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

### **昆明滇池水务股份有限公司**

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

**(Stock Code: 3768)**

## **2025 INTERIM RESULTS ANNOUNCEMENT**

### **FINANCIAL SUMMARY**

For the six months ended 30 June 2025, the Group's:

- revenue amounted to approximately RMB670.8 million, representing a decrease of 9.2% from the corresponding period of last year;
- profit before tax amounted to approximately RMB157.8 million, representing a decrease of 20.3% from the corresponding period of last year;
- net profit attributable to the equity holders of the Company amounted to approximately RMB131.9 million, representing a decrease of 10.9% from the corresponding period of last year;
- earnings per share amounted to approximately RMB0.13, representing a decrease of 7.1% from the corresponding period of last year.

The board (the “**Board**”) of directors (the “**Director(s)**”) of Kunming Dianchi Water Treatment Co., Ltd. (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**us**” or “**our**”) for the six months ended 30 June 2025 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2024, as follows:

# **I. INTERIM FINANCIAL INFORMATION AND NOTES THERETO**

## **INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2025*

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2025</b>	<b>2024</b>
	<i>Notes</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Revenue</b>	6	<b>670,821</b>	738,567
Cost of sales	25	<b>(356,890)</b>	(371,597)
<b>Gross profit</b>		<b>313,931</b>	366,970
Selling expenses	25	<b>(520)</b>	(591)
Administrative expenses	25	<b>(25,340)</b>	(32,181)
Net impairment losses on financial and contract assets		<b>(49,953)</b>	(58,092)
Other income	23	<b>18,290</b>	31,250
Other losses	24	<b>(403)</b>	(671)
<b>Operating profit</b>		<b>256,005</b>	306,685
Finance income	26	<b>22,845</b>	21,249
Finance costs	26	<b>(121,061)</b>	(131,571)
Finance costs – net	26	<b>(98,216)</b>	(110,322)
Share of results of associates		<b>–</b>	1,517
<b>Profit before tax</b>		<b>157,789</b>	197,880
Income tax expense	27	<b>(25,740)</b>	(49,525)
<b>Profit for the period</b>		<b>132,049</b>	148,355
<b>Profit for the period attributable to:</b>			
– Equity holders of the Company		<b>131,867</b>	148,033
– Non-controlling interests		<b>182</b>	322
		<b>132,049</b>	148,355

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2025

		Unaudited	
		Six months ended 30 June	
		2025	2024
	Notes	RMB'000	RMB'000
<b>Other comprehensive income for the period</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences		(14)	1,098
Total comprehensive income for the period		<b>132,035</b>	<b>149,453</b>
<b>Total comprehensive income for the period attributable to:</b>			
– Equity holders of the Company		<b>131,853</b>	149,131
– Non-controlling interests		<b>182</b>	322
		<b>132,035</b>	<b>149,453</b>
<b>Earnings per share for profit for the period attributable to equity holders of the Company (expressed in RMB per share)</b>			
– Basic and diluted earnings per share	28	<b>0.13</b>	0.14
		<b>0.13</b>	0.14

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2025

		Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
	Notes		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	7	246,702	246,702
Right-of-use assets/land use rights	8	363,655	368,565
Property, plant and equipment	9	2,211,727	2,288,351
Receivables under service concession arrangements	10	1,714,418	1,688,687
Amounts due from customers for construction contracts	16	505,815	550,792
Contract assets	15	230,167	223,052
Intangible assets	11	798,196	825,554
Investments in associates	12	65,726	65,726
Deferred income tax assets	13	116,876	110,075
		<u>6,253,282</u>	<u>6,367,504</u>
<b>Current assets</b>			
Receivables under service concession arrangements	10	20,359	19,496
Inventories		7,253	6,212
Amounts due from customers for construction contracts	16	30,622	24,581
Financial assets at amortised cost	14	89,500	119,600
Trade and other receivables	15	6,336,607	5,809,617
Cash and bank balances	17	69,774	10,977
Restricted funds	17	2,109	25,965
		<u>6,556,224</u>	<u>6,016,448</u>
<b>Total assets</b>		<u><u>12,809,506</u></u>	<u><u>12,383,952</u></u>

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2025

		Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
	Notes		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred revenue	21	346,274	306,653
Borrowings	20	2,391,327	2,098,338
Deferred income tax liabilities	13	40,620	40,661
		<u>2,778,221</u>	<u>2,445,652</u>
<b>Current liabilities</b>			
Trade and other payables	22	1,977,403	1,984,442
Tax payables		225,361	190,597
Borrowings	20	2,405,535	2,490,841
Contract liabilities	22	52,810	30,127
		<u>4,661,109</u>	<u>4,696,007</u>
<b>Total liabilities</b>		<u>7,439,330</u>	<u>7,141,659</u>
<b>Net assets</b>		<u>5,370,176</u>	<u>5,242,293</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	18	1,029,111	1,029,111
Other reserves	19	1,640,414	1,644,580
Accumulated profits		2,689,936	2,558,069
<b>Equity attributable to owners of the Company</b>		<u>5,359,461</u>	<u>5,231,760</u>
<b>Non-controlling interests</b>		<u>10,715</u>	<u>10,533</u>
<b>Total equity</b>		<u>5,370,176</u>	<u>5,242,293</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2025

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital RMB'000	Other reserves RMB'000 (Note 19)	Accumulated profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
<b>As at 1 January 2024</b>	1,029,111	1,613,774	2,324,597	4,967,482	9,822	4,977,304
Profit for the period	–	–	148,033	148,033	322	148,355
<b>Other comprehensive income:</b>						
Exchange differences	–	1,098	–	1,098	–	1,098
Total comprehensive income for the period	–	1,098	148,033	149,131	322	149,453
<b>Transactions with owners:</b>						
Others	–	(6)	–	(6)	–	(6)
<b>As at 30 June 2024</b>	<u>1,029,111</u>	<u>1,614,866</u>	<u>2,472,630</u>	<u>5,116,607</u>	<u>10,144</u>	<u>5,126,751</u>
<b>As at 1 January 2025</b>	1,029,111	1,644,580	2,558,069	5,231,760	10,533	5,242,293
Profit for the period	–	–	131,867	131,867	182	132,049
<b>Other comprehensive income:</b>						
Exchange differences	–	(14)	–	(14)	–	(14)
Total comprehensive income for the period	–	(14)	131,867	131,853	182	132,035
<b>Transactions with owners:</b>						
Others	–	(4,152)	–	(4,152)	–	(4,152)
<b>As at 30 June 2025</b>	<u>1,029,111</u>	<u>1,640,414</u>	<u>2,689,936</u>	<u>5,359,461</u>	<u>10,715</u>	<u>5,370,176</u>

**INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 June 2025*

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2025</b>	<b>2024</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations	29	<b>21,203</b>	197,738
Interest paid		<b>(115,599)</b>	(144,124)
Income tax paid		<b>(4,111)</b>	(25,148)
<b>Net cash (used in)/from operating activities</b>		<b>(98,507)</b>	28,466
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		<b>(28,673)</b>	(68,703)
Additions of receivables under new service concession agreements		<b>(28,864)</b>	–
Repayments from related parties		–	8,000
Interest received		<b>11,603</b>	23,977
Cash payment for acquisition of subsidiaries		<b>(4,735)</b>	–
Proceeds from disposal of property, plant and equipment		<b>20</b>	–
Proceeds from disposal of subsidiaries		–	76,198
Repayments from a third party		–	3,293
<b>Net cash (used in)/from investing activities</b>		<b>(50,649)</b>	42,765

# **INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)**

*For the six months ended 30 June 2025*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2025</b>	<b>2024</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from borrowings	<b>1,869,518</b>	1,540,800
Decrease in restricted funds	<b>(23,855)</b>	–
Repayments of borrowings	<b>(1,637,719)</b>	(1,710,307)
	<hr/>	<hr/>
<b>Net cash from/(used in) financing activities</b>	<b>207,944</b>	(169,507)
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>58,788</b>	(98,276)
Cash and cash equivalents at beginning of the period	<b>10,977</b>	174,089
Effect of exchange rate changes	<b>9</b>	1,098
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b>69,774</b>	76,911
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# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

Kunming Dianchi Water Treatment Co., Ltd. (the “**Company**”) was incorporated in Yunnan Province of the PRC on 23 December 2010 as a joint stock Company with limited liabilities under the Company Law of the People’s Republic of China (the “**PRC**”). The registered office of the Company is located at No. 7 Water Treatment Plant in Kunming Dianchi Tourist Resort. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 6 April 2017.

The Group is principally engaged in the development, design, construction, operation and maintenance of water supply and wastewater treatment facilities in the PRC.

This condensed consolidated interim financial information is presented in Renminbi (“**RMB**”), unless otherwise stated.

This condensed consolidated interim financial information on pages 2 to 45 were approved for issue by the Board on 22 August 2025.

This condensed consolidated interim financial information has not been audited.

### Significant changes in the current Reporting Period

For a detailed discussion about the Group’s performance and financial position, please refer to “II. Management discussion and analysis” as set out on pages 46 to 74 of this announcement.

## 2. BASIS OF PREPARATION

### Statement of compliance

The 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 IFRSs, International Accounting Standards (“**IASs**”) and Interpretations issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). There is no significant difference between the data recognised through the IASs and the data recognised in accordance with the Chinese Accounting Standards.

The consolidated financial statements are presented in RMB, which is the same as the functional currency of the Company, and rounded to the nearest thousands unless otherwise indicated.

This condensed consolidated interim financial report for the six months ended 30 June 2025 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 Interim Financial Reporting.

## 2. BASIS OF PREPARATION (CONTINUED)

### Statement of compliance (continued)

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2024. They have been prepared on the historical cost basis, except for the investment properties and financial liabilities at fair value through profit or loss, which are measured at fair value. The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2024. As of the date of approval of the unaudited condensed consolidated financial statements, the IASB has issued the following new/revised IFRSs that are relevant to the Group and not yet effective for the current financial year and have not been early adopted by the Group:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments
Annual Improvements to IFRSs	Volume 11
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity
IFRS 18	Presentation and Disclosure in Financial Statements
IFRS 19	Subsidiaries without Public Accountability: Disclosures
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

## 3. CHANGES IN ACCOUNTING POLICIES

During the current interim period, the accounting policies adopted by the Group in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2024, except for the first-time adoption of Amendments to IAS 21 in this period's financial information. The Group has assessed the impact of adopting the amendments and concluded that the amendments do not have a significant financial impact on the Group's financial position and performance.

## 4. ESTIMATES

The preparation of this condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2024 of the Group.

## 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including cash flow and interest rate risk (2024: foreign exchange risk, cash flow and interest rate risk)), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2024 of the Group.

There have been no changes in the risk management policies since last year end.

### 5.2 Credit risk

The carrying amounts of cash and cash equivalents, restricted deposits, trade and other receivables, receivables under service concession arrangements, amounts due from customers for construction contracts, contract assets and financial assets at amortised cost included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

All the cash and cash equivalents were deposited in the major financial institutions in Hong Kong and the PRC, which the Directors of the Company believe are of high credit quality.

For receivables, the Group assessed the credit quality of the counterparties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follows up the disputes or amounts overdue, if any. As at 30 June 2025, the ageing analysis of trade receivables is set out in Note 15.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each Reporting Period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

#### (i) *Trade receivables*

For trade receivables, the customers are primarily local governments and PRC state-owned entities. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the risk portfolio, customers' liquidity, historical credit losses, past collection history and other current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables at the end of each reporting period. There was no change in the estimation techniques or significant assumptions made during the period.

## 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.2 Credit risk (continued)

#### (i) Trade receivables (continued)

The following table provides information about the exposure to credit risk for trade receivables which are assessed on collective basis by using provision matrix within lifetime expected credit loss (“ECL”) (not credit impaired). Debtors with credit-impaired with gross carrying amounts of approximately RMB4,810,000 as at 30 June 2025 (31 December 2024: approximately RMB4,810,000) were assessed individually.

	Up to 1 year	1 to 2 years	2 to 3 years	Total
<b>Trade receivables</b>				
As at 30 June 2025				
Expected loss rate	1.8%	2.7%	5.2%	
Gross carrying amount (RMB'000)	1,540,312	1,697,663	1,825,706	5,063,681
Loss allowance provision (RMB'000)	(28,236)	(46,013)	(94,750)	(168,999)
	<u>1,512,076</u>	<u>1,651,650</u>	<u>1,730,956</u>	<u>4,894,682</u>
	Up to 1 year	1 to 2 years	2 to 3 years	Total
<b>Trade receivables</b>				
As at 31 December 2024				
Expected loss rate	1.7%	2.4%	5.1%	
Gross carrying amount (RMB'000)	1,370,811	1,162,766	2,050,538	4,584,115
Loss allowance provision (RMB'000)	(23,457)	(27,545)	(105,049)	(156,051)
	<u>1,347,354</u>	<u>1,135,221</u>	<u>1,945,489</u>	<u>4,428,064</u>

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
<b>At 31 December 2024 and 1 January 2025</b>	<b>156,051</b>	<b>4,810</b>	<b>160,861</b>
Impairment losses recognised, net	<u>12,948</u>	<u>–</u>	<u>12,948</u>
<b>At 30 June 2025</b>	<b><u>168,999</u></b>	<b><u>4,810</u></b>	<b><u>173,809</u></b>

## 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.2 Credit risk (continued)

#### (i) Trade receivables (continued)

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over five years past due, whichever occurs earlier.

