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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 2025

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB2,370 million, representing a decrease of approximately 15.3% compared with the year ended 31 December 2024
- Loss for the year was approximately RMB2,072 million, representing a decrease of approximately 4.4% compared with the year ended 31 December 2024
- Loss attributable to ordinary shareholders of the Company was approximately RMB1,856 million, representing an increase of approximately 6.7% compared with the year ended 31 December 2024
- Basic loss per share was approximately RMB1.729, representing an increase of RMB0.271 compared with the basic loss per share for the year ended 31 December 2024
- The Board does not recommend the distribution of final dividend for the year ended 31 December 2025

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 2025 (the “**Reporting Period**”) together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December	
		2025	2024
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	2,369,952	2,798,209
Cost of sales and services		<u>(2,196,150)</u>	<u>(2,344,476)</u>
Gross profit		173,802	453,733
Other income	4	296,185	58,537
Other losses – net		(45,190)	(138,327)
Selling expenses		(35,314)	(33,264)
Administrative expenses		(974,081)	(633,507)
Net impairment losses on financial and contract assets		<u>(371,182)</u>	<u>(751,619)</u>
Operating profit		(955,780)	(1,044,447)
Finance income	5	18,818	11,086
Finance expenses	5	<u>(1,055,162)</u>	<u>(1,141,923)</u>
Finance costs – net	5	(1,036,344)	(1,130,837)
Share of profit of investments accounted for using the equity method		<u>17,064</u>	<u>36,784</u>
Loss before income tax		(1,975,060)	(2,138,500)
Income tax expenses	6	<u>(96,543)</u>	<u>(27,741)</u>
Loss for the year		(2,071,603)	(2,166,241)
Items that may be reclassified to profit or loss			
– Exchange differences on translation of foreign operations		<u>74,578</u>	<u>62,663</u>
Total comprehensive loss for the year, net of tax		<u><u>(1,997,025)</u></u>	<u><u>(2,103,578)</u></u>

		Year ended 31 December	
		2025	2024
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
Loss attributable to:			
	– Ordinary shareholders of the Company	(1,855,867)	(1,739,385)
	– Non-controlling interests	(215,736)	(426,856)
		<u>(2,071,603)</u>	<u>(2,166,241)</u>
Total comprehensive loss attributable to:			
	– Ordinary shareholders of the Company	(1,781,454)	(1,676,682)
	– Non-controlling interests	(215,571)	(426,896)
		<u>(1,997,025)</u>	<u>(2,103,578)</u>
Loss per share for loss attributable to ordinary shareholders of the Company			
		<i>RMB</i>	<i>RMB</i>
	– Basic and diluted	<u>(1.729)</u>	<u>(1.458)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December	
		2025	2024
		<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		3,276,150	3,978,548
Investment properties		14,555	15,436
Right-of-use assets		284,990	301,783
Receivables under service concession arrangements	<i>9</i>	6,157,032	7,531,465
Contract assets		11,344,693	11,032,606
Intangible assets		10,227,138	9,975,490
Investments accounted for using the equity method		1,083,917	1,082,841
Financial asset at fair value through other comprehensive Income		100	4,675
Trade and other receivables	<i>10</i>	184,237	185,382
Prepayments	<i>10</i>	1,042,912	1,193,712
Deferred income tax assets		127,696	189,714
		33,743,420	35,491,652
Current assets			
Receivables under service concession arrangements	<i>9</i>	229,777	261,991
Inventories		144,368	113,775
Contract assets		172,452	160,602
Trade and other receivables	<i>10</i>	7,057,866	7,041,477
Prepayments	<i>10</i>	208,813	232,199
Restricted cash		80,169	108,959
Cash and cash equivalents		806,757	1,008,079
Financial asset at fair value through profit or loss		–	50,000
		8,700,202	8,977,082
Assets classified as held-for-sale		73,361	–
		8,773,563	8,977,082
Total assets		42,516,983	44,468,734

		As at 31 December	
		2025	2024
	<i>Notes</i>	RMB'000	RMB'000
Equity			
Equity attributable to ordinary shareholders of the Company			
Share capital		1,193,213	1,193,213
Other reserves		2,728,159	2,640,358
Retained earnings		<u>(5,392,817)</u>	<u>(3,523,854)</u>
		<u>(1,471,445)</u>	<u>309,717</u>
Perpetual securities interests		9,891,670	9,891,670
Non-controlling interests		<u>729,536</u>	<u>959,935</u>
Total equity		<u>9,149,761</u>	<u>11,161,322</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		36,031	42,670
Borrowings	<i>11</i>	18,398,548	18,447,418
Trade and other payables	<i>12</i>	212,555	139,557
Deferred income		679,901	683,739
Deferred income tax liabilities		724,239	732,981
Provision(s)		<u>512,558</u>	<u>516,119</u>
		<u>20,563,832</u>	<u>20,562,484</u>
Current liabilities			
Contract liabilities		96,736	123,959
Lease liabilities		1,455	1,485
Borrowings	<i>11</i>	3,010,439	2,922,052
Trade and other payables	<i>12</i>	9,115,507	9,138,488
Current taxation		<u>579,253</u>	<u>558,944</u>
		<u>12,803,390</u>	<u>12,744,928</u>
Total liabilities		<u>33,367,222</u>	<u>33,307,412</u>
Total equity and liabilities		<u>42,516,983</u>	<u>44,468,734</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

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 thousand Renminbi (“**RMB**”). All amounts have been rounded to the nearest thousand, 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 HKFRS Accounting Standards 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 HKFRS Accounting Standards 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.

