



台州市水務集團股份有限公司 Taizhou Water Group Co., Ltd.*

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

Stock code : 1542

2025 ANNUAL REPORT



* for identification purposes only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yang Jun (*Chairman of the Board*)
Mr. Pan Gang

Non-executive Directors

Mr. Lin Genman
Ms. Fang Ya
Mr. Yu Yangbin
Mr. Yang Yide (passed away on 23 October 2025)
Mr. Guo Dingwen
Mr. Lin Yang
Mr. Shao Aiping
Ms. Ying Nan
Mr. Ye Xiaofeng (was appointed on 27 June 2025)
Mr. Yang Feng (was appointed on 30 January 2026)

Independent Non-executive Directors

Mr. Huang Chun
Ms. Lin Suyan
Ms. Hou Meiwen
Mr. Li Wai Chung
Mr. Wang Yongyue

REMUNERATION COMMITTEE

Mr. Wang Yongyue (*Chairman*)
Mr. Yang Jun
Mr. Pan Gang
Mr. Huang Chun
Ms. Lin Suyan

NOMINATION COMMITTEE

Mr. Yang Jun (*Chairman*)
Mr. Yu Yangbin
Mr. Yang Yide (passed away on 23 October 2025)
Mr. Huang Chun
Ms. Lin Suyan
Ms. Hou Meiwen
Mr. Wang Yongyue
Mr. Yang Feng (was appointed on 30 January 2026)

AUDIT COMMITTEE

Mr. Li Wai Chung (*Chairman*)
Mr. Lin Genman
Ms. Hou Meiwen

STRATEGY COMMITTEE

Mr. Yang Jun (*Chairman*)
Mr. Pan Gang
Ms. Fang Ya
Mr. Lin Yang
Mr. Huang Chun
Mr. Shao Aiping
Mr. Ye Xiaofeng (was appointed on 27 June 2025)

JOINT COMPANY SECRETARIES

Ms. Siu Pui Wah
Ms. Zheng Ranhan

AUTHORISED REPRESENTATIVES

Mr. Yang Jun
Ms. Siu Pui Wah

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 308 Yin Quan Road
Xicheng Street
Huangyan District
Taizhou, Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19/F., Golden Centre
188 Des Voeux Road Central
Hong Kong

CORPORATE INFORMATION

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

LEGAL ADVISERS**As to Hong Kong law**

Jingtian & Gongcheng LLP
Suites 3203-3207
32/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law

Tian Yuan Law Firm
Suite 509, Tower A
Corporate Square, 35 Financial Street
Xicheng District, Beijing 100033
PRC

PRINCIPAL BANKERS

Agricultural Bank of China, Taizhou Branch
China Bank of Construction, Taizhou Huangyan Branch
Industrial and Commercial Bank of China,
Taizhou Huangyan Branch
Bank of China, Taizhou Luqiao District Branch
Taizhou Bank

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

STOCK CODE

1542

COMPANY WEBSITE

www.zjtzwater.com

DEFINITIONS

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

“AGM” or “Annual General Meeting”	the annual general meeting of the Company for the year ended 31 December 2025 to be convened and held on Friday, 26 June 2026, or any adjournment thereof
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Binhai Water”	Taizhou Binhai Water Co., Ltd.* (台州市濱海水務有限公司), a limited liability company established in the PRC on 7 June 2016 and a subsidiary of our Company owned as to 51% by our Company and 49% by Taizhou City Water, our subsidiary, as at the date of this annual report
“Board” or “Board of Directors”	the board of Directors of the Company
“Chairman”	the chairman of the Board
“China” or “PRC”	the People’s Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context otherwise requires, references in this annual report to “China” and the “PRC” do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
“Company”	Taizhou Water Group Co., Ltd.* (台州市水務集團股份有限公司), a joint stock company established in the PRC with limited liability on 30 June 1999, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1542)
“Company Law”	Company Law of the People’s Republic of China (中華人民共和國公司法), as promulgated by the Standing Committee of the Eighth National People’s Congress on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code, as set out in Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Domestic Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Group”, “we” or “our”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange and traded in HKD
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Huangyan Reservoir Development”	Huangyan Reservoir Development Operation Co., Ltd.* (台州市黃岩水庫開發經營有限公司), an indirect wholly-owned subsidiary of the Finance Bureau of Huangyan District of Taizhou as at the date of this annual report
“Huangyan Water Supply”	Taizhou Huangyan Urban and Rural Water Supply Co., Ltd.* (台州市黃岩城鄉自來水有限公司) (formerly known as Zhejiang Huangyan Water Supply Co., Ltd.* (浙江黃岩自來水公司)), a limited liability company established in the PRC on 1 January 1989, and is owned as to 45% by the Company, 49% by Taizhou Huangyan Water Conservancy Development Group Co., Ltd.* (台州市黃岩水利發展集團有限公司) and 6% by Taizhou Shengshui Equity Investment Partnership (Limited Partnership)* (台州盛水股權投資合夥企業(有限合夥)) as at the date of this annual report
“Initial Public Offering”	the successful initial public offering of the Company’s H Shares through the Stock Exchange on 31 December 2019
“Jiaobei Water Supply”	Taizhou Jiaobei Water Supply Co., Ltd.* (台州市椒北供水有限公司), a limited liability company established in the PRC on 26 August 2003, and is owned as to 49% by Jiaojiang Urban Development, 45% by the Company and 6% by Taizhou Shengshui Equity Investment Partnership (Limited Partnership) as at the date of this annual report
“Jiaojiang Urban Development”	Taizhou Jiaojiang Urban Industry Investment & Development Group Co., Ltd.* (台州市椒江都市產業投資發展集團有限公司), a limited liability company established in the PRC on 1 September 2015 and a wholly-owned subsidiary of Taizhou Jiaojiang District State-owned Assets Supervision and Administration Commission* (台州市椒江區國有資產監督管理委員會) as at the date of this annual report

DEFINITIONS

“Listing Date”	31 December 2019, being the date on which the H Shares of the Company were listed and from which dealings commenced on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Luqiao Urban Construction”	Taizhou Luqiao District Urban Construction Group Co., Ltd.* (台州市路橋區城市建設集團有限公司), a limited liability company established in the PRC on 29 July 2013, and is ultimately owned as to 25% by The Finance Bureau of Luqiao District of Taizhou* (台州市路橋區財政局), 71.8% by Taizhou Luqiao State-owned Assets Working Centre* (台州市路橋區國有資產工作中心) and 3.2% by Zhejiang Provincial Department of Finance (浙江省財政廳) as at the date of this annual report
“Luqiao Water Supply”	Taizhou Luqiao Water Supply Co., Ltd.* (台州市路橋自來水有限公司), a limited liability company established in the PRC on 7 March 2000, and is owned as to 45% by the Company, 49% by Luqiao Urban Construction and 6% by Taizhou Shengshui Equity Investment Partnership (Limited Partnership) as at the date of this annual report
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix C3 to the Listing Rules
“Nomination Committee”	the nomination committee of the Board
“Prospectus”	the prospectus of the Company dated 17 December 2019, issued in relation to the Initial Public Offering and the listing of H Shares on the Stock Exchange
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the 12-month period from 1 January 2025 to 31 December 2025
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Domestic Share(s) and/or the H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Strategy Committee”	the strategy committee of the Board
“subsidiary/(ies)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“Taizhou City Water”	Taizhou City Water Co., Ltd.* (台州城市水務有限公司), a limited liability company established in the PRC on 30 September 2003 and a subsidiary of our Company owned as to 82% by our Company and 18% by Wenling Water Group Co., Ltd.* (溫嶺市水務集團有限公司) as at the date of this annual report
“Taizhou South Bay Water Supply”	Taizhou South Bay Water Supply Co., Ltd.* (台州市南部灣區水務有限公司), a limited liability company established in the PRC on 13 March 2018 and a subsidiary of our Company owned as to 60% by our Company and 40% by Yuhuan Water Supply Group Co., Ltd.* (玉環市水務集團有限公司) as at the date of this annual report
“Taizhou South Water Resources Optimization Project”	the construction works in respect of the construction and installation of water supply pipeline from Taizhou Water Treatment Plant to Jiaojiang District (Luqiao section) approved and confirmed by way of an ordinary resolution passed at the extraordinary general meeting of the Company held on 9 October 2023
“Taizhou Water Supply”	Taizhou Water Supply Co., Ltd.* (台州自來水有限公司), a limited liability company established in the PRC on 22 June 1989, and is owned as to 49% by Jiaojiang Urban Development, 45% by the Company and 6% by Taizhou Shengshui Equity Investment Partnership (Limited Partnership) as at the date of this annual report
“Treasury Share(s)”	has the meaning ascribed to it under the Listing Rules
“Wenling Water Supply”	Wenling Water Supply Co., Ltd.* (溫嶺市供水有限公司), a limited liability company established in the PRC on 20 November 2007, and is ultimately wholly-owned by the Finance Bureau of Wenling City (溫嶺市財政局) as at the date of this annual report
“Wenling Zeguo Water Supply”	Wenling Zeguo Water Supply Co., Ltd.* (溫嶺市澤國自來水有限公司), a limited liability company established in the PRC on 9 November 2006 and a wholly-owned subsidiary of our Company as at the date of this annual report

DEFINITIONS

“Yuhuan Water Supply”	Yuhuan Water Supply Co., Ltd.* (玉環市自來水有限公司), a limited liability company established in the PRC on 12 May 1992, and is ultimately owned as to 90% by the Financial Bureau of Yuhuan City* (玉環市財政局) and 10% by Zhejiang Provincial Department of Finance as at the date of this annual report
“Zhejiang Xianzhiquan”	Zhejiang Xianzhiquan Water Co., Ltd.* (浙江仙之泉水業有限公司), a limited liability company established in the PRC on 24 May 2023 and a subsidiary of our Company owned as to 51% by our Company and 49% by Zhejiang Yongan as at the date of this annual report
“Zhejiang Yongan”	Zhejiang Yongan Water Group Co., Ltd.* (浙江永安水務集團有限公司), a limited liability company established in the PRC on 1 June 1977, and is ultimately owned as to 92% by the Xianju County State-owned Assets Work Center* (仙居縣國資工作中心) and 8% by Zhejiang Provincial Department of Finance as at the date of this annual report
“Zhuxi Reservoir Development”	Taizhou Zhuxi Reservoir Development Co., Ltd.* (台州市朱溪水庫開發有限公司), a limited liability company established in the PRC on 13 February 2015, and is owned as to 25% by the Company as at the date of this annual report
“%”	per cent

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FINANCIAL HIGHLIGHTS

As a listed company of integrated water supply, the Company has both the goals of profitability and public welfare. For the profitability, growth and the Group's management ability of the operations cared by the investors, the Group focuses on selecting indicators related to profitability in the financial review such as revenue, cost, expenses, gross profit and gross profit margin, profit after tax and profit margin, etc., in order to analyse the profitability and future trends so that the investors can better understand the Group's profitability and growth. The Group has chosen to make analysis and explanation of major assets and major current accounts, so that investors and stakeholders can better understand the Group's financial position and management's operation capabilities.

RESULTS

Year ended 31 December

	2025 RMB'000	2024 RMB'000
Revenue	606,401	600,802
Loss before tax	(62,546)	(99,245)
Income tax expense	22,167	18,792
Loss for the year	(84,713)	(118,037)
Attributable to:		
Owners of the Company	(71,580)	(95,580)
Non-controlling interests	(13,133)	(22,457)
	(84,713)	(118,037)
Basic loss per share ^(Note) (RMB)	(0.36)	(0.48)
Dividend per share (RMB)	—	—

Note: The calculation of the basic loss per share amounts is based on the loss for the year for the Group attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

ASSETS AND LIABILITIES

As at 31 December

	2025 RMB'000	2024 RMB'000
Total assets	5,568,197	5,695,815
Total liabilities	4,286,111	4,717,417
Total equity	1,282,086	978,398
Equity attributable to owners of the parent	701,635	770,664
Perpetual securities	379,164	—
Non-controlling interests	201,287	207,734
	1,282,086	978,398

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the annual report of the Group for the year ended 31 December 2025.

