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Kunming Dianchi Water Treatment Co., Ltd.

昆明滇池水务股份有限公司

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

(Stock Code: 3768)

2024 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL SUMMARY

For the six months ended 30 June 2024, the Group's:

- revenue amounted to approximately RMB738.6 million, representing a decrease of 14.4% from the corresponding period of last year;
- profit before tax amounted to approximately RMB197.9 million, representing a decrease of 1.7% from the corresponding period of last year;
- net profit attributable to the equity holders of the Company amounted to approximately RMB148.0 million, representing a decrease of 10.8% from the corresponding period of last year;
- earnings per share amounted to approximately RMB0.14, representing a decrease of 12.5% from the corresponding period of last year.

The board (the “**Board**”) of directors (the “**Director(s)**”) of Kunming Dianchi Water Treatment Co., Ltd. (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**us**” or “**our**”) for the six months ended 30 June 2024 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2023, as follows:

I. INTERIM FINANCIAL INFORMATION AND NOTES THERETO

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Unaudited	
		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
Revenue	6	738,567	862,833
Cost of sales	25	<u>(371,597)</u>	<u>(462,325)</u>
Gross profit		366,970	400,508
Selling expenses	25	(591)	(1,038)
Administrative expenses	25	(32,181)	(37,144)
Research and development expenses	25	–	–
Net impairment losses on financial and contract assets		(58,092)	(30,898)
Other income	23	31,250	11,325
Other losses	24	<u>(671)</u>	<u>(1,897)</u>
Operating profit		<u>306,685</u>	<u>340,856</u>
Finance income	26	21,249	19,933
Finance costs	26	<u>(131,571)</u>	<u>(159,366)</u>
Finance costs – net	26	<u>(110,322)</u>	<u>(139,433)</u>
Share of results of associates		<u>1,517</u>	–
Profit before tax		197,880	201,423
Income tax expense	27	<u>(49,525)</u>	<u>(34,499)</u>
Profit for the period		148,355	166,924
Profit for the period attributable to:			
– Equity holders of the Company		148,033	165,945
– Non-controlling interests		<u>322</u>	<u>979</u>
		<u>148,355</u>	<u>166,924</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONTINUED)**

		Unaudited	
		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
Other comprehensive income for the period			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences		<u>1,098</u>	<u>(99)</u>
Total comprehensive income for the period		<u>149,453</u>	<u>166,825</u>
Total comprehensive income for the period attributable to:			
– Equity holders of the Company		<u>149,131</u>	165,846
– Non-controlling interests		<u>322</u>	<u>979</u>
		<u>149,453</u>	<u>166,825</u>
Earnings per share for profit for the period attributable to equity holders of the Company (expressed in RMB per share)			
– Basic and diluted earnings per share	28	<u>0.14</u>	0.16
		<u>0.14</u>	<u>0.16</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2024

		Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Investment properties	7	267,855	267,855
Right-of-use assets/land use rights	8	373,475	378,384
Property, plant and equipment	9	2,379,857	2,485,500
Receivables under service concession arrangements	10	1,689,317	2,528,619
Amounts due from customers for construction contracts	16	652,256	701,415
Contract assets	15	138,042	133,203
Intangible assets	11	683,907	561,337
Investments in associates	12	62,208	–
Deferred income tax assets	13	99,359	96,117
		<u>6,346,276</u>	<u>7,152,430</u>
Current assets			
Receivables under service concession arrangements	10	17,774	30,682
Inventories		7,549	7,570
Amounts due from customers for construction contracts	16	37,582	27,116
Financial assets at amortised cost	14	149,800	179,800
Trade and other receivables	15	5,322,374	4,437,299
Cash and bank balances	17	76,911	174,088
Restricted funds	17	222	54,865
		<u>5,612,212</u>	<u>4,911,420</u>
Total assets		<u>11,958,488</u>	<u>12,063,850</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		Unaudited	Audited
		30 June	31 December
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Deferred revenue	21	235,403	239,728
Borrowings	20	1,824,846	2,005,485
Deferred income tax liabilities	13	44,619	44,974
		<u>2,104,868</u>	<u>2,290,187</u>
Current liabilities			
Trade and other payables	22	1,345,794	1,380,081
Tax payables		175,027	142,462
Borrowings	20	3,192,998	3,266,653
Contract liabilities	22	13,050	7,163
		<u>4,726,869</u>	<u>4,796,359</u>
Total liabilities		<u>6,831,737</u>	<u>7,086,546</u>
Net assets		<u>5,126,751</u>	<u>4,977,304</u>
CAPITAL AND RESERVES			
Share capital	18	1,029,111	1,029,111
Other reserves	19	1,614,866	1,613,774
Accumulated profits		2,472,630	2,324,597
Equity attributable to owners of the Company		<u>5,116,607</u>	4,967,482
Non-controlling interests		<u>10,144</u>	<u>9,822</u>
Total equity		<u>5,126,751</u>	<u>4,977,304</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital	Other reserves	Accumulated	Non-controlling	Total equity	
<i>RMB'000</i>	<i>RMB'000</i>	<i>profits</i>	<i>Total</i>	<i>interests</i>	<i>Total equity</i>	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
As at 1 January 2023	1,029,111	1,575,452	2,044,427	4,648,990	8,601	4,657,591
Comprehensive income:						
Profit for the period	-	-	165,945	165,945	979	166,924
Other comprehensive income	-	-	-	-	-	-
<i>Items that may be reclassified subsequently to profit or loss</i>	-	-	-	-	-	-
Exchange differences	-	(99)	-	(99)	-	(99)
	<u>-</u>	<u>(99)</u>	<u>-</u>	<u>(99)</u>	<u>-</u>	<u>(99)</u>
Total comprehensive income for the period	<u>-</u>	<u>(99)</u>	<u>165,945</u>	<u>165,846</u>	<u>979</u>	<u>166,825</u>
Transactions with owners:						
Dividends in respect of previous year approved	-	-	-	-	-	-
Dividends to non-controlling shareholders	-	-	-	-	-	-
Others	-	755	-	755	-	755
	<u>-</u>	<u>755</u>	<u>-</u>	<u>755</u>	<u>-</u>	<u>755</u>
As at 30 June 2023	<u>1,029,111</u>	<u>1,576,108</u>	<u>2,210,372</u>	<u>4,815,591</u>	<u>9,580</u>	<u>4,825,171</u>
As at 1 January 2024	1,029,111	1,613,774	2,324,597	4,967,482	9,822	4,977,304
Comprehensive income:			148,033	148,033	322	148,355
Profit for the period	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
<i>Items that may be reclassified subsequently to profit or loss</i>	-	-	-	-	-	-
Exchange differences	-	1,098	-	1,098	-	1,098
	<u>-</u>	<u>1,098</u>	<u>-</u>	<u>1,098</u>	<u>-</u>	<u>1,098</u>
Total comprehensive income for the period	<u>-</u>	<u>1,098</u>	<u>148,033</u>	<u>149,131</u>	<u>322</u>	<u>149,453</u>
Transactions with owners:						
Dividends in respect of previous year approved	-	-	-	-	-	-
Dividends to non-controlling shareholders	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Others	-	(6)	-	(6)	-	(6)
As at 30 June 2024	<u>1,029,111</u>	<u>1,614,866</u>	<u>2,472,630</u>	<u>5,116,607</u>	<u>10,144</u>	<u>5,126,751</u>

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2024

		Unaudited	
		Six months ended 30 June	
		2024	2023
	Notes	RMB'000	RMB'000
OPERATING ACTIVITIES			
Cash generated from operations	29	197,738	242,173
Interest paid		(144,124)	(124,888)
Income tax paid		(25,148)	(12,359)
Net cash generated from operating activities		28,466	104,926
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(68,703)	(32,674)
Purchase of intangible assets		–	(198)
Advances to related parties		–	(142,000)
Loans to related parties		–	(80,000)
Repayments from related parties		8,000	130,000
Interest received		23,977	28,159
Government grants received relating to purchase of property, plant and equipment		–	17,705
Proceeds from disposal of property, plant and equipment		–	57
Proceeds from disposal of subsidiaries		76,198	27,721
Repayments from a third party		3,293	–
Net cash generated from/(used in) investing activities		42,765	(51,230)

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
FINANCING ACTIVITIES		
Proceeds from borrowings	1,540,800	1,901,600
Repayments of borrowings	<u>(1,710,307)</u>	<u>(1,990,507)</u>
Net cash (used in) financing activities	<u>(169,507)</u>	<u>(88,907)</u>
Net (decrease) in cash and cash equivalents	(98,276)	(35,211)
Cash and cash equivalents at beginning of the period	174,089	131,494
Effect of exchange rate changes	<u>1,098</u>	<u>659</u>
Cash and cash equivalents at end of the period	<u><u>76,911</u></u>	<u><u>96,942</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

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

This condensed consolidated interim financial information on pages 2 to 42 were approved for issue by the Board on 23 August 2024.

This condensed consolidated interim financial information has not been audited.

Significant changes in the current Reporting Period

For a detailed discussion about the Group’s performance and financial position, please refer to “II. Management discussion and analysis” as set out on pages 43 to 66 of this announcement.

2. BASIS OF PREPARATION

Statement of compliance

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

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

This condensed consolidated interim financial report for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 Interim Financial Reporting.

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2023. They have been prepared on the historical cost basis, except for the investment properties and financial liabilities at fair value through profit or loss, which are measured at fair value. The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023. As of the date of approval of the unaudited condensed consolidated financial statements, the IASB has issued the following new/revised IFRSs that are relevant to the Group and not yet effective for the current financial year and have not been early adopted by the Group:

Amendments to IAS 21	Lack of Exchangeability
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

3. CHANGES IN ACCOUNTING POLICIES

During the current interim period, the accounting policies adopted by the Group in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the first-time adoption of the amendments to IAS 1, amendments to IAS 7, amendments to IFRS 7 and amendments to IFRS 16 in this period's financial information. The Group has assessed the impact of adopting the amendments and concluded that the amendments do not have a significant financial impact on the Group's financial position and performance.

4. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2023 of the Group.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2023 of the Group.

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

5.2 Foreign exchange risk

The Group is exposed to foreign exchange risk primarily arising from currency exposure with respect to Hong Kong dollars ("HKD") and United States dollars ("USD"). Foreign exchange risk arises from cash and cash equivalents and borrowings denominated in HKD and USD.

As at 30 June 2024, if RMB had weakened/strengthened by 1% (30 June 2023: 1%) against HKD and USD denominated cash and cash equivalents with all other variables held constant, net profit for the six months ended 30 June 2024 would have been approximately RMB136,000 (30 June 2023: approximately RMB67,000) higher/lower. If RMB had weakened/strengthened by 1% (30 June 2023: 1%) against HKD and USD denominated borrowings with all other variables held constant, financial costs for the year would have been approximately RMB6,637,000 (30 June 2023: approximately RMB7,450,000) lower/higher.

5.3 Credit risk

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

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

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Credit risk (continued)

For receivables, the Group assessed the credit quality of the counterparties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follows up the disputes or amounts overdue, if any. As at 30 June 2024, the ageing analysis of trade receivables is set out in Note 15.

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

(i) Trade receivables

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

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 1 January 2024 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. There was no change in the estimation techniques or significant assumptions made during the period.

The following table provides information about the exposure to credit risk for trade receivables which are assessed on collective basis by using provision matrix within lifetime expected credit loss (“ECL”) (not credit impaired). Debtors with credit-impaired with gross carrying amounts of approximately RMB4,810,000 as at 30 June 2024 (31 December 2023: approximately RMB4,810,000) were assessed individually.

