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雲南水務

雲南水務投資股份有限公司

Yunnan Water Investment Co., Limited*

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

(Stock code: 6839)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB2,798 million, representing a decrease of approximately 10% compared with the year ended 31 December 2023
- Loss for the year was approximately RMB2,166 million, representing an increase of approximately 118% compared with the year ended 31 December 2023
- Loss attributable to ordinary shareholders of the Company was approximately RMB1,739 million, representing an increase of approximately 153% compared with the year ended 31 December 2023
- Basic loss per share was approximately RMB1.458, representing an increase of RMB0.881 compared with the basic loss per share for the year ended 31 December 2023
- The Board does not recommend the distribution of final dividend for the year ended 31 December 2024

The board (the “**Board**”) of directors (the “**Director(s)**”) of Yunnan Water Investment Co., Limited* (the “**Company**”) is pleased to announce the audited consolidated results and financial position of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2024 (the “**Reporting Period**”) together with the comparative figures as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Year ended 31 December	
		2024	2023
	Notes	RMB'000	RMB'000
Revenue	3	2,798,209	3,116,539
Cost of sales and services		(2,344,476)	(2,461,426)
Gross profit		453,733	655,113
Other income	4	58,537	182,394
Other gains/(losses) — net		(138,327)	60,258
Selling expenses		(33,264)	(33,511)
Administrative expenses		(633,507)	(422,827)
Net impairment losses on financial and contract assets		(751,619)	(335,073)
Operating profit		(1,044,447)	106,354
Finance income	5	11,086	4,375
Finance expenses	5	(1,141,923)	(955,614)
Finance costs — net	5	(1,130,837)	(951,239)
Share of profit of investments accounted for using the equity method		36,784	30,216
Loss before income tax		(2,138,500)	(814,669)
Income tax expenses	6	(27,741)	(179,937)
Loss for the year		(2,166,241)	(994,606)
Items that may be reclassified to profit or loss			
— Exchange differences on translation of foreign operations		62,663	(67,569)
Total comprehensive expense for the year, net of tax		(2,103,578)	(1,062,175)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

		Year ended 31 December	
		2024	2023
	Notes	RMB'000	RMB'000
Loss attributable to:			
— Ordinary shareholders of the Company		(1,739,385)	(688,068)
— Non-controlling interests		(426,856)	(306,538)
		<u>(2,166,241)</u>	<u>(994,606)</u>
Total comprehensive (expense)/income attributable to:			
— Ordinary shareholders of the Company		(1,676,682)	(757,582)
— Non-controlling interests		(426,896)	(304,593)
		<u>(2,103,578)</u>	<u>(1,062,175)</u>
Loss per share for loss attributable to ordinary shareholders of the Company			
— Basic and diluted	7	<u>RMB(1.458)</u>	<u>RMB(0.577)</u>

Consolidated Statement of Financial Position

		As at 31 December	
		2024	2023
	Notes	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		3,978,548	4,257,167
Investment properties		15,436	22,182
Right-of-use assets		301,783	319,577
Receivables under service concession arrangements	9	7,531,465	7,169,526
Contract assets		11,032,606	12,374,538
Intangible assets		9,975,490	10,836,425
Investments accounted for using the equity method		1,082,841	1,103,091
Financial asset at fair value through other comprehensive Income		4,675	4,675
Trade and other receivables	10	185,382	285,516
Prepayments	10	1,193,712	1,119,352
Deferred income tax assets		189,714	217,656
		<u>35,491,652</u>	<u>37,709,705</u>
Current assets			
Receivables under service concession arrangements	9	261,991	190,597
Inventories		113,775	126,295
Contract assets		160,602	177,188
Trade and other receivables	10	7,041,477	7,295,341
Prepayments	10	232,199	310,990
Restricted cash		108,959	135,107
Cash and cash equivalents		1,008,079	899,244
Financial asset at fair value through profit or loss		50,000	—
		<u>8,977,082</u>	<u>9,134,762</u>
Total assets		<u>44,468,734</u>	<u>46,844,467</u>

Consolidated Statement of Financial Position (Continued)

		As at 31 December	
		2024	2023
	Notes	RMB'000	RMB'000
Equity			
Equity attributable to ordinary shareholders of the Company			
Share capital		1,193,213	1,193,213
Other reserves		2,640,358	2,546,012
Retained earnings		(3,523,854)	(1,753,051)
		<u>309,717</u>	<u>1,986,174</u>
Perpetual capital instruments		9,891,670	—
Non-controlling interests		<u>959,935</u>	<u>1,465,281</u>
Total equity		<u>11,161,322</u>	<u>3,451,455</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		42,670	43,125
Borrowings	11	18,447,418	29,184,590
Trade and other payables	12	139,557	44,641
Deferred income		683,739	834,346
Deferred taxation		732,981	768,547
Provision(s)		<u>516,119</u>	<u>475,917</u>
		<u>20,562,484</u>	<u>31,351,166</u>
Current liabilities			
Contract liabilities		123,959	126,081
Lease liabilities		1,485	7,301
Borrowings	11	2,922,052	1,797,851
Trade and other payables	12	9,138,488	9,489,813
Current taxation		<u>558,944</u>	<u>620,800</u>
		<u>12,744,928</u>	<u>12,041,846</u>
Total liabilities		<u>33,307,412</u>	<u>43,393,012</u>
Total equity and liabilities		<u>44,468,734</u>	<u>46,844,467</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1. General information and basis of presentation

1.1 General information

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

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

These financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

2. Summary of material accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

2. Summary of material accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Going concern basis

The Group reported a net loss of RMB2,166,241,000 for the year ended 31 December 2024 and the Group's current liabilities exceeded its current assets by RMB3,767,846,000 as at 31 December 2024. As at the same date, the Group's total borrowings amounted to RMB21,369,470,000, of which current borrowings amounted to RMB2,922,052,000, while its cash and cash equivalents amounted to RMB1,008,079,000 only. The Group had capital commitments of approximately RMB7,199,319,000, which were mainly related to various concession projects and construction projects of the Group.

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

The consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 31 December 2024 and subsequently thereto up to the date when the consolidated financial statements are authorised for issue. In order to mitigate the liquidity pressure, to improve its financial position, and to sustain the Group as a going concern, certain plans and measures have been and will be taken by the Group which include, but are not limited to, the following:

- (i) The Group has plans to divest certain of the Group's concession projects and construction projects. In the meantime, the Group is also actively looking for strategic investors to invest in certain existing projects of the Group so as to enhance the capital structure and reduce overall financing expenses of the Group;
- (ii) The Directors are of the view that they have the ability to manage the progress of the projects from time to time and defer the payment schedule of the borrowings in these projects, if necessary. The Group has unutilised project loan facilities from banks to provide financing of up to RMB3,207,884,000 to satisfy part of the construction cost payable and committed capital expenditure in the next twelve months from 31 December 2024. The Group has also initiated the process to obtain new project loans to fund the Group's existing and new concession projects and construction projects. The Directors believe that these unutilised facilities will continue to be available to the Group and they are confident that they will be able to obtain such project loans from banks and other financial institutions as and when needed;
- (iii) The Group will actively obtain additional new sources of financing as and when needed;

2. Summary of material accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Going concern basis (continued)

The directors of the Company (“**Directors**”) have reviewed the Group’s cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2024. On the basis of the successful implementation of the plans and measures described above in the foreseeable future and after assessing the Group’s current and forecasted cash positions, the Directors are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2024. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

2.1.2 Adoption of new/revised to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

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

The adoption of the new/revised HKFRSs does not have significant impact on the consolidated financial statements.

