DCWT 滇池水务
KUNMING DIANCHI WATER TREATMENT CO.,LTD

Kunming Dianchi Water Treatment Co., Ltd.
昆明滇池水務股份有限公司

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

(Stock Code: 3768)

2026 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL SUMMARY

For the six months ended 30 June 2026, the Group's:

- revenue amounted to approximately RMB582.6 million, representing a decrease of 13.1% from the corresponding period of last year;
- profit before tax amounted to approximately RMB65.9 million, representing a decrease of 58.2% from the corresponding period of last year;
- net profit attributable to the equity holders of the Company amounted to approximately RMB45.2 million, representing a decrease of 65.7% from the corresponding period of last year;
- earnings per share amounted to approximately RMB0.04, representing a decrease of 69.2% from the corresponding period of last year.

As at 30 June 2026, the Group's:

- total assets amounted to approximately RMB13,498.1 million, representing an increase of 0.5% at beginning of the period;
- total equity amounted to approximately RMB5,480.2 million, representing an increase of 0.8% at beginning of the period;

The board (the "**Board**") of directors (the "**Director(s)**") of Kunming Dianchi Water Treatment Co., Ltd. (the "**Company**") announces 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 2026 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2025, as follows:

I. INTERIM FINANCIAL INFORMATION AND NOTES THERETO

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months ended 30 June 2026

		Unaudited	
		Six months ended 30 June	
		2026	2025
	Notes	***RMB'000***	*RMB'000*
Revenue	*5*	**582,608**	670,821
Cost of sales	*12*	**(335,689)**	(356,890)
Gross profit		**246,919**	313,931
Selling expenses	*12*	**(681)**	(520)
Administrative expenses	*12*	**(14,549)**	(25,340)
Net impairment losses on financial and contract assets		**(58,025)**	(49,953)
Other income	*10*	**11,638**	18,290
Other losses	*11*	**(20,639)**	(403)
Operating profit		**164,663**	256,005
Finance income	*13*	**20,075**	22,845
Finance costs	*13*	**(118,848)**	(121,061)
Finance costs – net	*13*	**(98,773)**	(98,216)
Share of results of associates		**(36)**	–
Profit before tax		**65,854**	157,789
Income tax expense	*14*	**(20,485)**	(25,740)
Profit for the period		**45,369**	132,049
Profit for the period attributable to:			
– Equity holders of the Company		**45,205**	131,867
– Non-controlling interests		**164**	182
		45,369	132,049

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the Six Months ended 30 June 2026

		Unaudited Six months ended 30 June	
		2026	2025
	Notes	***RMB'000***	*RMB'000*
Other comprehensive income for the period			
Items that may be reclassified to profit or loss:			
Exchange differences		**–**	(14)
Total comprehensive income for the period		**45,369**	132,035
Total comprehensive income for the period attributable to:			
– Equity holders of the Company		**45,205**	131,853
– Non-controlling interests		**164**	182
		45,369	132,035
Earnings per share for profit for the period attributable to equity holders of the Company (expressed in RMB per share)		**0.04**	0.13
– Basic and diluted earnings per share	*15*	**0.04**	0.13

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2026

	Notes	**Unaudited 30 June 2026 RMB'000**	Audited 31 December 2025 RMB'000
ASSETS			
Non-current assets			
Investment properties		**221,485**	221,485
Right-of-use assets/land use rights		**353,836**	358,746
Property, plant and equipment		**2,340,550**	2,287,267
Receivables under service concession arrangements	*6*	**1,318,967**	1,347,082
Amounts due from customers for construction contracts	*8*	**814,586**	842,026
Trade and other receivables	*7*	**45,546**	223,514
Contract assets		**243,911**	241,463
Intangible assets		**840,861**	872,457
Investments in associates		**69,359**	69,395
Deferred income tax assets		**143,127**	134,526
		6,392,228	6,597,961
Current assets			
Receivables under service concession arrangements	*6*	**20,349**	18,873
Amounts due from customers for construction contracts	*8*	**49,424**	47,107
Inventories		**6,185**	6,642
Financial assets at amortised cost		**29,400**	59,400
Trade and other receivables	*7*	**6,984,437**	6,668,835
Cash and bank balances		**12,538**	33,629
Restricted funds		**3,575**	3,501
		7,105,908	6,837,987
Total assets		**13,498,136**	13,435,948

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2026

	Notes	Unaudited 30 June 2026 RMB'000	Audited 31 December 2025 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred revenue		**680,433**	654,746
Borrowings		**1,693,919**	2,161,505
Deferred income tax liabilities		**35,372**	35,871
		2,409,724	2,852,122
Current liabilities			
Trade and other payables	*9*	**1,930,287**	1,846,713
Tax payables		**283,019**	257,932
Borrowings		**3,381,937**	3,030,567
Contract liabilities		**12,958**	13,772
		5,608,201	5,148,984
Total liabilities		**8,017,925**	8,001,106
Net assets		**5,480,211**	5,434,842
CAPITAL AND RESERVES			
Share capital		**1,029,111**	1,029,111
Other reserves		**1,659,089**	1,659,089
Accumulated profits		**2,780,649**	2,735,444
Equity attributable to owners of the Company		**5,468,849**	5,423,644
Non-controlling interests		**11,362**	11,198
Total equity		**5,480,211**	5,434,842

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months ended 30 June 2026

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital	**Other reserves**	**Accumulated profits**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2025	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
Other comprehensive income:						
Exchange differences	–	(14)	–	(14)	–	(14)
Total comprehensive income for the period	–	(14)	131,867	131,853	182	132,035
Transactions with owners:						
Others	–	(4,152)	–	(4,152)	–	(4,152)
As at 30 June 2025	1,029,111	1,640,414	2,689,936	5,359,461	10,715	5,370,176
As at 1 January 2026	**1,029,111**	**1,659,089**	**2,735,444**	**5,423,644**	**11,198**	**5,434,842**
Profit for the period	**–**	**–**	**45,205**	**45,205**	**164**	**45,369**
Other comprehensive income:						
Exchange differences	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the period	**–**	**–**	**45,205**	**45,205**	**164**	**45,369**
Transactions with owners:						
Others	**–**	**–**	**–**	**–**	**–**	**–**
As at 30 June 2026	**1,029,111**	**1,659,089**	**2,780,649**	**5,468,849**	**11,362**	**5,480,211**

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the Six Months ended 30 June 2026

		Unaudited	
		Six months ended 30 June	
		2026	2025
	Notes	***RMB'000***	*RMB'000*
OPERATING ACTIVITIES			
Cash generated from operations		**93,259**	21,203
Interest paid		**(117,622)**	(115,599)
Income tax paid		**(5,035)**	(4,111)
Net cash used in operating activities		**(29,398)**	(98,507)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(15,685)**	(28,673)
Additions of receivables under new service concession agreements		**(23,412)**	(28,864)
Repayments from related parties		**5,000**	–
Interest received		**36,937**	11,603
Cash payment for acquisition of subsidiaries		**–**	(4,735)
Proceeds from disposal of property, plant and equipment		**221**	20
Net cash generated from/(used in) investing activities		**3,061**	(50,649)
FINANCING ACTIVITIES			
Proceeds from borrowings		**1,765,553**	1,869,518
Decrease in restricted funds		**–**	(23,855)
Repayments of borrowings		**(1,890,028)**	(1,637,719)
Net proceeds from short-term financing arrangements		**129,720**	–
Net cash generated from financing activities		**5,245**	207,944
Net (decrease)/increase in cash and cash equivalents		**(21,092)**	58,788
Cash and cash equivalents at beginning of the period		**33,629**	10,977
Effect of exchange rate changes		**1**	9
Cash and cash equivalents at end of the period		**12,538**	69,774

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2026

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**") and rounded to the nearest thousand, unless otherwise stated.