The year 2025 is the year marking the conclusion of the “14th Five-Year Plan” and the planning phase for the “15th Five-Year Plan” of the Group; it is also the critical year for the Group as it accelerates efforts to enhance quality and efficiency and drive transformation and upgrading. With the strong support of all Shareholders and the correct leadership of the Board, the Group has consistently adhered to the guidance of Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era, fully implemented the spirit of the 20th National Congress of the Communist Party of China and the Fourth Plenary Session of the 20th CPC Central Committee, and thoroughly studied and applied General Secretary Xi Jinping’s important expositions on the reform, development, Party building, and water management of state-owned enterprises. Upholding the principle of pursuing progress while ensuring stability, and closely focusing on the core objectives of “ensuring water supply, enhancing efficiency and promoting development”, the Group has carried out its work in a solid and practical manner through three major initiatives: “the Year of Lean Management Enhancement, the Year of Market Capitalization Management, and the Year of Integrating Party Building with Business Operations”. This has effectively driven the Group’s development to proceed steadily amidst challenges. Over the past year, all operational targets set by the Board have been successfully achieved, the capacity of water supply security has steadily improved, water supply service models have undergone iterative upgrades, key tasks have been tackled with notable results, the industrial structure and layout have been continuously optimized, and the foundations of Party building have been comprehensively strengthened, laying a solid foundation for the high-quality development of the Group.

RESULTS REVIEW

During the Reporting Period, the revenue of the Group amounted to approximately RMB606.4 million, as compared with approximately RMB600.8 million for the prior year; the net loss for the year amounted to approximately RMB84.7 million, as compared to a net loss of approximately RMB118.0 million for the prior year; and basic loss per share amounted to RMB0.36, as compared to basic loss per share of approximately RMB0.48 for the prior year. Considering the business development of the Company, the Board proposed that no dividend be distributed to Shareholders.

PRINCIPAL BUSINESS OF WATER SUPPLY

During the Reporting Period, the Group remained firmly focused on the objective of establishing a resilient water supply security system. The Group coordinated the optimization of existing water supply infrastructure with the development of new capacity, strengthened the operation and maintenance of treatment plants, pumping stations and distribution networks, and ensured the sound operation and management of the Phase 1-4 water supply projects in Taizhou City, whilst driving the iterative upgrading of water supply service models. In 2025, the Group sold 121 million tons of raw water (a decrease of 2.42% year-on-year) and 180 million tons of municipal water (an increase of 4.65% year-on-year), with no large-scale water outages reported throughout the year. All tested parameters of treated water met both the national standards for drinking water hygiene and Zhejiang Province’s modern water plant indicators. The water leakage rate in the pipeline network, along with unit consumption of electricity and chemicals were effectively controlled, and facility operations remained stable. The Group has consolidated the foundation for water supply security through the “dual water source” strategy, completing the joint commissioning and testing of the Changtan – Zhuxi dual-reservoir system. This has enabled the joint scheduling of raw water from the Zhuxi Reservoir and Changtan Reservoir, effectively mitigating the risk of bromine levels in the raw water from the Changtan Reservoir exceeding regulatory limits. The Group’s water quality testing center was established and commenced full-scale operations, obtaining national CMA accreditation, thereby enhancing the Group’s capacity for end-to-end water quality control. The Group thoroughly implemented the “Micro, Reform, Precision, and Enhancement” initiative for urban water supply, steadily advancing the construction of DMA metering systems in urban areas to improve water loss management standards. Leveraging the smart water management platform, the Group accelerated the digital transformation of customer services for water supply. A total of 29 services across three service windows, covering customer services, meter management and connection applications, have been consolidated into a “one-stop processing”, and a pilot of the offline smart service center has been successfully launched at the Luqiao Water Supply.

CHAIRMAN'S STATEMENT

CONSTRUCTION OF PROJECTS

During the Reporting Period, the Group aimed to build a water supply protection system of “interconnection and interoperability, resource-sharing, crisis-relief, and safe and reliable”, tackling tough challenges, and actively promoting the pipeline network interconnection project. Land acquisition and all necessary administrative approvals for the raw water booster pumping station of the Taizhou Water Supply System (Phase IV) have been completed, and preparatory work for the tender process is currently proceeding. The urban water supply capacity enhancement project is steadily advancing, and the second main water supply trunk line connecting Taizhou Water Treatment Plant to Jiaojiang has successfully achieved grid-connection and operation, whilst the project to optimize water resource utilisation in the southern district has successfully achieved grid-connection and operation. Construction has commenced on the interconnection project for the regional pipeline networks in areas such as Juyang Avenue and Tongjiang Avenue, while preliminary work on the Huangyan Water Supply trunk pipeline has been fully launched, and the ring-shaped layout of the main water transmission channels in the urban area is rapidly taking shape. The process renovation project for water plant has been fully completed, with ozone pre-treatment systems built and operational at 5 water plants. A cumulated 121 kilometers of new and upgraded pipeline networks have been constructed in the urban area, and secondary water supply upgrades have been completed in 116 older residential communities, ensuring high-quality water reaches users right to the “last meter”. With the successive completion and operation of the Taizhou Water Diversion Project, Southern Bay Area Water Diversion Project and Zhuxi Reservoir, along with the grid-connection and operation of water resource optimization project in southern Taizhou, a water supply security framework in southern Taizhou, characterized by interconnection and interoperability, resource-sharing, crisis-relief, and safe and reliable, has largely taken shape.

INDUSTRY EXPANSION

During the Reporting Period, the Group embraced its new strategic positioning, focusing on comprehensive development of water resources and integrated water environment management. It planned and implemented a series of industrial chain enhancement projects, actively driving the transformation of water supply in southern Taizhou from “access to water” to “access to high-quality water”. The bottled water business of Xianzhiquan Water has established an initial production and sales model centered on “OEM production (customized water services) + e-commerce”. The Group has entered into partnerships with platforms such as JX Supply Chain and Hand University, with annual revenue growing by approximately 40% year-on-year. The piped drinking water business of Bishui Water has seen steady growth. By 2025, Bishui Water has completed the construction of piped drinking water projects at Mingyue Junlan (明月君瀾), Yujing No. 1 (裕景壹號) and the public security training base. To date, a total of 22 sites have been established, with 7 pilot projects commencing operations. Concurrently, Bishui Water has completed its mixed-ownership reform, successfully bringing in LEO Group Zhejiang Pump Industry Co., Ltd. (利歐集團浙江泵業有限公司) as a strategic investor, thereby further strengthening the core competitiveness of the enterprise. At the same time, the Group has stepped up its efforts to foster innovation by partnering with Zhejiang University to establish a joint research and development center for smart water management, and has launched the first phase of 5 research projects to build up a technical foundation for the Group's industrial development.

CHAIRMAN'S STATEMENT

FINANCING

Grounded in the Group's operational realities, we strengthened integrated financing management, prioritized capital security, actively explored innovative financial instruments, and worked to broaden financing channels while reducing financing costs, fully implementing a series of measures for debt reduction. We successfully upgraded the credit rating of the Group's entities to AA+ by seizing the favorable period of credit market. In particular, the Group successfully issued perpetual bonds of RMB380 million with a coupon rate of 2.5%, which set a record for the lowest interest rate among similar bonds in the province over the past three years and contributed to a reduction of the Group's combined gearing ratio by approximately 6%. Concurrently, we advanced the consolidated REITs project, and our PN15 had been granted a waiver by the Hong Kong Stock Exchange with a replied letter upon nearly a year of ongoing communication, representing a great progress in the preliminary work for the issuance of quasi-REITs. The follow-on issuance of PPN amounting to RMB150 million has been approved at the general meeting, while it remains subject to the approval from the National Association of Financial Market Institutional Investors. It is expected that the average financing cost of the issuance will be 0.77% lower than the previous year, enabling a reduction of annual interest expenditure by over RMB12 million. By scientifically introducing competitive mechanisms, the Group rigorously enforced loan conditions and contract compliance, prepared quarterly capital budgets, dynamically managed cash flow, and reduced idle capital. During the Reporting Period, the Group secured new credit facilities of RMB200 million and additional bank loans of RMB186 million.

REFORM AND DEVELOPMENT

In 2025, we deeply implemented the "Three-Year" initiatives, focusing on the major, essential and critical aspects affecting the Group's development and vigorously addressing key tasks with innovative measures. On the one hand, we strengthened the optimization of our structure and framework for the corporate governance, fully implemented the requirement of "Two-consistency",

completed the initiative of "incorporating Party building into the constitutional documents" across all entities within the Group, and materialized the system of "mutual entry and cross appointment"; on the other hand, we bolstered the development of board of directors by establishing an talent pool of external directors comprising 32 qualified candidates, and dispatched 45 directors to managed subsidiaries, ensuring external directors constitute the majority on all boards of primary and managed subsidiaries. Taking the formulation of the development plans for the "15th Five-Year Plan" period as an opportunity, we reviewed the Group's overall development strategy and organizational structure, and proposed a "12358" overall development strategy of the Group for the "15th Five-Year Plan" period that integrates wisdom and consensus from all parties. We persistently enhanced the quality and coverage of the term-based and contractual management of subsidiary executive teams, precisely set performance indicators, strengthened rigorous assessment and fulfillment, and ensured flexible adjustments to leadership positions and compensation levels. As the reform of the Group's remuneration system advanced, the remuneration structure between the Group and its affiliated (managed) entities tended to be unified, and the draft management measures for remuneration within the Group was developed, laying a foundation for further developing a market-oriented remuneration system. A pilot company-wide competitive recruitment program had been carried out at certain subsidiaries, successfully activating the "talent pool" of the cadre team. We deepened the development of the financial shared services center by streamlining financial business processes and integrating most subsidiaries into its financial center for centralized payment and accounting, and we attempted to carry out a comprehensive budget management. Through proactively cooperated with the Municipal Party Committee in its "look-back" review of inspection and rectification works, we deepened the construction of a clean and incorruptible state-owned enterprise, focusing on key areas including misconducts and corruption issues close to the masses, the construction of Party organizations and Party member teams at grassroot level, and inspection and rectification as well as results application, implementing proactive supervision, and consolidating rectification achievements, to promote healthy development.

CHAIRMAN'S STATEMENT

OUTLOOK

The year 2026 marks both the commencement of the “15th Five-Year Plan” period and a critical juncture for the Group’s transformation breakthrough and capability leap. The Group will continue to deepen the achievements of the “Three-Year” initiatives, closely adhere to the “256” work deployment, focusing on two main lines: the “Year of Transformation Breakthrough” and the “Year of Improvement in Work Style”. We will concentrate efforts on five key areas including the “integration and enhancement of Party-building”, the “upgrading of water supply assurance”, the “optimization of industrial structure”, the “improvement in asset management efficiency”, and the “enhancement of talent team”. Additionally, we will effectively implement six major special initiatives including the “enhancement of water supply capabilities”, the “upgrading of smart water applications”, the “expansion of supplying coverage for high-quality water”, the “extension of post-meter services”, the “major breakthroughs in industrial mergers and acquisitions”, and the “cultivation of work style among cadres and staff”. We intend to propel the Group’s transition from “scale growth” to “value enhancement” and from a “traditional water utility” to a “modern water industry group”, striving to create a new chapter of high-quality development. With strategic planning as our guiding framework, we will focus on the Board’s core functions of “formulating strategies, making decisions and preventing risks”, promoting the translation of plans into specific actions and the supervision on the implementation of plans, with an aim of ensuring the implementation and effectiveness of the Group’s plans for the “15th Five-Year Plan” period. With project investment as the lever, we will support the executive management in execution of strategic plans, vigorously manage the approval on project investments, enhance the control of project procedures, and effectively conduct review process for delivered projects, empowering the Group’s high-quality development. With refined management as the core, the Group will firmly establish the philosophy of lean management, continuously improve refined management standards, and embed cost reduction, efficiency improvement, revenue growth, and expenditure control into all processes of corporate investment and financing, financial management, production and operations, risk prevention and performance

assessment. With scientific and technological innovation as the driving force, the Group will advance the digital transformation strategy, precisely identify the strategic direction of technological innovation, establish a cooperation platform covering the fields of “industry, academics, research and application”, promote the transformation of and rewards for innovation achievements to stimulate innovation vitality, promote the establishment of an integrated innovation system of “water services + technology + talent”, and drive connotative growth of the enterprise. With deepened reforms as a catalyst for breakthroughs, the Group will focus on improving the modern enterprise systems with Chinese characteristics, and continue to deepen three institutional reforms. It will also refine and improve the performance-based compensation and promotion mechanisms, and actively explore and advance innovative initiatives including the incorporation of digital assets into financial statements, thereby enhancing the Group’s core competitiveness and valuation. With integrated Party building as the engine, the Group will fully integrate Party leadership into all aspects of corporate governance, consolidate driving forces through deep Party-building integration, refine the modern enterprise system with Chinese characteristics, build a strong defense against corruption through rigorous risk prevention and control, and provide strong political and organizational guarantees for strengthening and optimizing state-owned capital.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude and greetings to all Shareholders and partners for the long-term support they have given to the development of the Group, and to all the members of the Group for their preserving efforts and selfless contributions.