3. Segment information

The executive directors of the Company are the chief operating decision-maker of the Group. Management has determined the operating segments based on reports reviewed by the executive directors of the Company for the purpose of allocating resources and assessing performance.

The executive directors of the Company consider the business from product and service perspective. The Group is organised into five business segments as below:

- (a) Wastewater treatment project construction and operation;
- (b) Water supply project construction and operation;
- (c) Construction and sales of equipment;
- (d) Solid waste treatment project construction and operation;
- (e) Others, including operation and maintenance services and other businesses.

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

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

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

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

3. Segment information (continued)

(i) Segment results and capital expenditure for the year ended 31 December 2024 are as follows:

Year ended 31 December 2024:

	Wastewater treatment project construction and operation <i>RMB'000</i>	Water supply project construction and operation <i>RMB'000</i>	Construction and sales of equipment <i>RMB'000</i>	Solid waste treatment project construction and operation <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue from external customers	1,381,031	774,809	29,575	558,406	54,388	—	2,798,209
Revenue from contracts with customers							
— Recognised at a point in time	—	648,207	11,651	—	—	—	659,858
— Recognised at over time	1,122,781	104,428	17,924	516,719	54,388	—	1,816,240
Revenue from other sources							
— Finance income	258,250	22,174	—	41,687	—	—	322,111
Gross profit	387,212	46,948	3,641	6,133	9,799	—	453,733
Other income							58,537
Other gains — net							(138,327)
Selling expenses							(33,264)
Administrative expenses							(633,507)
Net impairment losses on financial and contract assets							(751,619)
Finance costs — net							(1,130,837)
Share of profit/(loss) of investments accounted for using the equity method — net	564	—	—	(106)	36,326	—	36,784
Loss before income tax							(2,138,500)
Income tax expenses							(27,741)
Loss for the year							(2,166,241)
Other segment information							
Depreciation and amortisation	(125,083)	(305,903)	(7,076)	(198,689)	(3,443)	—	(640,194)
Segment assets	16,856,251	14,238,220	4,700,610	6,895,555	1,778,098	—	44,468,734
Segment assets include:							
Investments accounted for using the equity method	58,824	—	—	26,902	997,115	—	1,082,841
Segment liabilities	10,349,680	13,484,654	4,828,578	3,851,875	792,625	—	33,307,412
Additions to non-current assets (other than financial instruments and deferred income tax assets)	451,596	38,860	2,355	32,513	—	—	525,324

3. Segment information (continued)

- (i) Segment results and capital expenditure for the year ended 31 December 2024 are as follows:
(continued)

Year ended 31 December 2023:

	Wastewater treatment project construction and operation <i>RMB'000</i>	Water supply project construction and operation <i>RMB'000</i>	Construction and sales of equipment <i>RMB'000</i>	Solid waste treatment project construction and operation <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue from external customers	1,668,987	738,660	131,531	519,542	57,819	—	3,116,539
Revenue from contracts with customers							
— Recognised at a point in time	—	635,241	11,448	—	—	—	646,689
— Recognised at over time	1,202,097	65,294	120,083	449,597	57,819	—	1,894,890
Revenue from other sources							
— Finance income	466,890	38,125	—	69,945	—	—	574,960
Gross profit	546,179	55,051	28,472	15,806	9,605	—	655,113
Other income							182,394
Other gains — net							60,258
Selling expenses							(33,511)
Administrative expenses							(422,827)
Net impairment losses on financial and contract assets							(335,073)
Finance costs — net							(951,239)
Share of (loss)/profit of investments accounted for using the equity method — net	296	—	—	(68)	29,988	—	30,216
Loss before income tax							(814,669)
Income tax expenses							(179,937)
Loss for the year							(994,606)
Other segment information							
Depreciation and amortisation	(113,727)	(339,917)	(18,677)	(265,338)	(4,568)	—	(742,227)
Segment assets	18,268,626	15,261,882	5,147,152	7,367,225	792,171	7,411	46,844,467
Segment assets include:							
Investments accounted for using the equity method	58,260	—	—	27,008	1,017,823	—	1,103,091
Segment liabilities	11,911,088	17,694,390	5,950,390	5,093,309	1,704,207	1,039,628	43,393,012
Additions to non-current assets (other than financial instruments and deferred income tax assets)	608,106	172,174	7,535	143,259	29,357	—	960,431

4. Other income

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	39,055	44,240
Value-added tax refunds	8,102	2,494
Gains on substantial modification upon loan restructuring	—	53,615
Gains on non-substantial modification of borrowings	—	77,256
Miscellaneous income	11,380	4,789
	<u>58,537</u>	<u>182,394</u>

5. Finance income and expenses

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Finance income</i>		
– Interest income	<u>11,086</u>	<u>4,375</u>
<i>Finance expenses</i>		
— Borrowing costs	<u>(1,028,365)</u>	<u>(928,433)</u>
— Net exchange gain/(loss) on financing activities	(31,459)	6,132
— Unwinding of provision	<u>(82,099)</u>	<u>(33,313)</u>
	<u>(1,141,923)</u>	<u>(955,614)</u>
Finance costs — net	<u>(1,130,837)</u>	<u>(951,239)</u>

6. Income tax expenses

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current income tax		
— Corporate income tax	35,365	110,592
Deferred income tax	(7,624)	69,345
	<u>27,741</u>	<u>179,937</u>

(a) PRC corporate income tax

Certain subsidiaries in certain industries operating in the western region of Mainland China can enjoy a preferential corporate income tax rate of 15%, provided their revenues generated from main operating activities accounted for more than 60% of their total revenues of the period.

Certain subsidiaries operating wastewater and solid waste treatment projects in Mainland China are eligible for a tax holiday of three-year full exemption followed by three-year half exemption of corporate income tax commencing from their first year generating operating revenue.

Except for preferential treatments available to certain subsidiaries as mentioned above, other subsidiaries within the Group in Mainland China are subject to corporate income tax at the statutory rate of 25% (2023: 25%).

(b) Thailand corporate income tax

The subsidiary operating solid waste treatment project in Thailand is subject to corporate income tax at the statutory rate of 20% for the year ended 31 December 2024 (2023: 20%).

6. Income tax expenses (continued)

(c) *Hong Kong profits tax*

The applicable Hong Kong profits tax rate is 16.5% for the year ended 31 December 2024 (2023: 16.5%). No provision for Hong Kong profits tax was made as the Group did not have any assessable profit in Hong Kong for the year ended 31 December 2024 (2023: same).