This condensed consolidated interim financial information on pages 2 to 22 were approved for issue by the Board on 21 August 2026.

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 23 to 52 of this announcement.

2. BASIS OF PREPARATION

Statement of compliance

The condensed consolidated interim financial statements for the six months ended 30 June 2026 have been prepared in accordance with the International Accounting Standard ("**IAS**") 34 Interim Financial Reporting. These condensed consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and 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.

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 financial statements for the year ended 31 December 2025. They have been prepared on the historical cost basis, except for the investment properties, 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 2025. 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 IAS21	Translation to a Hyperinflationary Presentation Currency
IFRS 18	Presentation and Disclosure in Financial Statements
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 2025, except for the first-time adoption of Amendments to IFRS 9 and IFRS 7 and Annual Improvements to IFRS Accounting Standards - Volume 11 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 2025 of the Group.

5. 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.

5. SEGMENT AND REVENUE INFORMATION (Continued)

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.

(a) Revenue

The revenue of the Group for the six months ended 30 June 2026 and 2025 are set out as follows:

	Unaudited Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
Revenue from contracts with customers within IFRS 15		
Wastewater treatment	**422,573**	491,992
Operating services – under TOO model	**352,432**	418,124
Operating services – under TOT/BOT model	**47,043**	44,179
Construction services – under BOT model	**2,174**	9,984
Finance income	**20,924**	19,705
Reclaimed water supply and running water supply	**73,776**	68,060
Operating services – under TOO model	**14,132**	9,634
Operating services – under TOT/BOT model	**35,908**	38,864
Construction services – under BOT model	**304**	2,819
Finance income	**23,432**	16,743
Other businesses	**86,259**	110,769
Management services	**64,276**	84,190
Transportation services	**243**	99
Construction services – under BOT model	**–**	3,464
Thermoelectricity services	**6,679**	7,538
Others	**15,061**	15,478
	582,608	670,821

5. SEGMENT AND REVENUE INFORMATION (Continued)

(a) Revenue (Continued)

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

5. 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 2026 is as follows:

	For the six months ended 30 June 2026 (Unaudited)			
Business segment	**Wastewater treatment** *RMB'000*	**Water supply** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	**422,573**	**73,776**	**86,259**	**582,608**
Segment gross profit	**156,398**	**39,053**	**51,468**	**246,919**
Segment profit	**96,766**	**28,607**	**39,290**	**164,663**
Finance income				**20,075**
Finance costs				**(118,848)**
Share of results of associates				**(36)**
Profit before tax				**65,854**
Other information				
Depreciation of property, plant and equipment	**116,376**	**6,395**	**971**	**123,742**
Depreciation expense of right-of-use assets	**4,875**	**35**	**–**	**4,910**
Amortisation of intangible assets	**5,859**	**18,700**	**7,037**	**31,596**
Impairment loss on trade receivables	**12,185**	**11,021**	**(2,048)**	**21,158**
Impairment loss on financial assets at amortised cost	**–**	**–**	**3,000**	**3,000**
Capital expenditure	**9,482**	**16,463**	**1,320**	**27,265**

5. **SEGMENT AND REVENUE INFORMATION (Continued)**

(b) **Segment information (Continued)**

	For the six months ended 30 June 2026 (Unaudited)			
Business segment	**Wastewater treatment**	**Water supply**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment assets	**9,662,784**	**1,603,430**	**2,019,436**	**13,285,650**
Unallocated:				
Deferred income tax assets				**143,127**
Investments in associates				**69,359**
Total assets				**13,498,136**
Segment liabilities	**5,599,947**	**929,248**	**1,170,339**	**7,699,534**
Unallocated:				
Deferred income tax liabilities				**35,372**
Tax payables				**283,019**
Total liabilities				**8,017,925**

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

	For the six months ended 30 June 2025 (Unaudited)			
Business segment	Wastewater treatment	Water supply	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*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)
Share of results of associates				–
Profit before tax				157,789
Other information				
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

5. SEGMENT AND REVENUE INFORMATION (Continued)

(b) Segment information (Continued)

	As at 31 December 2025 (Audited)			
Business segment	Wastewater treatment	Water supply	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	9,460,899	1,601,075	2,170,053	13,232,027
Unallocated:				
Deferred income tax assets				134,526
Investments in associates				69,395
Total assets				13,435,948
Segment liabilities	5,510,722	932,583	1,263,998	7,707,303
Unallocated:				
Deferred income tax liabilities				35,871
Tax payables				257,932
Total liabilities				8,001,106

(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:

	Unaudited Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
Customer A	**340,964**	413,205
Customer B	**64,003**	83,267

6. 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 2026	Audited 31 December 2025
	RMB'000	*RMB'000*
Receivables under service concession arrangements		
Current portion:		
Receivables under service concession arrangements	**20,888**	19,373
Loss allowance	**(539)**	(500)
	20,349	18,873
Non-current portion:		
Receivables under service concession arrangements	**1,353,300**	1,382,197
Loss allowance	**(34,333)**	(35,115)
	1,318,967	1,347,082
	1,339,316	1,365,955

As at 30 June 2026 and 31 December 2025, the carrying amounts of receivables under services concession arrangements are principally denominated in RMB.

7. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2026 *RMB'000*	Audited 31 December 2025 *RMB'000*
Non-current:		
Prepayments:		
– Prepayments for constructions and equipment	**45,546**	223,514
– Loss allowance	**–**	–
Prepayments – net	**45,546**	223,514
Current:		
Trade receivables *(Note (b))*:		
– Third parties	**222,006**	244,509
– Related parties	**228,961**	227,929
– Local government	**5,490,442**	5,102,271
– Loss allowance	**(258,291)**	(237,133)
Trade receivables – net	**5,683,118**	5,337,576
Other receivables:		
– Third parties	**96,034**	99,374
– Related parties	**1,125,081**	1,147,451
– Local government	**28,738**	25,200
– Loss allowance	**(86,168)**	(78,852)
Other receivables – net	**1,163,685**	1,193,173
Prepayments:		
– Others	**137,634**	138,086
Prepayments – net	**137,634**	138,086
Trade and other receivables – net	**6,984,437**	6,668,835
Total	**7,029,983**	6,892,349

7. **TRADE AND OTHER RECEIVABLES (Continued)**

Notes:

(a) As at 30 June 2026 and 31 December 2025, the carrying amounts of trade receivables and other receivables were primarily denominated in Renminbi.

(b) Ageing analysis of trade receivables before loss allowance at the respective balance sheet dates, based on the invoice dates, is as follows:

	Unaudited 30 June 2026 ***RMB'000***	Audited 31 December 2025 *RMB'000*
– Within one year	**1,523,699**	1,378,009
– Over one year and within two years	**1,319,569**	1,296,473
– Over two years	**3,098,141**	2,900,227
	5,941,409	5,574,709

8. **AMOUNTS DUE FROM CUSTOMERS FOR CONSTRUCTION CONTRACTS**

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

	Unaudited 30 June 2026 ***RMB'000***	Audited 31 December 2025 *RMB'000*
Current portion:		
Amounts due from customers for construction contracts	**50,733**	48,355
Loss allowance	**(1,309)**	(1,248)
	49,424	47,107
Non-current portion:		
Amounts due from customers for construction contracts	**836,159**	863,432
Loss allowance	**(21,573)**	(21,406)
	814,586	842,026
	864,010	889,133

As at 30 June 2026 and 31 December 2025, the carrying amounts of amounts due from customer for construction contracts are principally denominated in RMB.