Mr. Yang Jun

Chairman

Taizhou, the PRC

27 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS



I. INDUSTRY OVERVIEW

The year 2025 marks a critical juncture for China's water supply industry, standing at the intersection of concluding the "14th Five-Year Plan" and preparing for the "15th Five-Year Plan". As a fundamental industry supporting economic and social development, the water supply sector is undergoing a profound transition from "scale expansion" to "quality enhancement", driven by multiple factors such as the improvement of policies and regulations, independent technological innovation, and sustainable development strategies. At the policy level, with the implementation of regulations such as the Water Conservation Regulations and the advancement of the National Water Network construction, the industry's focus has shifted from "incremental expansion" to "quality and efficiency enhancement", making smart water management a pivotal direction for development. Technologically, digital and intelligent transformation has become the core driving force for the industry's growth. New-generation information technologies such as the Internet of Things (IoT), big data, and artificial intelligence are being deeply applied in optimizing water supply system scheduling, detecting and controlling pipeline leakages, and monitoring and early warning of water quality.

Meanwhile, multiple national departments continue to refine the policy system around the principle of "water conservation priority". In October 2025, the

Ministry of Industry and Information Technology and the Ministry of Water Resources jointly issued the Implementation Plan for High-Quality Development of Water-Saving Equipment (2025–2030)* (《節水裝備高質量發展實施方案(2025–2030年)》), aiming to achieve breakthroughs in water-saving equipment for key areas such as water supply, water use, and recycling by 2027. By 2030, a comprehensive and technologically advanced water-saving equipment system is expected to be established. The Taizhou municipal government is also steadily advancing the Taizhou Water Resources Conservation, Protection, and Utilization Master Plan* (《台州市水資源節約保護和利用總體規劃》), with the goal of fundamentally resolving water resource security issues and achieving domestically advanced levels of water resource conservation and intensive utilization by 2035. The water supply industry will place greater emphasis on resource conservation and environmental protection, with improving water supply efficiency and ensuring water quality becoming key priorities for the future. As the industry moves toward the "15th Five-Year Plan" period, it will further transition toward smarter, low-carbon, intensive, and sustainable development. High-value-added segments such as high-quality direct drinking water demonstrate strong market potential. "Water quality safety + intelligence + green sustainability" will become the core drivers for value enhancement, providing solid support for the high-quality development of the economy and society.

MANAGEMENT DISCUSSION AND ANALYSIS

II. DEVELOPMENT STRATEGIES AND OUTLOOK

The year 2026 marks both the commencement of the “15th Five-Year Plan” period and a critical juncture for the Group’s transformation breakthrough and capability leap. The Group will continue to deepen the achievements of the “Three-Year” initiatives, closely adhere to the “256” work deployment, focusing on two main lines: the “Year of Transformation Breakthrough” and the “Year of Improvement in Work Style”. We will concentrate efforts on five key areas including the “integration and enhancement of Party-building”, the “upgrading of water supply assurance”, the “optimization of industrial structure”, the “improvement in asset management efficiency”, and the “enhancement of talent team”. Additionally, we will effectively implement six major special initiatives including the “enhancement of water supply capabilities”, the “upgrading of smart water applications”, the “expansion of supplying coverage for high-quality water”, the “extension of post-meter services”, the “major breakthroughs in industrial mergers and acquisitions”, and the “cultivation of work style among cadres and staff”. We intend to propel the Group’s transition from “scale growth” to “value enhancement” and from a “traditional water utility” to a “modern water industry group”, striving to create a new chapter of high-quality development.

BUSINESS REVIEW

As a leading water supply service provider in Taizhou, the Group’s principal businesses are supply of raw water, municipal water, pipeline direct drinking water, packaged drinking water and tap water, ranking the first in Taizhou in terms of raw water and municipal water supply. The Group also offers tap water directly to end-users and engages in the installation of water pipelines for distributing tap water to end-users.

The Group owns, operates and manages the Taizhou Water Supply System (Phase I), the Taizhou Water Supply System (Phase II), the Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV). The designed raw water supply capacity is approximately 1,220,000 tonnes per day, and the municipal water supply capacity is 750,000 tonnes per day in the South Area of Taizhou.

1. Raw Water Supply Project

The designed water supply capacity of Taizhou Water Supply System (Phase I) is 250,000 tonnes per day, and the raw water is supplied to local municipal water service providers and Wenling Zeguo Water Supply Co., Ltd. (“**Wenling Zeguo Water Supply**”), a wholly-owned subsidiary of the Company. The raw water supply capacity of Taizhou Water Supply System (Phase II) is 490,000 tonnes per day, of which 380,000 tonnes per day is supplied to Taizhou Water Treatment Plant of the Group. The raw water supply capacity of Taizhou Water Supply System (Phase III) is 480,000 tonnes per day, of which the raw water supply capacity of Taizhou Water Supply System (Phase IV) is 150,000 tonnes per day. For the year ended 31 December 2025, the raw water sales volume was 121.4 million tonnes, representing a decrease of approximately 2.3% as compared with 124.2 million tonnes for the year ended 31 December 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Municipal Water Supply Project

Taizhou Water Treatment Plant of the Taizhou Water Supply System (Phase II) has a designed municipal water supply capacity of 600,000 tonnes per day, the water treatment plant in the East Zone of the Taizhou Water Supply System (Phase III) has a designed municipal water supply capacity of 284,000 tonnes per day and the South Bay water treatment plant of the Taizhou Water Supply System (Phase IV) has a designed municipal water supply capacity of 100,000 tonnes per day. Taizhou Water Treatment Plant is responsible for selling municipal water to local municipal water service providers. For the year ended 31 December 2025, municipal water sales volume was 180.1 million tonnes, representing an increase of approximately 4.5% as compared with 172.3 million tonnes for the year ended 31 December 2024.

3. Tap Water Supply Project

As of 31 December 2025, the Group was responsible for supplying tap water to end-users of Zeguo Town, Wenling City (including commercial users, government authorities, industrial users and residential households in Zenguo Town). For the year ended 31 December 2025, tap water sales volume was 12.5 million tonnes, representing an increase of approximately 3.3% as compared with 12.1 million tonnes for the year ended 31 December 2024.

4. Installation Services

In connection with tap water supply services, the Group undertakes local water pipeline installation works to connect new end-users to the Group's pipeline network and charges an installation fee for such services. For the year ended 31 December 2025, revenue from installation services amounted to RMB17.0 million, representing an increase of approximately 29.8% as compared with RMB13.1 million for the year ended 31 December 2024.

5. Construction Project

During the Reporting Period, construction projects in progress of the Group are the Taizhou Water Supply System (Phase III), the Taizhou Water Supply System (Phase IV), and the pipeline potable water projects.

The construction of the Taizhou Water Supply System (Phase III) commenced in February 2018 and was put into operation in October 2022. The construction of Taizhou Water Supply System (Phase IV) commenced in November 2018 and was put into operation in August 2022. The construction of the first pipeline potable water project of Bishui Water commenced in September 2023.

During the Reporting Period, the acceptance, rectification and settlement of the works of each section of the Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV) were in solid progress. Land expropriation and all administrative licensing and approval procedures for the raw water booster pumping station of the Taizhou Water Supply System (Phase IV) have been completed, and preliminary preparations for the bidding process are currently ongoing. The Taizhou Water Treatment Plant phase II expansion project has been completed and put into operation. Bishui Water has laid out pipeline potable water projects in government agencies, enterprises and institutions, and residential areas. Currently, 16 projects have completed pipeline construction or equipment room installation, with 9 projects already put into use.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

1 Analysis of Key Items of Consolidated Statement of Profit or Loss and Other Comprehensive Income**1.1 Revenue**

Revenue of the Group increased by RMB5.6 million or 0.9%, from approximately RMB600.8 million for the year ended 31 December 2024 to approximately RMB606.4 million for the Reporting Period.

(1) Raw water supply

Revenue of the Group generated from sales of raw water remained relatively stable and decreased by RMB9.2 million or 7.3%, from approximately RMB126.5 million for the year ended 31 December 2024 to approximately RMB117.3 million for the Reporting Period.

(2) Municipal water supply

Revenue of the Group generated from sales of municipal water increased by RMB7.4 million or 1.8%, from approximately RMB405.4 million for the year ended 31 December 2024 to approximately RMB412.8 million for the Reporting Period.

(3) Tap water supply

Revenue of the Group generated from sales of tap water increased by RMB0.3 million or 0.6%, from approximately RMB54.5 million for the year ended 31 December 2024 to approximately RMB54.8 million for the Reporting Period.

(4) Installation services

Revenue of the Group generated from installation services increased by RMB3.9 million or 29.8%, from approximately RMB13.1 million for the year ended 31 December 2024 to approximately RMB17.0 million for the Reporting Period.

1.2 Cost of sales

The Group's cost of sales decreased by RMB0.6 million or 0.1%, from approximately RMB476.3 million for the year ended 31 December 2024 to approximately RMB475.7 million for the Reporting Period, which remains largely unchanged.

MANAGEMENT DISCUSSION AND ANALYSIS

1.3 Gross profit and gross profit margin

As a result of the above, the Group's gross profit increased by RMB6.2 million or 5.0%, from approximately RMB124.5 million for the year ended 31 December 2024 to approximately RMB130.7 million for the Reporting Period. Gross profit margin increased from 20.7% for the year ended 31 December 2024 to 21.6% for the Reporting Period.

1.4 Other income and gains

Other income and gains increased by RMB13.0 million or 53.3%, from approximately RMB24.4 million for the year ended 31 December 2024 to RMB37.4 million for the Reporting Period, which was mainly due to the government subsidies income of RMB21.5 million for the Reporting Period.

1.5 Administrative expenses

Administrative expenses increased by RMB4.7 million or 5.6%, from approximately RMB83.4 million for the year ended 31 December 2024 to approximately RMB88.1 million for the Reporting Period, which was mainly due to the addition of land use rights for Taizhou South Bay Water Supply Co., Ltd.

1.6 Finance costs

Finance costs decreased by RMB14.5 million or 10.6%, from approximately RMB136.8 million for the year ended 31 December 2024 to approximately RMB122.3 million for the Reporting Period, which was mainly due to the decreased borrowing rate.

1.7 Income tax expense

Income tax expense increased by RMB3.4 million or 18.1%, from approximately RMB18.8 million for the year ended 31 December 2024 to approximately RMB22.2 million for the Reporting Period, which was primarily due to the increased in profit before tax of certain subsidiaries.

1.8 Loss after tax and profit margin after tax

As a result of above, the Group recorded a loss after tax of approximately RMB84.7 million for the Reporting Period as compared to a loss after tax of approximately RMB118.0 million for the year ended 31 December 2024. Profit margin after tax increased from -19.6% for the year ended 31 December 2024 to -14.0% for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

2 Analysis of Key Items of Consolidated Statement of Financial Position

2.1 *Property, plant and equipment*

As at 31 December 2024 and 2025, property, plant and equipment were approximately RMB4,298.5 million and RMB4,109.8 million, respectively, and mainly comprised construction in progress, water supply pipelines, buildings, machinery and equipment for water supply business. The decrease was primarily attributable to the depreciation of the fixed assets.

2.2 *Investment in associates*

Investment in associates represented the investments in which the Group had a long term interest of not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence, which included Zhuxi Reservoir Development, Taizhou Water Supply, Jiaobei Water Supply, Luqiao Water Supply and Huangyan Water Supply.

2.3 *Right-of-use assets*

As at 31 December 2024 and 2025, right-of-use assets were approximately RMB363.9 million and RMB405.9 million, respectively.

2.4 *Inventories*

As at 31 December 2024 and 2025, inventories were approximately RMB5.3 million and RMB5.2 million, respectively. Inventories mainly comprised raw materials including chemicals used in the water treatment process.

2.5 *Trade receivables*

As at 31 December 2024 and 2025, trade receivables were approximately RMB143.4 million and RMB159.6 million, respectively. Trade receivables are related to receivables from customers under the water supply business.

2.6 *Prepayments, other receivables and other assets*

As at 31 December 2024 and 2025, prepayments, other receivables and other assets were approximately RMB35.2 million and RMB43.6 million, respectively. Such increase was primarily attributable to the increase of contract assets.

2.7 *Trade payables*

As at 31 December 2024 and 2025, trade payables were approximately RMB71.2 million and RMB82.1 million, respectively. Trade payables mainly comprised outstanding payments for raw water procurement.

2.8 *Other payables and accruals*

As at 31 December 2024 and 2025, other payables and accruals were approximately RMB838.4 million and RMB618.5 million, respectively. Such decrease was primarily attributable to the decrease in other payables for the construction of Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV).