(d) *Indonesia corporate income tax*

The subsidiary operating solid waste treatment project in Indonesia is subject to corporate income tax at the statutory rate of 22% for the year ended 31 December 2024 (2023: 22%).

7. Loss per share

(a) Basic

The basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2024.

	Year ended	
	31 December	
	2024	2023
<u>Loss</u>		
Loss attributable to the ordinary shareholders of the Company (RMB'000)	<u>(1,739,385)</u>	<u>(688,068)</u>
	<u>Number of shares</u>	
<u>Shares</u>		
Weighted average number of ordinary shares in issue (thousands)	<u>1,193,213</u>	<u>1,193,213</u>

(b) Diluted

Diluted loss per share is the same as basic loss per share as there were no potential diluted ordinary shares outstanding as at 31 December 2024 and 2023.

8. Dividends

At the board of directors meeting held on 28 March 2025, the Directors did not recommend the payment of any final dividend for the year ended 31 December 2024 out of retained earnings of the Company.

9. Receivables under service concession arrangements

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

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Receivables under service concession arrangements	7,950,970	7,469,014
Less: provision for impairment	(157,514)	(108,891)
	7,793,456	7,360,123
Current assets portion	(261,991)	(190,597)
Non-current portion	7,531,465	7,169,526

The expected collection schedule of receivables under service concession arrangements is as follows:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	267,017	190,744
One to two years	228,012	264,578
Two to five years	361,846	992,732
Over five years	7,094,095	6,020,960
	7,950,970	7,469,014

10. Trade and other receivables and prepayments

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (note a)		
— Related parties	2,155,014	2,305,099
— Local governments	2,407,629	2,057,067
— Third parties	2,631,054	2,574,026
Less: provision for impairment	(1,741,302)	(1,167,620)
	<u>5,452,395</u>	<u>5,768,572</u>
Other receivables		
— Related parties	40,365	64,945
— Third parties	1,907,540	1,911,544
Less: provision for impairment	(173,441)	(164,204)
	<u>1,774,464</u>	<u>1,812,285</u>
Total trade and other receivables	7,226,859	7,580,857
Less: non-current portion of trade and other receivables	(185,382)	(285,516)
Current portion of trade and other receivables	<u>7,041,477</u>	<u>7,295,341</u>
Prepayments		
— Related parties	193,674	171,110
— Third parties	1,290,241	1,301,193
Less: provision for impairment	(58,004)	(41,961)
	<u>1,425,911</u>	<u>1,430,342</u>
Less: non-current portion of prepayments	(1,193,712)	(1,119,352)
Current portion of prepayments	<u>232,199</u>	<u>310,990</u>

10. Trade and other receivables and prepayments (continued)

(a) Trade receivables

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

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,193,866	1,372,186
One to two years	919,793	750,644
Two to three years	330,022	375,271
Over three years	4,750,016	4,438,091
	<u>7,193,697</u>	<u>6,936,192</u>

The Group have different credit policies for various products and services, depending on the requirements of different business segments and the contractual agreements with different customers.

11. Borrowings

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Long-term bank borrowings	15,468,327	16,712,426
Corporate bonds and other borrowings	2,979,091	12,472,164
	<u>18,447,418</u>	<u>29,184,590</u>
Current		
Short-term bank borrowings	—	78,937
Current portion of long-term bank borrowings	1,124,718	135,403
Current portion of corporate bonds and other borrowings	1,797,334	1,583,511
	<u>2,922,052</u>	<u>1,797,851</u>
	<u>21,369,470</u>	<u>30,982,441</u>

12. Trade and other payables

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables:		
— Related parties	1,722,281	1,617,926
— Third parties	5,579,239	5,719,801
	<u>7,301,520</u>	<u>7,337,727</u>
Other payables:		
— Related parties	243,008	321,131
— Third parties	1,433,494	1,426,311
Staff welfare benefit payable	93,009	107,451
Other taxes payable	140,834	277,042
Dividend payables	66,180	64,792
	<u>9,278,045</u>	<u>9,534,454</u>
Less: non-current portion	<u>(139,557)</u>	<u>(44,641)</u>
Current portion	<u><u>9,138,488</u></u>	<u><u>9,489,813</u></u>

- (a) Trade payables are settled in accordance with agreed terms with suppliers.
- (b) At 31 December 2024, the aging analysis of the trade payables based on invoice dates or contractual terms, is as follows:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	554,646	334,165
One to two years	306,494	900,901
Two to three years	803,760	1,473,969
Over three years	5,636,620	4,628,692
	<u>7,301,520</u>	<u>7,337,727</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2024, the promotion of policies related to the water industry continued to strengthen. **In terms of policies on water supply**, in March 2024, the State Council promulgated the Water Conservation Regulations(《節約用水條例》), which came into effect on 1 May 2024. The Regulations make it clear that it is necessary to give full play to the role of the market mechanism, establish a water pricing system that promotes water conservation, stipulate that residential water use should be subject to a stepped water price, and that non-residents should be subject to a progressive increase in the price of water use in excess of a fixed quota (exceeding the planned price), cultivate and standardize the water rights market, support the development of various forms of water rights trading, guiding financial institutions to increase financing support for water conservation projects, and encouraging the development of socialized, professionalized and standardized water conservation service industries. In October 2024, the Ministry of Finance, the State Taxation Administration and the Ministry of Water Resources issued the Measures for the Implementation of Water Resources Tax Reform Pilot(《水資源稅改革試點實施辦法》), which clearly stipulates that from 1 December 2024, the pilot water resources tax reform will be implemented in full, and provides for the taxpayers, tax targets, and tax amount standards of the water resources tax. At the same time, all the revenues from the water resources tax will be vested in the local government and be included in the management of the general public budget, so as to increase the local autonomous financial power. At the same time, all revenues from water resources tax will be vested in localities and included in the general public budget management, so as to increase local autonomous financial power. In addition, in March 2024, the National Development and Reform Commission, the Ministry of Housing and Urban-Rural Development and the Ministry of Water Resources jointly issued the Three-year Action Plan to Promote the Use of Reclaimed Water in Key Cities(《推進重點城市再生水利用三年行動實施方案》). In June 2024, the National Development and Reform Commission, the Ministry of Water Resources, the Ministry of Industry and Information Technology, the Ministry of Housing and Urban-Rural Development and the Ministry of Agriculture and Rural Affairs jointly issued the Guidance on Accelerating the Development of the Water-saving Industry(《關於加快發展節水產業的指導意見》). The implementation of a series of policies by Chinese government will continue to drive the growth of water conservation service industries, enhance the capacity for efficient water resource utilisation, expedite the renovation of aging urban water supply pipelines, and reduce leakage rates, thereby contributing to the establishment of a water-efficient society.