2.1.1 Going concern basis

The Group reported a net loss of RMB2,071,603,000 for the year ended 31 December 2025 and the Group's current liabilities exceeded its current assets by RMB4,029,827,000 as at 31 December 2025. As at the same date, the Group's total borrowings amounted to RMB21,408,987,000, of which current borrowings amounted to RMB3,010,439,000, while its cash and cash equivalents amounted to RMB806,757,000 only. The Group had capital commitments of approximately RMB7,057,679,000, 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 2025 and subsequently thereto up to the report 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 RMB2,996,704,000 to satisfy part of the construction cost payable and committed capital expenditure in the next twelve months from 31 December 2025. 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;

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 after the reporting date. 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 next eighteen months from 31 December 2025. 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 Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards 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 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21

Lack of Exchangeability

The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

The adoption of the amended standards does not have a significant impact on the financial information.

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.

(i) Segment results and capital expenditure for the year ended 31 December 2025 are as follows:

Year ended 31 December 2025:

	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>	Total <i>RMB'000</i>
Total segment revenue						
Inter-segment revenue						
Revenue from external customers	1,215,524	628,110	11,787	470,292	44,239	2,369,952
Revenue from contracts with customers						
– Recognised at a point in time	–	464,809	8,029	–	–	472,838
– Recognised at over time	964,594	149,583	3,758	458,546	44,239	1,620,720
Revenue from other sources						
– Finance income	250,930	13,718	–	11,746	–	276,394
Gross profit	260,062	15,049	(7,279)	(112,143)	18,113	173,802
Other income						296,185
Other loss – net						(45,190)
Selling expenses						(35,314)
Administrative expenses						(974,081)
Net impairment losses on financial and contract assets						(371,182)
Finance costs – net						(1,036,344)
Share of profit/(loss) of investments accounted for using the equity method – net	(8,143)	–	–	(8)	25,215	17,064
Loss before income tax						(1,975,060)
Income tax expenses						(96,543)
Loss for the year						(2,071,603)
Depreciation and amortisation	(155,349)	(379,669)	(8,116)	(271,923)	(6,286)	(821,343)
Segment assets	18,182,218	11,667,754	5,307,008	6,147,946	1,212,057	42,516,983
Segment assets include:						
Investments accounted for using the equity method	50,681	–	–	26,894	1,006,342	1,083,917
Segment liabilities	10,243,105	10,960,771	4,756,637	6,738,314	668,395	33,367,222
Additions to non-current assets (other than financial instruments and deferred income tax assets)	261,883	187,137	4,278	9,517	–	462,815

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>	Total <i>RMB'000</i>
Total segment revenue						
Inter-segment revenue						
Revenue from external customers	<u>1,381,031</u>	<u>774,809</u>	<u>29,575</u>	<u>558,406</u>	<u>54,388</u>	<u>2,798,209</u>
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 loss – 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 (loss)/profit of investments accounted for using the equity method – net	564	–	–	(106)	36,326	<u>36,784</u>
Loss before income tax						(2,138,500)
Income tax expenses						<u>(27,741)</u>
Loss for the year						<u>(2,166,241)</u>
Depreciation and amortisation	<u>(125,083)</u>	<u>(305,903)</u>	<u>(7,076)</u>	<u>(198,689)</u>	<u>(3,443)</u>	<u>(640,194)</u>
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	<u>58,824</u>	<u>–</u>	<u>–</u>	<u>26,902</u>	<u>997,115</u>	<u>1,082,841</u>
Segment liabilities	<u>10,349,680</u>	<u>13,484,654</u>	<u>4,828,578</u>	<u>3,851,875</u>	<u>792,625</u>	<u>33,307,412</u>
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>451,596</u>	<u>38,860</u>	<u>2,355</u>	<u>32,513</u>	<u>–</u>	<u>525,324</u>

4. OTHER INCOME

	Year ended 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	36,113	39,055
Value-added tax refunds	5,985	8,102
Gains on modification upon loan restructuring	248,852	—
Miscellaneous income	5,235	11,380
	<u>296,185</u>	<u>58,537</u>

5. FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
– Interest income	<u>18,818</u>	<u>11,086</u>
Finance costs		
– Borrowing costs	<u>(910,055)</u>	<u>(1,028,365)</u>
– Net exchange loss on financing activities	(55,380)	(31,459)
– Unwinding of provision	<u>(89,727)</u>	<u>(82,099)</u>
	<u>(1,055,162)</u>	<u>(1,141,923)</u>
Finance costs – net	<u>(1,036,344)</u>	<u>(1,130,837)</u>

6. INCOME TAX EXPENSES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Current income tax		
– Corporate income tax	43,267	35,365
Deferred income tax	<u>53,276</u>	<u>(7,624)</u>
	<u><u>96,543</u></u>	<u><u>27,741</u></u>

(a) PRC corporate income tax

Certain subsidiaries in certain industries operating in the western region of Chinese Mainland 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 Chinese Mainland 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 Chinese Mainland are subject to corporate income tax at the statutory rate of 25% (2024: 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 2025 (2024: 20%).