9. TRADE AND OTHER PAYABLE

	Unaudited 30 June 2026 ***RMB'000***	Audited 31 December 2025 *RMB'000*
Trade payables to third parties *(Note (b))*	**827,529**	869,682
Other payables due to:	**689,309**	567,169
– related parties	**211,846**	81,985
– local government	**111,989**	120,454
– third parties	**365,474**	364,730
Staff salaries and welfare payables	**116,345**	121,564
Payables on acquisition of property, plant and equipment due to:	**216,859**	221,586
– related parties	**28,942**	28,942
– third parties	**187,917**	192,644
Payables on acquisition of land use rights from related parties	**31,000**	31,000
Accrued taxes other than income tax	**49,245**	35,712
Total trade and other payables	**1,930,287**	1,846,713

(a) The Group's trade and other payables are denominated in RMB during the relevant period.

(b) Ageing analysis of trade payables to third parties at the respective balance sheet dates is as follows:

	Unaudited 30 June 2026 ***RMB'000***	Audited 31 December 2025 *RMB'000*
– Within one year	**361,932**	392,247
– Over one year and within two years	**188,435**	341,338
– Beyond two years	**277,162**	136,097
	827,529	869,682

10. OTHER INCOME

	Unaudited Six months ended 30 June **2026** ***RMB'000***	 2025 *RMB'000*
Government grants:	**3,686**	3,701
– relating to property, plant and equipment	**3,308**	3,358
– relating to tax refund	**379**	337
– Others	**(1)**	6
Interest income from cash and cash equivalents	**8**	23
Rental income	**7,090**	10,375
Disposal/deregistration of subsidiaries	**–**	4,185
Others	**854**	6
	11,638	18,290

11. OTHER LOSSES

	Unaudited Six months ended 30 June **2026** ***RMB'000***	 2025 *RMB'000*
Others	**363***	403
Late payment surcharges on taxes	**20,276**	–
	20,639	403

* Others include loss arising from the disposal of obsolete fixed assets of No. 2 Water Purification Plant for the current period of approximately RMB34,000.

12. EXPENSES BY NATURE

	Unaudited Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**123,742**	105,981
Utilities, electricity and office expenditures	**24,794**	40,571
Employee benefit expenses	**64,396**	70,947
Costs incurred for wastewater treatment and water supply services	**70,799**	84,258
Cost of construction services	**2,898**	19,120
Taxes and levies	**14,055**	15,624
Repair and maintenance costs	**9,520**	9,569
Depreciation of right-of-use assets/land use rights	**4,910**	4,910
Professional expenses	**1,461**	1,938
Amortisation of intangible assets	**31,596**	27,358
Miscellaneous	**2,748**	2,474
Total cost of sales, selling expenses and administrative expenses	**350,919**	382,750

13. FINANCE COSTS – NET

	Unaudited Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
Finance income:		
– Interest income charged to related parties	**20,075**	22,845
Finance costs:		
– Interest expenses	**(117,195)**	(113,257)
– Exchange gains/(losses) – net	**46**	(6,937)
– Others	**(1,699)**	(867)
	(118,848)	(121,061)
Finance costs – net	**(98,773)**	(98,216)

14. INCOME TAX EXPENSE

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

	Unaudited Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
Current tax – the PRC corporate income tax	**29,585**	32,582
Deferred taxation	**(9,100)**	(6,842)
Income tax expenses	**20,485**	25,740

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 2026 and 2025, 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 2026 and 2025, 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.

15. 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.

	Unaudited Six months ended 30 June	
	2026	2025
Profit for the period attributable to equity holders of the Company *(RMB'000)*	**45,205**	131,867
Weighted average number of ordinary shares in issue *(thousand)*	**1,029,111**	1,029,111
Basic earnings per share *(RMB)*	**0.04**	0.13

(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 2026 and 2025.

16. INTERIM DIVIDEND

	Unaudited Six months ended 30 June **2026**	 2025
Payment of interim dividend of RMB0 per ordinary share (2025: RMB0)	**–**	–
Interim dividend	**–**	–

Taking into account the economic environment and the Company's future development plans, the Board does not recommend the payment of an interim dividend for the six months ended 30 June 2026 (six months ended 30 June 2025: Nil).

II. MANAGEMENT DISCUSSION AND ANALYSIS

(I) OPERATING ENVIRONMENT

In the first half of 2026, the international environment grew increasingly complex and volatile, with geopolitical conflicts continuing to evolve, the global economy exhibiting divergence, fluctuations in inflation levels and energy prices intensifying, and instability as well as uncertainty in the external environment continuing to rise. Facing the intricate and complex external situation, the economy of China withstood the pressure, maintaining a generally stable, newly-improving and optimized development trend, while demonstrating strong resilience and vitality.

As the opening year of the 15th Five-Year Plan, 2026 serves as a critical juncture for comprehensively promoting the construction of a Beautiful China and implementing the national "carbon peaking" action plan. The state has continuously deepened the institutional reform of ecological civilization, strictly adhering to the principles of "targeted, scientific and law-based pollution control", while holistically coordinating the integrated management of water resources, water environments, and water ecosystems. It has synergistically advanced "carbon reduction, pollution reduction, green development and economic growth", driving the coordinated progress of high-quality development and high-level ecological protection. Along with the official implementation of the Ecological Environment Code of the People's Republic of China (《中華人民共和國生態環境法典》) and the implementation of the "15th Five-Year" Plan for Beautiful China Construction (《美麗中國建設「十五五」規劃》), as well as the orderly advancement of various deployments from the National Ecological Environmental Protection Conference, the top-level design for synergistic efficiency in pollution reduction and carbon reduction has been continuously strengthened. Meanwhile, the domestic water environment governance regulation, standards and policy systems will continue to improve. Various initiatives–such as deeply fighting the battle for clear water, promoting the resource utilization of sewage, advancing quality and efficiency improvements in urban sewage management, and carrying out comprehensive governance of key river basins–have been fully launched. This will further drive the environmental protection industry to gradually transform from end-of-pipe treatment to a model combining source prevention and control with resource recycling. The continuous improvement of the policy framework in ecological environmental protection and the deepening requirements for high-quality development in ecological environmental governance inject sustained momentum into the long-term, high-quality development of the industry.

1. Overview of Wastewater Treatment Industry

The report to the 20th National Congress of the Communist Party of China proposed that the continuous in-depth advancement of the battle against pollution must be maintained, adhering to "targeted, scientific and law-based pollution control", holistically coordinating the integrated management of water resources, water environments, and water ecosystems, and deeply fighting the battle for clear water, thereby establishing fundamental guidelines for the development of the urban sewage treatment industry in the new stage. As an important segment of the environmental protection industry, the wastewater treatment industry-propelled by the steady advancement of the "dual carbon" strategy and increasingly strict environmental regulatory policies has further accelerated the promotion of full transformation of the industry from "end-of-pipe treatment" toward "resource utilization, decarbonization, and intelligence". The year 2026 marks a year of intensive implementation for various environmental protection policies, with multiple core institutions coming into effect successively, continuously strengthening the policy foundation for high-quality development in the wastewater treatment industry. In February 2026, the national standard of Performance Evaluation of Synergistic Carbon Reduction for Urban Wastewater Treatment (《協同降碳績效評價城鎮污水處理》) was officially implemented. The standard specifies the basic requirements, evaluation indicators, evaluation methods and grade classifications for synergistic carbon reduction performance evaluations in urban wastewater treatment, filling the national gap in standards for synergistic carbon reduction performance evaluation in the wastewater treatment field. It provides technical guidance for the construction of green benchmark water plants and powerfully advances the green and low-carbon transformation of the wastewater treatment industry. In March 2026, the amendment to the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (《城鎮污水處理廠污染物排放標準》), jointly issued by the Ministry of Ecology and Environment and the State Administration for Market Regulation, officially came into effect, introducing a new real-time instantaneous value assessment mechanism for pollutants. At the same time, the deliberated and approved Ecological Environment Code of the People's Republic of China (《中華人民共和國生態環境法典》) and the "15th Five-Year" Plan for Beautiful China Construction (《美麗中國建設「十五五」規劃》) have formed a synergistic relationship between legal protections and goal orientation. Relying on the concept of systematic protection, they break the fragmented governance structure of single environmental elements, holistically coordinating pollution control, ecological protection, and green low-carbon development. They synergistically advance carbon reduction, pollution reduction, green expansion and growth, supporting high-quality development with high-level protection, and leading the industry into a new stage of synergistic co-governance across multiple environmental elements.