	Up to 1 year	1 to 2 years	2 to 3 years	Total
Trade receivables				
As at 30 June 2024				
Expected loss rate	1.7%	2.6%	5.1%	
Gross carrying amount (RMB'000)	1,790,451	1,455,194	832,500	4,078,145
Loss allowance provision (RMB'000)	(30,615)	(38,261)	(42,426)	(111,302)
	<u>1,759,836</u>	<u>1,416,933</u>	<u>790,074</u>	<u>3,966,843</u>
	Up to 1 year	1 to 2 years	2 to 3 years	Total
Trade receivables				
As at 31 December 2023				
Expected loss rate	1.7%	2.6%	5.0%	
Gross carrying amount (RMB'000)	1,341,523	1,471,773	838,229	3,651,525
Loss allowance provision (RMB'000)	(22,665)	(38,723)	(42,139)	(103,527)
	<u>1,318,858</u>	<u>1,433,050</u>	<u>796,090</u>	<u>3,547,998</u>

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

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Credit risk (continued)

(i) Trade receivables (continued)

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

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At 31 December 2023 and 1 January 2024	103,527	4,810	108,337
Impairment losses recognised, net	8,489	–	8,489
Disposal of subsidiaries	(714)	–	(714)
	<u>111,302</u>	<u>4,810</u>	<u>116,112</u>
At 30 June 2024	<u>111,302</u>	<u>4,810</u>	<u>116,112</u>

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

As at 30 June 2024, the Group increased loss allowance of approximately RMB8,489,000 (the year ended 31 December 2023: approximately RMB30,288,000 recognised) on the trade receivables. The movement in the loss allowance for trade receivables is summarised below.

	30 June 2024 RMB'000	31 December 2023 RMB'000
At the beginning of the Reporting Period	108,337	81,712
Increase of allowance	8,489	30,288
Disposal of subsidiaries	(714)	(3,663)
	<u>116,112</u>	<u>108,337</u>
At the end of the Reporting Period	<u>116,112</u>	<u>108,337</u>

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

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

As at 30 June 2024, the Group does not hold any collateral to cover its credit risks associated with its receivables under service concession arrangements, amounts due from customers for construction contracts, other receivables and contract assets, except for financial asset at amortised cost.

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

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Credit risk (continued)

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

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

On the basis as stated, a total loss allowance provision for receivables under service concession arrangements, amounts due from customers for construction contracts, other receivables (except for the tax rebate which are not financial assets), financial assets at amortised cost and contract assets amounted to approximately RMB260,950,000 (31 December 2023: approximately RMB231,006,000) was recognised at 30 June 2024 as follows:

	Receivables under service concession arrangements	Amounts due from customers for construction contracts	Other receivables	Financial assets at amortised cost	Contract assets	Total
As at 30 June 2024						
Expected loss rate	2.22%	2.22%	4.09%	50.03%	2.22%	
Gross carrying amount (RMB'000)	1,745,848	705,500	1,306,947	299,800	141,176	4,199,271
Loss allowance provision (RMB'000)	(38,757)	(15,662)	(53,397)	(150,000)	(3,134)	(260,950)
	<u>1,707,091</u>	<u>689,838</u>	<u>1,253,550</u>	<u>149,800</u>	<u>138,042</u>	<u>3,938,321</u>

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Credit risk (continued)

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

	Receivables under service concession arrangements	Amounts due from customers for construction contracts	Other receivables	Financial assets at amortised cost	Contract assets	Total
As at 31 December 2023						
Expected loss rate	2.22%	2.22%	3.97%	40.03%	2.22%	
Gross carrying amount (RMB'000)	2,617,408	745,072	840,048	299,800	136,227	4,638,555
Loss allowance provision (RMB'000)	(58,107)	(16,541)	(33,334)	(120,000)	(3,024)	(231,006)
	<u>2,559,301</u>	<u>728,531</u>	<u>806,714</u>	<u>179,800</u>	<u>133,203</u>	<u>4,407,549</u>

On the basis as stated, the increase in total loss allowance provision for receivables under service concession arrangements, amounts due from customers for construction contracts, other receivables (except for the tax rebate which are not financial assets), financial assets at amortised cost and contract assets amounted to approximately RMB49,603,000 (31 December 2023: approximately RMB79,745,000) was recognised at 30 June 2024 as follows:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
At the beginning of the Reporting Period	231,006	153,284
Increase in allowance	49,603	79,745
Disposal of subsidiaries	(19,659)	(2,023)
At the end of the Reporting Period	<u>260,950</u>	<u>231,006</u>

5.4 Liquidity risk

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

	Weighted average effective interest rate %	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 30 June 2024 RMB'000
As at 30 June 2024							
Borrowings	5.44	3,352,512	91,500	1,777,233	325,031	5,546,276	5,017,844
Financial liabilities included in trade and other payables	–	<u>1,356,101</u>	–	–	–	<u>1,356,101</u>	<u>1,356,101</u>
		<u>4,708,613</u>	<u>91,500</u>	<u>1,777,233</u>	<u>325,031</u>	<u>6,902,377</u>	<u>6,373,945</u>

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.4 Liquidity risk (continued)

	Weighted average effective interest rate %	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2023 RMB'000
As at 31 December 2023							
Borrowings	5.17	3,523,111	158,117	1,456,106	768,053	5,905,387	5,272,138
Financial liabilities included in trade and other payables	–	1,255,575	–	–	–	1,255,575	1,255,575
		<u>4,778,686</u>	<u>158,117</u>	<u>1,456,106</u>	<u>768,053</u>	<u>7,160,962</u>	<u>6,527,713</u>

5.5 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).
- The following table shows the Group's assets and liabilities that are regularly measured at fair value as at 30 June 2024:

At 30 June 2024 (Unaudited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets/(liabilities)				
Investment properties	–	–	267,855	267,855

- The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2023 on a recurring basis:

At 31 December 2023 (Audited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets/(liabilities)				
Investment properties	–	–	267,855	267,855

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.5 Fair value estimation (continued)

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

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

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

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

6. SEGMENT AND REVENUE INFORMATION

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

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

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

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

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

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

6. SEGMENT AND REVENUE INFORMATION (CONTINUED)

(a) Revenue

The revenue of the Group for the six months ended 30 June 2024 and 2023 are set out as follows:

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers within IFRS 15		
Wastewater treatment	544,088	561,624
Operating services – under TOO model	420,086	438,096
Operating services – under TOT/BOT model	64,881	86,501
Construction services – under BOT model	20,404	10,621
Finance income	38,717	26,406
Reclaimed water supply and running water supply	58,768	61,125
Operating services – under TOO model	12,985	26,274
Operating services – under TOT/BOT model	18,823	18,026
Construction services – under BOT model	9,385	4,137
Finance income	17,575	12,688
Other businesses	135,711	240,084
Management services	82,959	91,213
Transportation services	–	335
Construction services – under BOT model	6,669	34,733
Thermoelectricity services	4,353	82,657
Others	41,730	31,146
	<u>738,567</u>	<u>862,833</u>

6. SEGMENT AND REVENUE INFORMATION (CONTINUED)

(b) Segment information

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

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

6. SEGMENT AND REVENUE INFORMATION (CONTINUED)

(b) Segment information (continued)

Business segment	As at 30 June 2024 (Unaudited)			
	Wastewater treatment RMB'000	Water supply RMB'000	Others RMB'000	Total RMB'000
Segment assets	<u>8,974,051</u>	<u>1,853,982</u>	<u>968,888</u>	<u>11,796,921</u>
Unallocated:				
Investments in associates				62,208
Deferred income tax assets				<u>99,359</u>
Total assets				<u><u>11,958,488</u></u>
Segment liabilities	<u>5,378,312</u>	<u>581,133</u>	<u>652,646</u>	<u>6,612,091</u>
Unallocated:				
Deferred income tax liabilities				44,619
Tax payables				<u>175,027</u>
Total liabilities				<u><u>6,831,737</u></u>

The segment information provided to senior executive management for the reportable segments for the six months ended 30 June 2023 is as follows:

Business segment	For the six months ended 30 June 2023 (Unaudited)			
	Wastewater treatment RMB'000	Water supply RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers	<u>561,624</u>	<u>61,125</u>	<u>240,084</u>	<u>862,833</u>
Segment gross profit	<u>264,080</u>	<u>40,928</u>	<u>95,500</u>	<u>400,508</u>
Segment profit	<u>223,907</u>	<u>38,203</u>	<u>78,746</u>	<u>340,856</u>
Finance income				19,933
Finance costs				<u>(159,366)</u>
Profit before tax				<u><u>201,423</u></u>
Other information				
Depreciation of property, plant and equipment	89,364	5,585	5,690	100,639
Depreciation expense of right-of-use assets	3,957	114	1,357	5,428
Amortisation of intangible assets	10,712	457	1,868	13,037
Impairment loss on trade receivables	(12,764)	607	(1,494)	(13,651)
Impairment loss on financial assets at amortised cost	–	–	30,000	30,000
Capital expenditure	<u>10,943</u>	<u>18,873</u>	<u>805</u>	<u>30,621</u>

6. SEGMENT AND REVENUE INFORMATION (CONTINUED)

(b) Segment information (continued)

Business segment	As at 31 December 2023 (Audited)			
	Wastewater treatment RMB'000	Water supply RMB'000	Others RMB'000	Total RMB'000
Segment assets	<u>9,180,312</u>	<u>1,762,831</u>	<u>1,024,590</u>	<u>11,967,733</u>
Unallocated:				
Deferred income tax assets				<u>96,117</u>
Total assets				<u><u>12,063,850</u></u>
Segment liabilities	<u>5,039,664</u>	<u>481,037</u>	<u>1,378,409</u>	<u>6,899,110</u>
Unallocated:				
Deferred income tax liabilities				44,974
Tax payables				<u>142,462</u>
Total liabilities				<u><u>7,086,546</u></u>

(c) Geographical information

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

(d) Information about major customers

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Customer A	N/A*	207,399
Customer B	344,394	232,428
Customer C	88,246	N/A*

* The corresponding revenue did not contribute 10% or more of the Group's revenue.

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

7. INVESTMENT PROPERTIES

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
At fair value		
At the beginning of the Reporting Period	267,855	277,462
Change in fair value	—	—
At the end of the Reporting Period	267,855	277,462

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

For the six months ended 30 June 2024, a fair value gain of approximately RMB0 (30 June 2023: approximately RMB0) was recognised in the consolidated income statement.

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

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

Investment properties	Unaudited	Audited	Valuation techniques	Prevailing market rent per month	Adjusted unit price	Capitalisation rate
	30 June 2024	31 December 2023				
	Fair value	Fair value				
	<i>RMB'000</i>	<i>RMB'000</i>				
Entire buildings No. 1, No. 2 and No.3 (including basement) of the Kunming No. 2 Water Purification Plant	252,183	252,183	Income capitalization	RMB29.30 to RMB48.00 per square meter	N/A	6.71%
Six management buildings of the Kunming No. 3 Water Purification Plant	12,172	12,172	Income capitalisation	RMB29.30 to RMB48.00 per square meter	N/A	6.71%
Two pieces of lands located at the Paper Making Industry Base in Dayao Town, Liuyang City	3,500	3,500	Income capitalisation	RMB2.47 to RMB4.67 per square meter	N/A	7.13%

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

No investment properties were pledged as at 30 June 2024.