(c) Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the year ended 31 December 2025 (2024: 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 2025 (2024: 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 2025 (2024: 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 2025.

	Year ended 31 December	
	2025	2024
Loss		
Loss attributable to the ordinary shareholders of the Company (RMB'000)	(1,855,867)	(1,739,385)
Accrued distributions to the perpetual securities interests (RMB' 000)	<u>(207,725)</u>	<u>—</u>
	<u>(2,063,592)</u>	<u>—</u>
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<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 2025 and 2024.

8. DIVIDENDS

At the board of directors meeting held on 31 March 2026, the Directors did not recommend the payment of any final dividend for the year ended 31 December 2025 out of retained earnings of the Company.

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	
	2025	2024
	RMB'000	RMB'000
Receivables under service concession arrangements	6,590,219	7,950,970
Less: Allowance for ECL	<u>(203,410)</u>	<u>(157,514)</u>
	6,386,809	7,793,456
Portion classified as current assets	<u>(229,777)</u>	<u>(261,991)</u>
	<u>6,157,032</u>	<u>7,531,465</u>
Non-current portion		

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

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Within one year	195,784	267,017
One to two years	203,997	228,012
Two to five years	666,089	361,846
Over five years	5,524,349	7,094,095
	<u>6,590,219</u>	<u>7,950,970</u>

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Trade receivables (<i>note a</i>)		
– Related parties	2,148,004	2,155,014
– Local governments	2,742,595	2,407,629
– Third parties	2,591,628	2,631,054
Less: provision for impairment	<u>(1,948,299)</u>	<u>(1,741,302)</u>
	<u>5,533,928</u>	<u>5,452,395</u>
Other receivables		
– Related parties	38,969	40,365
– Third parties	1,930,133	1,907,540
Less: provision for impairment	<u>(260,926)</u>	<u>(173,441)</u>
	<u>1,708,176</u>	<u>1,774,464</u>
Total trade and other receivables	7,242,104	7,226,859
Less: non-current portion of trade and other receivables	<u>(184,238)</u>	<u>(185,382)</u>
Current portion of trade and other receivables	<u>7,057,866</u>	<u>7,041,477</u>
Prepayments		
– Related parties	140,923	193,674
– Third parties	1,188,052	1,290,241
Less: provision for impairment	<u>(77,250)</u>	<u>(58,004)</u>
	<u>1,251,725</u>	<u>1,425,911</u>
Less: non-current portion of prepayments	<u>(1,042,912)</u>	<u>(1,193,712)</u>
Current portion of prepayments	<u>208,813</u>	<u>232,199</u>

(a) Trade receivables

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

	As at 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,177,572	1,193,866
One to two years	597,296	919,793
Two to three years	630,134	330,022
Over three years	5,077,225	4,750,016
	<u>7,482,227</u>	<u>7,193,697</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	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Long-term bank borrowings	15,400,939	15,468,327
Corporate bonds and other borrowings	2,997,609	2,979,091
	<u>18,398,548</u>	<u>18,447,418</u>
Current		
Current portion of long-term bank borrowings	1,176,752	1,124,718
Current portion of corporate bonds and other borrowings	1,833,687	1,797,334
	<u>3,010,439</u>	<u>2,922,052</u>
	<u>21,408,987</u>	<u>21,369,470</u>

12. TRADE AND OTHER PAYABLES

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Trade payables:		
– Related parties	1,749,088	1,722,281
– Third parties	<u>5,676,561</u>	<u>5,579,239</u>
	<u>7,425,649</u>	<u>7,301,520</u>
Other payables:		
– Related parties	228,726	244,768
– Third parties	1,387,695	1,433,494
Staff welfare benefit payable	88,345	93,009
Other taxes payable	134,697	140,834
Dividend payables	<u>62,950</u>	<u>64,420</u>
	<u>9,328,062</u>	<u>9,278,045</u>
Less: non-current portion	<u>(212,555)</u>	<u>(139,557)</u>
Current portion	<u><u>9,115,507</u></u>	<u><u>9,138,488</u></u>

- (a) Trade payables are settled in accordance with agreed terms with suppliers.
- (b) At 31 December 2025, the aging analysis of the trade payables based on invoice dates or contractual terms, is as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Within one year	546,253	554,646
One to two years	545,574	306,494
Two to three years	225,597	803,760
Over three years	<u>6,108,225</u>	<u>5,636,620</u>
	<u><u>7,425,649</u></u>	<u><u>7,301,520</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The year 2025 was a crucial year for the development and transformation of the water industry, which underwent systematic and profound changes at the policy, market, and corporate levels.