In terms of policies related to sewage treatment, in January 2024, the Central Committee of the Communist Party of China and the State Council issued guidelines to comprehensively promote the development of a “Beautiful China”, which proposed deepening the protection and governance of major rivers such as the Yangtze River and Yellow River, as well as important lakes. It emphasized implementing performance-based classification for sewage treatment and discharge levels in key industries and enterprises, accelerating efforts to address deficiencies in urban sewage collection and treatment facilities, carrying out internal source pollution control and ecological restoration based on local conditions, and establishing a water ecology assessment mechanism. In January 2024, the Ministry of Ecology and Environment, the Ministry of Water Resources, and the Ministry of Agriculture and Rural Affairs issued the “Guidelines for the Treatment of Rural Black and Odorous Water Bodies”(《農村黑臭水體治理工作指南》). In January 2024, the Ministry of Ecology and Environment and the Ministry of Agriculture and Rural Affairs released the “Guiding Opinions on Further Promoting the Treatment of Rural Domestic Sewage”(《關於進一步推進農村生活污水治理的指導意見》). In March 2024, five departments including the Ministry of Housing and Urban-Rural Development jointly issued the “Notice on Strengthening the Construction and Operation Maintenance of Urban Domestic Wastewater Pipe Networks”(《關於加強城市生活污水管網建設和運行維護的通知》)(Jiancheng [2024] No. 18), emphasising the continuous promotion of professional operation and maintenance under the “plant-pipe network integration” model, implementing performance-based payment for the coordinated operation of sewage treatment plants and pipe networks. In April 2024, two government departments including the Ministry of Finance issued the “Notice on Carrying out Urban Renewal Demonstration Work”(《關於開展城市更新示範工作的通知》), providing each of the 15 pilot cities with annual special funds ranging from RMB0.8 billion to RMB1.2 billion for the renovation of “plant-pipe network integration.” In addition, policy-based funds such as ultra-long-term special government bonds, local government special bonds, and central budgetary investments (for pollution control and energy conservation and carbon reduction, etc.) have all been inclined to and supportive of pipeline network construction. In May 2024, the National Development and Reform Commission and three other departments issued the “Guiding Opinions on Deepening the Development of Smart Cities and Promoting Comprehensive Urban Digital Transformation”(《關於深化智慧城市發展推進城市全域數字化轉型的指導意見》), proposing the requirement of “smart city transformation to promote integrated environmental governance.” A series of policies are continuously advancing the construction of urban sewage treatment infrastructure, addressing deficiencies in sewage pipeline networks, strengthening weak links in sewage treatment facilities, enhancing treatment efficiency, reducing pollution, and promoting green development.

In terms of water investment and financing, in February 2024, the Central Committee of the Communist Party of China and the State Council issued the “Opinions on on Comprehensively Promoting the Key Work of Rural Revitalization in 2023 (《國務院關於做好二零二三年全面推進鄉村振興重點工作的意見》), proposing measures including strengthening the construction of water conservancy infrastructure, promoting green agricultural development, solidly advancing the improvement of rural living environment, and continuously strengthening the construction of rural infrastructure. In February 2024, the Ministry of Water Resources issued the “Key Points of Water Conservancy Guarantee Work for Rural Revitalization in 2024” (《二零二四年鄉村振興水利保障工作要點》), proposing to enhance the security level of rural drinking water and implement water ecological environment protection and governance. In July 2024, the State Council issued the “Five-Year Action Plan for Deeply Implementing the People-Centered New Urbanization Strategy”(《深入實施以人為本的新型城鎮化戰略五年行動計劃》), proposing the promotion of green and smart city development, strengthening urban infrastructure construction, and focusing on underlying urban infrastructure projects like urban underground pipe networks. In July 2024, the Central Committee of the Communist Party of China and the State Council issued the “Opinions on Accelerating the Comprehensive Green Transformation of Economic and Social Development” (《關於加快經濟社會發展全面綠色轉型的意見》). In December 2024, the General Office of the State Council released the “Opinions on Optimising and Improving the Management Mechanism of Local Government Special Bonds” (《關於優化完善地方政府專項債券管理機制的意見》), explicitly including 22 industries such as water conservancy, urban sewage and waste collection and treatment, urban recycled water recycling, comprehensive utilisation of solid waste and resource recycling, and water supply and drainage into the “positive list” management scope for projects eligible for using local government special bonds as capital funds. At the same time, the proportion of special bonds used as project capital funds has increased. At the provincial level, the upper limit of special bonds that can be used as project capital funds has been raised from 25% to 30% of the total special bond quota allocated for project construction in each province. Driven by these policies, the scale of local government special bonds used as capital funds for water conservancy projects is expected to increase. In 2024, the National Development and Reform Commission issued the “Notice of Fully Promoting the Regular Issuance of Projects of Real Estate Investment Trusts (REITs) in the Infrastructure Field” (《全面推動基礎設施領域不動產投資信託基金 (REITs) 項目常態化發行的通知》), explicitly stating that eligible projects across sectors such as municipal infrastructure (urban water supply projects), eco-environmental protection infrastructure (urban sewage and waste treatment projects), and water conservancy facilities (water conservancy projects with functions like water supply) can apply for approval. It should be noted that in the future, investment and financing channels in the water sector will further expand. Supported by policies and funding mechanisms such as additional government bond issuance, ultra-long-term special government bonds, and local government special bonds, coupled with incentives to attract more social capital participation in water conservancy infrastructure construction, the scale of related construction investment and financing is expected to further expand. Notably, the expansion of REITs’ underlying assets holds critical importance for the water sector in revitalising existing assets and reducing debt levels.

Overall, at the national and various government levels, the newly issued water industry-related documents primarily promote the healthy and sustainable development of the water industry through three key aspects: First, implementing strict water conservation regulations to control total water consumption and enhance water resource conservation and intensive utilization capabilities. Second, accelerating urban sewage facility construction, strengthening sewage discharge monitoring, and reforming sewage treatment fee standards. Third, addressing funding needs for projects such as sewage treatment, water conservancy facilities and ecological governance through multiple channels. A series of policies will have a significant impact on the water industry in terms of improving quality and efficiency, expanding production capacity, enhancing profitability, and implementing tax and fee reforms. Looking ahead, the water industry remains one of the key sectors strongly promoted by national and local government policies in recent years. With various policy support, the water industry's development prospects remain promising.

DEVELOPMENT STRATEGIES AND PROSPECT

2024 was a crucial year for the Company to comprehensively deepen reform. Throughout the year, under the strong and coherent leadership of the provincial committee of the CPC, government and the provincial SASAC of Yunnan Province as well as all shareholders, we joined hands with all employees and closely focused on the goal of the year, forging ahead with determination and overcoming difficulties. Our collective efforts were dedicated to accelerating production and operations, propelling the Company towards a new phase of transformation.

In 2024, while continuing to consolidate the achievements in preventing and resolving debt risks, the Company remained committed to coordinated development and fully advancing its production and operations. Efforts persisted in cost reduction and efficiency improvement, addressing historical issues through targeted initiatives, and focusing on price and volume adjustments. The Company coordinated asset disposal and debt recovery, actively promoted debt-to-equity conversion, strengthened cash flow management, and pragmatically enhanced operational activities. With a firm commitment to ensuring the timely fulfillment of all mandatory expenditures, the Company maintained a continuous inflow of operating net cash, achieved stable growth in operating revenue, and significantly reduced operating losses (net of impairment provisions) compared to the previous year.