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

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

	Land use rights RMB'000	Total RMB'000
(Unaudited)		
Reconciliation of carrying amount		
– for the six months ended 30 June 2024		
At the beginning of the Reporting Period	378,384	378,384
Depreciation	<u>(4,909)</u>	<u>(4,909)</u>
At the end of the Reporting Period	<u><u>373,475</u></u>	<u><u>373,475</u></u>
Reconciliation of carrying amount		
– for the six months ended 30 June 2023		
At the beginning of the Reporting Period	411,454	411,454
Depreciation	<u>(5,428)</u>	<u>(5,428)</u>
At the end of the Reporting Period	<u><u>406,026</u></u>	<u><u>406,026</u></u>

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Machinery and equipment RMB'000	Office and electronic equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
(Unaudited)						
Six months ended 30 June 2024						
At the beginning of the Reporting Period	1,735,913	453,569	35,878	10,277	249,863	2,485,500
Additions (a)	–	2,840	144	4	12,946	15,934
Others	(1,152)	(6,253)	1,141	(11)	–	(6,275)
Disposals	(8)	(801)	(491)	(15)	–	(1,315)
Disposal of subsidiaries	(165)	(6,150)	(1,025)	(944)	–	(8,284)
Depreciation (Note 25)	(57,306)	(41,470)	(5,805)	(1,122)	–	(105,703)
Transfer to	<u>58,515</u>	<u>–</u>	<u>1,031</u>	<u>–</u>	<u>(59,546)</u>	<u>–</u>
At the end of the Reporting Period	<u><u>1,735,797</u></u>	<u><u>401,735</u></u>	<u><u>30,873</u></u>	<u><u>8,189</u></u>	<u><u>203,263</u></u>	<u><u>2,379,857</u></u>
(Unaudited)						
Six months ended 30 June 2023						
At the beginning of the Reporting Period	1,837,525	555,318	36,539	17,635	269,633	2,716,650
Additions	918	5,399	443	6	23,855	30,621
Others	–	(230)	–	–	(375)	(605)
Disposals	–	–	–	(1,951)	–	(1,951)
Depreciation (Note 25)	<u>(54,239)</u>	<u>(39,387)</u>	<u>(6,032)</u>	<u>(981)</u>	<u>–</u>	<u>(100,639)</u>
At the end of the Reporting Period	<u><u>1,784,204</u></u>	<u><u>521,100</u></u>	<u><u>30,950</u></u>	<u><u>14,709</u></u>	<u><u>293,113</u></u>	<u><u>2,644,076</u></u>

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) For the six months ended 30 June 2024, additions were approximately RMB15,934,000 and the depreciation was approximately RMB105,703,000.
- (b) The net book values of property, plant and equipment pledged as collateral for the Group's borrowings (Note 20) as at the respective balance sheet dates were as follows:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Buildings and facilities	335,750	353,833
Machinery and equipment	294,090	385,267
Office and electronic equipment	2,702	6,108
Motor vehicles	79	152
	<u>632,621</u>	<u>745,360</u>

10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

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

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Receivables under service concession arrangements		
Current portion:		
Receivables under service concession arrangements	18,177	31,379
Loss allowance	(403)	(697)
	<u>17,774</u>	<u>30,682</u>
Non-current portion:		
Receivables under service concession arrangements	1,727,671	2,586,029
Loss allowance	(38,354)	(57,410)
	<u>1,689,317</u>	<u>2,528,619</u>
	<u><u>1,707,091</u></u>	<u><u>2,559,301</u></u>

11. INTANGIBLE ASSETS

	Computer software <i>RMB'000</i>	Operating concession <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)			
Six months ended 30 June 2024			
Opening net book value	6,650	554,687	561,337
Addition	–	144,552	144,552
Disposal of subsidiaries	–	(3,936)	(3,936)
Amortisation (<i>Note 25</i>)	<u>(1,586)</u>	<u>(16,460)</u>	<u>(18,046)</u>
Closing net book value	<u><u>5,064</u></u>	<u><u>678,843</u></u>	<u><u>683,907</u></u>
	Computer software <i>RMB'000</i>	Operating concession <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)			
Six months ended 30 June 2023			
Opening net book value	7,876	539,304	547,180
Addition	–	428	428
Amortisation (<i>Note 25</i>)	<u>(1,662)</u>	<u>(11,375)</u>	<u>(13,037)</u>
Closing net book value	<u><u>6,214</u></u>	<u><u>528,357</u></u>	<u><u>534,571</u></u>

12. INVESTMENTS IN ASSOCIATES

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

	Unaudited 30 June 2024 <i>RMB'000</i>	Audited 31 December 2023 <i>RMB'000</i>
Unlisted shares		
Share of net assets	60,636	(1,572)
Goodwill	7,203	7,203
Less: Provision of impairment	<u>(5,631)</u>	<u>(5,631)</u>
At the end of the Reporting Period	<u><u>62,208</u></u>	<u><u>–</u></u>

Fair value of investments

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

Financial information of associates

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

12. INVESTMENTS IN ASSOCIATES (CONTINUED)

Financial information of associates (continued)

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

Name of entities	Country/place and date of establishment	Paid-up capital RMB'000	Proportion of ownership interest held by the Group		Principal activities
			Unaudited 30 June 2024	Audited 31 December 2023	
Yunnan Dianchi Information Construction Management Co., Ltd.* (雲南滇池信息建設管理有限公司, “Dianchi Information”)	PRC, Kunming 14 May 2012	2,500	40%	40%	Construction of communication pipeline
Kunming Zaojing Quanxiang Biological Technology Co., Ltd.* (昆明藻井泉香生物科技有限公司, “Kunming Zaojing”)	PRC, Kunming 12 August 2010	8,000	35%	35%	Research and development of biological products
Zhaotong Guorun Water Treatment Co., Ltd.* (昭通國潤水務有限公司, “Zhaotong Guorun Water”)	PRC, Zhaotong 23 October 2019	100,000	20%	100% ⁽³⁾	Investment, operation and management, technical services of wastewater treatment business
Suijiang Guorun Water Treatment Co., Ltd.* (綏江國潤水務有限公司, “Suijiang Guorun Water”)	PRC, Zhaotong 9 December 2015	22,000	20%	100% ⁽¹⁾	Investment, operation and management, technical services of wastewater treatment business
Yiliang Guorun Water Treatment Co., Ltd.* (彝良國潤水務有限公司, “Yiliang Guorun Water”)	PRC, Zhaotong 4 June 2015	21,000	20%	100% ⁽²⁾	Investment, operation and management, technical services of wastewater treatment business

Important changes in associated companies during the period

- (1) The Group completed the transfer of control and management rights of Suijiang Guorun Water (formerly known as Suijiang Dianchi Water Treatment Co., Ltd.*) on 24 January 2024, and used 31 January 2024 as the benchmark date for the disposal of Suijiang Guorun Water. From then on, the financial information of the company will no longer be included in the Group’s consolidated financial statements.
- (2) The Group completed the transfer of control and management rights of Yiliang Guorun Water (formerly known as Yiliang Dianchi Water Treatment Co., Ltd.*) on 30 January 2024, and used 31 January 2024 as the benchmark date for the disposal of Yiliang Guorun Water. From then on, the financial information of the company will no longer be included in the Group’s consolidated financial statements.
- (3) The Group completed the transfer of control and management rights of Zhaotong Guorun Water (formerly known as Zhaotong Dianchi Water Treatment Co., Ltd.*) on 27 March 2024, and used 31 March 2024 as the benchmark date for the disposal of Zhaotong Guorun Water. From then on, the financial information of the company will no longer be included in the Group’s consolidated financial statements.

12. INVESTMENTS IN ASSOCIATES (CONTINUED)

Important changes in associated companies during the period (continued)

The Group's investments in associates and certain of its key financial information attributable to the Group are as follows:

	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>	Revenues <i>RMB'000</i>	Profit for the period <i>RMB'000</i>	Net assets <i>RMB'000</i>
For the six months ended 30 June 2024	<u>844,929</u>	<u>686,651</u>	<u>36,421</u>	<u>8,915</u>	<u>158,278</u>
For the year ended 31 December 2023	<u>280</u>	<u>1,852</u>	<u>–</u>	<u>(1,732)</u>	<u>(1,572)</u>

13. DEFERRED INCOME TAX ASSETS AND LIABILITIES

	Unaudited 30 June 2024 <i>RMB'000</i>	Audited 31 December 2023 <i>RMB'000</i>
Deferred income tax assets:		
– to be recovered within 12 months	60,224	55,833
– to be recovered after more than 12 months	<u>39,135</u>	<u>40,284</u>
	<u>99,359</u>	<u>96,117</u>
Deferred income tax liabilities:		
– to be recovered within 12 months	7,409	7,409
– to be recovered after more than 12 months	<u>37,210</u>	<u>37,565</u>
	<u>44,619</u>	<u>44,974</u>

Movements in deferred income tax assets and liabilities during the six months ended 30 June 2023 and 2024 (without taking into consideration the offsetting of balance within the same tax jurisdiction) are as follows:

	Unaudited Six months ended 30 June	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Deferred income tax assets		
At the beginning of the period	96,117	81,028
Recognised in profit or loss (<i>Note 27</i>)	7,808	5,563
Disposal of subsidiaries	<u>(4,566)</u>	<u>–</u>
At the end of the period	<u>99,359</u>	<u>86,591</u>

13. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred income tax assets as at 30 June 2023 and 2024 were mainly related to government grant in previous years, tax costs as well as depreciation and amortisation differences corrected based on asset evaluation results on wastewater treatment facilities and right-of-use assets and other relevant non-current assets invested by Kunming Dianchi Investment Co., Ltd.* (昆明滇池投資有限責任公司) (“KDI”).

	Unaudited	
	Six months ended 30 June	
Deferred income tax liabilities	2024	2023
	RMB'000	RMB'000
At the beginning of the period	44,974	51,903
Recognised in profit or loss (Note 27)	(355)	(836)
At the end of the period	<u>44,619</u>	<u>51,067</u>

Deferred income tax liabilities were mainly related to fair value adjustment arising from acquisition of subsidiaries in previous years, differences arising from service concession receivables and differences arising from fair value as at 30 June 2023 and 2024.

14. FINANCIAL ASSETS AT AMORTISED COST

	Unaudited	Audited
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
Unlisted investments (Note)	299,800	299,800
Loss allowance	<u>(150,000)</u>	<u>(120,000)</u>
	<u>149,800</u>	<u>179,800</u>

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

According to the relevant provisions of the Mutual Trust No. 5 Asset Management Agreement and the supplemental agreement for extension of term of the asset management agreement, the asset management plan purchased by the Company has expired on 10 April 2022 (the “Maturity Date”). The asset manager allocated the assets under the asset management plan to the Company in their current status as at the Maturity Date in accordance with the terms of the Mutual Trust No. 5 Asset Management Agreement. On 29 October 2022, the Company and KADI entered into a settlement agreement and mutually agreed that certain assets held by KADI and its subsidiaries were pledged to the Company for the outstanding principal and interest.

The carrying value of financial assets at amortised cost was RMB299,800,000 and stated at the amortised cost less impairment loss. As at 30 June 2024, provision of loss amounted to RMB150,000,000 was made.