In terms of the policies, the top-level design and institutional framework of the water industry have been continuously refined, and water resources management has become increasingly stringent. The purpose of these policies is to establish a rigid constraint system covering the entire process of water intake, supply, use, and discharge, along with economic means, such as pricing, taxation, and markets (like water rights trading) to regulate water-use behavior. In 2025, five ministries and commissions, including the Ministry of Water Resources, issued the more detailed “Opinions on Comprehensively Constructing a System of Water-Saving Institutions and Policies” (《關於全面構建節水制度政策體系的意見》), proposing to establish and improve institutional systems for water-saving and efficiency enhancement in agriculture, water-saving and emission reduction in industry, and water-saving and loss reduction in urban areas, categorized by sector (agriculture, industry, and urban areas), advance the reform of water prices and water resource taxes, carry out contractual water-saving management and reclaimed water utilization, and promote the establishment of water-saving production and lifestyles, thereby supporting and ensuring the implementation of major national strategies. The Ministry of Water Resources’ 2025 key work points focus on “rigid constraints on water resources”, requiring the meticulous and efficient use of water resources and the strict and detailed management of water resources. By determining the available water volume in river basins, strengthening the supervision of the entire process of water intake and use, and comprehensively implementing the water resources tax reform, it directly boosts market demand for water-saving technologies and smart water management. The “Key Points for Water Resources Management in 2025” (《2025年水資源管理工作要點》) of the Ministry of Water Resources specified the cultivation of trading markets, the issuance of norms for water rights trading in the Yellow River Basin, and the exploration of water rights pledges and equity contributions. The water resources tax reform is fully implemented, with strengthened metering and oversight. The Central Committee of the Communist Party of China and the State Council issued the “Opinions on Promoting High-Quality Urban Development” (《關於推動城市高質量發展的意見》), outlining eight key tasks for water-related pollution control work, including optimising the water supply guarantee system, promoting full coverage of the sewage pipe network, building happy rivers and lakes, and enhancing drainage and flood prevention capabilities, which marked the shift in the focus of water infrastructure construction from “existence” to “quality, intelligence, and safety”. Driven by the “dual carbon” goals and the construction of “waste-free cities”, the policy focus of solid waste management has shifted from harmless disposal to resource recovery and high-value utilization. The “14th Five-Year Plan for Circular Economy Development” (《「十四五」循環經濟發展規劃》) has set a target for the output value of resource recycling to reach RMB5 trillion by 2025, providing broad room for industry development. In addition, the State Council and various ministries and commissions continued to strengthen investment policies for the industry while promoting greater standardization. At an executive meeting, the State Council highlighted innovating investment and financing mechanisms to attract various types of capital. The authorities such as Ministry of Housing and Urban-Rural Development and the Ministry of Ecology and

Environment have maintained and strengthened previous policies, with central government funds (such as those from additional issuances of treasury bonds) providing ongoing support to address shortcomings in the pipeline network. The “Special Administrative Measures for Central Budgetary Investment in Water Conservancy” (《水利中央預算內投資專項管理辦法》) established clear benchmarks for financial support, ensuring funding for major projects such as the national water network. The PPP model has been standardized, while special-purpose bonds and REITs (such as public REITs for environmental infrastructure) have become important financing tools.

In terms of the market, on one hand, the overall scale grew steadily, with the water market scale exceeding RMB1.2 trillion according to the statistics, and the proportion of water supply and sewage over 85%. Water supply capacity exceeded 350 million tons per day, sewage approached 280 million tons per day, and the reclaimed water utilization rate was approximately 28%. The growth rates of industrial wastewater treatment, seawater desalination, and reclaimed water reuse exceeded 15%. The solid waste market scale exceeded RMB900 billion, with an annual growth rate of approximately 13.6%. The resource utilization rate of domestic waste exceeded 60%, and the utilization and disposal rate of hazardous waste exceeded 95%. The comprehensive utilization of bulk solid waste and the resource utilization of “urban mines” achieved high growth, with fields such as waste-to-energy incineration and recycled building materials becoming new hot spots. On the other hand, profound changes occurred in growth momentum and competitive logic. Firstly, there was the shift in growth momentum, where the traditional growth model relying on new construction projects slowed down, and the refined operation, technical transformation, and price adjustments of existing projects became the main sources of growth for profits. For example, the heating business of solid waste incineration enterprises and the upward adjustment of water prices for water enterprises became important performance drivers. Secondly, the dual-track innovation in technology and business models has begun to achieve value reshaping through the deep integration of technologies such as AI empowerment, AI applications (for waste sorting and pipe network monitoring), the Internet of Things (smart water), and automation (unmanned sanitation) into the industry. Technologies like AI-powered water quality monitoring and pipe network leakage control are becoming widespread. Cross-sector integration of solid waste (such as the synergistic disposal of sludge in waste incineration plants and the production of fertilizer from biogas residue) enhanced the overall profitability of projects. At the same time, new models such as water rights trading and contractual water-saving management were actively explored to open up new revenue streams. New business models like “resource recovery + carbon trading” have begun to emerge, bringing additional income for solid waste resource utilization products. Thirdly, driven by urban renewal, policy support and accelerated efforts to address infrastructure weaknesses spurred development in county and rural markets. Regional differentiation in the water and solid waste markets has become apparent: the eastern region focus on improving quality, efficiency, and intelligent upgrades, while the central and western regions continue to require efforts to address infrastructure weaknesses. The market for environmental governance in county and rural areas is expanding, gradually becoming the main source of new growth.