In 2024, the Company efficiently completed the “three-in-one” construction initiative by continuously strengthening management and oversight, streamlining its authorization and delegation system, and establishing a risk control and compliance framework. The Company also actively advanced special rectification initiatives for mixed-ownership enterprises, and persistently promoted the resolution of litigation cases to effectively safeguard its rights and interests. The Company intensified daily operational support and technology R&D efforts to drive the transformation of achievements into practical outcomes, while rigorously ensuring production safety. It firmly shouldered the social responsibilities of a state-owned enterprise and practiced the core value of “dedicated work.” The Company rigorously advanced the “Clean Water Affairs” integrity initiative and focused on building talent team.

In 2025, the Company will focus on the goal of high-level transformation and high-quality development. Guided by its position as a leading “integrated service provider in the urban environmental protection industry”, it will concentrate on its core responsibilities and main business, shift its development model, enhance operational efficiency, expand into emerging sectors, strengthen team building and cultivate leadership talent, and drive technological innovation to shape core capabilities. We will persistently strengthen our development foundation by optimising debt structure, rationalising asset allocation, diversifying financing strategies, and improving organisational and institutional construction to enhance sustainable development momentum. We will persistently unlock resource potential, strengthen operational control, drive cost reduction and efficiency improvement, ensure effective “new investment and new financing”, enhance capital operations, and leverage resource advantages to improve profitability. We will persistently refine institutional mechanisms by enhancing refined management, optimising operational systems, improving incentive mechanisms, strengthening risk control, and building digital platforms to elevate scientific management capabilities. We will persistently implement the people-centered development philosophy to build a responsible state-owned enterprise, service benchmark, and harmonious corporate that steadfastly fulfills corporate social responsibilities. We will foster a clean and upright political environment within the Company, leveraging high-quality Party building to drive high-quality development and making every effort to usher in a new era of transformation and growth.

BUSINESS REVIEW

The Group is one of the leading integrated service providers in the urban environmental protection industry in China. The Group mainly adopts the Build-Operate-Transfer (“BOT”), Build-Own-Operate (“BOO”), Transfer-Operate-Transfer (“TOT”), Transfer-Own-Operate (“TOO”), Build and Transfer (“BT”), Engineering-Procurement-Construction (“EPC”), Rehabilitate-Operate-Transfer (“ROT”), Operation and Maintenance (“O&M”) and licensed operation models to provide customized and integrated turnkey solutions for water supply, wastewater treatment and solid waste treatment as well as system integration services of core technologies to customers. The Group’s businesses are carried out in the PRC and the Southeast Asian countries, and the Group’s principal businesses comprise five major segments, namely, wastewater treatment, water supply, solid waste treatment, construction and sales of equipment and others.

As at 31 December 2024, the Group’s water related projects (including the following wastewater treatment projects, water supply projects and all water related projects under other business segments) had a total daily treatment capacity of approximately 5,746,000 tonnes. As at 31 December 2024, the Group’s solid waste treatment related projects (including the following solid waste treatment projects and all solid waste treatment related projects under other business segments) had a total annual treatment capacity of approximately 4,117,280 tonnes.

Wastewater Treatment Projects

As at 31 December 2024, the Group had a total of 121 concession wastewater treatment projects, including 7 BOO projects, 60 BOT projects, 2 TOO projects, 23 TOT projects, 1 ROT project and 28 municipal environment comprehensive treatment projects, with a total daily treatment capacity of approximately 3,166,250 tonnes, decreased by 5 BOT projects and 1 TOT project year-on-year as compared with the year ended 31 December 2023, which was due to the disposal of assets.

As at 31 December 2024, 89 concession projects with a total daily treatment capacity of approximately 2,276,345 tonnes had commenced commercial operation (including 7 municipal environment comprehensive treatment projects with a total daily wastewater treatment capacity of approximately 305,345 tonnes). During the Reporting Period, the Group's average wastewater treatment utilisation rate was approximately 78.19%, and the average unit charge of wastewater treatment was approximately RMB1.46 per tonne.

As at 31 December 2024, 23 concession projects with a total daily treatment capacity of approximately 529,910 tonnes had not commenced commercial operation (including 21 municipal environment comprehensive treatment projects with a total daily treatment capacity of approximately 520,910 tonnes).

Water Supply Projects

As at 31 December 2024, the Group had a total of 60 concession water supply projects with a total daily treatment capacity of approximately 2,214,100 tonnes, including 15 BOO projects, 29 BOT projects, 11 TOT projects and 5 municipal environment comprehensive treatment projects, decreased by 4 BOT projects and 1 municipal environment comprehensive treatment project year-on-year as compared with the year ended 31 December 2023, which was due to the disposal of assets.

As at 31 December 2024, 45 concession projects with a total daily treatment capacity of approximately 1,345,000 tonnes had commenced commercial operation. During the Reporting Period, the Group's average water supply utilisation rate was approximately 64.53%, and the average unit charge of water supply was approximately RMB2.34 per tonne.

As at 31 December 2024, 13 concession projects with a total daily treatment capacity of approximately 749,100 tonnes had not commenced commercial operation (including 5 municipal environment comprehensive treatment projects with a total daily treatment capacity of approximately 429,700 tonnes).

Solid Waste Treatment Projects

As at 31 December 2024, the Group had 24 solid waste treatment projects with a total annual treatment capacity of approximately 4,117,280 tonnes, 11 of which with an annual treatment capacity of 2,277,600 tonnes had commenced commercial operation (including 2 municipal environment comprehensive treatment projects with an annual treatment capacity of approximately 419,750 tonnes); 8 of which with an annual treatment capacity of 1,618,000 tonnes were under construction (including 1 municipal environment comprehensive treatment project with a total annual treatment capacity of approximately 750,000 tonnes). The treatment capacity remained generally stable as compared with 31 December 2023. During the Reporting Period, the Group's average solid waste treatment utilisation rate was approximately 79.37%.

Construction and Sales of Equipment

The Group's construction and sales of equipment segment comprises BT projects, EPC projects and sales of equipment. As at 31 December 2024, the Group had a total of 11 BT projects, which were either under construction and/or completed, among which revenue of 11 BT projects was recognised during the Reporting Period.

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

Others

During the Reporting Period, the Group also undertook O&M projects for wastewater treatment, water supply, and solid waste treatment facilities owned by third parties as well as provision of technical and consultancy services in relation to environmental protection. As at 31 December 2024, the Group was providing relevant operational services for 22 O&M projects, which included 21 wastewater treatment projects with a total daily treatment capacity of approximately 357,650 tonnes (including the capacity of wastewater treatment projects adopting O&M model within municipal environment comprehensive treatment projects), and 1 water supply project with daily treatment capacity of approximately 8,000 tonnes.