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

15. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Trade receivables (Note (a)):		
– Third parties	213,130	194,924
– Related parties (Note 31(d)(i))	311,804	228,236
– Local government	3,557,921	3,233,175
– Loss allowance	<u>(116,112)</u>	<u>(108,337)</u>
Trade receivables – net	<u>3,966,843</u>	<u>3,547,998</u>
Other receivables:		
– Third parties	147,523	97,942
– Related parties (Note 31(d)(i))	1,128,888	713,921
– Local government	30,536	28,185
– Loss allowance	<u>(53,397)</u>	<u>(33,334)</u>
Other receivables – net	<u>1,253,550</u>	<u>806,714</u>
Prepayments:		
– Others	101,981	82,587
– Loss allowance	<u>–</u>	<u>–</u>
Prepayments – net	<u>101,981</u>	<u>82,587</u>
Trade and other receivables – net	<u>5,322,374</u>	<u>4,437,299</u>

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

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

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

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Non-current portion:		
Wastewater treatment construction business	141,176	136,227
Loss allowance	(3,134)	(3,024)
	<u>138,042</u>	<u>133,203</u>

Notes:

- (a) Contract assets relating to concession agreements for new wastewater treatment, water supply and other construction services are not yet collectible from the customer until the construction of new wastewater treatment, water supply and other infrastructure or upgrade services are completed. As a result, a contract asset is recognised over the period in which the construction of new wastewater treatment, water supply and other infrastructure or upgrade services are performed to represent the entity's right to consideration for the services transferred to date. The carrying amount of approximately RMB138,042,000 will be reclassified as receivables under concession agreements or intangible assets after completion of construction of new wastewater treatment, water supply and other infrastructure or upgrade services. As the contract assets are not expected to be settled within one year from the end of the Reporting Period, the whole balance is classified as non-current assets.
- (b) Provision for impairment loss of approximately RMB3,134,000 was recognised for contract assets during the period (31 December 2023: RMB3,024,000).
- (c) Ageing analysis of trade receivables at the respective balance sheet dates, based on the invoice dates, is as follows:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
– Within one year	1,790,451	1,341,523
– Over one year and within two years	1,455,194	1,471,773
– Over two years	837,310	843,039
	<u>4,082,955</u>	<u>3,656,335</u>

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

16. AMOUNTS DUE FROM CUSTOMERS FOR CONSTRUCTION CONTRACTS

Costs incurred to date plus recognised profits less recognised losses:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Costs incurred to date plus recognised profits less recognised losses		
Current portion:		
Amounts due from customers for construction contracts	38,435	27,732
Loss allowance	(853)	(616)
	<u>37,582</u>	<u>27,116</u>
Non-current portion:		
Amounts due from customers for construction contracts	667,065	717,340
Loss allowance	(14,809)	(15,925)
	<u>652,256</u>	<u>701,415</u>
	<u>689,838</u>	<u>728,531</u>

17. CASH AND CASH EQUIVALENTS

		Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Cash and bank balances	(a)	76,911	174,088
Restricted funds	(a), (b)	<u>222</u>	<u>54,865</u>

(a) Cash and bank balances are denominated in:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
RMB	63,486	207,835
HKD	6,067	12,170
USD	<u>7,580</u>	<u>8,948</u>
	<u>77,133</u>	<u>228,953</u>

All deposits at bank are deposits with original maturity within 3 months. The Group earns interest on cash at bank at floating bank deposit rates at ranged from 0.01% to 2.25% during the six months ended 30 June 2024 (31 December 2023: 0.01% to 2.25%).

(b) As at 30 June 2024, restricted funds included frozen funds (31 December 2023: including guarantee deposits for letters of credit and other frozen amounts).

18. SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of shares (thousands)	Share capital RMB'000
At 1 January 2024 and 30 June 2024 (Unaudited)	<u>1,029,111</u>	<u>1,029,111</u>
At 1 January 2023 and 30 June 2023 (Unaudited)	<u>1,029,111</u>	<u>1,029,111</u>

19. OTHER RESERVES

	Share premium RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Property revaluation surplus RMB'000	Translation reserve RMB'000	Total RMB'000
At 1 January 2024	1,283,440	363,939	(47,793)	11,145	3,043	1,613,774
Currency translation differences	—	(6)	—	—	1,098	1,092
At 30 June 2024 (unaudited)	<u>1,283,440</u>	<u>363,933</u>	<u>(47,793)</u>	<u>11,145</u>	<u>4,141</u>	<u>1,614,866</u>
At 1 January 2023	1,283,440	326,477	(47,793)	11,145	2,183	1,575,452
Currency translation differences	—	755	—	—	(99)	656
At 30 June 2023 (unaudited)	<u>1,283,440</u>	<u>327,232</u>	<u>(47,793)</u>	<u>11,145</u>	<u>2,084</u>	<u>1,576,108</u>

20. BORROWINGS

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Non-current:		
Unsecured long-term borrowings	180,000	169,200
Secured long-term borrowings (Note (b))	<u>1,644,846</u>	<u>1,836,285</u>
	<u>1,824,846</u>	<u>2,005,485</u>
Current:		
Unsecured short-term borrowings	723,303	875,770
Secured short-term borrowings (Note (b))	<u>2,469,695</u>	<u>2,390,883</u>
	<u>3,192,998</u>	<u>3,266,653</u>
	<u>5,017,844</u>	<u>5,272,138</u>

(a) All the borrowings were denominated in RMB, USD or HKD.

20. BORROWINGS (CONTINUED)

(b) As at 30 June 2024 and 31 December 2023, analysis of the secured borrowings are as follows:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Secured by:		
Corporate guarantee issued by the Company	259,155	18,846
Property, plant and equipment	602,675	596,463
Corporate guarantee issued by related parties	340,888	338,313
Corporate guarantee issued by a shareholder	172,688	172,709
Waste sanitary landfill construction project revenue	185,052	187,838
Sewage treatment revenue	1,655,136	2,196,133
Pledge of equity of subsidiaries	898,947	716,866
	<u>4,114,541</u>	<u>4,227,168</u>

(c) The maturity of borrowings is as follows:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
On demand or within 1 year	3,192,998	3,266,653
Between 1 and 2 years	85,000	99,100
Between 2 and 5 years	1,565,988	1,369,599
Over 5 years	173,858	536,786
	<u>5,017,844</u>	<u>5,272,138</u>

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

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Weighted average effective interest rates of borrowings	<u>5.44%</u>	<u>5.17%</u>

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

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

The Group's borrowings bear interest at floating rates, except for bank loans in an aggregate principal amount of approximately RMB1,768,826,000 (31 December 2023: approximately RMB3,105,730,000) bearing interest at fixed rates ranging from 3.75% to 7.96% (31 December 2023: ranging from 3.75% to 6.93%) per annum.

20. BORROWINGS (CONTINUED)

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

21. DEFERRED REVENUE

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Government grants related to: – property, plant and equipment	235,403	239,728
	<u>235,403</u>	<u>239,728</u>

The movement of government grants during the six months ended 30 June 2024 and 2023 is set out as follows:

	Unaudited Six months ended 30 June	
	30 June 2024 RMB'000	30 June 2023 RMB'000
At the beginning of the Reporting Period	239,728	230,943
Additions	–	17,705
Credit to statement of profit or loss and other comprehensive income (Note 23)	(4,325)	(5,031)
At the end of the Reporting Period	<u>235,403</u>	<u>243,617</u>

22. TRADE AND OTHER PAYABLE/CONTRACT LIABILITIES

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Trade payables to third parties	434,090	454,721
Other payables due to:	411,467	464,099
– related parties (Note 31(d)(ii))	10,807	9,808
– local government	101,953	94,657
– third parties	298,707	359,634
Staff salaries and welfare payables	67,239	60,919
Payables on acquisition of property, plant and equipment due to:	380,157	225,308
– related parties (Note 31(d)(ii))	28,942	28,942
– third parties	351,215	196,366
Payables on acquisition of land use rights from related parties (Note 31(d)(ii))	31,000	31,000
Accrued taxes other than income tax	21,841	24,034
Advance received from disposal of equity interests in subsidiaries	–	120,000
Total trade and other payables	<u>1,345,794</u>	<u>1,380,081</u>

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

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Contract liabilities		
– related parties (<i>Note 31(d)(iii)</i>)	3,184	3,184
– third parties	9,866	3,979
	<u>13,050</u>	<u>7,163</u>

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

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
– Within one year	300,210	197,904
– Over one year and within two years	27,060	165,679
– Beyond two years	106,820	91,138
	<u>434,090</u>	<u>454,721</u>

23. OTHER INCOME

	Unaudited Six months ended 30 June 2024 RMB'000	2023 RMB'000
Government grants:	4,620	6,656
– relating to property, plant and equipment (<i>Note 21</i>)	4,325	5,031
– relating to tax refund	112	1,395
– Others	183	230
Interest income from cash and cash equivalents	1,359	951
Rental income	6,935	3,901
Disposal of subsidiaries	17,738	–
Others	598	(183)
	<u>31,250</u>	<u>11,325</u>

Note:

Pursuant to Notice on Issuing the Catalogue of Preferential Value-added Tax Policies for Products Made through and Labor Services for Integrated Utilisation of Resources issued by the State Administration of Taxation of the PRC, companies who sell self-produced products made with integrated utilised resources or provides labor services for integrated utilisation of resources can enjoy the policy of Value-added Tax (“VAT”) refund upon collection from 1 July 2015. The wastewater treatment business and the reclaimed water supply business of the Group fall into the catalogue and are qualified to enjoy 70% and 50% tax refund respectively.

24. OTHER LOSSES

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Loss on disposal of property, plant and equipment – net	–	806
Others	671	1,091
	<u>671</u>	<u>1,897</u>

25. EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment (<i>Note 9</i>)	105,703	100,639
Utilities, electricity and office expenditures	42,598	63,654
Employee benefit expenses	70,418	81,061
Costs of wastewater and water supply services	42,382	58,230
Cost of construction services	36,567	47,135
Taxes and levies	12,030	12,588
Repair and maintenance costs	7,157	4,474
Depreciation of right-of-use assets/land use rights (<i>Note 8</i>)	4,909	5,428
Professional expenses	2,062	6,803
Amortisation of intangible assets (<i>Note 11</i>)	18,046	13,037
Fuels expenses	62,240	72,984
Miscellaneous	257	34,474
	<u>404,369</u>	<u>500,507</u>

26. FINANCE COSTS – NET

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income:		
– Interest income charged to related parties (<i>Note 31(b)(iii)</i>)	21,249	19,933
	<u>21,249</u>	<u>19,933</u>
Finance costs:		
– Interest expenses	(125,035)	(136,098)
– Exchange (losses) – net	(5,984)	(22,910)
– Others	(552)	(358)
	<u>(131,571)</u>	<u>(159,366)</u>
Finance costs – net	<u>(110,322)</u>	<u>(139,433)</u>

27. INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current income tax	57,688	40,898
Deferred income tax (<i>Note 13</i>)	(8,163)	(6,399)
Income tax expenses	<u>49,525</u>	<u>34,499</u>

Under the Law of the PRC on Corporate Income Tax (the “CIT Law”) and implementation Regulations of the CIT Law, the tax rate of the PRC enterprises is 25% from 1 January 2008. The income tax rate of 25% is applicable to all the Group’s PRC subsidiaries during the six months ended 30 June 2024 and 2023, except for certain subsidiaries that enjoy tax exemption or a preferential income tax rate as approved by the tax authorities, which was discussed as follows:

- China’s west region development policy (the “West Region Development Policy”) is a preferential tax ruling issued by the State Administration of Taxation of the PRC for companies whose business fall into the catalogue of encouraged industries and located in the western provinces of China. During the six months ended 30 June 2024 and 2023, the Company and certain subsidiaries qualified for the West Region Development Policy were granted the preferential income tax rate of 15%.
- Certain newly upgraded wastewater treatment facilities meet the criteria provided in the catalogue for public basic infrastructure projects qualified for CIT preferential treatments and are entitled to three years’ exemption from CIT followed by three years of a 50% tax reduction on relevant taxable income derived from such new projects.
- Certain PRC subsidiaries use the resources stipulated in the catalogue for comprehensive utilisation of resources project qualified for CIT preferential tax rates enjoyed 10% deduction of CIT.