MANAGEMENT DISCUSSION AND ANALYSIS

2.9 Deferred government grants

As at 31 December 2024 and 2025, deferred government grants were approximately RMB131.7 million and RMB121.9 million, respectively. The decrease was mainly due to the amortisation.

2.10 Liquidity and financial resources

The Group manages its capital to ensure that its entities will be able to operate on a going concern basis and maximises the return to the Shareholders through optimisation of the debt and equity balance. During the Reporting Period, the overall strategy of the Group remained unchanged. The capital structure of the Group consisted of net debt (including borrowings net of cash and cash equivalents which were mainly denominated in Renminbi) and total equity (including paid-in capital/share capital, capital reserve, statutory surplus reserve, retained profits, perpetual bonds and non-controlling interests). The Group was not subject to any externally imposed capital requirements.

As at 31 December 2025, cash and bank balance of the Group was approximately RMB328.9 million (as at 31 December 2024: approximately RMB321.3 million).

As at 31 December 2025, total borrowings of the Group were approximately RMB3,456.3 million (as at 31 December 2024: approximately RMB3,669.9 million) and included bank and other borrowings and debt instruments, with 83.8% of borrowings at floating rates.

As at 31 December 2025, gearing ratio of the Group (total debts divided by total equity as at the year end) was 269.6% (as at 31 December 2024: 375.1%). The decrease in gearing ratio was mainly due to the decrease in bank borrowings of approximately RMB212.6 million for the construction of Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV).

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments

For the year ended 31 December 2025, the Group did not hold any significant investment in equity interest in any other company (for the year ended 31 December 2024: nil).

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not have any other material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Pledge of the Group's Assets

During the Reporting Period, the bank and other borrowings of the Group amounted to RMB3,303.1 million (for the year ended 31 December 2024: RMB3,515.2 million), which were secured by the Group's trade receivables, the right of charge on the future revenue generated by Taizhou Water Supply System (Phase I, Phase II, Phase III and Phase IV). Save as disclosed above, as at the end of the Reporting Period, the Group did not pledge any other assets.

Foreign Exchange Risk

The Group carries out business in the PRC and receives revenue and pays its costs and expenses in RMB. The Group had bank deposits in Hong Kong dollar and the distributed dividends in Hong Kong dollar. The Group recognised net foreign exchange loss of approximately RMB16,821 during the Reporting Period. The Group does not currently hedge its exposure to foreign currencies. The Group will continue to monitor foreign exchange movements to maximise the Group's cash values.

Subsequent Events after Reporting Period

On 5 December 2025, the Board proposed that, in order to ensure the smooth operation of the Group's subsequent financing channels and meet the capital requirements for business development, the Board has resolved to submit to the Shareholders for consideration and approval (i) proposed re-application for the quota of registration of debt financing notes in the National Association of Financial Market Institutional Investors of the PRC with the registered principal amount of no more than RMB1.0 billion in the PRC and the issue of such debt financing notes through private placement (the **"2025 Private Placement Notes"**); (ii) proposed authorisation to the Board or the executive Directors to deal with the matters relating to the issue of the 2025 Private Placement Notes; and (iii) proposed increase in registered capital to a subsidiary. The above resolutions were passed as special resolutions at the extraordinary general meeting of the Company held on 30 January 2026.

For details, please refer to the announcement of the Company dated 5 December 2025, and circular of the Company dated 15 January 2026.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2025, the Group had 265 employees (as at 31 December 2024: 255). During the Reporting Period, employees benefit expense amounted to approximately RMB88.2 million (for the year ended 31 December 2024: RMB85.2 million). The employees of the Group are generally remunerated by way of fixed salary, and are also entitled to a performance-based bonus, paid leave and various subsidies. During the Reporting Period, the Group did not experience any significant labour disputes causing any material impact on its normal business operations.

* For identification purposes only

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the Directors, Supervisors and senior management are set out as follows:

EXECUTIVE DIRECTORS

Mr. Yang Jun (楊俊), aged 55, is the executive Director and Chairman of our Company. He joined our Company in March 2020. Mr. Yang is primarily responsible for formulating the overall corporate strategies and overseeing the management of business and operation of our Group.

Mr. Yang began his career at the Sanmen County Zhuao Agriculture Technology Station* (三門縣珠畹農技站) between August 1989 and March 1999, with his last position being the station master. He then served at the Agricultural and Economic Committee of Sanmen County* (三門縣農經委) from March 1999 to December 2001, with his last position being the deputy director. Mr. Yang has served at various government authorities, including: (i) deputy director of the Agricultural Department of Sanmen County* (三門縣農業局) from December 2001 to June 2002; (ii) deputy secretary of the party committee and mayor of Yanchi Town, Sanmen County (三門縣沿赤鄉) from June 2002 to April 2005; (iii) secretary of the party committee and chairman of the people's congress of Xiaoxiong Town, Sanmen County (三門縣小雄鎮) from April 2005 to April 2009; (iv) director and secretary of the party committee of the Construction Planning Bureau of Sanmen County* (三門縣建設規劃局) from May 2009 to April 2012; (v) director and secretary of the party committee of the Housing and Urban-Rural Development Planning Bureau of Sanmen County* (三門縣住房和城鄉建設規劃局) from April 2012 to September 2014; (vi) deputy director and party leader (黨組成員) of the Economic Cooperation Office of Taizhou Government* (台州市政府經濟合作辦公室) from September 2014 to March 2018; and (vii) deputy county governor and party leader of the People's Government of Tiantai County* (天台县人民政府) from March 2018 to March 2020. Mr. Yang has been serving as (i) the party committee member (黨委委員) and party secretary (黨委書記) of the Company since March 2020; (ii) the chairman of board of directors of Taizhou Development Investment Co., Ltd.* (台州市發展投資有限公司) since 23 April 2020; (iii) the chairman of board of directors of the Company since 5 June 2020; (iv) a director

of Taizhou South Bay Water Supply from 11 June 2020 to 16 August 2024; (v) a director of Binhai Water from 12 June 2020 to 29 August 2024; and (vi) the chairman of the 8th Council of Taizhou Urban Water Industry Association since 9 December 2022.

Mr. Yang completed the college degree course of the Correspondence Academy of Party School of the Central Committee of C.P.C* (中共中央黨校函授學院) (the "Correspondence Academy") and obtained the graduation certificate in June 1996, majoring in economic management. He further completed the undergraduate course of administrative management of Correspondence Academy and the postgraduate course of public administration of the School of Politics and International Relations of Beijing Normal University* (北京師範大學政治學與國際關係學院) and obtained the graduation certificates in December 2004 and June 2013, respectively.

Mr. Pan Gang (潘剛), aged 54, is an executive Director, the vice Chairman and the general manager of our Company. He joined our predecessor company in February 1994 and is primarily responsible for production and operation management of our Group.

From February 1994 to April 1996, Mr. Pan worked at the engineering technology department of the Huangjiaowen Joint Water Supply Engineering Headquarter* (黃椒溫聯合供水工程總指揮部), the predecessor company of the Company. From April 1996 to February 2001, he first served as the director of the pumping station management center of the predecessor company and subsequently became the director of the control office of the Company in August 1999. From February 2001 to September 2010, Mr. Pan served as the manager of the corporate management department of the Company. From October 2005 to December 2008, he was responsible for the on-site management of the tap water section of the Taizhou Water Supply System (Phase II), and the trial operation management of Taizhou Water Treatment Plant. Mr. Pan (i) has been serving as the party committee member (黨委委員) of the Company since September 2010; (ii) served as the deputy general manager of the Company from March 2011 to January 2022; (iii) has been serving as the deputy party secretary (黨委副書記) of the Company

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

since January 2022; (iv) has been appointed as the general manager of the Company since 25 January 2022; and (v) has been appointed as the vice Chairman and executive Director of the Company since 28 June 2022. From June 2016 to 16 August 2024, Mr. Pan was the director of Binhai Water, a subsidiary of the Company, and was the chairman of the board of directors of Binhai Water from June 2016 to May 2017 and the deputy general manager of Binhai Water from May 2017 to 25 January 2022, and has been the chairman of Binhai Water from 25 January 2022 to 16 August 2024. From 25 January 2022 to 9 June 2023, he was the general manager of Binhai Water. Mr. Pan has also been the director of Taizhou South Bay Water Supply, a subsidiary of the Company, from March 2018 to 20 June 2023, the general manager of Taizhou South Bay Water Supply from 25 January 2022 to 19 May 2023, the chairman of Taizhou South Bay Water Supply from 25 January 2022 to 20 June 2023, and the chairman of the board of directors of Taizhou Huangyan Urban and Rural Water Supply Co., Ltd.* (台州市黃岩城鄉自來水有限公司), a company owned as to 45% by the Company, from December 2021 to 28 August 2024.

Mr. Pan completed the college degree course of the Zhejiang University of Water Resources and Electric Power* (浙江水利水電專科學校) and obtained the graduation certificate in July 1992, majoring in water conservancy and hydropower engineering and construction. He further completed the undergraduate degree course of the Correspondence Academy and obtained the graduation certificate in December 1999, majoring in economic administration. He was accredited as an engineer by Taizhou Personnel Bureau in December 1999.

NON-EXECUTIVE DIRECTORS

Mr. Lin Genman (林根滿), aged 53, is the non-executive Director of our Company. He joined our Company as a Director in November 2022. Mr. Lin is primarily responsible for providing professional advice and judgment to the Board.

Mr. Lin graduated with a bachelor's degree in accounting from Zhejiang University of Finance & Economics (浙江財經大學) (formerly known as Zhejiang College of Finance

& Economics* (浙江財經學院)) in June 2004 and was accredited as a senior accountant by the Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in April 2012. Mr. Lin has served as: (i) the chief accountant of Yuhuan County Foreign Economic and Trade Cooperation Bureau* (玉環縣對外經濟貿易合作局) from September 1993 to February 1999; (ii) the chief accountant of Taizhou Urban Construction from February 1999 to July 2011; (iii) the deputy manager of the planning and finance department of Taizhou Urban Construction from July 2011 to September 2017; (iv) the manager of the investment management department of Taizhou Urban Construction from September 2017 to May 2019; (v) the founder of the investment development department of Taizhou Urban Construction from May 2019 to November 2019; (vi) the manager of the planning and finance department of Taizhou Urban Construction from November 2019 to March 2022; and (vii) the manager of the finance and treasury department of Taizhou Urban Construction since April 2022. Mr. Lin has also served as (i) the manager and executive director of Taizhou Asset Management Co., Ltd.* (台州市資產管理有限公司), a wholly-owned subsidiary of Taizhou Urban Construction, from September 2017 to December 2019; (ii) the chairman of the board of directors of Universal Car Sharing Taizhou Car Rental Co., Ltd.* (環球車享台州汽車租賃有限公司), a non-wholly owned subsidiary of Taizhou Urban Construction from December 2017 to November 2018; and (iii) the chairman of the board of directors and manager of Taizhou Luda Investment Co., Ltd.* (台州市路達投資有限公司) since June 2018. Mr. Lin was the manager, executive director and legal representative of Taizhou Yuanlu Highway Construction and Development Co., Ltd.* (台州院路公路建設開發有限公司) ("Taizhou Yuanlu") from December 2019 to January 2022, prior to its dissolution in January 2022. Taizhou Yuanlu was a limited liability company established in the PRC and its principal activity was road tolling. It was dissolved by way of liquidation by its shareholders on 21 January 2022 due to cessation of business as the relevant government has cancelled toll charges for the relevant areas. Mr. Lin confirmed that, to the best of his information and belief after making reasonable enquiries, Taizhou Yuanlu was solvent and had ceased operations at the time of its dissolution.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Fang Ya (方亞), aged 42, is the non-executive Director of our Company. She joined our Company as a Director in April 2015. Ms. Fang is primarily responsible for providing professional advice and judgment to the Board.

Ms. Fang was employed by Taizhou Yadong Cement Manufacturing Co., Ltd.* (台州市亞東水泥製造有限公司) (currently known as Taizhou Shangfeng Cement Co., Ltd.* (台州上峰水泥有限公司)) from April 2008 to June 2011 and was responsible for office administrative works. During the period from July 2011 to November 2012, Ms. Fang was appointed as a village official of Zhangan Street Office* (章安街道辦事處) and was responsible for assisting the village secretary in handling day-to-day works. Since December 2012, Ms. Fang has been an officer at Huangyan District Budgeting Center* (黃岩區財政預算編製中心) and is responsible for handling day-to-day works of the economic development section.