FINANCIAL REVIEW

Results of Operation

During the Reporting Period, the Group recorded revenue of approximately RMB2,798.2 million, representing a decrease of approximately 10.2% as compared with the year ended 31 December 2023. The Group realized a net loss of approximately RMB2,166.2 million, representing an increase of approximately 117.8% as compared with the year ended 31 December 2023. Loss attributable to the ordinary shareholders of the Company was approximately RMB1,739.4 million, representing an increase of approximately 152.8% as compared with 31 December 2023. Loss per share for the year ended 31 December 2024 was approximately RMB1.458.

Revenue

Revenue of the Group decreased from approximately RMB3,116.5 million for the year ended 31 December 2023 to approximately RMB2,798.2 million for the Reporting Period, representing a decrease of approximately 10.2%.

In respect of the business segments of the Group, revenue from wastewater treatment decreased from approximately RMB1,669.0 million for the year ended 31 December 2023 to approximately RMB1,381.0 million for the Reporting Period. Revenue from water supply increased by approximately 4.9% from approximately RMB738.7 million for the year ended 31 December 2023 to approximately RMB774.8 million for the Reporting Period. Revenue from construction and sales of equipment decreased by approximately 77.5% from approximately RMB131.5 million for the year ended 31 December 2023 to approximately RMB29.6 million for the Reporting Period. Revenue from solid waste treatment increased by approximately 7.5 % from RMB519.5 million for the year ended 31 December 2023 to approximately RMB558.4 million for the Reporting Period. Revenue from other business decreased from approximately RMB57.8 million for the year ended 31 December 2023 to approximately RMB54.4 million for the Reporting Period.

The decrease in revenue from the wastewater treatment segment was mainly attributable to the decrease in revenue from construction of the existing wastewater treatment projects under construction, decrease in interest income from wastewater treatment projects and disposal of subsidiaries during the Reporting Period.

The increase in revenue from the water supply segment was mainly attributable to the increase in operating revenue from water supply service projects during the Reporting Period.

The increase in revenue from the solid waste treatment segment was mainly attributable to the increase in revenue from construction and operation of solid waste projects during the Reporting Period.

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

Cost of Sales and Services

During the Reporting Period, cost of sales of the Group was approximately RMB2,344.5 million, representing a decrease of approximately 4.8% as compared with approximately RMB2,461.4 million for the year ended 31 December 2023. The decrease was primarily due to the decrease in cost for construction which was in line with the decrease in construction revenue from the existing wastewater treatment projects under construction during the construction period.

Gross Profit Margin

During the Reporting Period, gross profit margin of the Group was approximately 16.22%, representing a decrease of approximately 4.8% as compared with approximately 21.02% for the year ended 31 December 2023.

Other Income

During the Reporting Period, the Group recorded other income of approximately RMB58.5 million, representing a decrease of approximately 67.9% as compared with approximately RMB182.4 million for the year ended 31 December 2023. The decrease in other income was mainly due to nil income from debt restructuring in the current year.

Other Gains/(Losses) — Net

During the Reporting Period, the Group recorded other net losses of approximately RMB138.3 million, representing a decrease of approximately RMB198.6 million as compared with the net gains of approximately RMB60.3 million for the year ended 31 December 2023. The change in other gains/(losses), on the one hand, was due to the net losses of approximately RMB104.1 million generated from disposal of investments in subsidiaries in the current year, while the revenue of approximately RMB36.2 million and RMB55.3 million were generated from the withdrawal of a water supply project and a wastewater project respectively last year.

Selling Expenses

During the Reporting Period, selling expenses of the Group were approximately RMB33.3 million, representing a decrease of approximately RMB0.2 million or 0.7 % as compared with approximately RMB33.5 million for the year ended 31 December 2023.

Administrative Expenses

Administrative expenses of the Group increased by RMB210.7 million from approximately RMB422.8 million for the year ended 31 December 2023 to approximately RMB633.5 million for the Reporting Period, representing an increase of approximately 49.8%. The increase in administrative expenses was primarily due to the increase in the provision for impairment of intangible assets in the current year of RMB175.9 million compared to last year.

Finance Costs — Net

Net finance costs increased by RMB179.6 million from approximately RMB951.2 million for the year ended 31 December 2023 to approximately RMB1,130.8 million for the Reporting Period, representing an increase of approximately 18.9%. The increase in net finance costs was primarily because of loan agreement arrangements (measured at amortized cost) successively entered by the Group and the debtors such as the bank from the second half of 2022 to the first half of 2023, increase in amortization amount in the current year compared to last year, and increase in exchange losses during the Reporting Period.

The average interest rate on borrowings of the Group for the Reporting Period was approximately 3.93% per annum, representing an increase compared to approximately 3.04% per annum for the year ended 31 December 2023.

Loss Before Income Tax

As a result of the above factors, the Group recorded loss before income tax of approximately RMB 2,138.5 million for the Reporting Period, representing an increase of approximately 162.5% as compared with the loss before income tax of approximately RMB814.7 million recorded for the year ended 31 December 2023.

Income Tax Expenses

Income tax expenses decreased by RMB152.2 million from approximately RMB179.9 million for the year ended 31 December 2023 to approximately RMB27.7 million for the Reporting Period, representing a decrease of approximately 84.6%. The decrease was mainly due to the increase in the amount of loss before income tax.

Loss for the Reporting Period

As a result of the foregoing, loss for the Reporting Period increased by approximately RMB1,171.6 million from the loss of approximately RMB994.6 million for the year ended 31 December 2023 to the loss of approximately RMB2,166.2 million for the Reporting Period, representing an increase of approximately 117.8%.

Receivables under Service Concession Arrangements

The Group's receivables under service concession arrangements increased by approximately RMB433.4 million from approximately RMB7,360.1 million as at 31 December 2023 to approximately RMB7,793.5 million as at 31 December 2024, representing an increase of approximately 5.9%. The increase was mainly because two projects have completed their construction and were put into operation during the Reporting Period.

Trade and Other Receivables and Prepayments

The Group's trade and other receivables and prepayments decreased by approximately RMB358.4 million from approximately RMB9,011.2 million as at 31 December 2023 to approximately RMB8,652.8 million as at 31 December 2024, representing a decrease of approximately 4%. The decrease was mainly due to the decrease in the amounts due from related parties and the increase in provision for impairment in the current period.

Cash and Cash Equivalents

The Group's cash and cash equivalents increased by approximately RMB108.9 million from approximately RMB899.2 million as at 31 December 2023 to approximately RMB1,008.1 million as at 31 December 2024, representing an increase of approximately 12.1%. The increase was mainly due to the increase in cash inflow generated from investing activities and in bank deposits during the Reporting Period.

Trade and Other Payables

The Group's trade and other payables decreased by approximately RMB256.5 million from approximately RMB9,534.5 million as at 31 December 2023 to approximately RMB9,278.0 million as at 31 December 2024, representing a decrease of approximately 2.7%. The decrease was mainly due to the decrease in the amount due to related parties and other taxes payable.

Borrowings

As at 31 December 2024, the Group had borrowings of approximately RMB21,369.5 million (31 December 2023: approximately RMB30,982.4 million). As at 31 December 2024, the Group had unsecured borrowings of approximately RMB7,306.3 million (31 December 2023: approximately RMB18,119.1 million), and secured borrowings of approximately RMB14,063.2 million (31 December 2023: approximately RMB12,863.1 million).