The "15th Five-Year" ecological plans of Yunnan Province and Kunming City have designated plateau lake governance and basin governance as key tasks. The Dianchi Lake Basin continues to deepen the integrated governance of plants, networks, rivers and lakes, with supporting projects such as reclaimed water, sludge disposal, lakeside restoration and blue-green algae control continuously landing. Mechanisms for emissions trading, green credit and the realization of ecological product values within the province are constantly improving, further broadening revenue channels for environmental protection enterprises. Meanwhile, with the continuous growth in demand for county-level and rural sewage governance, the space for long-term development for the industry becomes increasingly clear.

2. Overview of Reclaimed Water Industry

Judging from industry development trends, reclaimed water has transformed from a past urban "supplementary water source" into a rigid requirement in the unified allocation of water resources. The scale of the industry continues to expand, displaying prominent growth potential. According to the task deployment of the Implementation Scheme for the Three Year Action on Reclaimed Water Utilization in Key Cities (《推進重點城市再生水利用三年行動實施方案》), key cities must achieve remarkable results by 2026 in optimizing reclaimed water allocation networks, improving infrastructure, broadening utilization scenarios and perfecting operational mechanisms. Cities with a reclaimed water utilization rate of less than 30% must increase it by 20 percentage points on their existing basis, while cities with a utilization rate above 30% must increase it by 10 percentage points. The national standard Code of Practice for Compilation of Unconventional Water Development and Utilization Planning (《非常規水開發利用規劃編製規程》) is set to be implemented soon. This code focuses on promoting the integration of unconventional water, such as reclaimed water, into the unified water resource allocation system, accelerating the shift in the positioning of reclaimed water from a "supplementary water source" to a "strategic second water source". This realizes multiple values in alleviating regional water supply and demand contradictions, reducing industrial water costs, and restoring water ecological environments.

Currently, the rigid demand in the reclaimed water market continues to climb. Along with the steady advancement of industrialization and urbanization processes, the demand for industrial cooling water, urban greening and wetland ecological water replenishment continues to expand. Coupled with policy tilts toward diversified financing tools such as green finance and real estate investment trusts (REITs) in the infrastructure sector, the reclaimed water industry is embracing favorable development opportunities.

3. Overview of Municipal Water Supply Industry

The report to the 20th National Congress of the Communist Party of China emphasized the need to coordinate urban and rural water supply security, improve the public utility guarantee system, and continuously strengthen the capacity to ensure safe drinking water quality in urban and rural areas. In 2026, the municipal water supply industry welcomed comprehensive institutional innovations across regulatory systems, operational standards and pricing mechanisms, with the industry accelerating toward a high-quality development model featuring urban-rural integration, digital and smart operations and water conservation with loss reduction. The Regulations on Water Supply (《供水條例》), implemented since 1 June 2026, sets new mandatory standards for the professional operational management and quality control systems of water supply enterprises, marking the municipal water supply industry's entry into a new stage of rule-of-law and coordinated urban-rural development.

At the national level, relying on diversified funding channels such as ultra-long special treasury bonds, central budget investments and local government special bonds, targeted support is directed toward the renovation and upgrading of water supply pipeline networks, smart water affairs, water source protection and urban-rural planned water supply projects. The steady advancement of urbanization continuously releases demand for the upgrade and renovation of urban-rural water supply, opening up continuous market space for new construction, standard-raising upgrades and smart transformations of water supply facilities. This trend will bring more development opportunities for water enterprises, helping the water supply sector achieve high-quality development.

(II) DEVELOPMENT STRATEGY AND FUTURE PROSPECTS

The year 2026 marks the opening year of the "15th Five-Year" development blueprint and a crucial year for the Company to promote quality enhancement and efficiency gains. Facing complex internal and external macroeconomic environments alongside continuously tightening ecological and environmental protection regulatory requirements, the Company will adhere to the general principle of seeking progress while maintaining stability, actively responding to the national green development strategy and the overall deployment for Beautiful China construction. The Company will continue to refine and deepen its core main business of wastewater treatment, grasp key operational tasks, consolidate competitive advantages, elevate the stable operational level of facilities, and solidify the foundation of corporate operations. It will strengthen full lifecycle control over projects, and steadily improve the operational efficiency of existing assets. Following the trend of integrated development between the digital-smart economy and the green economy, the Company will accelerate the cultivation of new quality productive forces, promote the iterative upgrading of digital-smart management platforms alongside the construction of smart benchmark water plants, and actively explore new technologies for low-carbon and energy-saving operations. It will fully stimulate endogenous development potential and innovative power, comprehensively enhancing the enterprise's risk-resistance capacity and long-term development resilience.

(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 2026, our TOO projects contributed to 62.9% of our total revenue. Our TOT and BOT projects contributed to 14.7% 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 2026, 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 2026, 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^3 per day. Additionally, urban wastewater treatment facilities entrusted to us for management have a total designed wastewater treatment capacity of 0.55 million m^3 per day. Meanwhile, we have been entrusted to operate and manage rural domestic sewage collection and treatment facilities in 763 villages, covering 11 counties and districts. 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 2026, all of our wastewater treatment plants are designed and operated in full compliance with national and industry standards.

The Company continues to delve deeply into its core primary business of wastewater treatment. In the first half of 2026, adhering to the overarching principle of "pursuing progress amid stability", the Company firmly upheld the bottom line of environmental compliance and focused on refined production and operation management. It continuously enhanced the stable operational capacity of wastewater treatment; comprehensively promoted energy conservation, consumption reduction, and potential tapping for efficiency gains; and continuously optimized operational quality and efficiency. Taking green benchmark water plants as a leverage point, the Company cultivated a "digital-real integration" operation and management model, constructing a smart system covering production operations and collaborative equipment management. Meanwhile, the Company continued to actively promote the "distributed photovoltaics + wastewater treatment" operation model, explore new pathways for low-carbon operations, continuously revitalize existing assets, improve asset operational efficiency, consolidate core competitive strength, and spare no effort to drive the enterprise toward achieving stable and sustainable high-quality development.

Reclaimed Water Business

For our reclaimed water business, as at 30 June 2026, 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 2 reclaimed water stations/booster pump stations, with a total designed daily production capacity of 334,000 m^3 for the reclaimed water facilities.

Running Water Business

For our running water business, as at 30 June 2026, 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 3.441 million m^3.

(IV) FINANCIAL REVIEW

1. Consolidated Results of Operations

Our revenue decreased by RMB88.2 million, or 13.1%, to RMB582.6 million for the six months ended 30 June 2026, from RMB670.8 million for the six months ended 30 June 2025. Gross profit decreased by RMB67.0 million, or 21.3%, to RMB246.9 million for the six months ended 30 June 2026, from RMB313.9 million for the six months ended 30 June 2025. During the Reporting Period, the revenue from wastewater treatment services, reclaimed water and running water supply and other segments accounted for 72.5%, 12.7% and 14.8% of the total revenue, respectively.