As at 30 June 2025, the Group increased loss allowance of approximately RMB12,948,000 (the year ended 31 December 2024: approximately RMB53,238,000 recognised) on the trade receivables. The movement in the loss allowance for trade receivables is summarised below.

	<b>30 June 2025 RMB'000</b>	31 December 2024 RMB'000
At the beginning of the Reporting Period	<b>160,861</b>	108,337
Increase of allowance	<b>12,948</b>	53,238
Disposal of subsidiaries	–	(714)
	<hr/>	<hr/>
At the end of the Reporting Period	<b><u>173,809</u></b>	<b><u>160,861</u></b>

#### (ii) Receivables under service concession arrangements/amounts due from customers for construction contracts/other receivables/financial assets at amortised cost/contract assets

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each Reporting Period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It also considers available reasonable and supportive forward-looking information.

As at 30 June 2025, the Group does not hold any collateral to cover its credit risks associated with its receivables under service concession arrangements, amounts due from customers for construction contracts, other receivables and contract assets, except for financial asset at amortised cost.

The Group uses five categories for these receivables, which reflect their credit risk and how the loss provision is determined for each of those categories.

## 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.2 Credit risk (continued)

(ii) *Receivables under service concession arrangements/amounts due from customers for construction contracts/other receivables/financial assets at amortised cost/contract assets (continued)*

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

On the basis as stated, a total loss allowance provision for receivables under service concession arrangements, amounts due from customers for construction contracts, other receivables (except for the tax rebate which are not financial assets), financial assets at amortised cost and contract assets amounted to approximately RMB324,152,000 (31 December 2024: approximately RMB287,151,000) was recognised at 30 June 2025 as follows:

	Receivables under service concession arrangements	Amounts due from customers for construction contracts	Other receivables	Financial assets at amortised cost	Contract assets	Total
As at 30 June 2025						
Expected loss rate	2.22%	2.22%	4.05%	70.12%	2.22%	
Gross carrying amount (RMB'000)	1,774,163	548,616	1,415,988	299,500	235,393	4,273,660
Loss allowance provision (RMB'000)	(39,386)	(12,179)	(57,361)	(210,000)	(5,226)	(324,152)
	<u>1,734,777</u>	<u>536,437</u>	<u>1,358,627</u>	<u>89,500</u>	<u>230,167</u>	<u>3,949,508</u>

## 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.2 Credit risk (continued)

(ii) *Receivables under service concession arrangements/amounts due from customers for construction contracts/other receivables/financial assets at amortised cost/contract assets (continued)*

	Receivables under service concession arrangements	Amounts due from customers for construction contracts	Other receivables	Financial assets at amortised cost	Contract assets	Total
As at 31 December 2024						
Expected loss rate	2.22%	2.22%	3.70%	60.08%	2.22%	
Gross carrying amount (RMB'000)	1,746,966	588,436	1,357,725	299,600	228,116	4,220,843
Loss allowance provision (RMB'000)	(38,783)	(13,063)	(50,241)	(180,000)	(5,064)	(287,151)
	<u>1,708,183</u>	<u>575,373</u>	<u>1,307,484</u>	<u>119,600</u>	<u>223,052</u>	<u>3,933,692</u>

On the basis as stated, the increase in total loss allowance provision for receivables under service concession arrangements, amounts due from customers for construction contracts, other receivables (except for the tax rebate which are not financial assets), financial assets at amortised cost and contract assets amounted to approximately RMB37,005,000 (31 December 2024: approximately RMB75,802,000) was recognised at 30 June 2025 as follows:

	<b>30 June 2025 RMB'000</b>	31 December 2024 RMB'000
At the beginning of the Reporting Period	<b>287,151</b>	231,006
Increase in allowance	<b>37,005</b>	75,802
Disposal/deregistration of subsidiaries	<u><b>(4)</b></u>	<u>(19,657)</u>
At the end of the Reporting Period	<u><b>324,152</b></u>	<u>287,151</u>

## 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.3 Liquidity risk

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Weighted average effective interest rate %	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 30 June 2025 RMB'000
<b>As at 30 June 2025</b>							
Borrowings	4.76	2,601,378	1,520,816	826,368	299,856	5,248,418	4,796,862
Financial liabilities included in trade and other payables		1,966,831	–	–	–	1,966,831	1,966,831
Financial guarantee issued		100,000	–	–	–	100,000	100,000
		<u>4,668,209</u>	<u>1,520,816</u>	<u>826,368</u>	<u>299,856</u>	<u>7,315,249</u>	<u>6,863,693</u>
	Weighted average effective interest rate %	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2024 RMB'000
<b>As at 31 December 2024</b>							
Borrowings	5.77	2,718,459	936,496	1,132,241	275,269	5,062,465	4,589,179
Financial liabilities included in trade and other payables		1,971,905	–	–	–	1,971,905	1,971,905
Financial guarantee issued		110,000	–	–	–	110,000	110,000
		<u>4,800,364</u>	<u>936,496</u>	<u>1,132,241</u>	<u>275,269</u>	<u>7,144,370</u>	<u>6,671,084</u>



## 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.4 Fair value estimation

(a) The table below presents financial instruments carried at fair value, by different measurement methods. The measurement levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).
- The following table shows the Group's assets and liabilities that are regularly measured at fair value as at 30 June 2025:

**At 30 June 2025**

(Unaudited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Investment properties	–	–	246,702	246,702

- The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2024 on a recurring basis:

**At 31 December 2024**

(Audited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Investment properties	–	–	246,702	246,702

#### (b) *Fair value of financial assets and liabilities measured at amortised cost*

The fair values of the following financial assets and liabilities approximate to their carrying amounts:

- Trade and other receivables (except for prepayments);
- Receivables under service concession arrangements;
- Amounts due from customers for construction contracts;
- Financial assets at amortised cost;
- Contract assets;
- Cash and bank balances;
- Restricted funds;
- Term deposits with initial term of over three months;

## 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 5.4 Fair value estimation (continued)

#### (b) *Fair value of financial assets and liabilities measured at amortised cost (continued)*

- Trade and other payables (except for advance from customers); and
- Borrowings.

The fair value of non-current receivables under service concession arrangements, non-current amounts due from customers for construction contracts, non-current contract assets and non-current borrowings is estimated by discounting the future cash flows at the current market rate available to the Group for similar financial instruments.

## 6. SEGMENT AND REVENUE INFORMATION

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

The Directors of the Company consider the business from product and service perspective. The Group's reportable segments are as follows:

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

The Directors of the Company assess the performance of the operating segments based on the measurement of revenue and operating profit.

This measurement basis excludes fair value gain on financial liabilities at FVPL, finance income, finance costs, impairment loss on interests in associates and share of results of associates.

Unallocated assets consist of deferred income tax assets and investments in associates. Unallocated liabilities consist of deferred income tax liabilities and tax payables.

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

## 6. SEGMENT AND REVENUE INFORMATION (CONTINUED)

### (a) Revenue

The revenue of the Group for the six months ended 30 June 2025 and 2024 are set out as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2025</b>	<b>2024</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue from contracts with customers within IFRS 15</b>		
Wastewater treatment	<b>491,992</b>	544,088
Operating services – under TOO model	<b>418,124</b>	420,086
Operating services – under TOT/BOT model	<b>44,179</b>	64,881
Construction services – under BOT model	<b>9,984</b>	20,404
Finance income	<b>19,705</b>	38,717
Reclaimed water supply and running water supply	<b>68,060</b>	58,768
Operating services – under TOO model	<b>9,634</b>	12,985
Operating services – under TOT/BOT model	<b>38,864</b>	18,823
Construction services – under BOT model	<b>2,819</b>	9,385
Finance income	<b>16,743</b>	17,575
Other businesses	<b>110,769</b>	135,711
Management services	<b>84,190</b>	82,959
Transportation services	<b>99</b>	–
Construction services – under BOT model	<b>3,464</b>	6,669
Thermoelectricity services	<b>7,538</b>	4,353
Others	<b>15,478</b>	41,730
	<b>670,821</b>	738,567

## 6. SEGMENT AND REVENUE INFORMATION (CONTINUED)

### (b) Segment information

The segment information provided to senior executive management for the reportable segments for the six months ended 30 June 2025 is as follows:

Business segment	For the six months ended 30 June 2025 (Unaudited)			
	Wastewater treatment RMB'000	Water supply RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers	491,992	68,060	110,769	670,821
Segment gross profit	209,251	31,811	72,869	313,931
Segment profit	166,767	25,934	63,304	256,005
Finance income				22,845
Finance costs				(121,061)
Profit before tax				157,789
<b>Other information</b>				
Depreciation of property, plant and equipment	99,687	6,011	283	105,981
Depreciation expense of right-of-use assets	4,875	35	–	4,910
Amortisation of intangible assets	4,399	15,753	7,206	27,358
Impairment loss on trade receivables	6,871	5,756	321	12,948
Impairment loss on financial assets at amortised cost	–	–	30,000	30,000
Capital expenditure	4,032	24,792	40	28,864
<b>Segment assets</b>	<b>9,823,179</b>	<b>2,022,109</b>	<b>781,616</b>	<b>12,626,904</b>
<b>Unallocated:</b>				
Investments in associates				65,726
Deferred income tax assets				116,876
<b>Total assets</b>				<b>12,809,506</b>
<b>Segment liabilities</b>	<b>5,633,344</b>	<b>716,761</b>	<b>823,244</b>	<b>7,173,349</b>
<b>Unallocated:</b>				
Deferred income tax liabilities				40,620
Tax payables				225,361
<b>Total liabilities</b>				<b>7,439,330</b>

## 6. SEGMENT AND REVENUE INFORMATION (CONTINUED)

### (b) Segment information (continued)

The segment information provided to senior executive management for the reportable segments for the six months ended 30 June 2024 is as follows:

Business segment	For the six months ended 30 June 2024 (Unaudited)			
	Wastewater treatment RMB'000	Water supply RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers	544,088	58,768	135,711	738,567
Segment gross profit	254,594	30,628	81,748	366,970
Segment profit	210,183	25,831	70,671	306,685
Finance income				21,249
Finance costs				(131,571)
Share of results of associates				1,517
Profit before tax				197,880
<b>Other information</b>				
Depreciation of property, plant and equipment	99,502	6,014	187	105,703
Depreciation expense of right-of-use assets	4,873	36	–	4,909
Amortisation of intangible assets	5,233	5,525	7,288	18,046
Impairment loss on trade receivables	6,686	1,881	(78)	8,489
Impairment loss on financial assets at amortised cost	–	–	30,000	30,000
Capital expenditure	13,916	1,891	127	15,934
<b>Segment assets</b>	<b>9,607,259</b>	<b>1,814,154</b>	<b>786,738</b>	<b>12,208,151</b>
<b>Unallocated:</b>				
Deferred income tax assets				110,075
Investments 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 income tax liabilities				40,661
Tax payables				190,597
<b>Total liabilities</b>				<b>7,141,659</b>

## 6. SEGMENT AND REVENUE INFORMATION (CONTINUED)

### (c) Geographical information

The Group has derived almost all of its business in the PRC, hence, geographical segment information is not considered necessary.

### (d) Information about major customers

The major customer groups from whom the individual customer's revenue amounted to 10% or more of the Group's total revenue were as below:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2025</b>	<b>2024</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Customer A	<b>413,205</b>	344,394
Customer B	<b>83,267</b>	88,246

The customer portfolio of the Group is concentrated, which is consistent with the industry practice. If the customer A or customer B substantially defaults in payment or terminates the business relationship with the Group, it could materially affect the Group's financial position and results of operations.

## 7. INVESTMENT PROPERTIES

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2025</b>	<b>2024</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>At fair value</b>		
At the beginning at the end of the Reporting Period	<b>246,702</b>	246,702

The Group's entire property interests were held under leases to earn rental income or for capital appreciation which were measured using fair value model and were classified and accounted for as investment properties. The Group's investment properties were located in the PRC.

No fair value change of investment properties was recognised in the consolidated income statement for both year.

None of the Group's investment properties measured at fair value are categorised as level 1 and level 2. The Group's investment properties are categorised as level 3.

## 7. INVESTMENT PROPERTIES (CONTINUED)

The following table shows the significant unobservable inputs used in the valuation model.