Ms. Fang obtained a bachelor's degree of management, majoring in engineering management, from Northeast Agricultural University (東北農業大學) in June 2007. She was qualified as a social worker in the PRC in June 2018.

Mr. Yu Yangbin (余陽斌), aged 39, is the non-executive Director of our Company. He joined our Company as a Director in January 2019. Mr. Yu is primarily responsible for providing professional advice and judgment to the Board.

Mr. Yu worked as a teacher at Linhai Senior Vocational Middle School* (臨海市高級職業中學) from August 2009 to August 2017. Since September 2017, Mr. Yu has been an officer at the economy development section of Jiaojiang Finance Bureau, responsible for management of infrastructure investment and land transfer payment settlement works.

Mr. Yu obtained a bachelor's degree of engineering, majoring in civil engineering, from Zhejiang Sci-tech University (浙江理工大學) in June 2009. He received the secondary school teaching qualification, the secondary architect qualification and the intermediate architectural economist qualification in the PRC in October 2011, November 2013 and November 2018, respectively.

Mr. Lin Yang (林楊), aged 44, is the non-executive Director of the Company. He was appointed as the non-executive Director of our Company on 27 October 2021. Mr. Lin is primarily responsible for providing professional advice and judgment to the Board. Mr. Lin is currently the chairman of the board and party branch secretary (黨支部書記) of Zhejiang Taixin Asset Management Co., Ltd.* (浙江台信資產管理有限公司) ("**Zhejiang Taixin Asset**"), a substantial shareholder of the Company. He has been serving at Zhejiang Taixin Asset since September 2003 and has previously served as the deputy general manager and asset management department manager. Mr. Lin obtained a double degree in laws and economics from Zhongnan University of Economics and Law in June 2003, and was accredited as an intermediate economist by the Taizhou Personnel Bureau* (台州市人事局) in January 2011.

Mr. Shao Aiping (邵愛平), aged 60, is the non-executive Director of our Company. He joined our Company as a Director in June 2023. Mr. Shao is primarily responsible for providing professional advice and judgment to the Board.

Mr. Shao joined Taizhou Urban Construction and Investment Development Group Co., Ltd.* (台州市城市建設投資發展集團有限公司) (formerly known as Taizhou Infrastructure Construction Investment Co., Ltd.* (台州市基礎設施建設投資有限公司)) and subsequently as Taizhou Infrastructure Construction Investment Group Co., Ltd.* (台州市基礎

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

設施建設投資集團有限公司) before the current name was adopted) (“**Taizhou Urban Construction**”), the Company’s substantial shareholder, as (i) deputy manager of the project management department from July 2003 to February 2005, and as (ii) manager of the investment development department from February 2005 to February 2011. Mr. Shao then served in various other positions at Taizhou Urban Construction, including as: (i) party member from February 2011 to October 2015, (ii) party committee member from October 2015 to April 2016 and subsequently from March 2017 to the present; and (iii) as deputy general manager since January 2014. He graduated with a bachelor of engineering degree in industrial and civil construction in 1986 from Zhejiang Institute of Technology* (浙江工學院) (currently known as Zhejiang University of Technology* (浙江工業大學)), and was accredited as a senior engineer in December 2015 by the Zhejiang Province Human Resources and Social Security Department* (浙江省人力資源和社會保障廳).

Prior to joining Taizhou Urban Construction, Mr. Shao served as: (i) a cadre of the Taizhou Regional Planning and Economic Commission (Construction Quota Station)* (台州地區計經委(建築定額站)) (currently known as the Taizhou Construction Engineering Cost Affairs Centre (Taizhou Construction Project Bidding and Bidding Affairs Center)* (台州市建設工程造價事務中心(台州市建設工程招標投標事務中心))) from July 1986 to November 1994; (ii) a cadre of the Taizhou Construction Engineering Cost Management Office* (台州市建設工程造價管理處) from November 1994 to January 1998; (iii) deputy director and party committee member of the Linhai Construction Bureau* (臨海市建設局) (currently known as the Linhai Housing and Urban Construction

Planning Bureau* (臨海市住房和城鄉建設局)) from January 1998 to January 2000; and (iv) director of Linhai Construction Engineering Management Office* (臨海建設工程管理處) (currently known as the Linhai Construction Engineering Affairs Center* (臨海市建設工程事務中心)) of the Linhai Housing and Urban Construction Planning Bureau and director of the Linhai Construction Engineering Trading Center* (臨海建設工程交易中心) (currently known as the Linhai Public Resources Trading Center* (臨海市公共資源交易中心)) concurrently from March 1999 to July 2003.

During the terms of his aforementioned posts, Mr. Shao also served on a part-time basis as: (i) general manager of Taizhou Yuanlu Highway Construction and Development Co., Ltd.* (台州院路公路建設開發有限公司) from December 2004 to July 2011; (ii) general manager of Taizhou Taiji Real Estate Development Co., Ltd.* (台州市台基房地產開發有限公司) from December 2008 to July 2011; and (iii) director of Taizhou Zhongjian Modern Avenue Investment Construction Co., Ltd.* (台州中建現代大道投資建設有限公司) from December 2016 to July 2020.

Ms. Ying Nan (應楠), aged 33, is currently an executive director of Shanghai Lipin Sanmin Culture Communication Co., Ltd.* (上海力品三民文化傳播有限公司) (“**Shanghai Lipin Sanmin**”) since July 2023. Prior to joining Shanghai Lipin Sanmin, Ms. Ying served as a client manager at the securities department of Shanghai Xizang South Road of Guangfa Securities Co., Ltd., (廣發證券股份有限公司) from March 2018 to July 2023. She also served as a manager of the investment department of Shanghai Lipin Zhiye Co., Ltd.* (上海力品置業有限公司) from March 2016 to March 2018.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Ying obtained a bachelor of science degree in accounting and finance from the University of Bath, England, in June 2013. She further obtained a master of finance degree from the University of Maryland, England, in May 2015.

As at the Latest Practicable Date, Shanghai Lipin Sanmin is held as to 99.7% by Ms. Ying Nan and 0.3% by Shanghai Yushen Enterprise Management Consulting Co., Ltd. (上海毓申企業管理諮詢有限公司), which is in turn wholly owned by Mr. Lin Maoyuan. By virtue of the SFO, Ms. Ying Nan is deemed to be interested in a total of 10,058,338 domestic shares of the Company held by Shanghai Lipin Sanmin.

Mr. Ye Xiaofeng (葉曉峰), aged 38, has served as: (i) a staff of Culture, Radio, Television, Tourism and Sports Bureau of Luqiao district, Taizhou city* (台州市路橋區文化和廣電旅遊體育局) from September 2010 to May 2013; (ii) the head of Information Department of the Office of Chinese Communist Party Taizhou Luqiao District Committee (中共台州市路橋區委辦公室) from May 2013 to May 2021; (iii) a director of Taizhou Luqiao District State-owned Assets Investment Holding Co., Ltd.* (台州市路橋區國有資產投資控股有限公司) from August 2021 to February 2024; (iv) a non-executive Director and a member of the Strategy Committee of the Company from December 2022 to June 2024; and (v) the chairman of the board of directors, the legal representative and the manager of both Taizhou Luqiao Metal Recycling Base Infrastructure Construction Investment Co., Ltd.* (台州市路橋金屬再生基地基礎設施建設投資有限公司) and Taizhou Luqiao District Modern Service Industry Development Co., Ltd.* (台州市路橋區現代服務業發展有限公司) from March 2024 to February 2025. Mr. Ye has been serving as: (i) a director, a party committee member and the deputy general manager of Taizhou Luqiao Public Assets Investment Management Group Co., Ltd.* (台州市路橋公共資產投資管理集團有限公司), a substantial shareholder of the Company, since June 2021; (ii) a director of Taizhou Luqiao State-owned Assets Development Group Co., Ltd.* (台州市路橋國有資產發展集團有限公司) since April 2023; (iii) the chairman of the board of directors, the legal representative and the manager of Taizhou Luqiao Fuxinda Industrial Development Co., Ltd.* (台州市路橋復鑫達實業發展有限公司) from February 2024 to July 2025; and (iv) a director and legal representative of Taizhou International Convention Center Co., Ltd.* (台州市國際會議中心有限公司)

and Taizhou White Swan Hotel Co., Ltd.* (台州白天鵝酒店有限公司) from July 2025 to present.

Mr. Ye graduated with a bachelor's degree in engineering, from Zhejiang Gongshang University (浙江工商大學) in June 2010 and was accredited as an intermediate software design engineer by the Zhejiang Provincial Department of Human Resources and Social Security (浙江省人力資源和社會保障廳) in May 2009.

Mr. Yang Feng (楊峰), aged 49, has served as: (i) a staff of Wenling Pipeline Liquefied Gas Company (溫嶺市管道液化氣公司) (currently known as Wenling Pipeline Gas Co., Ltd.* (溫嶺市管道燃氣有限公司)) from July 1994 to November 2001; and (ii) a staff of Zhejiang Zhijiang Group., LTD (浙江之江集團有限公司) from January 2001 to January 2009. Since January 2009, Mr. Yang has been serving as the chairman and general manager of Wenling Deyuan Education Technology Co., Ltd (溫嶺市德源教育科技有限公司). Since August 2008, he has been serving as a director of Zhejiang Mingji Real Estate Co., Ltd (浙江銘基置業有限公司). He has been serving as a director and the general manager of Taizhou Development Investment Co., Ltd and the chairman and the general manager of Qufeng Holdings Limited (渠豐控股有限公司) since August 2018 and September 2025, respectively. Mr. Yang is the son of the late Mr. Yang Yide, who was a non-executive Director before he passed away on 23 October 2025.

Mr. Yang graduated from Zhejiang Vocational Senior High School (浙江省職業高級中學) in July 1994.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Huang Chun (黃純), aged 42, is an independent non-executive Director of the Company. He was appointed as an independent non-executive Director of our Company on 27 October 2021. Mr. Huang is primarily responsible for providing objective and independent opinion on matters decided by the Board.

Mr. Huang worked at Zhejiang University of Finance and Economics from March 2012 to April 2025, and has been employed at Zhejiang Chinese Medical University from April 2025 to the present. He currently serves as an associate

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

professor in the School of Humanities and Management and is the program leader for the International Business major. He has also served at various governmental and academic institutions, including (i) industrial transformation and upgrading expert of Wenling City Economic and Information Bureau* (溫嶺市經濟和信息化局) from May 2017 to April 2020; (ii) distinguished external tutor of Guizhou University of Finance and Economics from September 2017 to September 2020; (iii) distinguished consultant of Guiyang Development and Reform Commission (貴陽市發展和改革委員會) from November 2017 to November 2020; (iv) distinguished professor of Zunyi Normal University from November 2017 to November 2020; (v) expert consultant of Jinhua Oriental Tax Agent Co., Ltd.* (金華東方稅務師事務所有限公司) since September 2019; and (vi) part-time professor of Zhejiang Dongfang Polytechnic (浙江東方職業技術學院) since December 2019.

Mr. Huang obtained a bachelor's degree in information management and information system from Ningbo University in 2005. He further obtained a master's degree in corporate management from Guizhou University in 2008 and a PhD degree in corporate management from Zhejiang University in 2012. Mr. Huang was named as a Zhijiang Young Social Scientist (之江青年社科學者) by the Zhejiang Provincial Federation of Social Sciences* (浙江省社會科學界聯合會) in March 2021.

Ms. Lin Suyan (林素燕), aged 51, is an independent non-executive Director of our Company. She was appointed as a Director in May 2018. Ms. Lin is responsible for providing objective and independent opinion on matters decided by the Board.

Ms. Lin has been a teacher at Zhejiang University of Technology (浙江工業大學) since April 2003. She was the head of financial management faculty of the School of Economics and Management of Zhejiang University of Technology from December 2013 to January 2016 and has been the executive head of the master of professional accounting (MPACC) project center of Zhejiang University of Technology from April 2018 to July 2020. Ms. Lin has served as (i) the deputy head of Department of Accounting of School of Management of Zhejiang University of Technology since July 2020; (ii) the deputy head of the

master of professional accounting (MPACC) project center of Zhejiang University of Technology since November 2020; (iii) an independent director of Zhejiang Xinghua New Material Group Co., Ltd.* (浙江星華新材料集團股份有限公司, originally known as "Hangzhou Xinghua Reflective Material Co., Ltd.* (杭州星華反光材料有限公司)"), a company listed on the Shenzhen Stock Exchange in September 2021 with stock code 301077.SZ, from November 2019 to 27 December 2023; (iv) an independent director of Hangzhou Heshun Technology Co., Ltd.* (杭州和順科技股份有限公司), a company listed on the Shenzhen Stock Exchange in March 2022 with stock code 301237.SZ, from December 2019 to July 2024; (v) an independent director of Zhejiang Xiantong Rubber & Plastic Co., Ltd.* (浙江仙通橡塑股份有限公司), a company listed on the Shanghai Stock Exchange in December 2016 with stock code 603239.SH, since December 2022; (vi) an independent director of Hangzhou Yingpu Environment Technology Co., Ltd. (a company listed on the National Equities Exchange and Quotations, stock code: 873709) from 7 March 2023 to 16 April 2024; and (vii) an independent director of Zhekuang Heavy Industry Co., Ltd. (security code: 300837) since 17 May 2024.