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

	For the six months ended 30 June (Unaudited)	
	2026	2025
	RMB'000	*RMB'000*
Revenue	**582,608**	670,821
Cost of sales	**(335,689)**	(356,890)
Gross profit	**246,919**	313,931
Selling expenses	**(681)**	(520)
Administrative expenses	**(14,549)**	(25,340)
Net impairment losses on financial and contract assets	**(58,025)**	(49,953)
Other income	**11,638**	18,290
Other losses	**(20,639)**	(403)
Operating profit	**164,663**	256,005
Finance income	**20,075**	22,845
Finance costs	**(118,848)**	(121,061)
Finance costs – net	**(98,773)**	(98,216)
Share of results of associates	**(36)**	–
Profit before tax	**65,854**	157,789
Income tax expense	**(20,485)**	(25,740)
Profit for the period	**45,369**	132,049
Other comprehensive (loss)/income for the period	**–**	(14)
Total comprehensive income for the period	**45,369**	132,035

(a) Revenue

During the Reporting Period, our revenue decreased by RMB88.2 million or 13.1% from RMB670.8 million for the six months ended 30 June 2025 to RMB582.6 million for the six months ended 30 June 2026, primarily because:

Our revenue from the wastewater treatment segment decreased by RMB69.4 million or 14.1% from RMB492.0 million for the six months ended 30 June 2025 to RMB422.6 million for the six months ended 30 June 2026, mainly due to the fact that the Company no longer benefits from value added tax (VAT) exemption and preferential tax treatment policy for wastewater treatment.

Revenue from our water supply segment increased by RMB5.7 million or 8.4% from RMB68.1 million for the six months ended 30 June 2025 to RMB73.8 million for the six months ended 30 June 2026, mainly due to the increase in BT repurchase income from water supply segment.

Our revenue from other segments decreased by RMB24.5 million or 22.1% from RMB110.8 million for the six months ended 30 June 2025 to RMB86.3 million for the six months ended 30 June 2026, mainly due to the fact that the Company no longer benefits from VAT exemption and preferential tax treatment policy for wastewater treatment, resulting in the decrease in revenue from management services.

(b) Cost of sales

During the Reporting Period, our cost of sales decreased by RMB21.2 million or 5.9% from RMB356.9 million for the six months ended 30 June 2025 to RMB335.7 million for the six months ended 30 June 2026, primarily because:

The cost of sales of our wastewater treatment segment decreased by RMB16.5 million or 5.8% from RMB282.7 million for the six months ended 30 June 2025 to RMB266.2 million for the six months ended 30 June 2026, mainly due to the fact that the Company no longer benefits from VAT exemption and preferential tax treatment policy.

The cost of sales for our water supply segment decreased by RMB1.5 million or 4.1% from RMB36.2 million for the six months ended 30 June 2025 to RMB34.7 million for the six months ended 30 June 2026.

The cost of sales of our other segments decreased by RMB3.1 million or 8.2% from RMB37.9 million for the six months ended 30 June 2025 to RMB34.8 million for the six months ended 30 June 2026, mainly due to the decrease in revenue, leading to a corresponding decrease in cost of sales.

(c) ***Gross profit margin***

During the Reporting Period, our gross profit margin was 42.4%, representing a decrease of 4.4 percentage points as compared to 46.8% 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 42.5% for the six months ended 30 June 2025 to 37.0% for the six months ended 30 June 2026, mainly due to the fact that the Company no longer benefits from VAT exemption and preferential tax treatment policy for wastewater treatment, resulting in a drop in revenue.

Our gross profit margin of water supply segment increased from 46.7% for the six months ended 30 June 2025 to 52.9% for the six months ended 30 June 2026, mainly due to the effect of the increase in BT repurchase revenue compared with the same period last year.

Our gross profit margin of other segments decreased from 65.8% for the six months ended 30 June 2025 to 59.7% for the six months ended 30 June 2026.

(d) ***Selling expenses***

During the Reporting Period, our selling expenses amounted to RMB0.7 million, representing an increase of RMB0.2 million or 40.0% as compared to RMB0.5 million in the corresponding period of the previous year.

(e) ***Administrative expenses***

During the Reporting Period, our administrative expenses amounted to RMB14.5 million, representing a decrease of RMB10.8 million or 42.7% compared to RMB25.3 million for the same period of the previous year, mainly due to the decrease in employee benefit expenses during the Reporting Period

(f) ***Other income***

During the Reporting Period, our other income amounted to RMB11.6 million, representing a decrease of RMB6.7 million or 36.6% as compared to RMB18.3 million for the same period of last year, which was mainly due to the decrease in rental income and the decrease in gain from disposal of subsidiaries.

(g) ***Other losses***

During the Reporting Period, our other losses amounted to RMB20.6 million, representing an increase of RMB20.2 million as compared to RMB0.4 million for the same period of last year, which was mainly attributable to the increase in late payment surcharges on taxes as compared to the corresponding period of the previous year.

(h) ***Operating profit***

As a result of the foregoing factors, during the Reporting Period, our operating profit amounted to RMB164.7 million, representing a decrease of RMB91.3 million or 35.7% as compared to RMB256.0 million for the same period last year. Our operating margin during the Reporting Period was 28.3%.

(i) ***Finance income***

During the Reporting Period, our finance income amounted to approximately RMB20.1 million, representing a decrease of RMB2.7 million or 11.8% as compared to that of approximately RMB22.8 million in the corresponding period of the previous year, which was mainly attributable to a decrease in interest income recognised in respect of the entrusted loan granted 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 RMB118.8 million, representing a decrease of RMB2.3 million or 1.9% as compared to approximately RMB121.1 million in the corresponding period of last year, which was mainly due to a decrease in the average interest rate during the current period as compared to the corresponding period of the previous year, which in turn led to a decrease in finance costs.

(k) ***Profit before tax***

During the Reporting Period, our profit before tax amounted to RMB65.9 million, representing a decrease of RMB91.9 million or 58.2% as compared to RMB157.8 million for the same period last year.

(l) ***Income tax expense***

During the Reporting Period, our net income tax expense amounted to RMB20.5 million, representing a decrease of RMB5.2 million or 20.2% as compared to RMB25.7 million for the same period last year. The effective tax rate was 31.1%.

(m) Total comprehensive income

As a result of the foregoing factors, during the Reporting Period, our total comprehensive income amounted to RMB45.4 million, representing a decrease of RMB86.6 million or 65.6% as compared to RMB132.0 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:

	For the six months ended 30 June (Unaudited)	
	2026	2025
	RMB'000	*RMB'000*
Net cash used in operating activities	**(29,398)**	(98,507)
Net cash generated from/(used in) investing activities	**3,061**	(50,649)
Net cash generated from financing activities	**5,245**	207,944
Net (decrease)/increase in cash and cash equivalents	**(21,092)**	58,788
Effect of exchange rate changes	**1**	9
Cash and cash equivalents at beginning of the period	**33,629**	10,977
Cash and cash equivalents at end of the period	**12,538**	69,774

(a) Net cash used in operating activities

Our net cash used in operating activities primarily consists of cash received from our clients for services and products provided by us, the 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 RMB29.4 million, as compared to net cash used in operating activities of RMB98.5 million in the corresponding period of last year, which was primarily due to the increase in cash received from customers for the provision of services and products as compared to the corresponding period of the previous year.

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

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

Our net cash generated from investing activities was RMB3.1 million, as compared to net cash used in investing activities of RMB50.6 million for the same period of last year, mainly due to the decrease in payments made for the acquisition of property, plant, and equipment as well as project costs in the current period as compared to the corresponding period of the previous year.

(c) Net cash generated from financing activities

Our net cash generated from financing activities primarily represents obtaining and repaying borrowings.

Our net cash generated from financing activities was RMB5.2 million, as compared to net cash generated from financing activities of RMB207.9 million for the corresponding period of last year, mainly due to the increase in repayment of borrowings as well as the net increase in short-term financing among enterprises during the Reporting Period.