Investment properties	Unaudited 30 June 2025 Fair value RMB'000	Audited 31 December 2024 Fair value RMB'000	Valuation techniques	Prevailing market rent per month	Adjusted unit price	Capitalisation rate
Entire buildings No. 1, No. 2 and No.3 (including basement) of the Kunming No. 2 Water Purification Plant	234,201	234,201	Income capitalisation	RMB30.76 to RMB37.94 per square meter	N/A	5.80%
Six management buildings of the Kunming No. 3 Water Purification Plant	8,901	8,901	Income capitalisation	RMB36.65 per square meter	N/A	5.80%
Two pieces of lands located at the Paper Making Industry Base in Dayao Town, Liuyang City	3,600	3,600	Income capitalisation	RMB4.67 per square meter	N/A	6.89%
	<u>246,702</u>	<u>246,702</u>				

The fair value measurement is based on the above asset's highest and best use, which does not differ from their actual use.

No investment properties were pledged as at 30 June 2025.

## 8. RIGHT-OF-USE ASSETS/LAND USE RIGHTS

The Group's right-of-use assets represent the prepaid lease payments for land located in the PRC.

	Land use rights RMB'000
<b>(Unaudited)</b>	
<b>Reconciliation of carrying amount</b>	
<b>– for the six months ended 30 June 2025</b>	
At the beginning of the Reporting Period	368,565
Depreciation ( <i>note 25</i> )	<u>(4,910)</u>
At the end of the Reporting Period	<u>363,655</u>
<b>(Audited)</b>	
<b>Reconciliation of carrying amount</b>	
<b>– for the year ended 31 December 2024</b>	
At the beginning of the Reporting Period	378,384
Depreciation	<u>(9,819)</u>
At the end of the Reporting Period	<u>368,565</u>

## 9. PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Office and electronic equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>(Unaudited)</b>						
<b>Six months ended 30 June 2025</b>						
At the beginning of the Reporting Period	1,666,183	370,157	22,390	7,247	222,374	2,288,351
Additions (a)	33	3,245	171	23	25,392	28,864
Others	-	(70)	143	-	601	674
Disposals	-	(78)	(79)	(24)	-	(181)
Depreciation (Note 25)	(60,729)	(40,042)	(4,317)	(893)	-	(105,981)
At the end of the Reporting Period	<u>1,605,487</u>	<u>333,212</u>	<u>18,308</u>	<u>6,353</u>	<u>248,367</u>	<u>2,211,727</u>

	Buildings and facilities <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Office and electronic equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>(Audited)</b>						
<b>Year ended 31 December 2024</b>						
At the beginning of the Reporting Period	1,735,913	453,569	35,878	10,277	249,863	2,485,500
Additions	55	7,515	613	4	23,756	31,943
Transferred from construction in progress	47,541	880	1,031	-	(49,452)	-
Disposals	(427)	(3,983)	(2,082)	(87)	(1,793)	(8,372)
Disposal of subsidiaries	(177)	(6,210)	(1,050)	(942)	-	(8,379)
Depreciation	(116,722)	(81,436)	(12,178)	(2,005)	-	(212,341)
Others	-	(178)	178	-	-	-
At the end of the Reporting Period	<u>1,666,183</u>	<u>370,157</u>	<u>22,390</u>	<u>7,247</u>	<u>222,374</u>	<u>2,288,351</u>

- (a) For the six months ended 30 June 2025, additions were approximately RMB28,864,000 and the depreciation was approximately RMB105,981,000.
- (b) The net book values of property, plant and equipment pledged as collateral for the Group's borrowings (Note 20) as at the respective balance sheet dates were as follows:

	<b>Unaudited 30 June 2025 <i>RMB'000</i></b>	<b>Audited 31 December 2024 <i>RMB'000</i></b>
Buildings and facilities	303,721	319,736
Machinery and equipment	306,775	337,460
Office and electronic equipment	5,133	5,408
Motor vehicles	120	130
	<u>615,749</u>	<u>662,734</u>



# 10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

The following is the summarised information of receivables under service concession arrangements with respect to the Group's service concession arrangements:

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
<b>Receivables under service concession arrangements</b>		
Current portion:		
Receivables under service concession arrangements	20,821	19,939
Loss allowance	(462)	(443)
	<u>20,359</u>	<u>19,496</u>
Non-current portion:		
Receivables under service concession arrangements	1,753,342	1,727,027
Loss allowance	(38,924)	(38,340)
	<u>1,714,418</u>	<u>1,688,687</u>
	<u><u>1,734,777</u></u>	<u><u>1,708,183</u></u>

# 11. INTANGIBLE ASSETS

	Computer software RMB'000	Operating concession RMB'000	Total RMB'000
<b>(Unaudited)</b>			
<b>Six months ended 30 June 2025</b>			
Opening net book value	4,375	821,179	825,554
Amortisation ( <i>Note 25</i> )	(685)	(26,673)	(27,358)
	<u>3,690</u>	<u>794,506</u>	<u>798,196</u>
Closing net book value	<u><u>3,690</u></u>	<u><u>794,506</u></u>	<u><u>798,196</u></u>
	Computer software RMB'000	Operating concession RMB'000	Total RMB'000
<b>(Audited)</b>			
<b>Year ended 31 December 2024</b>			
Opening net book value	6,650	554,687	561,337
Addition	–	334,705	334,705
Disposal of subsidiaries	–	(3,936)	(3,936)
Amortisation ( <i>Note 25</i> )	(2,275)	(64,277)	(66,552)
	<u>4,375</u>	<u>821,179</u>	<u>825,554</u>
Closing net book value	<u><u>4,375</u></u>	<u><u>821,179</u></u>	<u><u>825,554</u></u>

## 12. INVESTMENTS IN ASSOCIATES

Investments accounted for using the equity method refer to the associates held by the Group, details of which are set out as follows:

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
<b>Unlisted shares</b>		
Share of net assets	<b>65,726</b>	65,726

### Fair value of investments

At the end of the Reporting Period, all of the Group's associates are private companies and there was no quoted market price available for the investments.

### Financial information of associates

Summarised financial information of the associates of the Group is set out below, which represents amounts shown in the associates' financial statements prepared in accordance with IFRS Accounting Standards and adjusted by the Group for equity accounting purposes, including any differences in accounting policies and fair value adjustments.

Details of the associates at the end of the Reporting Period are as follows:

Name of entities	Country/place and date of establishment	Paid-up capital RMB'000	Proportion of ownership interest held by the Group		Principal activities
			Unaudited 30 June 2025	Audited 31 December 2024	
Kunming Zaojing Quanyang Biological Technology Co., Ltd.* ("Kunming Zaojing")	PRC, Kunming 12 August 2010	8,000	35%	35%	Research and development of biological products
Zhaotong Guorun Water Treatment Co., Ltd.* ("Zhaotong Guorun Water")	PRC, Zhaotong 23 October 2019	100,000	20%	20%	Wastewater treatment
Suijiang Guorun Water Treatment Co., Ltd.* ("Suijiang Guorun Water")	PRC, Zhaotong 9 December 2015	22,000	20%	20%	Wastewater treatment
Yiliang Guorun Water Treatment Co., Ltd.* ("Yiliang Guorun Water")	PRC, Zhaotong 4 June 2015	21,000	20%	20%	Wastewater treatment

## 12. INVESTMENTS IN ASSOCIATES (CONTINUED)

### Financial information of associates (continued)

#### *Changes in material associated companies during the period*

None

The key financial information of the material associates to the Group for the period ended 30 June 2025 and 31 December 2024 are as follows:

	<b>The Group proportion</b>	<b>Assets RMB'000</b>	<b>Liabilities RMB'000</b>	<b>Net assets RMB'000</b>
Zhaotong Guorun Water	20%	968,720	672,923	295,797
Suijiang Guorun Water	20%	30,644	9,203	21,441
Yiliang Guorun Water	20%	75,861	64,469	11,392
Kunming Zaojing	35%	278	4,423	—*
Total				328,630
The Group's Share				65,726

\* As at 30 June 2025 and 31 December 2024, share of net assets of Kunming Zaojing was limited to zero.

### 13. DEFERRED TAX ASSETS AND LIABILITIES

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
Deferred tax assets	<u>116,876</u>	<u>110,075</u>
Deferred tax liabilities	<u>40,620</u>	<u>40,661</u>

Movements in deferred tax assets and liabilities during the six months ended 30 June 2025 and year ended 31 December 2024 (without taking into consideration the offsetting of balance within the same tax jurisdiction) are as follows:

<b>Deferred tax assets</b>	<i>RMB'000</i>
<b>At 1 January 2024</b>	96,117
Recognised in profit or loss	18,524
Disposal of subsidiaries	<u>(4,566)</u>
<b>At 31 December 2024 and 1 January 2025 (audited)</b>	<b>110,075</b>
Recognised in profit or loss ( <i>Note 27</i> )	<u>6,801</u>
<b>At 30 June 2025 (unaudited)</b>	<b><u>116,876</u></b>

Deferred tax assets as at 30 June 2025 and year ended 31 December 2024 were mainly related to government grant in previous years, tax costs as well as depreciation and amortisation differences corrected based on asset evaluation results on wastewater treatment facilities and right-of-use assets and other relevant non-current assets invested by Kunming Dianchi Investment Co., Ltd.\* (昆明滇池投資有限公司) (“KDI”).

<b>Deferred tax liabilities</b>	<i>RMB'000</i>
<b>At 1 January 2024</b>	44,974
Recognised in profit or loss	<u>(4,313)</u>
<b>At 31 December 2024 and 1 January 2025 (audited)</b>	<b>40,661</b>
Recognised in profit or loss ( <i>Note 27</i> )	<u>(41)</u>
<b>At 30 June 2025 (unaudited)</b>	<b><u>40,620</u></b>

Deferred income tax liabilities were mainly related to fair value adjustment arising from acquisition of subsidiaries in previous years, differences arising from service concession receivables and differences arising from fair value as at 30 June 2025 and 31 December 2024.

#### 14. FINANCIAL ASSETS AT AMORTISED COST

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
Unlisted investments ( <i>Note</i> )	299,500	299,600
Loss allowance	(210,000)	(180,000)
	<u>89,500</u>	<u>119,600</u>

*Note:* On 29 September 2021, the Company (as the asset entrustor) entered into the Mutual Trust No. 5 Asset Management Agreement with Bosera Capital Management Co., Ltd. (as the asset manager) and China Merchants Bank (as the asset trustee) in relation to the investment and management of the entrusted assets. Pursuant to the Mutual Trust No. 5 Asset Management Agreement, the Company agreed to entrust an amount of RMB300,000,000 as the entrusted assets, which will be funded by the internal resources of the Company. The entrusted assets will be used to invest in the credits of accounts receivable held by Kunming Agricultural Development Investment Co., Ltd (“KADI”). KDI provided a corporate guarantee to KADI in respect of the principal and interest of relevant investment.

According to the relevant provisions of the Mutual Trust No. 5 Asset Management Agreement and the supplemental agreement for extension of term of the asset management agreement, the asset management plan purchased by the Company has expired on 10 April 2022 (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. On 29 October 2022, the Company and KADI entered into a settlement agreement and mutually agreed that certain assets held by KADI and its subsidiaries were pledged to the Company for the outstanding principal and interest.

The carrying value of financial assets at amortised cost was RMB299,500,000 and stated at the amortised cost less impairment loss. As at 30 June 2025, provision of loss amounted to RMB210,000,000 was made.

Such investments carried an interest rate at 8% p.a., and the principal is repayable within one year. As the Directors only intend to collect payments of principal and interest, it is classified as financial assets at amortised cost.

# 15. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
<b>Trade receivables (Note (a)):</b>		
– Third parties	241,539	222,636
– Related parties (Note 31(d)(i))	230,437	228,337
– Local government	4,596,515	4,137,952
– Loss allowance	(173,809)	(160,861)
<b>Trade receivables – net</b>	<b>4,894,682</b>	<b>4,428,064</b>
<b>Other receivables:</b>		
– Third parties	220,302	174,436
– Related parties (Note 31(d)(i))	1,166,666	1,154,707
– Local government	29,020	28,582
– Loss allowance	(57,361)	(50,241)
<b>Other receivables – net</b>	<b>1,358,627</b>	<b>1,307,484</b>
<b>Prepayments:</b>		
– Others	83,298	74,069
<b>Prepayments – net</b>	<b>83,298</b>	<b>74,069</b>
<b>Trade and other receivables – net</b>	<b>6,336,607</b>	<b>5,809,617</b>

The fair values of trade and other receivables/contract assets of the Group, except for the prepayments which are not financial assets, approximated their carrying amounts.

The carrying amounts of trade and other receivables/contract assets are denominated in RMB.