Ms. Lin received a doctor of philosophy degree of economics, majoring in international trade, from Zhejiang University of Technology in June 2018. She was appointed as a professor by Zhejiang University of Technology in January 2026.

Ms. Hou Meiwen (侯美文), aged 49, is an independent non-executive Director of our Company. She was appointed as a Director in October 2017. Ms. Hou is responsible for providing objective and independent opinion on matters decided by the Board.

Ms. Hou has over 23 years of experience and practice in legal and business operations. Ms. Hou worked as a paralegal and lawyer at Zhejiang Sunshine Law Firm* (浙江陽光時代律師事務所) between October 2000 and November 2003. She then became a partner at Zhejiang Saint Joint Law Firm (浙江聖約翰律師事務所) from December 2003 to September 2004. Ms. Hou worked as a lawyer at Grandall Law Firm (Hangzhou) (國浩律師(杭州)事務所) since October 2004 and is currently a partner.

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Ms. Hou obtained a bachelor's degree of law from Hangzhou University* (杭州大學) in July 1998.

Mr. Wang Yongyue (王永躍), aged 50, is an independent non-executive Director of our Company. He was appointed as a Director in May 2018. Mr. Wang is responsible for providing objective and independent opinion on matters decided by the Board.

Mr. Wang has been working as a teacher at Zhejiang Gongshang University (浙江工商大學) since May 2007 and has served as doctoral supervisor since January 2019.

Mr. Wang received a doctor of philosophy degree in education, majoring in psychology, from Zhejiang University in June 2005. He was appointed by Zhejiang Gongshang University as a professor in December 2016.

Mr. Li Wai Chung (李偉忠), aged 48, is an independent non-executive Director of our Company. He was appointed as a Director in June 2019. Mr. Li is responsible for providing objective and independent financial opinion on matters decided by the Board. Mr. Li is the Director who has the appropriate professional qualifications and related financial management expertise for the purpose of Rule 3.10(2) of the Listing Rules.

Mr. Li has extensive experience in accounting, corporate finance and finance management. Mr. Li has served as an independent non-executive director of Taizhou Water Group Co., Ltd.* (台州市水務集團股份有限公司) since June 2019. Mr. Li has served as an independent non-executive director of Fulu Holdings Limited, a company listed on the Stock Exchange (stock code: 2101), since 11 January 2020. Mr. Li has been the vice chairman of the second council of the Financial Investment Branch of the Chinese Association of Plastics and Aesthetics from 28 July 2023 to December 2025.

Mr. Li has served as the chief executive officer of FIEE., Inc., a company listed on NASDAQ in the United States (stock code: FIEE), since February 2025, and an executive director and a chief financial officer of Taifeng Culture Holdings Limited (泰豐文化控股有限公司) from June 2020 to November 2024. He has also served as the general manager of Shenzhen Youxin Consulting Management Co., Ltd. (深圳友信顧問管理有限公司) from October 2017 to June 2020. From October 2017 to October 2018, he worked at Shanghai Yongxuan Venture Capital Management Co., Ltd. (上海永宣創業投資管理有限公司). From August 2016 to September 2017, he worked at Lens International (HK) Limited, the holding company of Lens Technology Co., Ltd (藍思科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300433), as the general manager of investment department, mainly responsible for managing investment projects of the company and formulating investment strategies. From April 2006 to July 2016, he worked at Shanghai Prime Machinery Co., Ltd. (上海集優機械股份有限公司), a company previously listed on the Hong Kong Stock Exchange from April 2006 to January 2021 and currently a subsidiary of Shanghai Electric Group Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 2727), as the vice president, secretary of the board, assistant president, company secretary and qualified accountant. He was an audit manager of Deloitte China (including Deloitte Touche Tohmatsu CPA and Deloitte Touche Tohmatsu, Hong Kong) from October 2005 to April 2006.

Mr. Li obtained a bachelor's degree of business administration, majoring in accounting and finance, from the University of Hong Kong in November 2000 and received a master's degree of business administration from the University of Hong Kong in November 2013. Mr. Li is a fellow of the Association of Chartered Certified Accountants. He also obtained the membership of the Hong Kong Institute of Certified Public Accountants, and the chartered accountant qualification from the Institute of Chartered Accountants in England and Wales.

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Save as disclosed above, each of our Directors has confirmed that he or she has not held any other directorships in listed companies during the three years immediately prior to the date of this annual report and that there is no other information in respect of our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention to our Shareholders.

SUPERVISORS

Ms. Lin Ying (林穎), aged 47, joined our Company as an external Supervisor and the chairman of Supervisory Committee in October 2018. Ms. Lin is responsible for supervising the Board and senior management.

Ms. Lin worked at the finance department of Zhejiang Jimin Pharmaceutical Co., Ltd.* (浙江濟民製藥股份有限公司) from January 1998 to March 2006, and subsequently served as the chief financial officer of Zhejiang Fengli Intelligent Technology Co., Ltd.* (浙江豐立智能科技股份有限公司) from April 2006 to December 2009. She then served as the chief financial officer of Taizhou Luqiao Public Assets from January 2010 to July 2016, and subsequently the head of planning and finance department of Taizhou Rail Transit Group Co., Ltd.* (台州市軌道交通集團有限公司) from August 2016 to September 2018. She has served as the chairman of the supervisory committee of Taizhou State-owned Capital Operation Group Co., Ltd.* (台州市國有資本運營集團有限公司) from October 2018 to May 2023 and a director thereof subsequently. She has been the chairman of the supervisory committee of Taizhou Social Development Group Co., Ltd.* (台州市社會事業發展集團有限公司) from January 2019 to December 2024 and a director thereof subsequently, the chairman of the supervisory committee of Taizhou Financial Investment Group Co., Ltd.* (台州市金融投資集團有限公司) from April 2019 to December 2024 and a director thereof subsequently, the chairman of the supervisory committee of Taizhou Development Investment Co., Ltd.* (台州市發展投資有限公司) from April 2020 to December 2024, the chairman of the supervisory

committee of Taizhou Zhengtong Government Services Co., Ltd.* (台州政通政務服務有限公司) from December 2020 to December 2024, the chairman of the supervisory committee of Zhejiang Zhongjing Drone Co., Ltd.* (浙江中警無人機有限公司) from November 2021 to December 2022, the chairman of the supervisory committee of Zhejiang Chuxin Drone Technology Co., Ltd.* (浙江初心無人機科技有限公司) from November 2021 to August 2024, the chairman of the supervisory committee of Taizhou Talent Development Co., Ltd.* (台州市人才發展有限公司) from December 2021 to January 2024, the chairman of the supervisory committee of Taizhou Guohong New Energy Investment Co., Ltd.* (台州國宏新能源投資有限責任公司) from December 2021 to December 2024, the chairman of the supervisory committee of Taizhou Kechuang Investment Group Co., Ltd.* (台州市科創投資集團有限公司) from January 2024 to December 2024 and a director thereof subsequently. She has been a director of Taizhou Public Transportation Group Co., Ltd.* (台州市公共交通集團有限公司) since December 2024.

Ms. Lin obtained a distance-learning diploma, majoring in business management, from Zhejiang University in February 2010. She was accredited as a registered tax agent and a senior accountant by the Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in June 2012 and April 2016, respectively. She was admitted as a senior international finance manager by the International Financial Management Association in April 2015.

Ms. He Lin (何璘), aged 37, graduated with a bachelor's degree in management, specialising in financial management, from Guilin Institute of Information Technology (桂林信息科技學院) (formerly known as School of Information Technology, Guilin University of Electronic Science and Technology* (桂林電子科技大學信息科技學院)) in June 2012 and was accredited as an intermediate accountant by the Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in November 2020.

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Ms. He Lin has served as: (i) an assistant accountant of Taizhou Zhongheng Accounting Firm Co., Ltd.* (台州中衡會計師事務所有限公司) from July 2012 to December 2014; (ii) an accountant of Research Institute of Zhejiang University-Taizhou (浙江大學台州研究院) from December 2014 to November 2021. Ms. He Lin has been serving as a supervisor of each of (i) Taizhou State-owned Capital Operation Group Co., Ltd.* (台州市國有資本運營集團有限公司) (“**Taizhou SCOG**”), a substantial shareholder of the Company; (ii) Taizhou Social Development Group Co., Ltd.* (台州市社會事業發展集團有限公司), a wholly-owned subsidiary of Taizhou SCOG and an associate of the Company; (iii) a full-time supervisor of Taizhou SCOG, a substantial shareholder of the Company, from December 2021 to December 2024; (iv) a full-time supervisor of Taizhou Social Development Group Co., Ltd.* (台州市社會事業發展集團有限公司) from December 2021 to December 2024; (v) a supervisor of Taizhou Talent Development Group Co., Ltd.* (台州市人才發展集團有限公司) from December 2021 to January 2024. Since December 2024, Ms. He has served as a supervision commissioner of each of Taizhou SCOG, Taizhou Development Investment Group Co., Ltd.* (台州市開發投資集團有限公司) and Taizhou Marine Investment Development Group Co., Ltd.* (台州市海洋投資發展集團有限公司).

Ms. Lin Lin (林琳), aged 39, graduated with a bachelor's degree in economics, specialising in insurance, from Hebei University (河北大學) in June 2009 and obtained the audit professional qualification (intermediate level) from the Ministry of Human Resources and Social Security of the PRC and National Audit Office of the PRC and the accounting professional qualification (advanced level) from Zhejiang Province Human Resources and Social Security Department in October 2017 and November 2023, respectively. Ms. Lin served as a financial officer at the Taizhou branch of Zhejiang Tailong Commercial Bank Co., Ltd.* (浙江泰隆商業銀行股份有限公司台州分行) from June 2009 to July 2021. She has served as the expatriate supervisor at Taizhou SCOG, a substantial shareholder of the Company, from August 2021 to December 2023, and a regulatory commissioner of the same group since December 2024, a supervisor of Taizhou Talent Development Group Co., Ltd.* (台州市人才發展集團有限公司) from December 2021 to January 2024, a supervisor of Taizhou Development Investment Co., Ltd.* (台州市發展投資有限公司) from January 2023 to December

2024 and a supervisor of Taizhou Transportation Investment Group Co., Ltd.* (台州市交通投資集團有限公司) from December 2023 to December 2024.

Mr. Xu Jianhua (徐建華), aged 50, has been a chief officer of the technical quality center of the Company since November 2021. He has also served as (i) the party branch secretary of Taizhou City Water Co., Ltd.* (台州城市水務有限公司) (“**Taizhou City Water**”) from July 2017 to November 2021; (ii) the deputy general manager of Taizhou City Water from October 2010 to November 2021; (iii) the deputy manager and head of the pump station management center at the Zhejiang City Development Co., Ltd., Taizhou Raw Water Branch Company* (浙江城市發展股份有限公司台州原水分公司), a branch company of the Company which was deregistered in November 2016, from January 2003 to October 2010; (iv) the technical staff and deputy manager of the production and technology department of the then Company (formerly known as Zhejiang Taizhou Water Supply Company Ltd.* (浙江台州供水股份有限公司)) from January 1999 to February 2001 and February 2001 to January 2003, respectively; and (v) the dispatcher of the then Company (formerly known as Zhejiang Taizhou Water Supply Ltd. * (浙江台州供水有限公司)) from August 1997 to January 1999. Mr. Xu also holds various positions in members of the Group. He has been (i) the director of Taizhou South Bay Water Supply since January 2022; (ii) the chairman of the supervisory committee of Binhai Water since June 2016; (iii) the chairman of the supervisory committee of Taizhou City Water from August 2016 to 9 August 2024; (iv) the chairman of the supervisory committee of Wenling Zeguo Water Supply Co., Ltd.* (溫嶺市澤國自來水有限公司), a wholly-owned subsidiary of our Company (“**Wenling Zeguo Water Supply**”), since August 2020; (v) the director of Taizhou City Water since 9 August 2024; (vi) the director of Binhai Water since 16 August 2024; and (vii) the director of Taizhou Bishui Water since March 2026.