The Company has entered into certain finance lease arrangements for the purpose of enabling the Company to obtain financial resources for its operations while continuing using certain assets required for its operations. 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 (such leasing business has been duly completed); 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. On 15 April 2026, the Company and CCB Financial Leasing entered into the finance lease agreement, under which CCB Financial Leasing agreed to (i) purchase leased assets from the Company for a transfer price not exceeding RMB63,500,000; and (ii) lease back such leased assets to the Company for a term of five years. On 28 April 2026, the Company and CCB Financial Leasing entered into the finance lease agreement, under which CCB Financial Leasing agreed to (i) purchase leased assets from the Company for a transfer price not exceeding RMB15,000,000; and (ii) lease back such leased assets to the Company for a term of five years. For details, please refer to the announcements of the Company dated 24 March 2022 and 15 April 2026 respectively.

In addition, 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 I for the finance lease agreement to adjust and supplement the lease term, interest rate and rental payment arrangement etc. On 10 November 2025, the parties entered into the Supplemental Agreement II for the finance lease agreement and Supplemental Agreement I to adjust and supplement the lease term and rental payment arrangement etc. For details, please refer to the announcements of the Company dated 24 December 2021, 20 June 2023 and 10 November 2025 respectively, and the circulars of the Company dated 25 February 2022, 25 August 2023 and 5 December 2025 respectively.

At the end of the Reporting Period, the above mentioned finance lease business is still in operation.

3. Working Capital

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

	Unaudited **As at** **30 June** **2026** ***RMB'000***	Audited As at 31 December 2025 *RMB'000*
Current assets		
Receivables under service concession arrangements	**20,349**	18,873
Inventories	**6,185**	6,642
Amounts due from customers for construction contracts	**49,424**	47,107
Financial assets at amortised cost	**29,400**	59,400
Trade and other receivables	**6,984,437**	6,668,835
Cash and bank balances	**12,538**	33,629
Restricted funds	**3,575**	3,501
Total current assets	**7,105,908**	6,837,987
Current liabilities		
Trade and other payables	**1,930,287**	1,846,713
Tax payables	**283,019**	257,932
Borrowings	**3,381,937**	3,030,567
Contract liabilities	**12,958**	13,772
Total current liabilities	**5,608,201**	5,148,984
Net current assets	**1,497,707**	1,689,003

As at 30 June 2026 and 31 December 2025, we recorded net current assets of RMB1,497.7 million and RMB1,689.0 million respectively.

(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 RMB20.3 million as at 30 June 2026, representing an increase of RMB1.4 million or 7.4% from RMB18.9 million as at 31 December 2025, 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 RMB1,319.0 million as at 30 June 2026, representing a decrease of RMB28.1 million or 2.1% from RMB1,347.1 million as at 31 December 2025.

(b) Inventories

Our total inventory decreased from RMB6.6 million as at 31 December 2025 to RMB6.2 million as at 30 June 2026, representing a decrease of RMB0.4 million or 6.1%.

For the six months ended 30 June 2026, our inventory turnover days were 3.4 days, representing an increase of 0.4 days as compared to the year ended 31 December 2025. The calculation for inventory turnover days was based on the average inventory for the relevant period divided by the sales cost recognised during the relevant period and multiplied by 180 days (365 days for a full year).

(c) Amounts due from customers for construction contracts

As at 30 June 2026, our amounts due from customers for construction contracts classified as current assets were approximately RMB49.4 million, increased by RMB2.3 million or 4.9% as compared to RMB47.1 million as at 31 December 2025, which was mainly due to the increase in amounts due from customers for construction contracts maturing within one year.

As at 30 June 2026, our amounts due from customers for construction contracts classified as non-current assets were approximately RMB814.6 million, decreased by RMB27.4 million or 3.3% as compared to RMB842.0 million as at 31 December 2025.

(d) Trade and other receivables

Our trade and other receivables classified as current portion 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 prepayments for electricity and energy or goods.

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

	Unaudited As at 30 June 2026	Audited As at 31 December 2025
	RMB'000	*RMB'000*
Current:		
Trade receivables:		
– Third parties	**222,006**	244,509
– Related parties	**228,961**	227,929
– Local government	**5,490,442**	5,102,271
– Loss allowance	**(258,291)**	(237,133)
Trade receivables – net	**5,683,118**	5,337,576
Other receivables:		
– Third parties	**96,034**	99,374
– Related parties	**1,125,081**	1,147,451
– Local government	**28,738**	25,200
– Loss allowance	**(86,168)**	(78,852)
Other receivables – net	**1,163,685**	1,193,173
Prepayments:		
– Others	**137,634**	138,086
Prepayments – net	**137,634**	138,086
Trade and other receivables – net	**6,984,437**	6,668,835

As at 30 June 2026, our net trade and other receivables classified as current portion were approximately RMB6,984.4 million, increased by RMB315.6 million or 4.7% as compared to approximately RMB6,668.8 million as at 31 December 2025, 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:

	Unaudited As at 30 June 2026 ***RMB'000***	Audited As at 31 December 2025 *RMB'000*
– Within one year	**1,523,699**	1,378,009
– Over one year and within two years	**1,319,569**	1,296,473
– Over two years	**3,098,141**	2,900,227
	5,941,409	5,574,709

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

	Unaudited As at 30 June 2026 ***Days***	Audited As at 31 December 2025 *Days*
Trade receivables turnover days(1)	**1,702.5**	1,204.6
Trade and other receivables turnover days(2)	**2,109.1**	1,539.2

Notes:

(1) Calculated as the average net trade receivables for the relevant period divided by the revenue for the relevant period, and multiplied by 365 days (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 2026 and the year ended 31 December 2025.

(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 2026 and the year ended 31 December 2025.

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, and accrued taxes other than income tax.

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

	Unaudited As at 30 June 2026 *RMB'000*	Audited As at 31 December 2025 *RMB'000*
Trade payables	**827,529**	869,682
Other payables	**689,309**	567,169
Staff salaries and welfare payables	**116,345**	121,564
Payables on acquisition of property, plant and equipment	**216,859**	221,586
Payables on acquisition of land use rights from related parties	**31,000**	31,000
Accrued taxes other than income tax	**49,245**	35,712
	1,930,287	1,846,713

As at 30 June 2026, our trade and other payables amounted to approximately RMB1,930.3 million, representing an increase of RMB83.6 million or 4.5% as compared to approximately RMB1,846.7 million as at 31 December 2025.

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

	Unaudited As at 30 June 2026 *RMB'000*	Audited As at 31 December 2025 *RMB'000*
– Within one year	**361,932**	392,247
– Over one year and within two years	**188,435**	341,338
– Over two years	**277,162**	136,097
	827,529	869,682

As at 30 June 2026 and 31 December 2025, 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:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2026	2025
	Days	*Days*
Trade payables turnover days[1]	**455.0**	392.0
Trade and other payables turnover days[2]	**1,012.6**	904.9

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 2026 and the year ended 31 December 2025.

(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 2026 and the year ended 31 December 2025.

Our Directors confirmed that up to 30 June 2026, apart from the litigation-related matters referred in “10. Material Litigation” under this section, there was no material default in payment of trade payables.

5. Indebtedness

(a) Borrowings

All of our borrowings are denominated in RMB(2025: RMB, HKD or USD). Some are pledged by sewage treatment revenue, waste sanitary landfill construction project revenue, and pledge of equity of the subsidiary, some are secured by our property, plant and equipment and some are secured by corporate guarantee issued by the Company or guarantee issued by related parties, etc. The following table shows our borrowings as at the dates indicated:

	Unaudited As at 30 June 2026	Audited As at 31 December 2025
	RMB'000	*RMB'000*
Non-current:		
Unsecured long-term borrowings	**–**	299,880
Secured long-term borrowings	**1,693,919**	1,861,625
Total non-current borrowings	**1,693,919**	2,161,505
Current:		
Unsecured short-term borrowings	**189,294**	331,769
Secured short-term borrowings	**3,192,643**	2,698,798
Total current borrowings	**3,381,937**	3,030,567
Total borrowings	**5,075,856**	5,192,072
Average effective interest rates	**4.28%**	4.24%

As at 30 June 2026 and 31 December 2025, we had total borrowings of RMB5,075.9 million and RMB5,192.1 million, respectively. Among our debt, borrowings of RMB394.3 million and RMB441.2 million as of 30 June 2026 and 31 December 2025 were secured by property, plant and equipment, and borrowings of RMB2,560.9 million and RMB2,445.8 million were guaranteed by the sewage treatment revenue of the Group.