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
<b>Contract assets:</b>		
Wastewater treatment construction business	235,393	228,116
Loss allowance	(5,226)	(5,064)
	<b>230,167</b>	<b>223,052</b>

## 15. TRADE AND OTHER RECEIVABLES/ CONTRACT ASSETS (CONTINUED)

*Notes:*

- (a) Contract assets relating to concession agreements for new wastewater treatment, water supply and other construction services are not yet collectible from the customer until the construction of new wastewater treatment, water supply and other infrastructure or upgrade services are completed. As a result, a contract asset is recognised over the period in which the construction of new wastewater treatment, water supply and other infrastructure or upgrade services are performed to represent the entity's right to consideration for the services transferred to date. The carrying amount of approximately RMB230,167,000 will be reclassified as receivables under concession agreements or intangible assets after completion of construction of new wastewater treatment, water supply and other infrastructure or upgrade services. As the contract assets are not expected to be settled within one year from the end of the Reporting Period, the whole balance is classified as non-current assets.
- (b) Provision for impairment loss of approximately RMB162,000 was recognised for contract assets during the period (31 December 2024: RMB2,040,000).
- (c) Ageing analysis of trade receivables before loss allowance at the respective balance sheet dates, based on the invoice dates, is as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2025</b>	2024
	<b>RMB'000</b>	<b>RMB'000</b>
– Within one year	<b>1,540,312</b>	1,370,811
– Over one year and within two years	<b>1,697,663</b>	1,162,766
– Over two years	<b>1,830,516</b>	2,055,348
	<b>5,068,491</b>	4,588,925

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

## 16. AMOUNTS DUE FROM CUSTOMERS FOR CONSTRUCTION CONTRACTS

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

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
Current portion:		
Amounts due from customers for construction contracts	31,317	25,139
Loss allowance	(695)	(558)
	<u>30,622</u>	<u>24,581</u>
Non-current portion:		
Amounts due from customers for construction contracts	517,299	563,297
Loss allowance	(11,484)	(12,505)
	<u>505,815</u>	<u>550,792</u>
	<u><u>536,437</u></u>	<u><u>575,373</u></u>

## 17. CASH AND CASH EQUIVALENTS

		Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
Cash and bank balances	(a)	69,774	10,977
Restricted funds	(a), (b)	2,109	25,965
		<u><u>71,883</u></u>	<u><u>36,942</u></u>

(a) Cash and bank balances and restricted funds are denominated in:

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
RMB	71,839	22,606
HKD	25	3,850
USD	19	10,486
	<u><u>71,883</u></u>	<u><u>36,942</u></u>

All deposits at bank are deposits with original maturity within 3 months. The Group earns interest on cash at bank at floating bank deposit rates ranging from 0.01% to 0.88% during the six months ended 30 June 2025 (31 December 2024: 0.01% to 0.88%).

(b) As at 30 June 2025, restricted funds were mainly comprised of frozen bank balances (31 December 2024: including guarantee deposits for letters of construction projects and other frozen bank balances).



## 18. SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of shares (thousands)	Share capital RMB'000
At 1 January 2025 and 30 June 2025 (Unaudited)	<b>1,029,111</b>	<b>1,029,111</b>
At 1 January 2024 and 31 December 2024 (Audited)	1,029,111	1,029,111

## 19. OTHER RESERVES

	Share premium RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Property revaluation surplus RMB'000	Translation reserve RMB'000	Total RMB'000
At 1 January 2025	1,283,440	393,629	(47,793)	11,145	4,159	1,644,580
Total comprehensive income:						
Currency translation differences	-	-	-	-	(14)	(14)
Transaction with owners:						
Others	-	(7)	-	-	(4,145)	(4,152)
At 30 June 2025 (unaudited)	<b>1,283,440</b>	<b>393,622</b>	<b>(47,793)</b>	<b>11,145</b>	<b>-</b>	<b>1,640,414</b>
At 1 January 2024	1,283,440	363,939	(47,793)	11,145	3,043	1,613,774
Total comprehensive income:						
Currency translation differences	-	(6)	-	-	1,098	1,092
At 30 June 2024 (unaudited)	<b>1,283,440</b>	<b>363,933</b>	<b>(47,793)</b>	<b>11,145</b>	<b>4,141</b>	<b>1,614,866</b>

## 20. BORROWINGS

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
<b>Non-current:</b>		
Unsecured long-term borrowings	467,217	337,800
Secured long-term borrowings ( <i>Note (b)</i> )	<u>1,924,110</u>	<u>1,760,538</u>
	<u>2,391,327</u>	<u>2,098,338</u>
<b>Current:</b>		
Unsecured short-term borrowings	734,175	705,285
Secured short-term borrowings ( <i>Note (b)</i> )	<u>1,671,360</u>	<u>1,785,556</u>
	<u>2,405,535</u>	<u>2,490,841</u>
	<u><u>4,796,862</u></u>	<u><u>4,589,179</u></u>

(a) As at 30 June 2025, borrowings were denominated in RMB.

(b) As at 30 June 2025 and 31 December 2024, analysis of the secured borrowings is as follows:

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
Secured by:		
Corporate guarantee issued by the Company	103,800	156,815
Property, plant and equipment	517,040	535,714
Corporate guarantee issued by related parties	361,495	308,402
Corporate guarantee issued by a shareholder	153,900	154,223
Waste sanitary landfill construction project revenue	16,500	11,209
Sewage treatment revenue	1,093,385	1,679,665
Pledge of equity of subsidiaries	<u>1,349,350</u>	<u>700,066</u>
Total	<u><u>3,595,470</u></u>	<u><u>3,546,094</u></u>

(c) The maturity of borrowings is as follows:

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
On demand or within 1 year	2,405,535	2,490,841
Between 1 and 2 years	1,427,966	844,235
Between 2 and 5 years	777,565	1,085,745
Over 5 years	<u>185,796</u>	<u>168,358</u>
	<u><u>4,796,862</u></u>	<u><u>4,589,179</u></u>

## 20. BORROWINGS (CONTINUED)

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

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
Weighted average effective interest rates of borrowings	<u>4.76%</u>	<u>5.77%</u>

Interest rates of borrowings denominated in RMB are reset periodically according to the benchmark rates announced by the People's Bank of China.

Interest rates of borrowings denominated in HKD and USD are reset periodically according to the benchmark rates of HIBOR and LIBOR respectively.

The Group's borrowings bear interest at floating rates, except for bank loans in an aggregate principal amount of approximately RMB1,089,900,000 (31 December 2024: approximately RMB1,244,849,000) bearing interest at fixed rates ranging from 3.90% to 6.00% (31 December 2024: ranging from 4.00% to 6.00%) per annum.

(e) The fair values of current borrowings equal their carrying amount as the discounting impact is not significant. The fair values of non-current borrowings are estimated based on discounted cash flow using the prevailing market interest rates available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates. The fair values of non-current borrowings approximated to their carrying amount.

## 21. DEFERRED REVENUE

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
Government grants related to: – property, plant and equipment	<u>346,274</u>	<u>306,653</u>

The movement of government grants is set out as follows:

	RMB'000
At 1 January 2024	239,728
Additions	74,612
Credit to statement of profit or loss	<u>(7,687)</u>
At 31 December 2024 and 1 January 2025 (audited)	306,653
Additions	42,979
Credit to statement of profit or loss (note 23)	<u>(3,358)</u>
At 30 June 2025 (unaudited)	<u>346,274</u>

## 22. TRADE AND OTHER PAYABLE/CONTRACT LIABILITIES

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
Trade payables to third parties	765,619	789,715
Other payables due to:	847,215	849,277
– related parties ( <i>Note 31(d)(ii)</i> )	472,602	455,370
– local government	92,574	90,039
– third parties	282,039	303,868
Staff salaries and welfare payables	119,534	112,863
Payables on acquisition of property, plant and equipment due to:	170,189	167,706
– related parties ( <i>Note 31(d)(ii)</i> )	28,942	28,942
– third parties	141,247	138,764
Payables on acquisition of land use rights from related parties ( <i>Note 31(d)(ii)</i> )	31,000	31,000
Accrued taxes other than income tax	43,846	33,881
Total trade and other payables	<b>1,977,403</b>	<b>1,984,442</b>
	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
Contract liabilities		
– related parties ( <i>Note 31(d)(iii)</i> )	2,921	2,921
– third parties	49,889	27,206
	<b>52,810</b>	<b>30,127</b>

## 22. TRADE AND OTHER PAYABLE/CONTRACT LIABILITIES (CONTINUED)

- (a) Except for the advances from customers which are not financial liabilities, the fair values of trade and other payables approximated their carrying amounts due to their short maturities.
- (b) The Group's trade and other payables are denominated in RMB during the relevant period.
- (c) Ageing analysis of trade payables to third parties at the respective balance sheet dates is as follows:

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
– Within one year	369,613	559,120
– Over one year and within two years	283,605	133,547
– Beyond two years	112,401	97,048
	<u>765,619</u>	<u>789,715</u>

## 23. OTHER INCOME

	Unaudited Six months ended 30 June 2025 RMB'000	2024 RMB'000
Government grants:	3,701	4,620
– relating to property, plant and equipment ( <i>Note 21</i> )	3,358	4,325
– relating to tax refund	337	112
– Others	6	183
Interest income from cash and cash equivalents	23	1,359
Rental income	10,375	6,935
Disposal/deregistration of subsidiaries	4,185	17,738
Others	6	598
	<u>18,290</u>	<u>31,250</u>

*Note:*

Pursuant to Notice on Issuing the Catalogue of Preferential Value-added Tax Policies for Products Made through and Labor Services for Integrated Utilisation of Resources issued by the State Administration of Taxation of the PRC, companies who 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 (“VAT”) refund upon collection from 1 July 2015. The wastewater treatment business and the reclaimed water supply business of the Group fall into the catalogue and are qualified to enjoy 70% tax refund.

## 24. OTHER LOSSES

Unaudited  
Six months ended 30 June  
2025                      2024  
RMB'000                      RMB'000

Others	<u>403</u>	<u>671</u>
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## 25. EXPENSES BY NATURE

Unaudited  
Six months ended 30 June  
2025                      2024  
RMB'000                      RMB'000

Depreciation of property, plant and equipment (Note 9)	105,981	105,703
Utilities, electricity and office expenditures	40,571	42,598
Employee benefit expenses	70,947	70,418
Costs of wastewater treatment and water supply services	21,191	42,382
Cost of construction services	19,120	36,567
Taxes and levies	15,624	12,030
Repair and maintenance costs	9,569	7,157
Depreciation of right-of-use assets/land use rights (Note 8)	4,910	4,909
Professional expenses	1,938	2,062
Amortisation of intangible assets (Note 11)	27,358	18,046
Fuels expenses	63,067	62,240
Miscellaneous	<u>2,474</u>	<u>257</u>

Total cost of sales, selling expenses, administrative expenses and research and development expenses	<u>382,750</u>	<u>404,369</u>
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## 26. FINANCE COSTS – NET

Unaudited  
Six months ended 30 June  
2025                      2024  
RMB'000                      RMB'000

### Finance income:

– Interest income charged to related parties (Note 31(b)(ii))	<u>22,845</u>	<u>21,249</u>
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### Finance costs:

– Interest expenses	(113,257)	(125,035)
– Exchange (losses) – net	(6,937)	(5,984)
– Others	<u>(867)</u>	<u>(552)</u>
	<u>(121,061)</u>	<u>(131,571)</u>

Finance costs – net	<u>(98,216)</u>	<u>(110,322)</u>
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## 27. INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2025</b>	<b>2024</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current tax – the PRC corporate income tax	<b>32,582</b>	57,688
Deferred taxation	<b>(6,842)</b>	(8,163)
Income tax expenses	<b>25,740</b>	49,525

Under the Law of the PRC on Corporate Income Tax (the “**CIT Law**”) and implementation Regulations of the CIT Law, the tax rate of the PRC enterprises is 25% from 1 January 2008. The income tax rate of 25% is applicable to all the Group’s PRC subsidiaries during the six months ended 30 June 2025 and 2024, except for certain subsidiaries that enjoy tax exemption or a preferential income tax rate as approved by the tax authorities, which was discussed as follows:

- (a) China’s west region development policy (the “**West Region Development Policy**”) is a preferential tax ruling issued by the State Administration of Taxation of the PRC for companies whose business fall into the catalogue of encouraged industries and located in the western provinces of China. During the six months ended 30 June 2025 and 2024, the Company and certain subsidiaries qualified for the West Region Development Policy were granted the preferential income tax rate of 15%.
- (b) Certain newly upgraded wastewater treatment facilities meet the criteria provided in the catalogue for public basic infrastructure projects qualified for CIT preferential treatments and are entitled to three years’ exemption from CIT followed by three years of a 50% tax reduction on relevant taxable income derived from such new projects.
- (c) Certain PRC subsidiaries use the resources stipulated in the catalogue for comprehensive utilisation of resources project qualified for CIT preferential tax rates enjoyed 10% deduction of CIT.