In terms of the corporations, as competition continues to intensify and model innovations constantly emerge, the water and solid waste market is accelerating its evolution towards specialization, smart transformation, and low-carbonization, with leading enterprises continuously expanding their market share by relying on their technical integration and scenario implementation capabilities. Firstly, state-owned enterprises are taking a leading role while private enterprises are becoming more specialized. Local water groups are consolidating their regional advantages and unlocking asset value through REITs and other means, while central state-owned enterprises (such as China Three Gorges Corporation and CECEP) continue to develop their presence across the entire “water-solid waste synergy” industry chain. Private and small-to-medium-sized enterprises are focusing more on niche segments such as industrial wastewater and industrial parks (e.g., membrane technology, high-concentration wastewater treatment, and intelligent waste sorting equipment), pursuing a path of “specialization, refinement, differentiation, and innovation” to seek breakthroughs through technological differentiation. In summary, enterprises in the industry are continuing their transformation towards platformization, specialization, intelligence, and the entire industry chain, with a combination of light and heavy assets. Secondly, operational efficiency remains a core competitive advantage, with increasing pressure on enterprises to reduce costs and improve efficiency. Digitalization, intellectualization, and smart technologies are being rapidly adopted, and smart management platforms (such as digital twin water plants) have become standard operational tools for leading industry players. Solid waste enterprises are expanding from “waste-to-energy incineration” to “material recovery + energy recovery”, continuously increasing the value of resource output. Thirdly, ESG and sustainable development have been integrated. Leading enterprises have incorporated carbon management into their strategies, upgrading ESG ratings through carbon accounting and green power substitution to attract green finance support. In addition, disclosure requirements for social responsibility reports are more stringent, and transparency of environmental data has been a key to brand trust. Fourthly, international expansion is being pursued with caution. Certain leading enterprises have expanded into overseas markets by relying on the “Belt and Road” initiative, with a focus on water and waste-to-energy projects in regions such as Southeast Asia and the Middle East; as geopolitical risks intensify, enterprises are more inclined to adopt technology export or choose asset-light cooperation models for development.

Overall, the water industry has entered a new normal characterized by stringent policies, market segmentation, and corporate divergence. Operational efficiency, technological innovation, and service quality will become core competencies. Particularly in the fields of smart water and precision operation and maintenance of pipe networks, future core competitiveness will depend on whether enterprises can, under resource constraint, create more efficient and greener industrial value for customers and society through technological and model innovation. Meanwhile, the state and governments and authorities at all levels will introduce a series of specific policies measures across multiple dimensions, including production and operational management, industrial quality and efficiency enhancement, technological improvement support, and policy funding, which will have a significant impact on the industry. Looking ahead, the water industry remains one of the key sectors strongly promoted by national and local government. With various policy support, the water industry’s development prospects are promising and will achieve significant accomplishments.

DEVELOPMENT STRATEGIES AND PROSPECT

2025 was a crucial year for the Company to deepen reforms, improve quality and efficiency, and consolidate the foundation for development. 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. By shouldering our primary responsibilities, demonstrating a strong commitment to practical work, holding bottom line of risks, and steadily advancing all production and operational activities, the Company achieved phased breakthroughs in various works, laying a solid foundation for its sustainable and healthy development.

In 2025, the Company strengthened lean management through initiatives such as technological innovation, process optimization, and digital management, and overcame difficulties to resolve historical challenges. Multiple projects entered trial operation, project construction proceeded in an orderly manner, and project conversion efficiency continued to improve. The Company vigorously promoted asset disposal and debt collection, and effectively improved cash flow conditions, successfully completed the redemption of debt principal and interest, and firmly upheld the bottom line of financial risks. The Company actively seized opportunities from macro-policy empowerment to facilitate the dual enhancement of operational efficiency and environmental protection treatment capacity, with new breakthroughs in core indicators.

In 2025, the Company deepened its corporate governance reform, continuously enhancing governance effectiveness through refined management processes, the implementation of entrusted management, and the establishment of a highly efficient “three-level management and control” organizational operation system. The Company expanded the talent pool for core positions, optimized the structure of the talent echelon, and carried out the determination of posts, staffing, and salaries. The Company established a remuneration distribution mechanism linked to performance contribution, reinforced standardized compliance management, and constructed a trinity management system of compliance, risk, and internal control. Efforts were intensified to resolve litigation cases, tackle core technologies, promote the application of innovation achievements, and bolster the construction of the safety responsibility system. Internal management was continuously optimized, and the foundation for development was constantly consolidated.

The year 2026 is a pivotal year for the Company to deepen reforms and achieve high-quality development. Anchored in its positioning as “Yunnan’s Main Environmental Protection Platform and a Leading Domestic Integrated Service Provider”, the Company will concentrate on resolving prominent issues, accelerate project construction, and standardize operational management. By closely following the major task of asset-light transformation and focusing on key tasks with targeted efforts, the Company will ensure that all works stay on track, deliver practical results, and achieve concrete achievements. Guided by the green and intelligent development trends in the water industry and grounded in the Company’s operational realities, the Company will unweaveringly follow the main theme of “consolidating its core positioning and advancing its asset-light transformation in stages”. We will promote the implementation of this transformation in a phased and systematic manner to achieve a

virtuous cycle of “stopping the bleeding, generating new lifeblood, and revitalize circulation”. We will integrate high-quality resources, revitalize inefficient and non-performing assets, implement the asset-light operational model, and gradually export its technological, management, and operational capabilities. Every effort will be made to resolve prominent issues such as government-enterprise relations, price adjustments, debt collection, government takeovers, and approvals for commercial operation, so as to alleviate historical debt burdens and accelerate the construction of ongoing projects and their transition to commercial operation. The Company will constantly optimize its asset structure, improve operational efficiency, and promote refined management, intelligent management, and capital operation empowerment, while actively exploring new profit models and growth drivers, thereby forming an asset-light developing model of “technology + capital + ecosystem”, building a sustainable, high-quality development pattern and taking solid steps toward a new situation of high-quality development.