The Group's borrowings bear interest at floating rates, except for bank loans in an aggregate principal amount of approximately RMB2,871.9 million (31 December 2025: approximately RMB2,944.0 million) bearing interest at fixed rates ranging from 3.80% to 5.50% (31 December 2025: ranging from 3.88% to 6.80%) per annum.

On 29 April 2024, the Company entered into the Mutual Guarantee Agreement with Kunming Water Group Co., Ltd.* (昆明市水務集團有限責任公司) (formerly known as Kunming Water Supply Group Co., Ltd.* (昆明自來水集團有限公司)) ("**Kunming Water Group**"), pursuant to which the Company and Kunming Water 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, the guarantee limit of RMB500.0 million provided by Kunming Water Group for the Company under the Mutual Guarantee Agreement has been fully utilized, and the amount of outstanding debts currently guaranteed by Kunming Water Group is RMB163.0 million, while RMB110.0 million of the guarantee limit provided by the Company for Kunming Water Group has been utilized, and the amount of outstanding debts currently guaranteed by the Company is RMB99.5 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).

On 11 November 2025 and 26 March 2026, the Company and Kunming Water Group entered into the Financing Guarantee Framework Agreement respectively, pursuant to which Kunming Water Group will provide an additional guarantee of up to RMB500 million and RMB1 billion in aggregate for loans/credit facilities granted to the Company and its majority controlled subsidiaries, and the guarantee amount can be utilized in a recurring manner. As of the end of the Reporting Period, Kunming Water Group has provided guarantees for the Company's loans of RMB407.1 million according to the Financing Guarantee Framework Agreement.

As at 30 June 2026, 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 from other banks, 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 2026, 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:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2026	2025
	RMB'000	*RMB'000*
On demand or within 1 year	**3,381,937**	3,030,567
Between 1 and 2 years	**1,054,031**	1,268,716
Between 2 and 5 years	**508,092**	729,610
Over 5 years	**131,796**	163,179
	5,075,856	5,192,072

As at 30 June 2026 and 31 December 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 48.0% and 48.7% respectively, representing a decrease of 0.7 percentage points from that as at 31 December 2025, 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 2026, 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 acceptance 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:

	Unaudited As at 30 June 2026	Audited As at 31 December 2025
	RMB'000	*RMB'000*
Property, plant and equipment	**815,121**	833,903

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

	Unaudited As at 30 June 2026	Audited As at 31 December 2025
	RMB'000	*RMB'000*
Concession projects and construction projects	**680,934**	706,710

(d) Capital expenditure

Our capital expenditure mainly comprises purchases of land use rights, property, plant and equipment and intangible assets. Our capital expenditure was RMB27.3 million for the six months ended 30 June 2026, representing a decrease of RMB1.6 million or 5.5% as compared to RMB28.9 million for the six months ended 30 June 2025.

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

	Unaudited Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
Wastewater treatment	**9,482**	4,032
Water supply	**16,463**	24,792
Others	**1,320**	40
	27,265	28,864

Based on our current business plan, we expect to incur capital expenditure amounting to RMB36.3 million for the year ending 31 December 2026. 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 2026, we had 981 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 2026:

Function	**Number**
Management and Administration	180
Finance	39
Research and Development	56
Quality Monitoring	196
Marketing	21
Operations	446
Construction and Maintenance	43
Total	981

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 2025 amounted to RMB70.9 million, and our employee benefits and labor expenses from January to June in 2026 amounted to RMB64.4 million, representing a decrease of approximately RMB6.5 million or 9.2% as compared to the same period of 2025.

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 training 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 2026, the Group did not have any material contingent liabilities.

8. Material Investment and Acquisition

As at 30 June 2026, 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.

During the Reporting Period, the Group did not have any significant investment with a value of 5% or more of the Group's total assets as of 30 June 2026 (including any investment in an investee with a value of 5% or more of the Group's total assets as of 30 June 2026).

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

In 2024, 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 with the Kunming Municipal Intermediate People's Court. As the Company was not satisfied with the judgement of the Kunming Municipal Intermediate People's Court, the Company appealed to the Yunnan Provincial High People's Court (the "**Yunnan Provincial High Court**"). In 2025, the Company received a civil judgment from the Yunnan Provincial High Court (the "**Yunnan Provincial High Court Civil Judgment**"), which ruled that the Company shall pay Guizhou Construction the construction sum of approximately RMB103.3 million and interest, case acceptance fees, etc. calculated in accordance with the Yunnan Provincial High Court Civil Judgment (for details, please refer to the Company's announcements dated 9 October 2024 and 4 November 2025 respectively).

As the Company failed to perform the payment obligations determined by the effective legal documents within the specified period in the construction project contract dispute case with Guizhou Construction Group Fourth Engineering Co., Ltd.* (貴州建工集團第四建築工程有限責任公司) ("**Guizhou Construction Fourth Engineering Company**") (target of enforcement: RMB20,808,718), Guizhou Construction Fourth Engineering Company applied to the Chenggong District People's Court of Kunming City ("**Chenggong District People's Court**") to list the Company as a party subject to enforcement and to take consumption restriction measures against the legal representative of the Company. In January 2026, the Chenggong District People's Court seized the real properties owned by the Company located at Level 1 of Block 5, Levels 1-2 of Block 10, and Level 1 of Block 6, Zhongying Village, Guandu Town, Kunming City, and decided to conduct a judicial auction; in March 2026, the Chenggong District People's Court ruled to terminate execution procedures for the seizure of the Company's real estate (for details, please refer to the Company's announcements dated 2 December 2025, 27 January 2026 and 10 March 2026 respectively).

Save as disclosed above, as at 30 June 2026, the Group was not involved in any new material or potential material litigation.

11. Exchange Rate Volatility Risk and Any Related Hedging

As at the end of the Reporting Period, the Group has no balance of foreign currency borrowings. The Group did not face significant exchange rate risks and did not use financial instruments to hedge against such risks.

12. Loans to Certain Entities

On 9 June 2022, the Company entered into the Entrusted Loan Contract (the "**Entrusted Loan Contract**") with Kunming Municipal Urban Construction Investment & Development Co., Ltd.* (昆明市城建投資開發有限責任公司) ("**Kunming Construction**") and Kunming Panlong District Rural Credit Cooperative* (昆明市盤龍區農村信用合作聯社) ("**Panlong District Rural Credit Cooperative**"), pursuant to which the Company entrusted Panlong District Rural Credit Cooperative to provide a loan of RMB310 million to Kunming Construction with an annual interest rate of 8.5% which shall become due on 8 June 2023. 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 (the "**Entrusted Loan Extension Agreement II**") to extend the term of RMB180 million of the principal amount thereunder to 7 June 2026; on 8 June 2026, the parties entered into the Entrusted Loan Extension Agreement for the Entrusted Loan Contract, the Entrusted Loan Extension Agreement I and the Entrusted Loan Extension Agreement II to extend the term of RMB180 million of the principal amount thereunder to 7 June 2029, with an annual interest rate of 6.0%. For details, please refer to the announcements of the Company dated 9 June 2022, 9 June 2023, 12 June 2023, 29 April 2024 and 8 June 2026, respectively, and the circulars of the Company dated 17 May 2024 and 15 July 2026, respectively.