## 28. EARNINGS PER SHARE

- (a) Basic earnings per share are calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2025</b>	<b>2024</b>
Profit for the period attributable to equity holders of the Company (RMB'000)	<b>131,867</b>	148,033
Weighted average number of ordinary shares in issue (thousand)	<b>1,029,111</b>	1,029,111
Basic earnings per share (RMB)	<b>0.13</b>	0.14

- (b) The diluted earnings per share are the same as the basic earnings per share as there was no potentially dilutive share during the six months ended 30 June 2025 and 2024.

## 29. CASH GENERATED FROM OPERATING ACTIVITIES

Reconciliation of profit before income tax to net cash generated from operations is as follows:

	Unaudited	
	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Profit before tax	157,789	197,880
Adjustments for:		
– Depreciation of property, plant and equipment ( <i>Note 25</i> )	105,981	105,703
– Depreciation of right-of-use assets ( <i>Note 25</i> )	4,910	4,909
– Amortisation of intangible assets ( <i>Note 25</i> )	27,358	18,046
– Government grants relating to purchase of property, plant and equipment ( <i>Note 23</i> )	(3,358)	(4,325)
– Share of results of associates ( <i>Note 12</i> )	–	(1,517)
– Gains on disposal of subsidiaries	–	(17,738)
– Finance costs – net	98,216	110,322
– Impairment losses on financial assets	49,953	58,092
– Loss on disposal of property, plant and equipment	(170)	(2,787)
– Exchange differences	(6,937)	(5,984)
	<b>433,742</b>	<b>462,601</b>
	Unaudited	
	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Changes in working capital:		
– Trade and other receivables	(454,192)	686,097
– Inventories	(1,041)	(21)
– Amounts due from customers for construction contracts	38,936	(38,693)
– Receivables under service concession arrangements	(26,594)	(852,210)
– Trade and other payables	14,784	(70,762)
– Contract assets	(7,115)	4,839
– Contract liabilities	22,683	5,887
	<b>21,203</b>	<b>197,738</b>
Cash generated from operations		



### 30. COMMITMENTS

#### (i) Commitments under operating lease

##### *The Group as lessor*

The Group leases its investment properties under operating leases with an average lease term of five years. The total future minimum lease receivables under non-cancellable operating leases are as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2025</b> <b>RMB'000</b>	Audited 31 December 2024 <b>RMB'000</b>
Within one year	<b>15,015</b>	15,539
Over 1 year and within 2 years	<b>15,175</b>	14,831
Over 2 years and within 3 years	<b>15,783</b>	15,390
Over 3 years and within 4 years	<b>8,253</b>	13,840
Over 4 years and within 5 years	<b>4,201</b>	4,696
Over 5 years	<b>20,541</b>	22,589
	<b>78,968</b>	86,885

- (ii) At the beginning of the Reporting Period, capital expenditures contracted for at each balance sheet date, but not yet incurred are as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2025</b> <b>RMB'000</b>	Audited 31 December 2024 <b>RMB'000</b>
Property, plant and equipment	<b>84,030</b>	84,030

- (iii) Concession projects and construction projects contracted at the end of the Reporting Period, but not yet incurred are as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2025</b> <b>RMB'000</b>	Audited 31 December 2024 <b>RMB'000</b>
Concession projects and construction projects	<b>717,399</b>	730,962

### 31. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The Company is controlled by KDI which is a government-related enterprise established in the PRC by Kunming SASAC. In accordance with IAS 24 (Revised), “Related Party Disclosures”, issued by the IASB, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include KDI and its subsidiaries (other than the Group), entities controlled by Kunming SASAC, other entities and corporations in which the Group can control or exercise significant influence and key management personnel of the Company and as well as their close family members. The Group’s significant transactions and balances with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government mainly include purchases of assets, provision of financial assets, bank deposits and bank borrowings and related trade and other receivables, trade and other payables, borrowings, term deposits with initial term of over three months, cash and cash equivalents. The Directors believe that the information of related party transactions that are meaningful to the readers of the statements has been adequately disclosed in the financial information.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 30 June 2025 and 2024, and balances arising from related party transactions as at 30 June 2025 and 31 December 2024.

#### (a) Name and relationship with related parties

Name of related party	Nature of relationship
Kunming Dianchi Investment Co. Ltd. (“ <b>KDI</b> ”)	Controlling shareholder of the Company
Kunming Development Investment Group Co., Ltd. (“ <b>Kunming DIG</b> ”)	Controlled by Kunming SASAC and a minority shareholder of the Company
Kunming Industrial Development and Investment Co., Ltd. (“ <b>IDI</b> ”)	Controlled by Kunming SASAC and a minority shareholder of the Company
Kunming Gangtong Logistics Group Co., Ltd. (Formerly known as Kunming State-owned Assets Management and Operations Co. Ltd.)	Controlled by Kunming SASAC and a minority shareholder of the Company
Kunming Xinzhi Investment Development Co., Ltd. (“ <b>Xinzhi Investment</b> ”)	Controlled by Kunming SASAC and a minority shareholder of the Company
Kunming Xindu Investment Co., Ltd. (“ <b>Xindu Investment</b> ”)	Controlled by Kunming SASAC
Kunming Anju Group Co., Ltd. (“ <b>Anju Group</b> ”)	Controlled by Kunming SASAC
Kunming Agricultural Development Investment Co., Ltd. (“ <b>KADI</b> ”)	Controlled by Kunming SASAC
Kunming Municipal Urban Construction Investment & Development Co., Ltd. (“ <b>Kunming Construction</b> ”)	Controlled by Kunming SASAC
Kunming Communications Investment Group Co., Ltd. (“ <b>Kunming Communications</b> ”)	Controlled by Kunming SASAC
Kunming Water Supply Group Co., Ltd. (“ <b>Kunming Water Supply Group</b> ”)	Controlled by Kunming SASAC
Zhaotong Guorun Water	Associate of the Company
Suijiang Guorun Water	Associate of the Company
Yiliang Guorun Water	Associate of the Company

### 31. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) Transactions with related parties

Save as disclosed elsewhere in this announcement, during the six months ended 30 June 2025 and 2024, the Group had the following significant transactions with related parties:

##### (i) Loans repaid from related parties:

	Unaudited Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Anju Group	–	8,000

##### (ii) Interest income from related parties:

	Unaudited Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Kunming DIG	7,953	7,997
Zhaotong Guorun Water	4,936	1,549
Kunming Construction	7,158	8,557
Anju Group	2,798	3,146
	22,845	21,249

##### (iii) Management services provided to related parties:

	Unaudited Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
KDI	83,267	81,246

### 31. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (c) Key management compensation

Key management includes Directors (executive and non-executive), supervisors and executives. The compensation paid or payable to key management for employee services is shown below:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2025</b>	<b>2024</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Salaries, wages and bonuses	<b>548</b>	618
Contributions to pension plans	<b>125</b>	145
Housing fund, medical insurance and other social insurance	<b>97</b>	122
	<b>770</b>	885

#### (d) Balances with related parties

##### (i) Trade and other receivables due from related parties:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2025</b>	<b>2024</b>
	<b>RMB'000</b>	<b>RMB'000</b>
KADI	<b>6,834</b>	6,834
Kunming DIG	<b>200,560</b>	200,560
Kunming Construction	<b>194,280</b>	188,027
Anju Group	<b>72,000</b>	72,000
KDI	<b>584,451</b>	584,551
Xindu Investment	<b>23,472</b>	23,472
Yiliang Guorun Water	<b>17,956</b>	17,772
Zhaotong Guorun Water	<b>296,476</b>	288,828
Suijiang Guorun Water	<b>1,074</b>	1,000
	<b>1,397,103</b>	1,383,044

Other receivables are all non-trade receivables and will be settled upon demand of the Group except for Kunming Construction, Kunming DIG and Anju Group which are interest bearing at 8.5%, 8.5% and 8.5% per annum respectively and repayable within one year. Commencing from 16 June 2025, receivables from Anju Group bear interest at 6.0% per annum, and commencing from 24 July 2025, receivables from Kunming DIG bear interest at 6.0% per annum.

### 31. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (d) Balances with related parties (continued)

##### (ii) Trade and other payables due to related parties:

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
<i>Acquisition of property, plant and equipment:</i>		
Xindu Investment	28,942	28,942
<i>Acquisition of land use rights:</i>		
Xindu Investment	31,000	31,000
<i>Borrowings (non-bank):</i>		
Kunming Communications	460,361*	445,440*
<i>Others:</i>		
KDI	7,299	7,301
Zhaotong Guorun Water	155	155
Suijiang Guorun Water	2,474	2,474
Anju Group	48	–
Kunming DIG	2,265	–
	<b>532,544</b>	<b>515,312</b>

Other payables are all non-trade payables and will be settled upon demand of these related parties.

\* The amount was unsecured, interest-bearing at 6% per annum and no fixed repayment terms.

##### (iii) Contract liabilities with related parties:

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
KDI	2,921	2,921

##### (iv) Financial assets at amortised cost:

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
KADI	89,500	119,600

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

### **(I) OPERATING ENVIRONMENT**

In the first half of 2025, the international environment grew increasingly complex and volatile, with the global economic order suffering severe shocks, leading to heightened instability and uncertainty. Confronted with such a complex and challenging external landscape, China's economy withstood pressure and forged ahead. Upholding the general principle of seeking progress while maintaining stability, the state fully and faithfully implemented the new development philosophy, accelerated efforts to foster a new development paradigm, and balanced domestic economic priorities with international economic and trade competition. Leveraging more proactive and effective macro policies, it ensured overall economic stability and steady improvement.

The year of 2025 marks the concluding year of the 14th Five-Year Plan and a pivotal year for fully implementing the reforms to deepen ecological civilization institutional development and advancing the construction of a Beautiful China. China continues to promote ecological civilization through adhering to the principles of targeted, scientific and law-based pollution control with a focus on building a Beautiful China. Efforts are being made to synergize carbon reduction, pollution control, green development and economic growth, so as to better balance high-quality development with high-level environmental protection, and prevent and control ecological and environmental security risks with enhanced effectiveness, and further deepen reforms in the ecological and environmental sector. Such measures aim to steadily improve environmental quality, enhance ecological governance efficiency, and accelerate the establishment of a new framework for a Beautiful China underpinned by modernization of harmony between humanity and nature. The 2025 National Conference on Ecological and Environmental Protection outlined eight key tasks for ecological and environmental governance throughout the year, calling for the establishment of high-standard regulatory, governance, standard, policy and technological systems to ensure the successful completion of the ecological and environmental protection goals proposed in the 14th Five-Year Plan. With the improvement of the national policy framework for ecological and environmental protection sector, and the tightening of the requirements for high-quality development in environmental governance, the industry is gaining sustained momentum for growth and high-quality development.

The Company engages in wastewater treatment. In 2025, adhering to the overarching principle of “pursuing progress amid stability, and reinforcing stability via progress”, we focused on production management, continued to enhance wastewater treatment and recycling efficiency, deepened energy conservation and consumption reduction efforts, and improved operational quality and efficiency. Besides, we made bigger gallops towards the establishment of new business models integrating digitalization, intelligence and green technologies with traditional industries, propelled the development of digital economy, and built smart water plants. Additionally, we strengthened the popularization and application of technological innovations in “distributed photovoltaic” projects to enhance asset utilization efficiency, promote green development and enhance operational returns, aiming to continuously advance the Company's steady, sustainable and high-quality growth.

## 1. Overview of Wastewater Treatment Industry

Since the 20th National Congress of the Communist Party of China, the state and local provincial and municipal governments have successively introduced a series of institutional policies to strengthen the construction of ecological civilization, aspiring to promote green, low-carbon and high-quality development. These policies propose to improve the fundamental systems of ecological civilization, refine the ecological environment governance framework, and enhance the green and low-carbon development mechanisms to facilitate harmonious coexistence between man and nature. The policies also raise the requirements to uphold the integrated protection and systematic governance of mountains, rivers, forests, farmlands, lakes, grasslands and deserts, while coordinating industrial restructuring, pollution control and ecological conservation, and synergistically advancing carbon reduction, pollution mitigation, green development and economic growth, with the aim of enhancing the modernization level of green development governance systems and capabilities. In May 2025, the state issued the Protection and Construction Action Plan for Beautiful Rivers and Lakes (2025–2027) (《美麗河湖保護與建設行動方案(2025–2027年)》), proposing multiple measures, including improving the remediation effectiveness of river sewage outfall, strengthening water pollution prevention in industrial parks, enhancing domestic sewage collection and treatment, and promoting rural non-point source pollution control, which clearly defined the objectives for the construction of beautiful rivers and lakes. The Implementation Opinions on Strengthening Scientific and Technological Innovation in the Ecological Environment Field to Promote the Construction of a Beautiful China (《關於加強生態環境領域科技創新推動美麗中國建設的實施意見》) focused on key technical issues such as intelligent water pollution monitoring in river basins, emerging pollutants treatment, comprehensive utilization of solid waste, and green resource utilization technologies of biomass. Meanwhile, the state continues to advance the reform and improvement of the pricing mechanism in the wastewater treatment industry, actively promoting the transition of ecological compensation methods from fiscal compensation to market-oriented compensation to attract social capital participation in ecological resource protection and restoration. Driven by such initiatives, the wastewater treatment industry has demonstrated rapid development amid transition towards quality growth momentum. However, along with the industry growth, challenges such as intensified market competition, accounts receivable risks, regional development imbalances are mounting, while issues including pipeline leakage, standardized sludge disposal and urban-rural governance gaps still remain inconsistent with the requirements of high-quality development.

