friday, 6 June 2025 are entitled to attend the 2024 AGM.

For the purpose of determining the list of holders of domestic shares who are entitled to attend the 2024 AGM, the domestic share register of members of the Company will be closed from Saturday, 7 June 2025 to Friday, 27 June 2025 (both days inclusive). The holders of domestic shares who wish to attend the 2024 AGM are required to complete the transfer registration of domestic shares in accordance with the relevant regulations of China Securities Depository and Clearing Corporation Limited not later than the close of business on Friday, 6 June 2025. Holders of domestic shares whose names appear on the register of members of domestic shares of the Company as at the close of business on Friday, 6 June 2025 are entitled to attend the 2024 AGM.

## **X. PUBLICATION OF ANNUAL REPORT**

The annual report of the Company for the year ended 31 December 2024 will be published on the respective websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.kmdcwt.com](http://www.kmdcwt.com)) in due course in accordance with the requirements of the Listing Rules. Meanwhile, shareholders of the Company may choose to receive the annual report of the Company for the year ended 31 December 2024 in printed form or browsing 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)) in accordance with the relevant policy of "New Arrangements on Dissemination of Corporate Communications" published by the Company on 31 January 2024.

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

Kunming, the PRC, 21 March 2025

*As at the date of this announcement, the Board comprises Mr. Zeng Feng and Mr. Chen Changyong, as executive Directors; Mr. Xu Jingdong, Ms. Cheng Yijing and Mr. Zhang Yang, as non-executive Directors; and Mr. Zha Guiliang, Ms. Zheng Dongyu and Mr. Ong King Keung, as independent non-executive Directors.*