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 2025, 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 5,846,650 tonnes. As at 31 December 2025, 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 4,142,430 tonnes.

Wastewater Treatment Projects

As at 31 December 2025, the Group had a total of 122 concession wastewater treatment projects, including 7 BOO projects, 60 BOT projects, 2 TOO projects, 23 TOT projects, 1 ROT project and 29 municipal environment comprehensive treatment projects, with a total daily treatment capacity of approximately 3,196,700 tonnes.

As at 31 December 2025, 99 concession projects with a total daily treatment capacity of approximately 2,646,045 tonnes had commenced commercial operation (including 7 municipal environment comprehensive treatment projects with a total daily wastewater treatment capacity of approximately 360,045 tonnes). During the Reporting Period, the Group's average wastewater treatment utilisation rate was approximately 84.73%, and the average unit charge of wastewater treatment was approximately RMB1.42 per tonne.

As at 31 December 2025, 23 concession projects with a total daily treatment capacity of approximately 485,660 tonnes had not commenced commercial operation (including 21 municipal environment comprehensive treatment projects with a total daily treatment capacity of approximately 476,660 tonnes).

Water Supply Projects

As at 31 December 2025, the Group had a total of 60 concession water supply projects with a total daily treatment capacity of approximately 2,205,300 tonnes, including 15 BOO projects, 29 BOT projects, 11 TOT projects and 5 municipal environment comprehensive treatment projects.

As at 31 December 2025, 46 concession projects with a total daily treatment capacity of approximately 1,335,000 tonnes had commenced commercial operation. During the Reporting Period, the Group's average water supply utilisation rate was approximately 71.19%, and the average unit charge of water supply was approximately RMB2.61 per tonne.

As at 31 December 2025, 14 concession projects with a total daily treatment capacity of approximately 700,300 tonnes had not commenced commercial operation (including 6 municipal environment comprehensive treatment projects with a total daily treatment capacity of approximately 380,900 tonnes).

Solid Waste Treatment Projects

As at 31 December 2025, the Group had 27 solid waste treatment projects with a total annual treatment capacity of approximately 4,142,430 tonnes, 14 of which with an annual treatment capacity of 2,291,800 tonnes had commenced commercial operation (including 5 municipal environment comprehensive treatment projects with treatment capacity of approximately 438,000 tonnes); 8 of which with an annual treatment capacity of 1,617,500 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 2024. During the Reporting Period, the Group's average solid waste treatment utilisation rate was approximately 73.42%.

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 2025, the Group had a total of 11 BT projects, which were either under construction and/or completed, among which revenue of 1 BT projects was recognised during the Reporting Period.

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 2025, the Group was providing relevant operational services for 26 O&M projects, which included 24 wastewater treatment projects with a total daily treatment capacity of approximately 420,650 tonnes (including the capacity of wastewater treatment projects adopting O&M model within municipal environment comprehensive treatment projects), and 2 water supply projects with daily treatment capacity of approximately 24,000 tonnes, and there were 4 new wastewater treatment projects with a total daily treatment capacity of approximately 55,000 tonnes as compared to 31 December 2024.

FINANCIAL REVIEW

Results of Operation

During the Reporting Period, the Group recorded revenue of approximately RMB2,370.0 million, representing a decrease of approximately 15.3% as compared with the year ended 31 December 2024. The Group realized a net loss of approximately RMB2,072.0 million, representing a decrease of approximately 4.4% as compared with the year ended 31 December 2024. Loss attributable to the ordinary shareholders of the Company was approximately RMB1,855.9 million, representing an increase of approximately 6.7% as compared with 31 December 2024. Loss per share for the year ended 31 December 2025 was approximately RMB1.729.

Revenue

Revenue of the Group decreased from approximately RMB2,798.2 million for the year ended 31 December 2024 to approximately RMB2,370.0 million for the Reporting Period, representing a decrease of approximately 15.3%.

In respect of the business segments of the Group, revenue from wastewater treatment decreased from approximately RMB1,381.0 million for the year ended 31 December 2024 to approximately RMB1,215.5 million for the Reporting Period. Revenue from water supply decreased from approximately RMB774.8 million for the year ended 31 December 2024 to approximately RMB628.1 million for the Reporting Period. Revenue from construction and sales of equipment decreased from approximately RMB29.6 million for the year ended 31 December 2024 to approximately RMB11.8 million for the Reporting Period. Revenue from solid waste treatment decreased from RMB558.4 million for the year ended 31 December 2024 to approximately RMB470.3 million for the Reporting Period. Revenue from other business decreased from approximately RMB54.4 million for the year ended 31 December 2024 to approximately RMB44.2 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 and operation of wastewater treatment projects during the Reporting Period.

The decrease in revenue from the water supply segment was mainly attributable to the decrease in revenue from construction and operation of water supply treatment projects during the Reporting Period.

The decrease in revenue from the solid waste treatment segment was mainly attributable to the decrease 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 revenue from EPC construction and equipment sales during the Reporting Period.