Confronting both the opportunities and challenges in industry development, the path to ongoing high-quality growth will focus on strengthening technological innovation, enhancing operational efficiency, widespread adoption of smart water management systems, accelerated wastewater recycling, and tapping of rural wastewater treatment markets.

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

Reclaimed water, as a sustainable water resource, effectively alleviates urban and industrial water shortages. It not only mitigates pollution of natural water bodies caused by direct wastewater discharge, but also enhances the ecological environment of rivers, lakes and wetlands through ecological water replenishment, thereby extending and optimizing the water industry chain.

The Guidelines on Promoting Wastewater Resource Reutilization (《關於推進污水資源化利用的指導意見》) and the Action Plan for Upgrading Environmental Infrastructure (2023–2025) (《環境基礎設施建設水平提升行動(2023–2025年)》) have established clear targets for reclaimed water utilization. The introduction and sustained implementation of policies such as the Guidelines on Accelerating the Development of Water Conservation Industries (《關於加快發展節水產業的指導意見》) and the Three-Year Action Plan for Reclaimed Water Utilization in Key Cities (《重點城市再生水利用三年行動計劃》) have boosted market adoption of reclaimed water. In recent years, driven by technological innovation, national policy incentives and expanding market demand, the reclaimed water sector has experienced accelerated growth. With its substantial economic, social and ecological value, coupled with ongoing technological advancements and increasing market utilization rates, reclaimed water continues to inject sustained momentum into industry development.

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

China's urban water supply industry has achieved remarkable progress in recent years, with continuous infrastructure improvements and steady service capacity enhancements, forging a well-developed water distribution network. In recent years, policy documents such as the Outline of National Water Network Construction Plan (《國家水網建設規劃綱要》) and Guidelines for Digital Transformation in Urban Water Services (《城鎮水務數字化轉型指南》) promulgated by the PRC government have formally incorporated urban water supply into China's national strategic framework. Policy priorities have shifted from basic supply assurance to smart, green and resource-efficient solutions, exemplified by initiatives to increase smart water platform coverage and boost reclaimed water utilization rates. Local governments are incentivizing private sector participation in aging pipeline upgrades R&D through fiscal subsidies and tax benefits.



Digital technology has become the core driving force behind the upgrading of China's urban water supply industry. IoT sensors, big data analytics, and AI-powered decision systems are now widely applied throughout the entire water supply lifecycle management, significantly improving both supply efficiency and service quality. With respect to smart water management, the urban water supply sector has moved beyond traditional pipeline maintenance models to establish an integrated intelligent water supply system. Driven by the "Dual Carbon" goals, the industry is placing greater emphasis on green and resource-efficient development. Overall, China's urban water supply sector enjoys broad market prospects. With accelerating urbanization, demand for urban water supply will continue to grow, accompanied by increasingly stringent requirements for water quality safety and service accessibility, which will create numerous development opportunities for water utilities.

## **(II) DEVELOPMENT STRATEGY AND FUTURE PROSPECTS**

The year of 2025 marks the conclusion of China's 14th Five-Year Plan and the first critical milestone toward the 2035 long-range objectives. Amid a complex and ever-changing domestic and international economic landscape, the Company will continue to uphold the overarching principle of "pursuing progress amid stability, and reinforcing stability via progress", actively align with the nation's green development strategy, solidify our foundation, balance risk management with security, focus on our principal business, and ensure steady operations. Firstly, we will strengthen and enhance our core business to boost core functionalities and sharpen core competitiveness. Secondly, we will optimize development strategies to improve management and investment efficiency. Thirdly, we will upgrade industrial layout, develop new quality productive forces, and press ahead with the reform of state-owned assets and enterprises. Fourthly, we will maximize the efficiency of existing projects, uncover cost-control potential, intensify debt recovery efforts, and diversify cash flow sources through multiple approaches. Meanwhile, the Company will persistently explore innovative technologies and methodologies, streamline service processes, and elevate service quality to achieve high-quality and healthy growth amid stable operations.

### **(III) BUSINESS REVIEW**

The Group principally adopts the TOO, TOT and BOT project models, with a focus on the TOO model. For the six months ended 30 June 2025, our TOO projects contributed to 63.8% of our total revenue. Our TOT and BOT projects contributed to 14.8% 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 models, we finance, construct and operate relevant facilities. After the expiration of the relevant concessions, we either obtain new concessions from or transfer the relevant facilities back to the relevant local governments, depending on project types. As at 30 June 2025, we had a total of 38 water plants under concession agreements (including wastewater treatment plants and running water plants), all of which were in operation. Among such 38 water plants in operation, 14 were TOO projects, 2 were TOT projects, 20 were BOT projects and 2 were BOO projects.

#### **Wastewater Treatment Projects**

As at 30 June 2025, we had a total of 34 wastewater treatment plants in operation (including 14 in the main city of Kunming and 20 in other areas of China), with a total wastewater treatment capacity of 1.87 million m<sup>3</sup> per day. Additionally, urban wastewater treatment facilities entrusted to us for management have a total designed wastewater treatment capacity of 0.15 million m<sup>3</sup> per day. Meanwhile, we have been entrusted to operate and manage rural domestic sewage collection and treatment facilities in 887 villages, covering 11 counties. 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. As at 30 June 2025, all of our wastewater treatment plants are designed and operated in full compliance with national and industry standards, and 99.9% of our designed wastewater treatment capacity reached the National Class I Category A standard.

#### **Reclaimed Water Business**

For our reclaimed water business, as at 30 June 2025, we had put into operation 12 reclaimed water stations and 2 secondary booster pump stations. At the same time, we provided entrusted operation services for 5 reclaimed water stations/booster pump stations, with a total designed daily production capacity of 334,000 m<sup>3</sup> for the reclaimed water facilities.

## **Running Water Business**

For our running water business, as at 30 June 2025, we had 4 running water plants in the PRC, including three in Yunnan Province and one in Hunan Province, all of which were in operation.

During the Reporting Period, the Company's supply of running water amounted to approximately 3.973 million m<sup>3</sup>.

## **(IV) FINANCIAL REVIEW**

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

Our revenue decreased by RMB67.8 million, or 9.2%, to RMB670.8 million for the six months ended 30 June 2025, from RMB738.6 million for the six months ended 30 June 2024. Gross profit decreased by RMB53.1 million, or 14.5%, to RMB313.9 million for the six months ended 30 June 2025, from RMB367.0 million for the six months ended 30 June 2024. During the Reporting Period, the revenue from wastewater treatment services, reclaimed water and running water supply and other segments accounted for 73.3%, 10.2% and 16.5% of the total revenue, respectively.

The following table sets out our consolidated results of operations for the periods indicated:

	<b>For the six months ended 30 June</b>	
	<b>(Unaudited)</b>	
	<b>2025</b>	<b>2024</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Revenue</b>	<b>670,821</b>	738,567
Cost of sales	<u>(356,890)</u>	<u>(371,597)</u>
<b>Gross profit</b>	<b>313,931</b>	366,970
Selling expenses	(520)	(591)
Administrative expenses	(25,340)	(32,181)
Net impairment losses on financial and contract assets	(49,953)	(58,092)
Other income	18,290	31,250
Other losses	<u>(403)</u>	<u>(671)</u>
<b>Operating profit</b>	<b><u>256,005</u></b>	<b><u>306,685</u></b>
Finance income	22,845	21,249
Finance costs	<u>(121,061)</u>	<u>(131,571)</u>
Finance costs – net	<u>(98,216)</u>	<u>(110,322)</u>
Share of results of associates	<u>–</u>	<u>1,517</u>
<b>Profit before tax</b>	<b>157,789</b>	197,880
Income tax expense	<u>(25,740)</u>	<u>(49,525)</u>
<b>Profit for the period</b>	<b>132,049</b>	148,355
<b>Other comprehensive (loss)/income for the period</b>	<b><u>(14)</u></b>	<b><u>1,098</u></b>
<b>Total comprehensive income for the period</b>	<b><u><u>132,035</u></u></b>	<b><u><u>149,453</u></u></b>

**(a) Revenue**

During the Reporting Period, our revenue decreased by RMB67.8 million or 9.2% from RMB738.6 million for the six months ended 30 June 2024 to RMB670.8 million for the six months ended 30 June 2025, primarily because:

Our revenue from the wastewater treatment segment decreased by RMB52.1 million or 9.6% from RMB544.1 million for the six months ended 30 June 2024 to RMB492.0 million for the six months ended 30 June 2025, mainly due to completion of disposal of Zhaotong Guorun Water Treatment Co., Ltd. (“**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. (“**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. (“**Yiliang Guorun Water**”) (formerly known as Yiliang Dianchi Water Treatment Co., Ltd.\* (彝良滇池水務有限公司) in 2024.

Revenue from our water supply segment increased by RMB9.3 million or 15.8% from RMB58.8 million for the six months ended 30 June 2024 to RMB68.1 million for the six months ended 30 June 2025, mainly due to the increase in operating income from water supply segment.

Our revenue from other segments decreased by RMB24.9 million or 18.3% from RMB135.7 million for the six months ended 30 June 2024 to RMB110.8 million for the six months ended 30 June 2025, mainly due to the decrease in other income.

**(b) Cost of sales**

During the Reporting Period, our cost of sales decreased by RMB14.7 million or 4.0% from RMB371.6 million for the six months ended 30 June 2024 to RMB356.9 million for the six months ended 30 June 2025, primarily because:

The cost of sales of our wastewater treatment segment decreased by RMB6.8 million or 2.3% from RMB289.5 million for the six months ended 30 June 2024 to RMB282.7 million for the six months ended 30 June 2025, and the change in the current period was relatively small.

The cost of sales for our water supply segment increased by RMB8.1 million or 28.8% from RMB28.1 million for the six months ended 30 June 2024 to RMB36.2 million for the six months ended 30 June 2025, mainly due to the increase in revenue, leading to a corresponding increase in cost of sales.

The cost of sales of our other segments decreased by RMB16.1 million or 29.8% from RMB54.0 million for the six months ended 30 June 2024 to RMB37.9 million for the six months ended 30 June 2025, mainly due to the decrease in revenue, leading to a corresponding decrease in cost of sales.

\* For identification purposes only

**(c) Gross margin**

During the Reporting Period, our gross profit margin was 46.8%, representing a decrease of 2.9% as compared to 49.7% for the same period last year, primarily due to the decrease in gross profit margin of the wastewater treatment segment.

Our gross profit margin for the wastewater treatment segment decreased from 46.8% for the six months ended 30 June 2024 to 42.5% for the six months ended 30 June 2025, mainly due to a further decrease in revenue compared to cost of sales as a result of disposal of subsidiaries.

Our gross profit margin of water supply segment decreased from 52.1% for the six months ended 30 June 2024 to 46.7% for the six months ended 30 June 2025.

Our other segments' gross profit margin increased from 60.2% for the six months ended 30 June 2024 to 65.8% for the six months ended 30 June 2025.

**(d) Selling expenses**

During the Reporting Period, our selling expenses amounted to RMB0.5 million, representing a decrease of RMB0.1 million as compared to RMB0.6 million in the corresponding period of the previous year.

**(e) Administrative expenses**

During the Reporting Period, our administrative expenses amounted to RMB25.3 million, representing a decrease of RMB6.9 million compared to RMB32.2 million for the same period of the previous year, which was mainly due to the decrease in benefit expenses of administrative staff.

**(f) Other income**

During the Reporting Period, our other income amounted to RMB18.3 million, representing a decrease of RMB13.0 million as compared to RMB31.3 million for the same period of last year, which was mainly due to the completion of disposal of equity interests in the three subsidiaries, Zhaotong Guorun Water, Yiliang Guorun Water and Suijiang Guorun Water in 2024.

**(g) Other losses**

During the Reporting Period, our other losses amounted to RMB0.4 million, representing a decrease of RMB0.3 million as compared to RMB0.7 million for the same period of last year.

**(h) Operating profit**

As a result of the foregoing factors, during the Reporting Period, our operating profit amounted to RMB256.0 million, representing a decrease of RMB50.7 million or 16.5% as compared to RMB306.7 million for the same period last year. Our operating margin during the Reporting Period was 38.2%.