28. EARNINGS PER SHARE

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
Profit for the period attributable to equity holders of the Company (<i>RMB'000</i>)	148,033	165,945
Weighted average number of ordinary shares in issue (<i>thousand</i>)	<u>1,029,111</u>	<u>1,029,111</u>
Basic earnings per share (<i>RMB</i>)	<u>0.14</u>	<u>0.16</u>

- The diluted earnings per share are the same as the basic earnings per share as there was no dilutive potential share during the six months ended 30 June 2024 and 2023.

30. COMMITMENTS

(i) Commitments under operating lease

The Group as lessor

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

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Within one year	15,040	18,606
Over 1 year and within 2 years	14,622	15,113
Over 2 years and within 3 years	15,100	14,286
Over 3 years and within 4 years	15,086	15,103
Over 4 years and within 5 years	6,355	15,084
Over 5 years	<u>29,186</u>	<u>31,676</u>
	<u>95,389</u>	<u>109,868</u>

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

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Property, plant and equipment	<u>13,648</u>	<u>13,648</u>

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

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Concession projects and construction projects	<u>720,038</u>	<u>727,479</u>

31. RELATED PARTY TRANSACTIONS

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

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

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 30 June 2024 and 2023, and balances arising from related party transactions as at 30 June 2024 and 31 December 2023.

(a) Name and relationship with related parties

Name of related party	Nature of relationship
Kunming Dianchi Investment Co. Ltd. (昆明滇池投資有限責任公司, “ KDI ”)	Controlling shareholder of the Company
Kunming Development Investment Group Co., Ltd. (昆明發展投資集團有限公司, “ Kunming DIG ”)	Controlled by Kunming SASAC and a minority shareholder of the Company
Kunming Industrial Development and Investment Co., Ltd. (昆明產業開發投資有限責任公司, “ IDI ”)	Controlled by Kunming SASAC and a minority shareholder of the Company
Kunming State-owned Assets Management and Operation Co., Ltd. (昆明市國有資產管理運營有限責任公司)	Controlled by Kunming SASAC and a minority shareholder of the Company
Kunming Xinzhi Investment Development Co., Ltd. (昆明新置投資發展有限公司, “ Xinzhi Investment ”)	Controlled by Kunming SASAC and a minority shareholder of the Company
Kunming Xindu Investment Co., Ltd. (昆明新都投資有限公司, “ Xindu Investment ”)	Controlled by Kunming SASAC
Kunming Anju Group Co., Ltd. (昆明市安居集團有限公司, “ Anju Group ”)	Controlled by Kunming SASAC
Kunming Agricultural Development Investment Co., Ltd. (昆明農業發展投資有限公司, “ KADI ”)	Controlled by Kunming SASAC
Kunming Municipal Urban Construction Investment & Development Co., Ltd. (昆明市城建投資開發有限責任公司, “ Kunming Construction ”)	Controlled by Kunming SASAC
Zhaotong Guorun Water Treatment Co., Ltd.* (昭通國潤水務有限公司, “ Zhaotong Guorun Water ”)	Associate of the Company
Suijiang Guorun Water Treatment Co., Ltd.* (綏江國潤水務有限公司, “ Suijiang Guorun Water ”)	Associate of the Company
Yiliang Guorun Water Treatment Co., Ltd.* (彝良國潤水務有限公司, “ Yiliang Guorun Water ”)	Associate of the Company

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

Save as disclosed elsewhere in this announcement, during the six months ended 30 June 2024 and 2023, the Group had the following significant transactions with related parties:

(i) Loans granted to related parties:

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Anju Group	–	80,000
	<u>–</u>	<u>80,000</u>

The transactions under finance arrangements between the Group and Anju Group are interest bearing at 8.5% per annum respectively and repayable within one year.

(ii) Loans repaid from related parties:

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Kunming Construction	–	130,000
Anju Group	8,000	–
	<u>8,000</u>	<u>130,000</u>

(iii) Interest income from related parties:

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Kunming DIG	7,997	7,953
Zhaotong Guorun Water	1,549	–
Kunming Construction	8,557	11,699
Anju Group	3,146	281
	<u>21,249</u>	<u>19,933</u>

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

(iv) Management services provided to related parties:

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
KDI	81,246	19,065
	<u>81,246</u>	<u>19,065</u>

(c) Key management compensation

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Salaries, wages and bonuses	618	476
Contributions to pension plans	145	78
Housing fund, medical insurance and other social insurance	122	65
	<u>885</u>	<u>619</u>

(d) Balances with related parties

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

	Unaudited	Audited
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
KADI	6,834	6,834
Kunming DIG	200,505	200,670
Kunming Construction	184,028	186,638
Anju Group	72,151	80,212
KDI	649,606	444,331
Xindu Investment	23,472	23,472
Yiliang Guorun Water	17,685	–
Zhaotong Guorun Water	285,334	–
Suijiang Guorun Water	1,077	–
	<u>1,440,692</u>	<u>942,157</u>

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties (continued)

Other receivables are all non-trade receivables and will be settled upon demand of the Group except for Kunming Construction, Kunming DIG and Anju Group which are interesting bearing at 8.5%, 8.5%, 8.5% and 7.0% per annum respectively and repayable within one year.

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

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
<i>Acquisition of property, plant and equipment:</i>		
Xindu Investment	<u>28,942</u>	<u>28,942</u>
<i>Acquisition of land use rights:</i>		
Xindu Investment	<u>31,000</u>	<u>31,000</u>
<i>Others:</i>		
KDI	6,525	9,808
Yiliang Guorun Water	1,653	–
Zhaotong Guorun Water	155	–
Suijiang Guorun Water	<u>2,474</u>	<u>–</u>
	<u><u>70,749</u></u>	<u><u>69,750</u></u>

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

(iii) Contract liabilities with related parties:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
KDI	<u>3,184</u>	<u>3,184</u>

(iv) Financial assets at amortised cost:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
KADI	<u>149,800</u>	<u>179,800</u>

II. MANAGEMENT DISCUSSION AND ANALYSIS

(I) OPERATING ENVIRONMENT

In the first half of 2024, the complexity, severity, and uncertainty of the external environment have significantly increased, and the continuous deepening of domestic structural adjustments has brought new challenges. However, the sustained release of the effects of China's macro policies, the recovery of external demand, and the accelerated development of new quality productive forces have also provided new support. Overall, in the first half of 2024, China's national economy continuously improved, remaining generally stable with steady progress.

The year of 2024 is an important year for fully implementing the spirit of the 20th National Congress of the Communist Party of the PRC and a crucial year for achieving the goals of the "14th Five-Year Plan". The report of the 20th National Congress of the Communist Party of the PRC comprehensively summarized the major achievements and significant changes in the construction of ecological civilization over the past ten years of the new era. Focusing on the overall situation of comprehensively building a modern socialist country, it laid out the strategic tasks and major measures for promoting ecological civilization construction. It pointed out that pollution prevention and control shall be advanced in depth, we shall adhere to precise, scientific, and legal pollution control, coordinate the comprehensive management of water resources, water environment and water ecology, and continue to deeply fight the battle for clear water protection. The convening of the National Conference on Ecological and Environmental Protection emphasized the need to firmly uphold and practice the idea of "lucid waters and lush mountains are invaluable assets", support high-quality development with a high-quality ecological environment, and accelerate the modernization with harmonious coexistence of humans and nature. Recently, the state has successively issued many policy documents such as the "Opinions of the Central Committee of the Communist Party of China and the State Council on Promoting the Construction of Beautiful China" (《中共中央國務院關於推進美麗中國建設的意見》) and the "Implementation Opinions on Promoting Synergy and Efficiency of Pollution Reduction and Carbon Reduction in Wastewater Treatment" (《關於推進污水處理減污降碳協同增效的實施意見》). The policy system has been improved continuously, laying a solid foundation for the sustainable and high-quality development of the industry. After long-term practical development, the environmental protection industry has entered a stage of comprehensive and balanced development.

The Company adheres to the strategic guideline of "unitary domination with diversified development", focuses on wastewater treatment and deploys business sectors around upstream and downstream industries such as water supply, resource utilization of wastewater and solid waste treatment and disposal. In 2024, the Company will firmly uphold and actively practice the idea of "lucid waters and lush mountains are invaluable assets". Taking the governance and enhancement of the ecological environment system as our duty and taking "products + services" as our goals, we will closely focus on the business philosophy of "seeking progress while maintaining stability". The Company will regard operational management as its foundation, continue to strengthen operational control, adhere to standardized operations, widely carry out energy saving and consumption reduction, and continuously improve the level of operational management. At the same time, we will accelerate the advancement of intelligent and digital operations, comprehensively carry out refined and systematic management, continuously improve operational efficiency, enhance operational returns, and constantly promote the stable, sustainable and high-quality development of the Company.

1. Overview of Wastewater Treatment Industry

The report of the 20th National Congress of the Communist Party of the PRC pointed out that pollution prevention and control must be advanced in depth. We must adhere to precise pollution control, scientific pollution control and legal pollution control, coordinate comprehensive management of water resources, water environment, and water ecology, and continue to fight the battle for clear water protection. In January 2024, the State Council issued the “Opinions on Comprehensively Promoting the Construction of Beautiful China” (《關於全面推進美麗中國建設的意見》), which pointed out that we shall “continue to fight the battle for clear water protection, accelerate to make up for the shortcomings of urban wastewater collection and treatment facilities, build model areas with full coverage of urban wastewater pipe networks, strengthen the harmless treatment and resource utilization of sludge, and construct green and low-carbon benchmark wastewater treatment plants”, guiding the direction for wastewater treatment projects and indicating that this field will usher in new development opportunities, and more efficient and environmentally friendly wastewater treatment technologies will realize innovation and upgrading. The “Opinions on Comprehensively Promoting the Construction of Beautiful China” (《關於全面推進美麗中國建設的意見》) also required us to implement wastewater treatment fee policies, establish a fee mechanism covering the costs of wastewater treatment and sludge disposal while ensuring reasonable profits. With the promotion of favorable factors such as standard enhancement and transformation and the rationalization of wastewater project pricing and adjustment mechanisms, there is room for increasing wastewater treatment fees. On 7 March 2024, the “Action Plan for Promoting Large-scale Equipment Renewal and Replacing Old Consumer Goods with New Ones” (《推動大規模設備更新和消費品以舊換新行動方案》) issued by the State Council pointed out the need to advance the renewal and renovation of infrastructure in related fields such as wastewater and pipeline networks, meaning that the market for infrastructure renewal and renovation in the wastewater treatment industry will soon be released. On 18 March 2024, five departments including the Ministry of Housing and Urban-Rural Development, the Ministry of Ecology and Environment 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》). The document requires that by 2027, direct discharge outlets and blank areas of facilities for domestic wastewater in urban built-up areas shall be basically eliminated, the centralized collection rate of urban domestic wastewater shall reach more than 73%, and the comprehensive efficiency of urban domestic wastewater collection and treatment shall be significantly improved.