Cost of Sales and Services

During the Reporting Period, cost of sales of the Group was approximately RMB2,196.2 million, representing a decrease of approximately 6.3% as compared with approximately RMB2,344.5 million for the year ended 31 December 2024. 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, water supply and solid waste treatment projects under construction during the construction period.

Gross Profit Margin

During the Reporting Period, gross profit margin of the Group was approximately 7.3%, representing a decrease of approximately 8.9% as compared with approximately 16.2% for the year ended 31 December 2024.

Other Income

During the Reporting Period, the Group recorded other income of approximately RMB296.2 million, representing an increase of approximately 406.0% as compared with approximately RMB58.5 million for the year ended 31 December 2024. The increase in other income was mainly due to the increase in income from debt restructuring in the current year.

Other Gains/(Losses) – Net

During the Reporting Period, the Group recorded other net losses of approximately RMB45.2 million, representing a decrease of approximately RMB93.1 million as compared with the net gains of approximately RMB138.3 million for the year ended 31 December 2024. The change in other gains/(losses) was due to the net losses of approximately RMB85.8 million generated from disposal of investments in subsidiaries last year, which was non-recurring during the Reporting Period.

Selling Expenses

During the Reporting Period, selling expenses of the Group were approximately RMB35.3 million, representing an increase of approximately RMB2.0 million or 6.2 % as compared with approximately RMB33.3 million for the year ended 31 December 2024. The increase in selling expenses was mainly attributable to an increase in repair expenses in the current year.

Administrative Expenses

Administrative expenses of the Group increased by RMB340.6 million from approximately RMB633.5 million for the year ended 31 December 2024 to approximately RMB974.1 million for the Reporting Period, representing an increase of approximately 53.8%. The increase in administrative expenses was primarily due to the increase in the provision for impairment of property, plant and equipment, intangible assets and prepayments in the current year as compared to last year.

Finance Costs – Net

Net finance costs decreased by RMB94.5 million from approximately RMB1,130.8 million for the year ended 31 December 2024 to approximately RMB1,036.3 million for the Reporting Period, representing a decrease of approximately 8.4%. The decrease in net finance costs was primarily attributable to the loan agreement arrangements (measured at amortized cost) entered into by the Group with creditors such as the bank during the Reporting Period, an increase in amortization amount in the current year compared to last year, an increase in exchange losses during the Reporting Period, and a decrease of approximately RMB200 million in interest expense during the Reporting Period as compared to last year under the Perpetual Securities Agreement entered into with the controlling shareholders on 31 December 2024.

The average interest rate on borrowings of the Group for the Reporting Period was approximately 4.25% per annum, representing an increase compared to approximately 3.93% per annum for the year ended 31 December 2024.

Loss Before Income Tax

As a result of the above factors, the Group recorded loss before income tax of approximately RMB1,975.1 million for the Reporting Period, representing a decrease of approximately 7.6% as compared with the loss before income tax of approximately RMB2,138.5 million recorded for the year ended 31 December 2024.

Income Tax Expenses

Income tax expenses increased by RMB68.8 million from approximately RMB27.7 million for the year ended 31 December 2024 to approximately RMB96.5 million for the Reporting Period, representing an increase of approximately 248.0%. The increase was mainly due to the temporary differences arising from deductible losses that are not expected to be deducted in the future.

Loss for the Reporting Period

As a result of the foregoing, loss for the Reporting Period decreased by approximately RMB94.6 million from the loss of approximately RMB2,166.2 million for the year ended 31 December 2024 to the loss of approximately RMB2,071.6 million for the Reporting Period, representing a decrease of approximately 4.4%.

Receivables under Service Concession Arrangements

The Group's receivables under service concession arrangements decreased by approximately RMB1,406.7 million from approximately RMB7,793.5 million as at 31 December 2024 to approximately RMB6,386.8 million as at 31 December 2025, representing a decrease of approximately 18.1%. The decrease was mainly due to the change in the accounting treatment for certain taken-over projects and transit projects during the Reporting Period, which are now presented as intangible assets following a change in their business nature.

Trade and Other Receivables and Prepayments

The Group's trade and other receivables and prepayments decreased by approximately RMB159.0 million from approximately RMB8,652.8 million as at 31 December 2024 to approximately RMB8,493.8 million as at 31 December 2025, representing a decrease of approximately 1.8%. The decrease was mainly due to the increase in trade receivables and the increase in provision for impairment in the current period.

Cash and Cash Equivalents

The Group's cash and cash equivalents decreased by approximately RMB201.3 million from approximately RMB1,008.1 million as at 31 December 2024 to approximately RMB806.8 million as at 31 December 2025, representing a decrease of approximately 20.0%. The decrease was mainly due to the net cash flows from operating activities being insufficient to cover the net cash flows from investing activities and financing activities during the Reporting Period.

Trade and Other Payables

The Group's trade and other payables increased by approximately RMB50.1 million from approximately RMB9,278.0 million as at 31 December 2024 to approximately RMB9,328.1 million as at 31 December 2025, representing an increase of approximately 0.5%.

Borrowings

As at 31 December 2025, the Group had borrowings of approximately RMB21,409.0 million (31 December 2024: approximately RMB21,369.5 million). As at 31 December 2025, the Group had unsecured borrowings of approximately RMB7,475.4 million (31 December 2024: approximately RMB7,306.3 million), and secured borrowings of approximately RMB13,933.6 million (31 December 2024: approximately RMB14,063.2 million).