Pledge of Assets

As at 31 December 2024, borrowings of approximately RMB14,063.2 million (31 December 2023: approximately RMB12,863.1 million) were secured by the Group's receivables under service concession arrangements, contract assets, right-of-use assets, property, plant and equipment, intangible assets and the Company's investments in subsidiaries.

Gearing Ratio

The Group's gearing ratio (calculated as net debt divided by total capital) decreased from approximately 89.71% as at 31 December 2023 to approximately 64.59% as at 31 December 2024. The decrease in gearing ratio was mainly due to the decrease in borrowings and the increase in perpetual capital instruments during the Reporting Period.

The Board will closely monitor and improve the gearing ratio of the Group.

Employees and Remuneration Policy

As at 31 December 2024, the Group employed 4,982 employees (31 December 2023: 5,586). During the Reporting Period, staff cost was approximately RMB440.9 million (for the year ended 31 December 2023: RMB522.5 million). The Group will strive to ensure that the remuneration level of employees is in line with industry practices and prevailing market conditions, and remunerations of employees will be determined based on their performance. The remuneration package provided to employees also includes basic and floating salaries, discretionary bonus and staff benefits. The Group also provides external and internal training programs for its employees.

The Group did not experience any significant labour disputes causing any material impact on its normal business operations.

Foreign Exchange Risk

The Group principally operates in the PRC with most of the transactions being settled in RMB, which is the functional currency of most of the group entities. The Group also has certain subsidiaries in foreign operations. Foreign exchange risk arises from the recognised assets and liabilities and net investments in foreign operations. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through financing activities denominated in the relevant foreign currencies.

The group entities are exposed to foreign exchange risk of foreign currencies other than their functional currencies, primarily with respect to the US dollars ("US\$") and Hong Kong dollars ("HKD") (together "Non-functional Currencies"). The Group seeks to limit its exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. Management considers the fluctuations in exchange rates between the functional currencies of respective group entities and Non-functional Currencies in which the group entities conduct business will not have significant effect on the Group's financial position and results of operations.

Contingent Liabilities

As of 31 December 2024 and as at the date on which consolidated financial statements were approved for publication, the Group had no contingent liabilities.

Final Dividend

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2024.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 14 June 2024, the Company (as vendor) and Li County State-owned Asset Operation and Management Centre* (澧縣國有資產經營管理中心) (“**Li County State-owned Asset**”) (as purchaser) entered into the Lizhou Equity Transaction Agreement, pursuant to which, the Company agreed to sell and Li County State-owned Asset agreed to acquire 65% equity interest in Hunan Lizhou Water Co., Ltd.* (湖南澧州水務有限公司) held by the Company, at a consideration of RMB80,589,416.

For details of the above-mentioned transaction, please refer to the announcement published by the Company on 24 June 2024.

On 24 June 2024, the Company (as vendor) and Wuxi Pinghu Jingshui Technology Co., Ltd.* (無錫坪湖淨水科技有限公司) (“**Wuxi Pinghu**”) (as purchaser) entered into (a) the Wuxi Zhongfa Equity Transaction Agreement, pursuant to which, the Company agreed to sell, and Wuxi Pinghu agreed to acquire, 75% equity interest in Wuxi Zhongfa Water Investment Co., Ltd.* (無錫中發水務投資有限公司) held by the Company at a consideration of RMB95,900,625; (b) the Wuxi Yunshui Equity Transaction Agreement, pursuant to which, the Company agreed to sell, and Wuxi Pinghu agreed to acquire, 100% equity interest in Wuxi Yunshui Water Investment Co., Ltd.* (無錫雲水水務投資有限公司) held by the Company at a consideration of RMB57,046,016; and (c) the Ehu Yunshui Equity Transaction Agreement, pursuant to which, the Company agreed to sell, and Wuxi Pinghu agreed to acquire, 100% equity interest in Wuxi Ehu Yunshui Water Investment Co., Ltd.* (無錫鵝湖雲水水務投資有限公司) held by the Company at a consideration of RMB18,440,300.

For details of the above-mentioned transactions, please refer to the announcement published by the Company on 24 June 2024.

On 12 July 2024, the Company (as vendor) and Gongyi Yuansheng Water Co., Ltd.* (鞏義市源盛水務有限公司) (“**Gongyi Yuansheng**”) (as purchaser) entered into the Gongyi Equity Transaction Agreement, pursuant to which, the Company agreed to sell and Gongyi Yuansheng agreed to acquire 89.995% equity interest in Gongyi Water Resources Co., Ltd.* (鞏義市水務有限公司) held by the Company, at a consideration of RMB67,374,000.

For details of the above-mentioned transaction, please refer to the announcement published by the Company on 12 July 2024.

On 12 November 2024, Hyflux Utility WTP (GY) Limited (凱發新泉公用事業自來水(灌雲)有限公司)(“**Hyflux WTP**”), a wholly-owned subsidiary of the Company (as vendor) and Guanyun County Water Group Co., Ltd.* (灌雲縣水務集團有限公司) (“**Guanyun Water**”) (as purchaser) entered into the Hyflux Guanyun Equity Transaction Agreement, pursuant to which, Hyflux WTP has agreed to sell, and Guanyun Water has agreed to acquire 100% equity interest in Hyflux NewSpring (Guanyun) Co., Ltd.* (凱發新泉自來水(灌雲)有限公司) indirectly held by the Company, at a consideration of RMB248,140,000.

For details of the above-mentioned transaction, please refer to the announcement published by the Company on 12 November 2024.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

The Group believes that effective environmental, social and corporate governance management policies are crucial to the sustainability of the Group’s business. As such, the Group proactively enhances its understanding of the latest laws and regulations and the best practices both within and outside the PRC, which are relevant to the Group’s business, as well as its management approach and management system. As a responsible corporation, the Group is also committed and dedicated to maintaining the highest environmental and social standards.

The Group has complied with all relevant laws and regulations in relation to its business, including but not limited to health and safety, workplace conditions, employment and the environment. The Group understands that a better future depends on everyone’s participation and contribution. Towards that end, it has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole. The Group also maintains strong relationships with its employees, enhancing cooperation with its suppliers and providing high quality products and services for its customers so as to ensure sustainable development.

An environmental, social and governance (“**ESG**”) report is being prepared with reference to the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The ESG report represents our contribution to sustainable development during the Reporting Period, and covers the major environmental and social policies, environmental indicators of our Group, measures adopted for reducing emissions by our Group and the relevant achievements of such policies.

The ESG report will be included in the 2024 annual report of the Company to be despatched to the Company’s shareholders requiring a printed copy and published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.yunnanwater.com.cn) in due course.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

At present, the Board has four professional committees including the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management, Internal Control and Compliance Committee.

During the Reporting Period, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code (the “**Corporate Governance Code**”) in Appendix C1 to the Listing Rules.