**(i) Finance income**

During the Reporting Period, our finance income amounted to approximately RMB22.8 million, representing an increase of RMB1.6 million as compared to that of approximately RMB21.2 million in the corresponding period of the previous year, which was mainly attributable to an increase in interest income from related parties for the current period as compared to the corresponding period of the previous year.

**(j) Finance costs**

During the Reporting Period, our finance costs amounted to approximately RMB121.1 million, representing a decrease of RMB10.5 million as compared to approximately RMB131.6 million in the corresponding period of last year, which was mainly due to a decrease in average interest rate during the current period, which in turn led to a decrease in finance costs.

**(k) Profit before tax**

During the Reporting Period, our profit before tax amounted to RMB157.8 million, representing a decrease of RMB40.1 million or 20.3% as compared to RMB197.9 million for the same period last year.

**(l) Income tax**

During the Reporting Period, our net income tax expense amounted to RMB25.7 million, representing a decrease of RMB23.8 million as compared to RMB49.5 million for the same period last year. The effective tax rate was 16.3%, representing a decrease of 8.7 percentage points as compared with the same period last year.

**(m) Total comprehensive income**

As a result of the foregoing factors, during the Reporting Period, our total comprehensive income amounted to RMB132.0 million, representing a decrease of 11.7% as compared to RMB149.5 million for the same period last year.

**2. Liquidity and Capital Resources**

Our cash is primarily used 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 operations, equity contributions and issuance of debt instruments.

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>(Unaudited)</b>	
	<b>2025</b>	<b>2024</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Net cash (used in)/generated from operating activities	<b>(98,507)</b>	28,466
Net cash (used in)/generated from investing activities	<b>(50,649)</b>	42,765
Net cash generated from/(used in) financing activities	<b>207,944</b>	(169,507)
Net increase/(decrease) in cash and cash equivalents	<b>58,788</b>	(98,276)
Foreign exchange gains	<b>9</b>	1,098
Cash and cash equivalents at beginning of the period	<b>10,977</b>	174,089
Cash and cash equivalents at end of the period	<b>69,774</b>	76,911



**(a) *Net cash (used in)/generated from operating activities***

Our cash (used in)/generated from operating activities primarily consists of cash received from our clients for services and products provided by us. We also 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.

During the Reporting Period, our net cash used in operating activities was RMB98.5 million, as compared to net cash generated from operating activities of RMB28.5 million in the corresponding period of last year, which was primarily due to the changes in cash received from customers for the provision of services and products.

**(b) *Net cash (used in)/generated from investing activities***

Our net cash (used in)/generated from investing activities primarily includes purchase of property, plant and equipment, other investments and proceeds from the sale of subsidiaries.

Our net cash used in investing activities was RMB50.6 million, as compared to net cash generated from investing activities of RMB42.8 million for the same period of last year, mainly due to the receipt of proceeds from disposal of subsidiaries during the previous period.

**(c) *Net cash generated from/(used in) financing activities***

Our net cash generated from/(used in) financing activities primarily represents obtaining and repaying borrowings.

Our net cash generated from financing activities was RMB207.9 million, as compared to net cash used in financing activities of RMB169.5 million for the corresponding period of last year, mainly due to borrowings newly secured during the Reporting Period.

The Company has entered into certain finance lease arrangement for the purpose of enabling the Company to obtain financial resources for its operations while continue using certain assets required for its operations. On 24 December 2021, the Company entered into the finance lease agreement with Industrial Bank Financial Leasing Co., Ltd. (興業金融租賃有限責任公司) (“**Industrial Bank Financial Leasing**”), pursuant to which Industrial Bank Financial Leasing agreed to (i) purchase the leased assets from the Company at a purchase price of RMB400 million, and (ii) lease back the leased assets to the Company for a term of five years. On 20 June 2023, the parties entered into the supplemental agreement for the finance lease agreement to adjust and supplement the lease term, interest rate and rental payment arrangement etc. For details, please refer to the announcements of the Company dated 24 December 2021 and 20 June 2023, and the circulars of the Company dated 25 February 2022 and 25 August 2023. In addition, on 24 March 2022, the Company and CCB Financial Leasing Corporation Limited (“**CCB Financial Leasing**”) entered into the transfer agreements and the lease agreements, under which CCB Financial Leasing agreed to (i) purchase certain leased assets from the Company for a transfer price not exceeding RMB100,000,000 and lease back such leased assets to the Company for a term of four years, and (ii) purchase certain leased assets from the Company for a transfer price not exceeding RMB100,000,000 and lease back such leased assets to the Company for a term of five years. For details, please refer to the announcement of the Company dated 24 March 2022.

### 3. Working Capital

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

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2025</b>	2024
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Current assets</b>		
Receivables under service concession arrangements	<b>20,359</b>	19,496
Inventories	<b>7,253</b>	6,212
Amounts due from customers for construction contracts	<b>30,622</b>	24,581
Financial assets at amortised cost	<b>89,500</b>	119,600
Trade and other receivables	<b>6,336,607</b>	5,809,617
Cash and bank balances	<b>69,774</b>	10,977
Restricted funds	<b>2,109</b>	25,965
	<hr/>	<hr/>
<b>Total current assets</b>	<b>6,556,224</b>	6,016,448
	<hr/> <hr/>	<hr/> <hr/>
<b>Current liabilities</b>		
Trade and other payables	<b>1,977,403</b>	1,984,442
Tax payables	<b>225,361</b>	190,597
Borrowings	<b>2,405,535</b>	2,490,841
Contract liabilities	<b>52,810</b>	30,127
	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>4,661,109</b>	4,696,007
	<hr/> <hr/>	<hr/> <hr/>
<b>Net current assets</b>	<b>1,895,115</b>	1,320,441
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2025 and 31 December 2024, we recorded net current assets of RMB1,895.1 million and RMB1,320.4 million respectively. The increase in current assets was mainly due to the increase in trade and other receivables.

**(a) *Receivables under service concession arrangements***

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

Our receivables under service concession arrangements that were classified as current assets amounted to RMB20.4 million as at 30 June 2025, representing an increase of 4.6% from RMB19.5 million as at 31 December 2024, mainly due to an increase in the amount to be recovered in the coming year as per the progress of contract collection.

Our receivables under service concession arrangements that were classified as non-current assets amounted to RMB1,714.4 million as at 30 June 2025, representing an increase of 1.5% from RMB1,688.7 million as at 31 December 2024.

**(b) *Inventories***

Our total inventory increased from RMB6.2 million as at 31 December 2024 to RMB7.3 million as at 30 June 2025, representing an increase of RMB1.1 million or 17.7%.

For the six months ended 30 June 2025, our inventory turnover days were 3.4 days, representing an increase of 0.5 days as compared to the year ended 31 December 2024. The calculation for inventory turnover days was based on the average annual inventory divided by the sales cost recognised during the relevant period and multiplied by 180 days.

**(c) *Amounts due from customers for construction contracts***

As at 30 June 2025, our amounts due from customers for construction contracts classified as current assets were approximately RMB30.6 million, increased by RMB6.0 million as compared to RMB24.6 million as at 31 December 2024, which was mainly due to the increase in amounts due from customers for construction contracts maturing within one year.

As at 30 June 2025, our amounts due from customers for construction contracts classified as non-current assets were approximately RMB505.8 million, decreased by RMB45.0 million as compared to RMB550.8 million as at 31 December 2024.

**(d) *Trade and other receivables***

Our trade and other receivables primarily consist of (i) trade receivables from third parties, related parties and local governments; (ii) other receivables from third parties, related parties and local governments; and (iii) prepayments. Our trade receivables are amounts due from customers for sales of goods and services provided in the ordinary course of business, including services performed for TOO and TOT projects and performed during the operation period of 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 cost and goods payment.

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

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
<b>Trade receivables:</b>		
– Third parties	241,539	222,636
– Related parties	230,437	228,337
– Local government	4,596,515	4,137,952
– Loss allowance	(173,809)	(160,861)
	<u>4,894,682</u>	<u>4,428,064</u>
<b>Trade receivables – net</b>	<b><u>4,894,682</u></b>	<b><u>4,428,064</u></b>
<b>Other receivables:</b>		
– Third parties	220,302	174,436
– Related parties	1,166,666	1,154,707
– Local government	29,020	28,582
– Loss allowance	(57,361)	(50,241)
	<u>1,358,627</u>	<u>1,307,484</u>
<b>Other receivables – net</b>	<b><u>1,358,627</u></b>	<b><u>1,307,484</u></b>
<b>Prepayments:</b>		
– Others	83,298	74,069
	<u>83,298</u>	<u>74,069</u>
<b>Prepayments – net</b>	<b><u>83,298</u></b>	<b><u>74,069</u></b>
<b>Trade and other receivables – net</b>	<b><u>6,336,607</u></b>	<b><u>5,809,617</u></b>

As at 30 June 2025, our net trade and other receivables were approximately RMB6,336.6 million, increased by RMB527.0 million or 9.1% as compared to approximately RMB5,809.6 million as at 31 December 2024, primarily due to certain payments for the provision of services and products yet to be recovered during the Reporting Period.

The ageing analysis of total accounts receivable based on sales invoices as at each balance sheet date is as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2025</b>	2024
	<b>RMB'000</b>	<b>RMB'000</b>
– Within one year	<b>1,540,312</b>	1,370,811
– Over one year and within two years	<b>1,697,663</b>	1,162,766
– Over two years	<b>1,830,516</b>	2,055,348
	<b>5,068,491</b>	4,588,925

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

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2025</b>	2024
	<b>Days</b>	<b>Days</b>
Trade receivables turnover days <sup>(1)</sup>	<b>1,250.8</b>	913.1
Trade and other receivables turnover days <sup>(2)</sup>	<b>1,629.6</b>	1,173.1

*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 (for six months, multiplied by 180 days). The arithmetic mean of the opening and closing balances of trade receivables is used for the six months ended 30 June 2025 and the year ended 31 December 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 (for six months, multiplied by 180 days). The arithmetic mean of the opening and closing balances of trade and other receivables is used for the six months ended 30 June 2025 and the year ended 31 December 2024.

#### 4. Trade and Other Payables

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

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2025</b>	<b>2024</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Trade payables	<b>765,619</b>	789,715
Other payables	<b>847,215</b>	849,277
Staff salaries and welfare payables	<b>119,534</b>	112,863
Payables on acquisition of property, plant and equipment	<b>170,189</b>	167,706
Payables on acquisition of land use rights from related parties	<b>31,000</b>	31,000
Accrued taxes other than income tax	<b>43,846</b>	33,881
	<b>1,977,403</b>	<b>1,984,442</b>

As at 30 June 2025, our trade and other payables amounted to approximately RMB1,977.4 million, representing a decrease of RMB7.0 million or 0.4% as compared to approximately RMB1,984.4 million as at 31 December 2024.



The ageing analysis of total accounts payable based on invoices as at each balance sheet date is as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2025</b>	2024
	<b>RMB'000</b>	<b>RMB'000</b>
– Within one year	<b>369,613</b>	559,120
– Over one year and within two years	<b>283,605</b>	133,547
– Over two years	<b>112,401</b>	97,048
	<b>765,619</b>	789,715

As at 30 June 2025 and 31 December 2024, the fair values of trade and other payables approximate to their carrying amounts due to their short maturities.

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

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2025</b>	2024
	<b>Days</b>	<b>Days</b>
Trade payables turnover days <sup>(1)</sup>	<b>392.2</b>	257.9
Trade and other payables turnover days <sup>(2)</sup>	<b>999.1</b>	697.4

*Notes:*

- (1) Calculated as the average trade payables for the relevant period divided by the expenditure for procurement for the relevant period, and multiplied by 365 days (for six months, multiplied by 180 days). The arithmetic mean of the opening and closing balances of trade payables is used for the six months ended 30 June 2025 and the year ended 31 December 2024.
- (2) Calculated as the average trade and other payables for the relevant period divided by the selling cost for the relevant period, and multiplied by 365 days (for six months, multiplied by 180 days). The arithmetic mean of the opening and closing balances of trade and other payables is used for the six months ended 30 June 2025 and the year ended 31 December 2024.

Our Directors confirmed that up to 30 June 2025, there was no material default in payment of trade payables.

## 5. Indebtedness

### (a) Borrowings

All of our borrowings are denominated in RMB, HKD or USD and some are secured by our property, plant and equipment and some are secured by the sewage treatment revenue of the Group. The following table shows our borrowings as at the dates indicated:

	Unaudited As at 30 June 2025 RMB'000	Audited As at 31 December 2024 RMB'000
<b>Non-current:</b>		
Unsecured long-term borrowings	467,217	337,800
Secured long-term borrowings	1,924,110	1,760,538
<b>Total non-current borrowings</b>	<b>2,391,327</b>	<b>2,098,338</b>
<b>Current:</b>		
Unsecured short-term borrowings	734,175	705,285
Secured short-term borrowings	1,671,360	1,785,556
<b>Total current borrowings</b>	<b>2,405,535</b>	<b>2,490,841</b>
<b>Total borrowings</b>	<b>4,796,862</b>	<b>4,589,179</b>
<b>Average effective interest rates</b>	<b>4.76%</b>	<b>5.77%</b>

As at 31 December 2024 and 30 June 2025, we had total borrowings of RMB4,589.2 million and RMB4,796.9 million, respectively. Among our debt, borrowings of RMB535.7 million and RMB517.0 million as of 31 December 2024 and 30 June 2025 were secured by property, plant and equipment, and borrowings of RMB1,679.7 million and RMB1,093.4 million were guaranteed by the sewage treatment revenue of the Group.