At present, China's ecological civilization construction is still in a critical period of overlapping pressures and heavy burdens, and the task of ecological environment protection remains arduous. In the long run, the ecological environment industry is still in an important period of transformation and development. The wastewater treatment industry has gradually entered a new stage of upgrading from scale expansion to systematic planning and high-quality development, embarking on a new journey from extensional expansion to connotative development. Under the guidance of the goal of "high-quality development", presently China's wastewater treatment industry has shifted from merely pursuing scale expansion to improving efficiency and quality, enhancing service capabilities and added value. In terms of industry market trends, national and regional competition will be intensified, and market concentration will be further improved. Improvement of quality and efficiency and refined operational management will become key factors for the core competitiveness of enterprises in the future. In terms of industry development, the integration of wastewater treatment plants and pipe networks, the integration of engineering construction and operation maintenance, standard upgrading and renovation of wastewater treatment plants, the maintenance of pipe networks, sludge treatment and disposal and the integration of intelligent water services will become new trends in the development of the wastewater treatment industry.

2. Overview of Reclaimed Water Industry

Under the "Guiding Opinions on Promoting the Recycling and Utilization of Wastewater" (《關於推進污水資源化利用的指導意見》) and its "1+N" policy system, reclaimed water will gradually be incorporated into the urban water supply system, and the reclaimed water utilization market gradually unfold in the "14th Five-Year Plan" period. The National Development and Reform Commission, the Ministry of Housing and Urban-Rural Development, and the Ministry of Ecology and Environment issued the "Implementation Opinions on Promoting Synergistic Efficiency in Pollution Reduction and Carbon Reduction in Wastewater Treatment" (《關於推進污水處理減污降碳協同增效的實施意見》), which pointed out that by 2025, the utilization rate of reclaimed water in water-scarce cities of prefectural level and above shall reach over 25%, and 100 green and low-carbon benchmark plants for wastewater treatment with efficient recycling of energy and resources will be built. Regarding the market space for reclaimed water utilization during the "14th Five-Year Plan" period, the "14th Five-Year Plan for the Development of Urban Wastewater Treatment and Resource Utilization" (《「十四五」城鎮污水處理及資源化利用發展規劃》) requires that the production capacity of the new construction, reconstruction, and expansion of reclaimed water should not be less than 15 million m³ per day during that period.

3. Overview of Municipal Water Supply Industry

In terms of water supply, with economic growth, the development of industrial parks, and the accelerated urbanization, the total water supply and national water demand in China are continuously increasing. Driven by national policies of deepening the reform of water supply prices, implementing water fee schedule and charging systems, and establishing a reasonable return mechanism, the water supply prices are expected to enter a new cycle of price adjustment.

At present, the water supply industry in China is at the maturity stage, with a high penetration rate of urban water use. In terms of water supply quality and efficiency, though the leakage rate of pipe network in the water supply of urban area in China decreased to within 10% in 2023, there is still a gap compared to the target set in the “14th Five-Year Plan for Building a Water-Saving Society” (《「十四五」節水型社會建設規劃》) which aims to control the leakage rate of pipe network in the public water supply of urban area nationwide to within 9% by 2025. The issue of aging urban pipe network with high leakage rate is quite prominent, making quality and efficiency improvement one of the key focuses in the water treatment industry. Therefore, in recent years, the government has introduced relevant policies to enhance the capacity for efficient and intensive use of water resources, accelerate the construction and renovation of pipe network in the old water supply, of urban area and further reduce leakage rate of pipe network and improve water supply efficiency through the construction and application of Intelligent Water, thereby effectively reducing operating costs for enterprises. Improving quality and efficiency to reduce leakage rate, promoting Intelligent Water and equipment, unified management and renovating secondary water supply will become the direction for driving technological innovation and high-quality development in the industry.

(II) DEVELOPMENT STRATEGY AND FUTURE PROSPECTS

The year of 2024 is a critical year for the enterprise to realize the objectives and tasks of the “14th Five-Year Plan”, as well as an important year for the enterprise to achieve high-quality development. Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company will fully implement the spirit of the 20th National Congress of the Communist Party of the PRC and thoroughly carry out the new idea of ecological priority and green development. Taking seeking progress while maintaining stability as the overall goal and focusing on high-quality development of the enterprise, we will accelerate the construction of key projects, consolidate and enhance the positive trend in business performance, actively promote the integration of surrounding water resources and the extension of the industrial chain, and strive to implement measures of quality and efficiency improvement, thereby making efforts to maintain a sound situation of steady development for the enterprise. We will continuously focus on the core business of wastewater treatment, and taking operation management as our foundation, continue to strengthen operation and control and adhere to standardized operations. We will implement various measures to promote energy conservation and reduce consumption, lower production and operation costs, and continuously improve the level of operation management. We will also continue to optimize our structure, revitalize existing capacities, and make good use of new capacities, so as to continuously stimulate internal momentum and proactively enhance the Company’s operating efficiency, thereby contributing to increase corporate benefits and contribute to the stable operation of the Company.

(III) BUSINESS REVIEW

The Group principally adopts the TOO, TOT and BOT project models, with a focus on the TOO model. For the six months ended 30 June 2024, our TOO projects contributed to 58.6% of our total revenue. Our TOT and BOT projects contributed to 16.3% of our total revenue, and we also adopt the BOO and BT project models for some of our projects.

For the TOO and TOT models, we acquire concessions to operate existing facilities at agreed prices from the relevant local governments. For the BOT models, we finance, construct and operate relevant facilities. After the expiration of the relevant concessions, we either obtain new concessions from or transfer the relevant facilities back to the relevant local governments, depending on project types. As at 30 June 2024, we had a total of 38 water plants under concession agreements (including wastewater treatment plants and running water plants), all of which were in operation. Among such 38 water plants in operation, 14 were TOO projects, 15 were TOT projects, 7 were BOT projects and 2 were BOO projects.

Wastewater Treatment Projects

As at 30 June 2024, we had a total of 34 wastewater treatment plants in operation (including 14 in the main city of Kunming and 20 in other areas of China), with a total wastewater treatment capacity of 1.85 million m³ per day. Additionally, our management services facilities have a total designed wastewater treatment capacity of 0.15 million m³ per day. We have been entrusted to operate and manage rural domestic sewage collection and treatment facilities in 887 villages, covering 12 counties. With our technologically advanced facilities, independently developed patents and strong management skills, we have been able to maintain low costs while provide high quality wastewater treatment services. As at 30 June 2024, 99.7% of our designed wastewater treatment capacity reached the National Class I Category A standard. During the Reporting Period, in order to reduce investment losses and mitigate operational risks, the Company entered into the Concession Termination Agreement with the Administrative Committee of Bokeo Special Economic Zone in Laos on 8 April 2024, terminating the Concession Contracts for the running water plants and the wastewater treatment plants signed by both parties on 16 October 2015 (for details, please refer to the announcement of the Company dated 8 April 2024).

Reclaimed Water Business

For our reclaimed water business, as at 30 June 2024, we had put into operation 12 reclaimed water stations and 2 secondary booster pump stations. At the same time, we provided entrusted operation services for 5 reclaimed water stations/booster pump stations, with a total designed daily production capacity of 329,000 m³ for the reclaimed water facilities.

During the Reporting Period, our reclaimed water supply decreased due to adjustments in the water replenishment and supply plan of rivers.

Running Water Business

For our running water business, as at 30 June 2024, we had 4 running water plants in the PRC, including 3 in Yunnan Province and 1 in Hunan Province, all of which were in operation.

During the Reporting Period, the Company's supply of running water amounted to approximately 3.907 million m³.

(IV) FINANCIAL REVIEW

1. Consolidated Results of Operations

Our revenue decreased by RMB124.2 million, or 14.4%, to RMB738.6 million for the six months ended 30 June 2024, from RMB862.8 million for the six months ended 30 June 2023. Gross profit decreased by RMB33.5 million, or 8.4%, to RMB367.0 million for the six months ended 30 June 2024, from RMB400.5 million for the six months ended 30 June 2023. During the Reporting Period, the revenue from wastewater treatment services, reclaimed water and running water supply and other segments accounted for 73.7%, 8.0% and 18.3% of the total revenue, respectively.

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

	For the six months ended	
	30 June (Unaudited)	
	2024	2023
	RMB'000	RMB'000
Revenue	738,567	862,833
Cost of sales	<u>(371,597)</u>	<u>(462,325)</u>
Gross profit	366,970	400,508
Selling expenses	(591)	(1,038)
Administrative expenses	(32,181)	(37,144)
Research and development expenses	–	–
Net impairment losses on financial and contract assets	(58,092)	(30,898)
Other income	31,250	11,325
Other losses	<u>(671)</u>	<u>(1,897)</u>
Operating profit	306,685	340,856
Finance income	21,249	19,933
Finance costs	<u>(131,571)</u>	<u>(159,366)</u>
Finance costs – net	<u>(110,322)</u>	<u>(139,433)</u>
Share of results of associates	<u>1,517</u>	<u>–</u>
Profit before tax	197,880	201,423
Income tax expense	<u>(49,525)</u>	<u>(34,499)</u>
Profit for the period	148,355	166,924
Other comprehensive income/(loss) for the period	1,098	(99)
Total comprehensive income for the period	<u>149,453</u>	<u>166,825</u>

(a) Revenue

During the Reporting Period, our revenue decreased by RMB124.2 million or 14.4% from RMB862.8 million for the six months ended 30 June 2023 to RMB738.6 million for the six months ended 30 June 2024, primarily because:

Our revenue from the wastewater treatment segment decreased by RMB17.5 million or 3.1% from RMB561.6 million for the six months ended 30 June 2023 to RMB544.1 million for the six months ended 30 June 2024, and the change in the current period was relatively small.

Revenue from our water supply segment decreased by RMB2.3 million or 3.8% from RMB61.1 million for the six months ended 30 June 2023 to RMB58.8 million for the six months ended 30 June 2024, and the change in the current period was relatively small.

Our revenue from other segments decreased by RMB104.4 million or 43.5% from RMB240.1 million for the six months ended 30 June 2023 to RMB135.7 million for the six months ended 30 June 2024, mainly due to the completion of the disposal of Liuyang Hongyu Thermal Power Co., Ltd.* (瀏陽市宏宇熱電有限公司) (“**Hongyu Thermal Power**”) in December 2023.

(b) Cost of sales

During the Reporting Period, our cost of sales decreased by RMB90.7 million or 19.6% from RMB462.3 million for the six months ended 30 June 2023 to RMB371.6 million for the six months ended 30 June 2024, primarily because:

The cost of sales of our wastewater treatment segment decreased by RMB8.0 million or 2.7% from RMB297.5 million for the six months ended 30 June 2023 to RMB289.5 million for the six months ended 30 June 2024, and the change in the current period was relatively small.

The cost of sales for our water supply segment increased by RMB7.9 million or 39.1% from RMB20.2 million for the six months ended 30 June 2023 to RMB28.1 million for the six months ended 30 June 2024, mainly due to the increase in water supply construction business.

Cost of sales of our other segments decreased by RMB90.6 million or 62.7% from RMB144.6 million for the six months ended 30 June 2023 to RMB54.0 million for the six months ended 30 June 2024, mainly due to the completion of the disposal of Hongyu Thermal Power in December 2023.

(c) Gross margin

During the Reporting Period, our gross margin was 49.7%, representing an increase of 3.3% as compared to 46.4% for the same period last year, primarily due to the decrease in gross profit margin of water supply segment and the increase in gross profit margin of other segments.

Our gross profit margin for the wastewater treatment segment decreased from 47.0% for the six months ended 30 June 2023 to 46.8% for the six months ended 30 June 2024, and the change in the current period was relatively small.