Mr. Xu obtained a bachelor's degree from the North University of China (中北大學) (formerly known as North China College of Technology* (華北工學院)) in July 1997, majoring in testing technology and instrumentation. He was accredited as a senior engineer by the Zhejiang Machinery Industry Federation (浙江省機械工業聯合會) in December 2023.

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Mr. Shi Yongjie (石永傑), aged 55, has been the manager of the raw water operations department of the Company since November 2021. He has also served as (i) the deputy manager of raw water production department of the Company from May 2016 to November 2021; (ii) the deputy manager of the Zhejiang City Development Co., Ltd., Taizhou Raw Water Branch Company from May 2011 to May 2016; (iii) the foreman of the machinery repair team at the raw water branch company of the then Company (formerly known as Zhejiang City Development Co., Ltd.* (浙江城市發展股份有限公司)) from November 1999 to May 2011; and (iv) the staff at installation department of Wenling Zeguo Town Tap Water Plant (溫嶺澤國鎮自來水廠) from July 1987 to November 1999. Mr. Shi has also been a director of Wenling Zeguo Water Supply since June 2024.

Mr. Shi obtained a college degree in business administration from Hubei Provincial Economic Management College* (湖北省經濟管理幹部學院) in July 2004.

SENIOR MANAGEMENT

Mr. Pan Gang (潘剛), aged 54, is the vice Chairman, executive Director, general manager of the Company and the member of each of the Remuneration Committee and the Strategy Committee. For details of his biography, please see the sub-section headed "Executive Directors" in this section.

Mr. Pan Huadong (潘華東), aged 49, is the deputy general manager of our Company. He joined our Company in April 2016 and is primarily responsible for project coordination and publicity of our Group.

Mr. Pan has over 27 years of experience in corporate governance. Mr. Pan served as the office secretary of the party committee, the deputy secretary and the secretary of the youth league committee of Yuanqiao Town, Huangyan District, Taizhou* (台州市黃岩區院橋鎮) from October 1996 to December 2001. From December 2001 to August 2008, Mr. Pan served as the member of party committee, the deputy secretary of the party committee and the commissioner for discipline inspection committee of Ningxi Town, Huangyan District, Taizhou* (台州市黃岩區寧溪

鎮). From August 2008 to September 2011, he served as the township chief of People's Government of Yutou Township, Huangyan District, Taizhou* (台州市黃岩區嶼頭鄉人民政府). He then served as the town mayor of Ningxi Town, Huangyan District, Taizhou* (台州市黃岩區寧溪鎮) from September 2011 to November 2014. From November 2014 to June 2016, he was the party secretary and bureau director of Taizhou Administration Administrative Law Enforcement Bureau, Huangyan Branch* (台州市城市管理行政執法局黃岩分局). Since June 2016, he has been the deputy general manager of our Company. Mr. Pan has been the chairman of Taizhou Environmental Development from September 2018 to February 2026. He was the director of Binhai Water from 6 June 2016 to 16 August 2024.

Mr. Pan graduated from the Correspondence Academy in December 2004, majoring in administrative management.

Mr. Bao Liwan (鮑立萬), aged 51, is the deputy general manager of the Company. He joined our Group in August 1996 and is primarily responsible for the management of water supply business of our Group.

Mr. Bao has over 27 years of experience in corporate governance. Mr. Bao joined our predecessor company in August 1996 and served at the production technology department till August 1999. He has held various positions at our Company, including: (i) director of the information processing center from August 1999 to February 2001; (ii) director of the information processing center of the corporate governance department from February 2001 to January 2003; and (iii) the chief engineer from January 2003 to July 2011. He served as a director of Taizhou South Bay Water Supply from March 2018 to August 2021. From July 2011 to 9 August 2024, Mr. Bao was the chairman of the board of directors of Taizhou City Water. He served as the general manager of Taizhou City Water from July 2011 to August 2022. Since April 2017, Mr. Bao has been the deputy general manager of our Company. He was the director of our subsidiary, namely Binhai Water from 6 June 2016 to 16 August 2024. From December 2021 to 19 August 2024, he served as the chairman of Luqiao Water Supply. Since February 2026, he has served as the chairman of Taizhou Environmental Development.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Bao obtained a bachelor's degree of engineering, majoring in industrial automation education, from Zhejiang University of Technology in July 1996. He was accredited as a certified senior engineer by the Personnel Department of Zhejiang Province in December 2008.

Mr. Xu Hailong (徐海龍), aged 54, is the deputy general manager of our Company. He joined our Company in February 2019. Mr. Xu is primarily responsible for the management of water conservancy construction projects of our Group.

Mr. Xu has over 31 years of experience in corporate and business management. He worked at Tiantai County Employment Management Service Division* (天台縣就業管理服務處) from August 1993 to October 1997. Mr. Xu served as assistant to the mayor and subsequently the deputy mayor of the People's Government of Baita Town, Xianju County* (仙居縣白塔鎮人民政府) from October 1997 to November 2001, and the mayor of the People's Government of Guanlu Town, Xianju County* (仙居縣官路鎮人民政府) from November 2001 to July 2004. Mr. Xu was appointed by the Party Group of the Communist Party of China of Water Resources Bureau of Taizhou City* (中國共產黨台州市水利局黨組) as the political commissar of Taizhou Water Administration Supervision Team* (台州市水政監察支隊) and the head of Water Affairs and Water Resources Division of Taizhou Water Resources Bureau* (台州市水利局水政水資源處) from March 2004 to January 2005. From January 2005 to April 2017, he served as the division director at Taizhou River Management Division* (台州市河道管理處) and office deputy director at Taizhou People's Government Flood Control and Drought Control Headquarters* (台州市人民政府防汛防旱指揮部). From April 2017 to March 2019, Mr. Xu served as the deputy general manager of Taizhou Urban Construction. From February 2019 to June 2019, Mr. Xu served as the Director of our Company. He has been the deputy general manager of our Company since May 2019. He has been the chairman of Jiaobei Water Supply and Taizhou Water Supply from September 2021 to 29 September 2024, respectively, and the chairman of Taizhou South Bay Water Supply since 20 June 2023.

Mr. Xu obtained a bachelor's degree of agriculture, majoring in plants protection, from Zhejiang Agricultural University* (浙江農業大學) (currently known as the College of Agriculture and Biotechnology, Zhejiang University* (浙江大學農業與生物技術學院)) in July 1993.

Ms. Zheng Ranhan (鄭然涵), aged 45, is the deputy general manager, chief accountant, secretary of the Board and joint company secretary of the Company. She joined our Company in August 2021. Ms. Zheng is primarily responsible for the financial affairs of the Group.

Ms. Zheng possesses rich experience in corporate governance and investment management. She has served as a director of the Company from September 2016 to March 2018, and a director of Taizhou Zhongjian Modern Avenue Investment and Construction Co., Ltd.* (台州中建現代大道投資建設有限公司) from September 2016 to March 2018 and the chairlady of Taizhou Science and Technology Development Co., Ltd.* (台州市科技發展股份有限公司) from December 2018 to October 2021. Prior to joining the Company, Ms. Zheng has served at (i) Zhejiang Taizhou Expressway Group Co., Ltd.* (浙江台州高速公路集團股份有限公司) from June 2000 to April 2016, with her last position being the office director (辦公室主任); and (ii) Taizhou Urban and Construction Investment Development Group Co., Ltd.* (台州市城市建設投資發展集團有限公司) from April 2016 to August 2021, with her last position being the deputy general manager.

Ms. Zheng obtained a bachelor's degree in corporate management from Zhejiang University in June 2000 and passed the public accountant examination of The Chinese Institute of Certified Public Accountants in July 2004. She was accredited as a senior economist by the Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in December 2013.

* For identification purposes only

REPORT OF DIRECTORS

The Board is pleased to present its report together with the audited consolidated financial statements of the Company for the year ended 31 December 2025.

PRINCIPAL BUSINESS

The Group is engaged in water supply business, including raw water supply, municipal water supply, tap water supply, pipeline direct drinking water supply and packaged drinking water supply. We sell tap water directly to end-users including commercial users, government authorities, industrial users and residential households. We currently own and operate the Taizhou Water Supply System (Phase I) and the Taizhou Water Supply System (Phase II), which are two pivotal water supply systems in Taizhou and supply raw water and municipal water to the South Area of Taizhou. During the Reporting Period, we invested in the construction of the Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV) which entered into operation and played a role in stabilizing the quality and increasing the quantity of water supply during the peak water consumption period in the summer, thereby bringing the Group's total water supply scale to a new level.

RESULTS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss and other comprehensive income on page 74 of this annual report.

DIVIDENDS DISTRIBUTION

The Company has adopted in its general dividend policy a dividend payout ratio of no less than 30% of our annual distributable net profit as determined under PRC GAAP or HKFRSs (whichever is lower) for each of the three financial years after Listing (the "Initial Period"). After the Initial Period, pursuant to such general dividend policy, the Company will determine the dividend payout ratio with reference to the Group's results of operations, cash flows, financial condition, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or HKFRSs (whichever is lower) and other factors that the Directors may consider relevant. The Board may declare and pay dividends by way of cash or by other means that

we consider appropriate. Distribution of dividends will be decided by the Board at their discretion and will be subject to the approval of the Shareholders. In addition, the dividend policy will also be subject to the Articles of Association, the PRC Company Law and any other applicable law and regulations. In any event, the Board will pay dividends out of profits after tax only after the following allocations have been made:

- recovery of accumulated losses, if any;
- allocation to the statutory common reserve fund an amount of no less than 10% of the profits after tax, as determined under PRC GAAP, provided that when the statutory common reserve fund reaches and is maintained at or above 50% of the Company's registered capital, no further allocation to this statutory common reserve fund will be required; and
- allocation, if any, to a discretionary common reserve fund an amount approved by the Shareholders in a shareholders' meeting.

In accordance with the Articles of Association, any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. There is, however, no assurance that the Company will be able to declare dividends of such an amount or any amount each year or in any year.

It is confirmed that all dividend decisions made by the Board were made in accordance with the dividend policy of the Company.

The Board does not propose the payment of a final dividend for the year ended 31 December 2025.

TAX RELIEF

The Directors are not aware of any tax relief available to the Shareholders by reason of their holding of the Shares.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 26 June 2026. The notice of the AGM will be published and dispatched to the Shareholders in due course in the manner as required by the Listing Rules.

REPORT OF DIRECTORS

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 27 May 2026 to Friday, 26 June 2026, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to be eligible for attending the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 26 May 2026.

BUSINESS REVIEW

A fair review of the business and a discussion and analysis of the Group's performance during the year ended 31 December 2025 and the material factors underlying its results and financial position as well as the outlook of the Group's business are provided in the "Chairman's Statement" on pages 10 to 13 and "Management Discussion and Analysis" on pages 14 to 21 of this annual report. Description of the principal risks and uncertainties faced the Group can be found on pages 141 to 145 of this annual report. Particulars of important events affecting the Group that have occurred after 31 December 2025, if any, can also be found in the notes to the Consolidated Financial Statements.

In addition, more details regarding the Group's performance by reference to financial key performance indicators and environmental policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in this section and the "Five-Year Financial Summary" of this annual report. Each of the above-mentioned relevant contents form an integral part of this Report of Directors.

HIGH RISK FACTORS

The construction of the Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV) have been substantially completed. As the investment costs for these two projects are relatively high and the recognition of the depreciation and amortization expenses and the finance costs, among others, related to the gradual recognition of these two projects as fixed assets, loss attributable to owners of the parent for the year ended 31 December 2025 amounted to approximately RMB71.6 million, as compared to a profit attributable to owners of the parent of approximately RMB95.6 million for the year ended 31 December 2024. During the construction period, delay in the construction works may occur due to factors beyond our control such as defaults of contractors, natural disasters, environmental hazards and industrial accidents, which will result in the delay in the completion of the construction. Meanwhile, as the investment costs for these two projects are relatively high, the Group may incur additional costs and expenses due to the delay in construction. Taizhou South Water Resources Optimization Project also commenced construction in October 2023. For the year ended 31 December 2025, all projects under construction did not have other adverse impacts on the Company. We will further adopt measures to strengthen project management, especially the construction quality and safety management, procure the contractors to perform their contractual obligations to ensure a smooth project construction.

REPORT OF DIRECTORS

FINANCIAL SUMMARY

A summary of the Company's results, assets and liabilities for the last five financial years are set out on page 148 of this annual report. Such summary does not form part of the audited consolidated financial statements.