Pledge of Assets

As at 31 December 2025, borrowings of RMB13,933.6 million (31 December 2024: approximately RMB14,063.2 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) increased from approximately 64.59% as at 31 December 2024 to approximately 69.25% as at 31 December 2025. The increase in gearing ratio was mainly due to the loss 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 2025, the Group employed 4,779 employees (31 December 2024: 5,586). During the Reporting Period, staff cost was approximately RMB426.5 million (for the year ended 31 December 2024: RMB440.9 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.

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 2025 and as at the date on which consolidated financial statements were approved for publication, the Group had no contingent liabilities.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 28 April 2025 (after trading hours), Dali Water Industry Investment Co., Ltd.* (大理水務產業投資有限公司), a non-wholly owned subsidiary of the Company (as vendor), entered into a transaction agreement with the purchaser, Dali Innovation Construction and Development Co., Ltd* (大理創新建設開發有限公司) (as purchaser), pursuant to which, the vendor agreed to sell and the purchaser agreed to acquire the assets of the Dali City Fourth Water Plant Expansion and Pipeline Network Project (大理市第四水廠改擴建及管網工程項目), at a consideration of RMB89,952,600.

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 shareholders 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 2025 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 interests 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.

The amendments to the Corporate Governance Code came into effect on 1 July 2025 and the requirements under the new Corporate Governance Code will apply to the corporate governance reports and annual reports of the Company for the financial years commencing on or after 1 July 2025. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the new Corporate Governance Code and align with the latest developments.

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

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. The Group has made specific enquiries with all of its Directors, and all Directors 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 management work and financial internal control system of the Group to oversee auditing procedures; supervising the conduct of the finances, the Directors and senior management of the Company in the performance of their duties in accordance with the law, exercising powers and functions in accordance with the law, protecting the legal rights and interests of the Company and the Shareholders, and performing other duties and responsibilities assigned by the Board, including making recommendations on appointing or changing the external auditor and its terms of engagement; evaluating and monitoring external auditor’s independence and objectivity in accordance with applicable standards; monitoring the integrity of the Company’s financial statements, annual report and accounts and half-year report; supervising the Company’s financial reporting system, risk management and internal control system. 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 six meetings, and the main contents of the six meetings are summarized as follows:

The first meeting was held to discuss the audit report on the economic responsibilities of the former management personnel of the Company's South China Region. The second meeting was held to discuss the Company's annual results for the year ended 31 December 2024, provision for credit and asset impairment in 2024, and not recommending the payment of the final dividend in 2024. The third meeting was held to discuss the internal control evaluation report of the Company for the year 2024. The fourth meeting was held to discuss the financial statements of the Company for the year 2024 and the re-appointment of the auditor for the year 2025. The fifth meeting was held to discuss the Company's interim results for the six months ended 30 June 2025 and not recommending the payment of the interim dividend for the six months ended 30 June 2025. The sixth meeting was held to discuss the amendments to the Rules of Procedures of the Audit Committee of the Company.

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 executive Director, Mr. Zhu Zhen (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 two meetings, and the main contents of the two meetings are summarized as follows:

The meeting was held to discuss the candidates of non-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 five meetings, and the main contents of the five meetings are summarized as follows:

The meeting was held to discuss the payout of annual performance salary of senior management of the Company in 2024 and 2025.

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 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 risk assessment report for the year 2024. The second meeting was held to discuss the revision of the Company's internal control manual. The third meeting was held to discuss the Company's amendments to the legal affairs management system.

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 2025.

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 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

As described in note 2.1.1 to the consolidated financial statements, the Group reported a net loss of RMB2,071,603,000 for the year ended 31 December 2025 and the Group's current liabilities exceeded its current assets by RMB4,029,827,000 as at 31 December 2025. As at the same date, the Group's total borrowings amounted to RMB21,408,987,000, of which current borrowings amounted to RMB3,010,439,000, while its cash and cash equivalents amounted to RMB806,757,000 only. As at 31 December 2025, the Group had capital commitments of approximately RMB7,057,679,000, which were mainly related to various concession projects and construction projects of the Group.

These conditions, together with other matters described in note 2.1.1 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 2025 annual report of the Company will be despatched to the Company's shareholders and published on the aforesaid websites in due course.

SCOPE OF WORK ON THE ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2025 as set out in the preliminary announcement have been agreed by the Group's auditor, Forvis Mazars CPA Limited ("**Forvis Mazars**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Forvis Mazars in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Forvis Mazars on the preliminary announcement.

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 2025.

By order of the Board
Yunnan Water Investment Co., Limited*
Zhu Zhen
Chairman

Kunming, the PRC

31 March 2026

As at the date of this announcement, the executive Directors are Mr. Zhu Zhen (Chairman), Mr. Zheng Guangfeng (Vice-Chairman) and Mr. Liu Hui; the non-executive Directors are Mr. Li Zhengzheng, Mr. Xia Lin and Ms. Duan Tao; and the independent non-executive Directors are Mr. Liu Shuen Kong, Mr. Zhou Beihai and Mr. Zhong Wei.

* *For identification purposes only*