Our gross profit margin of water supply segment decreased from 67.0% for the six months ended 30 June 2023 to 52.1% for the six months ended 30 June 2024, which was mainly due to the increase in the proportion of water supply construction business during the current period, which has a lower gross profit.

Our other segments' gross profit margin increased from 39.8% for the six months ended 30 June 2023 to 60.2% for the six months ended 30 June 2024, which was mainly due to the impact of the disposal of Hongyu Thermal Power.

(d) Selling expenses

During the Reporting Period, our selling expenses amounted to RMB0.6 million, representing a decrease of RMB0.4 million as compared to RMB1.0 million in the corresponding period of the previous year, mainly due to the decrease in employee compensation of sales personnel during the Reporting Period.

(e) Administrative expenses

During the Reporting Period, our administrative expenses amounted to RMB32.2 million, representing a decrease of RMB4.9 million compared to RMB37.1 million for the same period of the previous year, which was mainly due to the decrease in employee benefit expenses.

(f) Other income

During the Reporting Period, our other income amounted to RMB31.3 million, representing an increase of RMB20.0 million as compared to RMB11.3 million for the same period of last year, which was mainly due to the the completion of disposal of equity interests in the three subsidiaries, Zhaotong Guorun Water Treatment Co., Ltd.* (昭通國潤水務有限公司), Yiliang Guorun Water Treatment Co., Ltd.* (彝良國潤水務有限公司) and Suijiang Guorun Water Treatment Co., Ltd.* (綏江國潤水務有限公司) during the period.

(g) Other losses

During the Reporting Period, our other losses amounted to RMB0.7 million, representing a decrease of RMB1.2 million as compared to RMB1.9 million for the same period of last year.

(h) Operating profit

As a result of the foregoing factors, during the Reporting Period, our operating profit amounted to RMB306.7 million, representing a decrease of RMB34.2 million or 10.0% as compared to RMB340.9 million for the same period last year. Our operating margin during the Reporting Period was 41.5%.

(i) Finance income

During the Reporting Period, our finance income amounted to approximately RMB21.2 million, representing an increase of RMB1.3 million as compared to that of approximately RMB19.9 million in the corresponding period of the previous year, which was mainly attributable to an increase in interest income from entrusted loans for the current period as compared to the corresponding period of the previous year.

(j) Finance costs

During the Reporting Period, our finance costs amounted to approximately RMB131.6 million, representing a decrease of RMB27.8 million as compared to approximately RMB159.4 million in the corresponding period of last year, which was mainly due to a decrease in the total debt scale and foreign exchange losses, which in turn led to a decrease in finance costs.

(k) Profit before tax

During the Reporting Period, our profit before tax amounted to RMB197.9 million, representing a decrease of RMB3.5 million or 1.7% as compared to RMB201.4 million for the same period last year.

(l) Income tax

During the Reporting Period, our net income tax expense amounted to RMB49.5 million, representing an increase of RMB15.0 million as compared to RMB34.5 million for the same period last year. The effective tax rate was 25.0%, representing an increase of 7.9 percentage points as compared with the same period last year.

(m) Total comprehensive income

As a result of the foregoing factors, during the Reporting Period, our total comprehensive income amounted to RMB149.5 million, representing a decrease of 10.4% as compared to RMB166.8 million for the same period last year.

2. Liquidity and Capital Resources

Our cash is primarily used for investing in, constructing, operating and maintaining our wastewater treatment and water supply facilities. To date, we have funded our investments and operations principally with bank loans, cash generated from operations, equity contributions and issuance of debt instruments.

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

	For the six months ended	
	30 June (Unaudited)	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	28,466	104,926
Net cash generated from/(used in) investing activities	42,765	(51,230)
Net cash (used in) financing activities	(169,507)	(88,907)
Net (decrease) in cash and cash equivalents	(98,276)	(35,211)
Foreign exchange gains	1,098	659
Cash and cash equivalents at beginning of the period	174,089	131,494
Cash and cash equivalents at end of the period	76,911	96,942

(a) Net cash generated from operating activities

Our cash generated from operating activities primarily consists of cash received from our clients for services and products provided by us. We also used cash in our operations for the purchase of raw materials and other inventories, payments to suppliers and subcontractors, payments of expenses such as salaries and benefits, and payments of interest and income tax.

During the Reporting Period, our net cash generated from operating activities was RMB28.5 million, representing a decrease of RMB76.4 million as compared to net cash generated from operating activities of RMB104.9 million in the corresponding period of last year, which was primarily due to the combined changes in cash received from customers for the provision of services and products and cash invested for securing concession projects.

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

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

Our net cash generated from/(used in) investing activities increased from RMB51.2 million used for the six months ended 30 June 2023 to RMB42.8 million generated from investing activities for the six months ended 30 June 2024, mainly due to the decrease in advances to related parties and the increase in proceeds from the sale of subsidiaries during the Reporting Period.

(c) Net cash (used in) financing activities

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

Our net cash (used in) financing activities increased from RMB88.9 million for the six months ended 30 June 2023 to RMB169.5 million for the six months ended 30 June 2024, mainly due to the change in cash flow from borrowings during the Reporting Period.

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

3. Working Capital

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
Current assets		
Receivables under service concession arrangements	17,774	30,682
Inventories	7,549	7,570
Amounts due from customers for construction contracts	37,582	27,116
Financial assets at amortised cost	149,800	179,800
Trade and other receivables	5,322,374	4,437,299
Cash and bank balances	76,911	174,088
Restricted funds	222	54,865
	<u>5,612,212</u>	<u>4,911,420</u>
Current liabilities		
Trade and other payables	1,345,794	1,380,081
Tax payables	175,027	142,462
Borrowings	3,192,998	3,266,653
Contract liabilities	13,050	7,163
	<u>4,726,869</u>	<u>4,796,359</u>
Net current assets	<u>885,343</u>	<u>115,061</u>

As at 30 June 2024 and 31 December 2023, we recorded net current assets of RMB885.3 million and RMB115.1 million respectively. The increase in current assets was mainly due to the increase in trade and other receivables.

(a) *Receivables under service concession arrangements*

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

Our receivables under service concession arrangements that were classified as current assets amounted to RMB17.8 million as at 30 June 2024, representing a decrease of 42.0% from RMB30.7 million as at 31 December 2023, mainly due to a decrease in the amount to be recovered in the coming year as per the progress of contract collection.

Our receivables under service concession arrangements that were classified as non-current assets amounted to RMB1,689.3 million as at 30 June 2024, representing a decrease of 33.2% from RMB2,528.6 million as at 31 December 2023, mainly due to the effect of disposal of subsidiaries.

(b) Inventories

Our total inventory decreased from RMB7.6 million as at 31 December 2023 to RMB7.5 million as at 30 June 2024, representing a decrease of RMB0.1 million or 1.3%.

For the six months ended 30 June 2024, our inventory turnover days were 3.7 days, representing a decrease of 6.8 days as compared to the year ended 31 December 2023. The calculation for inventory turnover days was based on the average annual inventory divided by the sales cost recognised during the relevant period and multiplied by 180 days.

(c) Amounts due from customers for construction contracts

As at 30 June 2024, our amounts due from customers for construction contracts classified as current assets were approximately RMB37.6 million, increased by RMB10.5 million as compared to RMB27.1 million as at 31 December 2023, which was mainly due to the increase in amounts due from customers for construction contracts maturing within one year.

As at 30 June 2024, our amounts due from customers for construction contracts classified as non-current assets were approximately RMB652.3 million, decreased by RMB49.1 million as compared to RMB701.4 million as at 31 December 2023, which was mainly due to recovery of certain payment during the year.

(d) Trade and other receivables

Our trade and other receivables primarily consist of (i) trade receivables from third parties, related parties and local governments; (ii) other receivables from third parties, related parties and local governments; and (iii) prepayments. Our trade receivables are amounts due from customers for sales of goods and services provided in the ordinary course of business, including services performed for TOO and TOT projects and performed during the operation period of BOT projects. Our other receivables primarily consist of loans granted to and interest receivable from related parties, and VAT refund yet to be received. Our prepayments primarily consist of prepaid construction cost and electricity.

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
Trade receivables:		
– Third parties	213,130	194,924
– Related parties	311,804	228,236
– Local government	3,558,021	3,233,175
– Loss allowance	(116,112)	(108,337)
	<u>3,966,843</u>	<u>3,547,998</u>
Trade receivables – net		
	<u>3,966,843</u>	<u>3,547,998</u>
Other receivables:		
– Third parties	147,523	97,942
– Related parties	1,128,888	713,921
– Local government	30,536	28,185
– Loss allowance	(53,397)	(33,334)
	<u>1,253,550</u>	<u>806,714</u>
Other receivables – net		
	<u>1,253,550</u>	<u>806,714</u>
Prepayments:		
– Others	101,981	82,587
– Loss allowance	–	–
	<u>101,981</u>	<u>82,587</u>
Prepayments – net		
	<u>101,981</u>	<u>82,587</u>
Trade and other receivables – net		
	<u>5,322,374</u>	<u>4,437,299</u>

As at 30 June 2024, our net trade and other receivables were approximately RMB5,322.4 million, increased by RMB885.1 million or 19.9% as compared to approximately RMB4,437.3 million as at 31 December 2023, primarily due to certain payments for the provision of services and products yet to be recovered during the Reporting Period.

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
– Within one year	1,790,451	1,341,523
– Over one year and within two years	1,455,194	1,471,773
– Over two years	837,310	843,039
	<u>4,082,955</u>	<u>3,656,335</u>

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	Days	Days
Trade receivables turnover days ⁽¹⁾	915.7	648.4
Trade and other receivables turnover days ⁽²⁾	1,189.3	819.2

Notes:

- (1) Calculated as the average net trade receivables for the relevant period divided by the revenue for the relevant period, and multiplied by 365 days (for six months, multiplied by 180 days). The arithmetic mean of the opening and closing balances of trade receivables is used for the six months ended 30 June 2024 and the year ended 31 December 2023.
- (2) Calculated as the average net trade and other receivables for the relevant period divided by the revenue for the relevant period, and multiplied by 365 days (for six months, multiplied by 180 days). The arithmetic mean of the opening and closing balances of trade and other receivables is used for the six months ended 30 June 2024 and the year ended 31 December 2023.

4. Trade and Other Payables

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

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
Trade payables	434,090	454,721
Other payables	411,467	464,099
Staff salaries and welfare payables	67,239	60,919
Payables on acquisition of property, plant and equipment	380,157	225,308
Payables on acquisition of land use rights from related parties	31,000	31,000
Accrued taxes other than income tax	21,841	24,034
Advance received from disposal of equity interests in subsidiaries	–	120,000
	<u>1,345,794</u>	<u>1,380,081</u>

As at 30 June 2024, our trade and other payables amounted to approximately RMB1,345.8 million, representing a decrease of RMB34.3 million or 2.5% as compared to approximately RMB1,380.1 million as at 31 December 2023.

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
– Within one year	300,210	197,904
– Over one year and within two years	27,060	165,679
– Over two years	106,820	91,138
	<u>434,090</u>	<u>454,721</u>

As at 30 June 2024 and 31 December 2023, all trade and other payables of our Group were non-interest bearing, and their fair values approximate to their carrying amounts due to their short maturities.