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Group 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 the code of conduct regarding securities transactions by the Directors and supervisors of the Company (the “**Supervisors**”). The Group has made specific enquiries with all of its Directors and Supervisors, and all Directors and Supervisors have confirmed that they have fully complied with the required standard set out in the Model Code during the Reporting Period.

AUDIT COMMITTEE

The Audit Committee currently consists of three independent non-executive Directors, Mr. Liu Shuen Kong (as chairman), Mr. Zhong Wei and Mr. Zhou Beihai. The principal responsibilities of the Audit Committee include reviewing and supervising the financial reporting process, risk management and internal control systems of the Company, including making recommendations on appointing or changing the external auditor and its terms of engagement; reviewing and monitoring external auditor's independence and audit process objectively; monitoring the integrity of the Company's financial statements, annual report and accounts and half-year report; oversight of the Company's financial reporting system, risk management and internal control system; other matters that the Board has authorized it to deal with. Terms of reference of the Audit Committee have been published on the website of the Company.

During the Reporting Period, the Audit Committee had convened a total of seven meetings, and the main contents of the seven meetings are summarized as follows:

The first meeting was held to discuss the Company's risk assessment report for 2023. The second meeting was held to discuss the Company's annual results for the year ended 31 December 2023, provision for credit and asset impairment in 2023, and not recommending the payment of the final dividend in 2023. The third meeting was held to discuss the special audit report of the Company's procurement. The fourth meeting was held to discuss the Company's internal control evaluation report for 2023. The fifth meeting was held to discuss the Company's interim results for the six months ended 30 June 2024 and not recommending the payment of the interim dividend for the six months ended 30 June 2024. The sixth meeting was held to discuss the appointment of Mazars Certified Public Accountants LLP (中審眾環會計師事務所(特殊普通合夥)) as the PRC auditor and Forvis Mazars CPA Limited (富睿瑪澤會計師事務所有限公司) as the international auditor. The seventh meeting was held to discuss the summary of the work of the Company's internal audit in 2024 and the work plan report for 2025.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Reporting Period, and reviewed matters concerning the distribution of dividends, proposed appointment of auditors. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management of the Company.

NOMINATION COMMITTEE

The Nomination Committee currently consists of one non-executive Director, Mr. Mei Wei (as chairman), and two independent non-executive Directors, Mr. Zhou Beihai and Mr. Zhong Wei. The principal responsibilities of the Nomination Committee include reviewing and monitoring the structure, size, composition and diversity of members of the Board in light of the Company's strategy; identifying suitably qualified individuals and making recommendations to the Board regarding new Board members; reviewing and making recommendations to the Board on individuals nominated to be Directors by Shareholders to ensure that all nominations are fair and transparent; assessing the independence of independent non-executive Directors; reviewing and monitoring the implementation of diversity policy of Board members of the Company. Terms of reference of the Nomination Committee have been published on the website of the Company.

During the Reporting Period, the Nomination Committee had convened a total of three meetings, and the main contents of the three meetings are summarized as follows:

The first meeting was held to discuss the candidates of the executive Directors of the fourth session of the Board of the Company and the General Manager. The second and third meetings were held to discuss the candidates of executive Directors of the fourth session of the Board of the Company.

REMUNERATION COMMITTEE

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

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

During the Reporting Period, the Remuneration Committee had convened a total of six meetings, and the main contents of the six meetings are summarized as follows:

The first and second meetings were held to discuss the advance payment of salary of senior management of the Company in 2024. The third and fourth meetings were held to discuss the payout of the annual performance salary of senior management of the Company in 2023. The fifth meeting was held to discuss the payouts of the annual performance salary of senior management of the Company in 2022 and 2023. The sixth meeting was held to discuss the allocation of the Company's payroll quota in 2024.

RISK MANAGEMENT, INTERNAL CONTROL AND COMPLIANCE COMMITTEE

The Risk Management, Internal Control and Compliance Committee currently consists of one executive Director, Mr. Zheng Guangfeng, three independent non-executive Directors, Mr. Zhong Wei (as chairman), Mr. Liu Shuen Kong and Mr. Zhou Beihai, and one Supervisor, Mr. Mo Wenyi.

The principal responsibilities of the Risk Management, Internal Control and Compliance Committee include being responsible for the organization, leadership and coordination of the Company's work relating to risk management, internal control and compliance management, as well as studying and advising on its overall objectives, system construction and basic systems; evaluating the compliance of major decisions authorized by the Board and solutions to major risks; supervising and evaluating the Company's work in relation to the risk management, internal control and compliance management. Terms of reference of the Risk Management, Internal Control and Compliance Committee have been published on the website of the Company.

During the Reporting Period, the Risk Management, Internal Control and Compliance Committee had convened a total of three meetings, and the main contents of the three meetings are summarized as follows:

The first meeting was held to discuss the Company's amendments to the internal auditing work. The second meeting was held to discuss the Company's system of risk management, internal control and compliance management. The third meeting was held to discuss the Company's amendments to the Rules of Procedure of the Risk Management, Internal Control and Compliance Committee.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining an adequate risk management and internal control system to safeguard the Shareholder's investments and the Company's assets, and reviewing the effectiveness of such system on an annual basis with the support of the Audit Committee.

The Board, through the Audit Committee, has reviewed the effectiveness of the internal audit system and the risk management and internal control system of the Company and its subsidiaries, including the adequacy of resources, qualifications and experience of staff in the aforementioned systems and of the Company's accounting and financial reporting function, and the adequacy of their training programmes and budget.

During the Reporting Period, the Board, through a review, considered that the risk management and internal control system of the Company and its subsidiaries was effective and adequate.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report issued by the auditor of the Group on the Group's consolidated financial statements for the year ended 31 December 2024.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

As described in note 2.1 to the consolidated financial statements, the Group reported a net loss of RMB2,166,241,000 for the year ended 31 December 2024 and the Group's current liabilities exceeded its current assets by RMB3,767,846,000 as at 31 December 2024. As at the same date, the Group's total borrowings amounted to RMB21,369,470,000, of which current borrowings amounted to RMB2,922,052,000, while its cash and cash equivalents amounted to RMB1,008,079,000 only. As at 31 December 2024, the Group had capital commitments of approximately RMB7,199,319,000, which were mainly related to various concession projects and construction projects of the Group.

These conditions, together with other matters described in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.yunnanwater.com.cn). The 2024 annual report of the Company will be despatched to the Company's shareholders and published on the aforesaid websites in due course.

APPRECIATION

The Board would like to take this opportunity to express its sincere gratitude to the Company's shareholders for their support and to the Group's staff for their hard work and contribution in 2024.

By order of the Board
Yunnan Water Investment Co., Limited*
Mei Wei
Chairman

Kunming, the PRC
28 March 2025

As at the date of this announcement, the executive Directors are Mr. Zheng Guangfeng (Vice-Chairman), Ms. Wang Rui and Mr. Liu Hui, the non- executive Directors are Mr. Mei Wei (Chairman), Mr. Dai Richeng and Mr. Xia Lin, and the independent non- executive Directors are Mr. Liu Shuen Kong, Mr. Zhou Beihai and Mr. Zhong Wei.

* For identification purposes only