On 24 October 2022, the Company entered into the Entrusted Loan Contract (the "**Chenggong District Entrusted Loan Contract**") with Kunming Development Investment Group Co., Ltd.* (昆明發展投資集團有限公司) ("**Kunming DIG**") and Kunming Chenggong District Rural Credit Cooperative* (昆明市呈貢區農村信用合作聯社) ("**Chenggong District Rural Credit Cooperative**"), pursuant to which the Company entrusted Chenggong District Rural Credit Cooperative to provide a loan of RMB200 million to Kunming DIG with an annual interest rate of 8.5% which shall become due on 24 September 2023. On 22 September 2023, the parties entered into the Entrusted Loan Extension Agreement (the "**Chenggong District Entrusted Loan Extension Agreement I**") and the Supplemental Entrusted Loan Extension Agreement (the "**Supplemental Entrusted Loan Extension Agreement I**") for the Chenggong District Entrusted Loan Contract to extend the term of entrusted loan with principal amount of RMB200 million to 24 August 2024. On 15 July 2024, the parties entered into the Entrusted Loan Extension Agreement (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 (the "**Chenggong District Entrusted Loan Extension Agreement III**") 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 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 Chenggong District Entrusted Loan Extension Agreement III shall accrue interest at an annual rate of 6.0%. On 12 May 2026, the parties entered into the Entrusted Loan Extension Agreement (the "**Chenggong District Entrusted Loan Extension Agreement IV**") for the Chenggong District Entrusted Loan Contract, the Chenggong District Entrusted Loan Extension Agreement I, the Supplemental Entrusted Loan Extension Agreement I, the Chenggong District Entrusted Loan Extension Agreement II and the Chenggong District Entrusted Loan Extension Agreement III to extend the term of entrusted loan with principal amount of RMB200 million to 24 May 2027. For details, please refer to the announcements of the Company dated 24 October 2022, 22 September 2023, 13 November 2023, 15 July 2024, 19 May 2025 and 12 May 2026, respectively, and the circulars of the Company dated 26 October 2023, 5 August 2024, 7 June 2025 and 5 June 2026, respectively.

On 16 June 2023, the Company entered into the Entrusted Loan Contract with Kunming Anju Group Co., Ltd.* (昆明市安居集團有限公司) ("**Anju Group**") and Jinma Branch of Kunming Guandu Rural Cooperative Bank* (昆明官渡農村合作銀行金馬支行) ("**Jinma Branch of Guandu Rural Cooperative Bank**"), pursuant to which the Company entrusted Jinma Branch of Guandu Rural Cooperative Bank to provide a 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 "**Guandu Rural Cooperative Bank 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 "**Guandu Rural Cooperative Bank Entrusted Loan Extension Agreement II**") for the Entrusted Loan Contract and the Guandu Rural Cooperative Bank 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 Guandu Rural Cooperative Bank Entrusted Loan Extension Agreement II shall accrue interest at an annual rate of 6.0%. On 12 June 2026, the parties entered into the Entrusted Loan Extension Agreement (the "**Guandu Rural Cooperative Bank Entrusted Loan Extension Agreement III**") for the Entrusted Loan Contract and the Guandu Rural Cooperative Bank Entrusted Loan Extension Agreement I and the Guandu Rural Cooperative Bank Entrusted Loan Extension Agreement II to extend the term of entrusted loan with principal amount of RMB5 million to 30 June 2026 or before, extend the term of entrusted loan with principal amount of RMB3 million to 31 December 2026 or before, extend the term of remaining principal amount of RMB64 million to 16 June 2027. For details, please refer to the announcements of the Company dated 16 June 2023, 13 June 2024, 13 June 2025 and 12 June 2026, respectively.

On 29 April 2024, the Company entered into the mutual guarantee agreement with Kunming Water Group, pursuant to which the Company and Kunming Water 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, the guarantee limit of RMB500 million provided by Kunming Water Group for the Company under the mutual guarantee agreement has been fully utilized, and the amount of outstanding debts currently guaranteed by Kunming Water Group is RMB163.0 million, while RMB110.0 million of the guarantee limit provided by the Company for Kunming Water Group has been utilized, and the amount of outstanding debts currently guaranteed by the Company is RMB99.5 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).

On 11 November 2025 and 26 March 2026, the Company and Kunming Water Group entered into the Financing Guarantee Framework Agreement respectively, pursuant to which Kunming Water Group will provide an additional guarantee of up to RMB500 million and RMB1 billion in aggregate respectively, for loans/credit facilities granted to the Company and its absolutely controlled subsidiaries, and the guarantee amount can be utilized in a recurring manner. As of the end of the Reporting Period, Kunming Water Group has provided guarantees for the Company's loans of RMB407.1 million according to the Financing Guarantee Framework Agreement (for details, please refer to the announcement of the Company dated 11 November 2025).

As far as the Company is aware, Kunming Construction, Kunming DIG, Anju Group and Kunming Water Group are all controlled or held by the State-owned Assets Supervision and Administration Commission of the Kunming People's Government (昆明市人民政府國有資產監督管理委員會), and Kunming DIG holds approximately 15.58% of the shares of Kunming Construction and Kunming Water Group indirectly holds approximately 2.77% of the shares of Anju Group. Save as disclosed above, Kunming Construction, Kunming DIG, Anju Group and Kunming Water Group are not connected to each other, and neither are they the connected persons as defined in the Listing Rules. As at 30 June 2026, the asset ratios of the above entrusted loans as defined under Rule 14.07(1) of the Listing Rules did not exceed 8%, and therefore no disclosure was required under Rule 13.20 of 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 completed its three-year term, however, the nomination of relevant candidates had not yet been completed. At the same time, having considered the need to ensure continuity in the work of the Board, the Board noted that, under the relevant provisions of the articles of association of the Company, where Directors are not re-elected in a timely manner upon expiry of their terms of office, the existing Directors shall continue to perform their duties as Directors in accordance with the laws, administrative regulations, departmental rules and the articles of association of the Company until the re-elected Directors assume office. 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

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 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, the Directors 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 2026. The Company did not have any treasury shares (as defined under the Listing Rules) as at 30 June 2026.

VI. SHARE SCHEME AND ISSUANCE OF EQUITY SECURITIES

As at 30 June 2026, 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. Fu Jifang and Dr. Chan Ho Wah Terence. 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, overseeing the audit process and recommending the engagement or replacement of external auditors, and performing the supervisory functions previously undertaken by the board of Supervisors. 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. The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2026 and considered that the Group has adopted applicable accounting policies and made adequate disclosures in relation to the preparation of relevant results.

VIII. 2026 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 2026 (for the six months ended 30 June 2025: nil).

IX. PUBLICATION OF THE INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2026 will be published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kmdcwt.com) in due course in accordance with the requirements of the Listing Rules. Meanwhile, shareholders of the Company may choose to receive the interim report of the Company for the six months ended 30 June 2026 in printed form or access it by viewing and downloading it on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kmdcwt.com) in accordance with the relevant policy of "New Arrangements on Dissemination of Corporate Communications" published by the Company on 31 January 2024.

By order of the Board
Kunming Dianchi Water Treatment Co., Ltd.
Mu Yong
Chairperson and executive Director

Kunming, the PRC, 21 August 2026

As at the date of this announcement, the Board comprises Mr. Mu Yong, Mr. Ma Shuo and Ms. Lian Zhaoju, as executive Directors; Ms. Ding Heng, Ms. Cheng Yijing and Ms. Gao Yuan, as non-executive Directors; and Mr. Zha Guiliang, Ms. Fu Jifang and Dr. Chan Ho Wah Terence, as independent non-executive Directors.