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	Days	Days
Trade payables turnover days ⁽¹⁾	215.3	182.7
Trade and other payables turnover days ⁽²⁾	<u>660.2</u>	<u>395.4</u>

Notes:

- (1) Calculated as the average trade payables for the relevant period divided by the expenditure for procurement for the relevant period, and multiplied by 365 days (for six months, multiplied by 180 days). The arithmetic mean of the opening and closing balances of trade payables is used for the six months ended 30 June 2024 and the year ended 31 December 2023.
- (2) Calculated as the average trade and other payables for the relevant period divided by the selling cost for the relevant period, and multiplied by 365 days (for six months, multiplied by 180 days). The arithmetic mean of the opening and closing balances of trade and other payables is used for the six months ended 30 June 2024 and the year ended 31 December 2023.

Our Directors confirmed that up to 30 June 2024, there was no material default in payment of trade payables.

5. Indebtedness

(a) Borrowings

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

	Unaudited As at 30 June 2024 RMB'000	Audited As at 31 December 2023 RMB'000
Non-current:		
Unsecured long-term borrowings	180,000	169,200
Secured long-term borrowings	1,644,846	1,836,285
Total non-current borrowings	<u>1,824,846</u>	<u>2,005,485</u>
Current:		
Unsecured short-term borrowings	723,303	875,770
Secured short-term borrowings	2,469,695	2,390,883
Total current borrowings	<u>3,192,998</u>	<u>3,266,653</u>
Total borrowings	<u>5,017,844</u>	<u>5,272,138</u>
Average effective interest rates	<u>5.44%</u>	<u>5.17%</u>

As at 31 December 2023 and 30 June 2024, we had total borrowings of RMB5,272.1 million and RMB5,017.8 million, respectively. Among our debt, borrowings of RMB596.5 million and RMB602.7 million as of 31 December 2023 and 30 June 2024 were secured by property, plant and equipment, and borrowings of RMB2,196.1 million and RMB1,655.1 million were guaranteed by the sewage treatment revenue of the Group.

On 29 April 2024, the Company entered into the Mutual Guarantee Agreement with Kunming Water Supply Group Co., Ltd.* (昆明自來水集團有限公司) (“**Kunming Water Supply Group**”), pursuant to which the Company and Kunming Water Supply Group agreed to provide guarantees in respect of the liabilities relating to the loans obtained by the other party for a cumulative amount of not more than RMB500 million each, which shall be non-recurring upon full utilization of the amount, and the term of the guarantees to be provided in respect of each loan shall not be more than five years from the date of signing of each loan guarantee agreement. As of the end of the Reporting Period, Kunming Water Supply Group has provided guarantees for the Company’s loans of RMB388.6 million, while the Company has not provided any guarantee for Kunming Water Supply Group (for details, please refer to the announcement of the Company dated 29 April 2024 and the circular of the Company dated 22 May 2024).

As at 30 June 2024, we were not in breach of any covenants in our loan agreements that materially affected our business operation. Given our ability to access new bank borrowings and our strong credit profile, we believe we will not be subject to any risk of potential withdrawal of banking facilities or early repayment of outstanding loans. As at 30 June 2024, we had not received any requests for early repayment of the principal or interest under any of our loan agreements.

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	RMB’000	RMB’000
On demand or within 1 year	3,192,998	3,266,653
Between 1 and 2 years	85,000	99,100
Between 2 and 5 years	1,565,988	1,369,599
Over 5 years	173,858	536,786
	<u>5,017,844</u>	<u>5,272,138</u>

As at 31 December 2023 and 30 June 2024, our net gearing ratios (calculated as net debt divided by total capital at the end of the period. In particular, net debt is calculated as total interest-bearing liabilities less cash and cash equivalents at the end of the period; total capital is calculated as total equity plus net debt) were 50.3% and 49.1%, respectively, representing a decrease of 1.2 percentage points from that as at 31 December 2023, primarily due to the change in cash and cash equivalents and net debt during the current period.

Except as disclosed above, as at 30 June 2024, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

(b) Commitments

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
Property, plant and equipment	<u>13,648</u>	<u>13,648</u>

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
Concession projects and construction projects	<u>720,038</u>	<u>727,479</u>

(d) Capital Expenditure

Our capital expenditure mainly comprises purchases of land use rights, property, plant and equipment and intangible assets. Our capital expenditure was RMB15.9 million for the six months ended 30 June 2024, representing a decrease of 48.0% as compared to RMB30.6 million for the six months ended 30 June 2023.

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Wastewater treatment	13,916	10,943
Water supply	1,891	18,873
Others	<u>127</u>	<u>805</u>
	<u>15,934</u>	<u>30,621</u>

Based on our current business plan, we expect to incur capital expenditure amounting to RMB72.8 million for the year ending 31 December 2024. Our anticipated capital expenditure is subject to change from time to time based on the reassessment of our business plan, prevailing market conditions, regulatory environment and outlook of our future operational results.

6. Employees and Remuneration Policies

As at 30 June 2024, we had 1,151 full-time employees, all of whom were in China and most of whom were based in Yunnan. The following table sets forth the breakdown of our employees by function as at 30 June 2024:

Function	Number
Management and Administration	172
Finance	47
Research and Development	61
Quality Monitoring	197
Marketing	15
Operations	619
Construction and Maintenance	40
	<hr/>
Total	<u><u>1,151</u></u>

We recruit our employees from the open market. The compensation for our employees includes basic wages, performance pay, bonuses and other staff benefits. Our employee benefits and labor expenses from January to June in 2023 amounted to RMB81.1 million, and our employee benefits and labor expenses from January to June in 2024 amounted to RMB70.4 million, representing a decrease of approximately RMB10.7 million or 13.2% as compared to the same period of 2023.

We believe our employees are the most valuable resources to achieve our success. To ensure the quality of our employees at all levels, we adopted a new employee internship management mechanism, a blended learning mechanism that combines centralised training and online training, on-the-job training, exchanges and rotations, apprenticeship learning and other talented team building systems that coexist in various talent business training methods. With the core talent circulation training mechanism and other methods that take “production, learning, research and use”, we take multiple measures to improve the comprehensive quality and professional ability of employees to ensure talents for the Company’s business development. At the same time, we own Kunming Dianshui Vocational Skills Training School Company Limited (昆明滇水職業技能培訓學校有限公司) to provide more training for our employees.

Our labor union communicates closely with the management regarding labor matters on behalf of our employees' interests. During the Reporting Period, we had not experienced any interruptions to our operations caused by major labor disputes and there were no complaints or claims from our employees which had a material adverse effect on our business. Our Directors believe that we maintain a good relationship with our employees. During the Reporting Period, the Group had no major labor disputes which might produce significant impact on the normal business operations of the Group.

7. Contingent Liabilities

As at 30 June 2024, the Group did not have any material contingent liabilities.

8. Material Investment and Acquisition

As at 30 June 2024, the Group did not have any material investment and acquisition (including material acquisitions of subsidiaries, associates and joint ventures). During the Reporting Period, the Company did not enter into any new material investment and acquisition agreements and the projects under the original investment and acquisition agreements had been actively carried forward.

9. Disposal of Subsidiaries, Associates and Joint Ventures

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

10. Material Litigation

As at 30 June 2024, the Group was not involved in any material or potential material litigation.

11. Exchange Rate Volatility Risk and Any Related Hedging

The Group still retains some foreign currency funds and borrowings, the foreign currency borrowings are mainly Hong Kong dollars and US dollars, with principals of HK\$654,210,000 and US\$9,315,000 respectively. Exchange rate fluctuations have a certain impact on the retention of foreign currency funds and the return of principal and interest on borrowings. For certain foreign currency borrowings, we have entered into agreements with domestic financial institutions whereby the domestic financial institutions converted the foreign currency borrowings into RMB borrowings for lending to the Group. The Group repays the corresponding foreign currency interest in RMB upon each payment of principal and interest.

12. Loans to Certain Entities

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

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

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

As far as the Company is aware, Kunming Construction, Kunming DIG and Anju Group are all controlled or held by Kunming SASAC, and Kunming DIG holds approximately 15.58% of the shares of Kunming Construction. Save for the above, Kunming Construction and Kunming DIG are not related to each other, which are also not connected persons as defined under the Listing Rules.

III. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance. Good corporate governance is conducive to healthy, high-quality and sustainable development of the Company and enhances the comprehensive competitiveness of the Company. The Board has the responsibility to lead and oversee the Company and is responsible for strategic planning, business development, compliance governance, culture promotion, environmental, social and governance management, supervision and other matters of the Company. The Company has adopted the code provisions of the Corporate Governance Code (the “**Corporate Governance Code**”) as contained in Part 2 of Appendix C1 to the Listing Rules as its own corporate governance code. The Company has established and enhanced the corporate governance structure in accordance with the Listing Rules and the Corporate Governance Code and has set up a series of corporate governance policies. The Directors believe that during the Reporting Period, the Company has been observing all mandatory code provisions as stipulated in the Corporate Governance Code except for code provision B.2.2.

Under Rule B.2.2 of the Corporate Governance Code, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. As at the end of the Reporting Period, the term of office of the first session of the Board and the board of supervisors of the Company (“**Supervisors**”) had expired for three years, however, the nomination of relevant candidates had not yet been completed. At the same time, the Board, taking into consideration of the continuity of the work of the Board and the board of Supervisors of the Company, did not re-elect any Director in a timely manner at the expiration of his/her term of office in accordance with the relevant provisions in the articles of association of the Company, and the original Directors shall still be expected to perform the duties of Directors in accordance with laws, administrative rules, departmental rules, as well as the articles of association of the Company before the re-elected Directors assume their duties. Therefore, the Board considers that deviations from provision B.2.2 of the Corporate Governance Code will not have a significant impact on the Group’s operation as a whole and the Company will complete the relevant work as soon as possible.

The Board will examine and review, from time to time, the Company’s corporate governance practices and operation in order to comply with the relevant provisions under the Listing Rules and to protect the Shareholders’ interests.

IV. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES DEALINGS BY THE DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as its own code of conduct for its Directors, Supervisors and relevant employees (has the same meaning ascribed to it under the Corporate Governance Code) in respect of their dealings in the Company’s securities. After making specific enquiries to all the Directors and Supervisors, the Directors and Supervisors confirmed that they had strictly complied with the required standard as set out in the Model Code during the Reporting Period.

V. PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2024. The Company does not have any treasury shares (as defined under the Listing Rules) as at 30 June 2024.

VI. SHARE SCHEME AND ISSUANCE OF EQUITY SECURITIES

As at 30 June 2024, the Company or any of its subsidiaries had no share option schemes or share award schemes. During the Reporting Period, there was also no issuance of equity securities (including securities convertible into equity securities) for cash.

VII. AUDIT COMMITTEE

The Audit Committee of the Company consists of three independent non-executive Directors, namely Mr. Zha Guiliang, Ms. Zheng Dongyu and Mr. Ong King Keung. The Audit Committee of the Company is mainly responsible for reviewing the financial information of the Company, reviewing and supervising the Company’s financial reporting process, financial control, internal control and risk management systems, supervising the Company’s internal audit system and performing corporate governance duties, and overseeing the audit process and recommending the engagement or replacement of external auditors. The Audit Committee is also responsible for the communications between the internal and the external auditors and performing other duties and responsibilities as assigned by the Board. The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2024 and considered that the Group has adopted applicable accounting policies and made adequate disclosures in relation to the preparation of relevant results.

VIII. 2024 INTERIM DIVIDEND

In view of the economic environment and the future development plan of the Company, the Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

IX. PUBLICATION OF THE INTERIM REPORT

The interim report for the six months ended 30 June 2024 of the Company will be dispatched to the holders of H shares of the Company in due course pursuant to the requirements of the Listing Rules and available for public viewing and downloading on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kmdewt.com).

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

Kunming, the PRC, 23 August 2024

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

* *For identification purpose only*