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 RMB333.0 million, while the Company has provided guarantees for Kunming Water Supply Group’s loans of RMB100.0 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).

As at 30 June 2025, we were not in breach of any covenants in our loan agreements that materially affected our business operation. Given our ability to access new bank borrowings, we believe we will not be subject to any risk of potential withdrawal of banking facilities or early repayment of outstanding loans. As at 30 June 2025, we had not received any requests for early repayment of the principal or interest under any of our loan agreements.

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

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2025</b> <i><b>RMB’000</b></i>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2024</b> <i><b>RMB’000</b></i>
On demand or within 1 year	<b>2,405,535</b>	2,490,841
Between 1 and 2 years	<b>1,427,966</b>	844,235
Between 2 and 5 years	<b>777,565</b>	1,085,745
Over 5 years	<b>185,796</b>	168,358
	<b>4,796,862</b>	4,589,179

As at 31 December 2024 and 30 June 2025, our net gearing ratios (calculated as net debt divided by total capital at the end of the period. In particular, net debt is calculated as total interest-bearing liabilities less cash and cash equivalents at the end of the period; total capital is calculated as total equity plus net debt) were 46.5% and 46.8%, respectively, representing an increase of 0.3 percentage points from that as at 31 December 2024, primarily due to the change in cash and cash equivalents and net debt during the current period.

Except as disclosed above, as at 30 June 2025, 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**

Our capital commitments contracted for at each balance sheet date, but not yet incurred are as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2025</b>	2024
	<b>RMB'000</b>	<b>RMB'000</b>
Property, plant and equipment	<b>84,030</b>	84,030

**(c) Concession projects and construction projects contracted at the end of the Reporting Period, but not yet incurred are as follows:**

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2025</b>	2024
	<b>RMB'000</b>	<b>RMB'000</b>
Concession projects and construction projects	<b>717,399</b>	730,962

**(d) Capital Expenditure**

Our capital expenditure mainly comprises purchases of land use rights, property, plant and equipment and intangible assets. Our capital expenditure was RMB28.9 million for the six months ended 30 June 2025, representing an increase of 81.8% as compared to RMB15.9 million for the six months ended 30 June 2024.

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2025</b>	<b>2024</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Wastewater treatment	<b>4,032</b>	13,916
Water supply	<b>24,792</b>	1,891
Others	<b>40</b>	127
	<hr/>	<hr/>
	<b>28,864</b>	15,934
	<hr/>	<hr/>

Based on our current business plan, we expect to incur capital expenditure amounting to RMB68.5 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.

## 6. Employees and Remuneration Policies

As at 30 June 2025, we had 1,091 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 at 30 June 2025:

Function	Number
Management and Administration	194
Finance	44
Research and Development	60
Quality Monitoring	201
Marketing	22
Operations	527
Construction and Maintenance	43
Total	<u>1,091</u>

The compensation for our employees includes basic wages, performance pay, bonuses and other staff benefits. Our employee benefits and labor expenses from January to June in 2024 amounted to RMB70.4 million, and our employee benefits and labor expenses from January to June in 2025 amounted to RMB70.9 million, representing an increase of approximately RMB0.5 million or 0.7% as compared to the same period of 2024.

We believe our employees are the most valuable resources to achieve our success. To ensure the quality of our employees at all levels, we adopted a new employee internship management mechanism, a blended learning mechanism that combines centralised training and online training, on-the-job training, exchanges and rotations, apprenticeship learning and other talented team building systems that coexist in various talent business training methods. With the core talent circulation training mechanism and other methods that take “production, learning, research and use”, we take multiple measures to improve the comprehensive quality and professional ability of employees to ensure talents for the Company’s business development.

Our labor union communicates closely with the management regarding labor matters on behalf of 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. Our Directors believe that we maintain 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 operations of the Group.

## **7. Contingent Liabilities**

As at 30 June 2025, the Group did not have any material contingent liabilities.

## **8. Material Investment and Acquisition**

As at 30 June 2025, the Group did not have any material investment and acquisition (including material acquisitions of subsidiaries, associates and joint ventures). During the Reporting Period, the Company did not enter into any new material investment and acquisition agreements and the projects under the original investment and acquisition agreements had been actively carried forward.

Subsequent to the Reporting Period, the Company intends to invest RMB69.3059 million to implement the Expansion and Renovation Project of Kunming No. 7 and No. 8 Water Purification Plants. To ensure the smooth implementation of the Expansion and Renovation Project, the Company entered into the Engineering, Procurement and Construction General Contracting (EPC) Contract for the Expansion and Renovation Project of Kunming No.7 and No.8 Water Purification Plants (《昆明市第七、八水質淨化廠擴容改造項目設計、採購及施工總承包(EPC)合同》) (the “**EPC Contract**”) with the joint contractors (i.e. China Railway No.10 Engineering Group Co., Ltd. and Beijing General Municipal Engineering Design & Research Institute Co., Ltd.) on 6 July 2025 in accordance with the tender results. Pursuant to which, the Company agreed to entrust and the joint contractors agreed to provide engineering services, procurement, and construction work for the Company’s Expansion and Renovation Project. The consideration underlying the EPC Contract is approximately RMB57.7199 million (for details, please refer to the announcement of the Company dated 8 July 2025).

Save as disclosed above, as of 30 June 2025, the Group had no other plans regarding material investments or acquisition of capital assets.

## **9. Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures**

During the Reporting Period, the Group did not enter into any new contracts for the material acquisition and disposal of its subsidiaries, associates and joint ventures.

## 10. Material Litigation

The Company was involved in a dispute with Guizhou Construction Group Co., Ltd.\* (貴州建工集團有限公司) (“**Guizhou Construction**”) over the settlement of the total consideration of a construction contract, resulting in a lawsuit filed by Guizhou Construction. In 2024, the court ruled that the Company should pay Guizhou Construction the construction sum of approximately RMB109.5 million and related interest. The Company has filed an appeal against the relevant judgment, and as of the date of this announcement, the court has not yet made a ruling on the appeal (for details, please refer to the Company’s announcement dated 9 October 2024).

Save as disclosed above, as at 30 June 2025, the Group was not involved in any new material or potential material litigation.

## 11. Exchange Rate Volatility Risk and Any Related Hedging

The Group still retains some foreign currency funds, but the amount is insignificant. The fluctuation of exchange rate has limited influence on the retained foreign currency funds.

## 12. Loans to Certain Entities

On 9 June 2022, the Company entered into the Entrusted Loan Contract (the “**Entrusted Loan Contract**”) with Kunming Construction and Kunming Panlong District Rural Credit Cooperative\* (昆明市盤龍區農村信用合作聯社) (“**Panlong District Rural Credit Cooperative**”), pursuant to which the Company entrusted Panlong District Rural Credit Cooperative to provide a loan of RMB310 million to Kunming Construction with an annual interest rate of 8.5% which shall become due on 8 June 2023. Kunming Dianchi Investment 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 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 (the “**Chenggong District Entrusted Loan Extension Agreement II**”) 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. On 19 May 2025, the parties entered into the Entrusted Loan Extension Agreement for the Chenggong District Entrusted Loan Contract, the Chenggong District Entrusted Loan Extension Agreement I, the Supplemental Entrusted Loan Extension Agreement I and the Chenggong District Supplemental Entrusted Loan Extension Agreement II to extend the term of entrusted loan with principal amount of RMB200 million to 24 June 2026. The transactions under the entrusted loan extension agreements shall accrue interest at an annual rate of 6.0%. For details, please refer to the announcements of the Company dated 24 October 2022, 22 September 2023, 13 November 2023, 15 July 2024 and 19 May 2025, respectively.

On 16 June 2023, the Company entered into the Entrusted Loan Contract with 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 loan of RMB80 million to Anju Group for a term from 16 June 2023 to 16 June 2024 with an annual interest rate of 8.5%. On 13 June 2024, 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 entrusted loan with principal amount of RMB72 million to 16 June 2025. On 13 June 2025, the parties entered into the Entrusted Loan Extension Agreement (the “**Entrusted Loan Extension Agreement**”) for the Entrusted Loan Contract and the Entrusted Loan Extension Agreement I to extend the term of entrusted loan with principal amount of RMB72 million to 16 June 2026. The transactions under the Entrusted Loan Extension Agreement shall accrue interest at an annual rate of 6.0%. For details, please refer to the announcements of the Company dated 16 June 2023, 13 June 2024 and 13 June 2025, respectively.

On 29 April 2024, the Company entered into the mutual guarantee agreement with 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 RMB333.0 million, while the Company has provided guarantees for Kunming Water Supply Group's loans of RMB100.0 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).

As far as the Company is aware, Kunming Construction, Kunming DIG, Anju Group and Kunming Water Supply Group are all controlled or held by 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 connected to each other, and neither are they the connected persons as defined in the Listing Rules.

### **III. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is committed to maintaining a high standard of corporate governance. Good corporate governance is conducive to healthy, high-quality and sustainable development of the Company and enhances the comprehensive competitiveness of the Company. The Board has the responsibility to lead and oversee the Company and is responsible for strategic planning, business development, compliance governance, culture promotion, environmental, social and governance management, supervision and other matters of the Company. The Company has adopted the code provisions of the Corporate Governance Code (the “**Corporate Governance 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 Corporate Governance 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 Corporate Governance Code except for code provision B.2.2.

Under Rule B.2.2 of the Corporate Governance Code, 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 term of office of the first session of the Board had expired for three years, however, the nomination of relevant candidates had not yet been completed. At the same time, the Board, taking into consideration of the continuity of the work of the Board of the Company, did not re-elect any Director in a timely manner at the expiration of his/her term of office in accordance with the relevant provisions in the articles of association of the Company, and the original Directors shall still be expected to perform the duties of Directors in accordance with laws, administrative rules, departmental rules, as well as the articles of association of the Company before the re-elected Directors assume their duties. Therefore, the Board considers that deviations from provision B.2.2 of the Corporate Governance 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 the 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 (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct for its Directors, Supervisors and relevant employees (has the same meaning ascribed to it under the Corporate Governance Code) in respect of their dealings in the Company's securities. After making specific enquiries to all the Directors and Supervisors, the Directors and Supervisors confirmed that they had strictly complied with the required standard 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 purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2025. The Company did not have any treasury shares (as defined under the Listing Rules) as at 30 June 2025.

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

As at 30 June 2025, neither the Company nor any of its subsidiaries had any share option schemes or share award schemes. During the Reporting Period, the Company did not issue any equity securities (including securities convertible into equity securities) in exchange for cash.

## VII. AUDIT COMMITTEE

During the Reporting Period, the audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely Mr. Zha Guiliang, Ms. Zheng Dongyu and Mr. Ong King Keung (resigned as an independent non-executive Director, chairperson of the remuneration and appraisal committee of the Company and member of each of the Audit Committee and nomination committee of the Company on 20 August 2025). The Audit Committee is mainly responsible for, among others, reviewing the financial information of the Company, reviewing and supervising the Company’s financial reporting process, financial control, internal control and risk management systems, supervising the Company’s internal audit system and performing corporate governance duties, and overseeing the audit process and recommending the engagement or replacement of external auditors. The Audit Committee is also responsible for the communications between the internal and the external auditors and performing other duties and responsibilities as assigned by the Board. During the Reporting Period, pursuant to the requirements of relevant laws and regulations, the Company abolished the board of Supervisors and the functions and powers of the board of Supervisors shall be exercised by the Audit Committee. The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2025 and considered that the Group has adopted applicable accounting policies and made adequate disclosures in relation to the preparation of relevant results.

## VIII. 2025 INTERIM DIVIDEND

In view of the economic environment and the future development plan of the Company, the Board does not recommend the payment of an interim dividend for the six months ended 30 June 2025 (for the six months ended 30 June 2024: nil).

## IX. PUBLICATION OF THE INTERIM REPORT

The interim report for the six months ended 30 June 2025 of the Company will be dispatched to the holders of H shares of the Company in due course pursuant to the requirements of the Listing Rules and available for public viewing and downloading on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.kmdcwt.com](http://www.kmdcwt.com)).

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

Kunming, the PRC, 22 August 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 and Ms. Zheng Dongyu, as independent non-executive Directors.*

\* For identification purpose only