ENVIRONMENTAL POLICY

The Group is subject to certain environmental risks and may generate solid waste during its daily operations. During the construction of projects, the Group may be subject to environmental risks of water pollution, air pollution, noise pollution, and also land run-off. During daily operations and construction process of projects, the Group complies with various PRC environmental laws and regulations, including the Environmental Protection Law of the PRC, the Water Law of the PRC, the Law of the PRC on Appraising Environment Impact and the Law of the PRC on the Prevention and Control of Water Pollution. In addition, the Group has been pursuing a sustainable environmental approach and considering expansion of social and economic responsibilities it bears.

During the Reporting Period, the Group did not have any material environment-related incident, and had not been penalised or subject to investigation by competent government authority for environment-related violations.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries during the Reporting Period.

RELATIONSHIP WITH STAKEHOLDERS

Employees

As at 31 December 2025, we had a total of 265 employees. All of our employees are based in the PRC. Our employees are generally remunerated by way of fixed salary. The

Group utilises an appraisal system for our employees and considers the appraisal results of individual employees in conducting their salary reviews, making promotion decisions and determining the amount of bonuses. We also maintain social insurance cover for our employees in accordance with the applicable PRC laws and the requirements of the local authorities.

The Group recruits employees based on a number of factors such as their working experience, educational background and vacancy needs. In order to increase the overall competitiveness of our workforce and to attract and retain existing employees and strengthen their knowledge, skill level and quality, the Group places strong emphasis on the training of its employees. We provide trainings across different operational functions, including induction training for new employees, technical training, and training to enhance the employees' knowledge in safety measures when performing their duties.

We believe that our management policies, working environment, employee development opportunities and employee benefits have together contributed to good employer-employee relations and successful employee retention.

Customers

Our customers are mainly local municipal water service providers who, to our knowledge, sell the municipal water purchased from us to other municipal water service providers or end-users.

Among our customers, Wenling Water Supply, Yuhuan Water Supply, Huangyan Water Supply and Luqiao Water Supply are our connected persons under the Listing Rules. Details of our relationship with these customers are disclosed under the section headed "Connected Transactions" in this annual report.

For the year ended 31 December 2025, the Group's sales to its five largest customers accounted for 88.15% (2024: 89.2%) of the Group's total sales and sales to the largest customer accounted for 25.3% (2024: 24.9%).

REPORT OF DIRECTORS

Suppliers

All our suppliers are located in the PRC. Our suppliers (excluding suppliers of the discontinued operations of the Group) can be generally classified as construction-related suppliers and non-construction related suppliers.

Construction-related suppliers primarily are contractors, design and engineering companies we engage for the construction of the water supply infrastructure. Some of them are equipment and facility suppliers. We select these suppliers through public tenders.

One of our major non-construction related suppliers is Huangyan Reservoir Development and Zhuxi Reservoir Development as all our water is drawn from Changtan Reservoir and Zhuxi Reservoir and we have to pay to Huangyan Reservoir Development and Zhuxi Reservoir Development a raw water procurement fee fixed by the local pricing authorities (the supplier has changed from “Changtan Reservoir Affairs Centre” to “Huangyan Reservoir Development” since 1 July 2023). Other non-construction related suppliers include electricity companies, chemical companies, parts and components and equipment manufacturers.

For the year ended 31 December 2025, purchases from the Group’s five largest non-construction related suppliers accounted for 65.0% (2024: 77.0%) of the Group’s total non-construction related purchases and purchases from the largest non-construction related supplier accounted for 38.2% (2024: 35.6%). For the year ended 31 December 2025, purchases from the Group’s five largest construction-related suppliers amounted to approximately RMB39.8 million (2024: RMB74.4 million) and purchases from the largest construction related supplier amounted to approximately RMB11.2 million (2024: RMB25.1 million).

Save as disclosed in this annual report, during the Reporting Period, none of the Directors or the Supervisors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors and Supervisors, own more than 5% of the number of issued Shares (excluding Treasury Shares) of the Company) had any interest in the Company’s five largest customers and suppliers.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 27 to the consolidated financial statements.

As at 31 December 2025, the issued share capital of the Company was 200,000,000 Shares (of which 150,000,000 were Domestic Shares and 50,000,000 were H Shares). As of 31 December 2025, the Company did not hold any Treasury Shares.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2025 are set out on page 77 in the consolidated statement of changes in equity in this annual report.

DISTRIBUTABLE RESERVES

Pursuant to the relevant laws and regulations, as at 31 December 2025, the Company has no distributable profit (2024: nil).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company as at 31 December 2025 are set out in note 23 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2025 are set out in note 13 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report and based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

REPORT OF DIRECTORS

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the PRC that would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, Supervisors and senior management of the Company during the year ended 31 December 2025 and up to the date of this annual report are set out below:

Name	Position in the Company	Appointment date of current term
Directors		
Mr. Yang Jun	Chairman and executive Director	June 2024
Mr. Pan Gang	Vice Chairman, executive Director	June 2024
Mr. Lin Genman	Non-executive Director	June 2024
Ms. Fang Ya	Non-executive Director	June 2024
Mr. Yu Yangbin	Non-executive Director	June 2024
Mr. Yang Yide ⁽¹⁾	Non-executive Director	June 2024
Mr. Lin Yang	Non-executive Director	June 2024
Mr. Shao Aiping	Non-executive Director	June 2024
Ms. Ying Nan	Non-executive Director	June 2024
Mr. Ye Xiaofeng ⁽²⁾	Non-executive Director	June 2025
Mr. Yang Feng ⁽³⁾	Non-executive Director	January 2026
Mr. Huang Chun	Independent non-executive Director	June 2024
Ms. Lin Suyan	Independent non-executive Director	June 2024
Ms. Hou Meiwen	Independent non-executive Director	June 2024
Mr. Li Wai Chung	Independent non-executive Director	June 2024
Mr. Wang Yongyue	Independent non-executive Director	June 2024
Supervisors		
Ms. Lin Ying	Chairman of Supervisory Committee and external Supervisor	June 2024
Ms. He Lin	External Supervisor	June 2024
Ms. Lin Lin	External Supervisor	June 2024
Mr. Xu Jianhua	Employee representative Supervisor	June 2024
Mr. Shi Yongjie	Employee representative Supervisor	June 2024
Senior management		
Mr. Pan Gang	General manager	June 2024
Mr. Pan Huadong	Deputy general manager	June 2024
Mr. Bao Liwan	Deputy general manager	June 2024
Mr. Xu Hailong	Deputy general manager	June 2024
Ms. Zheng Ranhan	Deputy general manager, chief accountant, Board secretary and company secretary	June 2024

Notes:

(1) Mr. Yang Yide passed away on 23 October 2025.

(2) Mr. Ye Xiaofeng was appointed as a non-executive Director on 27 June 2025.

(3) Mr. Yang Feng was appointed as a non-executive Director on 30 January 2026.

REPORT OF DIRECTORS

To the best of knowledge, information and belief of the Directors, the Directors, Supervisors and senior management do not have any relationship amongst them.

Biographical details of the Directors, Supervisors and senior management are set out on pages 22 to 32 of this annual report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

According to the Articles of Association, the terms of service of both the Directors and the Supervisors are for three years, and all Directors and Supervisors are subject to reappointment or re-election upon the expiry of their term. Each of the Directors and Supervisors has entered into a service contract with the Company, and each Directors' service contract has a term of three years.

None of the Directors or Supervisors has or is proposed to have a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence. The Company considers all of the independent non-executive Directors to be independent and remain so as at the date of this annual report.

CHANGE IN DIRECTORS', SUPERVISORS' AND THE SENIOR MANAGEMENT'S INFORMATION

Ms. Ying Nan was appointed as a non-executive Director with effect from 28 June 2024. Ms. Ying has obtained the legal advice referred to in Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 4 June 2024, and she has confirmed he understood her obligations as a director of a listed issuer.

Ms. Mo Danjun was appointed as a non-executive Director and a member of the Strategy Committee with effect from 28 June 2024. Ms. Mo has obtained the legal advice referred to in Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 4 June 2024, and she has confirmed he understood her obligations as a director of a listed issuer. Ms. Mo resigned as a non-executive Director and a member of the Strategy Committee with effect from 28 March 2025.

Mr. Ye Xiaofeng was appointed as a non-executive Director and a member of the Strategy Committee with effect from 27 June 2025. Mr. Ye has obtained the legal advice referred to in Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 23 June 2025, and he has confirmed he understood his obligations as a director of a listed issuer.

REPORT OF DIRECTORS

Mr. Yang Yide, a non-executive Director of the Company, passed away on 23 October 2025 due to illness.

Mr. Yang Feng was appointed as a non-executive Director, and serves as a member of the Nomination Committee with effect from 30 January 2026. Mr. Yang has obtained the legal advice referred to in Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 12 January 2026, and he has confirmed he understood his obligations as a director of a listed issuer.

Save as disclosed in this annual report, there are no other changes to the Directors', Supervisors' and senior management's information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2025, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Nature of interest	Class of Shares	Number of Shares held ⁽¹⁾	Approximate percentage of shareholding in the class of Shares in issue (%)	Approximate percentage of shareholding in the total number of Shares in issue (%)
Mr. Yang Feng	Interest of controlled corporation ⁽²⁾	Domestic Shares	10,058,338 (L)	6.71%	5.03%
Ms. Ying Nan	Interest of controlled corporation ⁽³⁾	Domestic Shares	10,058,338 (L)	6.71%	5.03%

Notes:

- (1) As at 31 December 2025, the Company had issued 200,000,000 Shares in total, including 150,000,000 Domestic Shares and 50,000,000 H Shares. The letter "L" denotes the person's long position in the Shares.
- (2) Qufeng Holdings Limited, which is owned as to 51% by Mr. Yang Feng, directly held 10,058,338 Domestic Shares. By virtue of the SFO, Mr. Yang Feng was deemed to have an interest in the Shares held by Qufeng Holdings Limited.
- (3) Shanghai Lipin Sanmin Culture Communication Co., Ltd. which is held as to 99.7% by Ms. Ying Nan, directly held 10,058,338 Domestic Shares. By virtue of the SFO, Ms. Ying Nan was deemed to have an interest in Shares held by Shanghai Lipin Sanmin Culture Communication Co., Ltd..

REPORT OF DIRECTORS

Save as disclosed above, as at 31 December 2025, none of the Directors, Supervisors or chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2025, the following persons (not being a Director, Supervisor and chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares held ⁽¹⁾	Approximate percentage of shareholding in the class of Shares in issue (%)	Approximate percentage of shareholding in the total number of Shares in issue (%)
Taizhou State-owned Capital Operation Group Co., Ltd.* ⁽²⁾	Interest in controlled corporation	Domestic Shares	43,250,855	28.83%	21.63%
Taizhou Urban Construction* ⁽²⁾	Beneficial owner	Domestic Shares	43,250,855	28.83%	21.63%
The Finance Bureau of Huangyan District of Taizhou* ⁽³⁾	Interest in controlled corporation	Domestic Shares	26,679,541	17.79%	13.34%
Taizhou Huangyan State-owned Capital Investment Operation Group Co., Ltd.* ⁽³⁾	Interest in controlled corporation	Domestic Shares	26,679,541	17.79%	13.34%
Taizhou Huangyan Technology Innovation Investment Co., Ltd.* ⁽³⁾	Interest in controlled corporation	Domestic Shares	26,679,541	17.79%	13.34%
Zhejiang Yongning Financial Consulting Co., Ltd.* ⁽³⁾	Beneficial owner	Domestic Shares	26,679,541	17.79%	13.34%
Taizhou Finance Bureau of Jiaojiang District* ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	22,222,893	14.82%	11.11%

REPORT OF DIRECTORS

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares held ⁽¹⁾	Approximate percentage of shareholding in the class of Shares in issue (%)	Approximate percentage of shareholding in the total number of Shares in issue (%)
Taizhou Jiaojiang Infrastructure Investment Company ⁽⁴⁾	Beneficial owner	Domestic Shares	22,222,893	14.82%	11.11%
Zhejiang International Business Group Co., Ltd. ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	20,116,677	13.41%	10.06%
Zhejiang Zheshang Asset Management Co., Ltd.* ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	20,116,677	13.41%	10.06%
Taizhou State-owned Assets Investment Group Co., Ltd. ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	20,116,677	13.41%	10.06%
Zhejiang Taixin Asset Management Co., Ltd.* ⁽⁵⁾	Beneficial owner	Domestic Shares	20,116,677	13.41%	10.06%
Taizhou Luqiao Public Assets Investment Management Group Co., Ltd.*	Beneficial owner	Domestic Shares	17,613,358	11.74%	8.81%
Qufeng Holdings Limited* ⁽⁶⁾	Beneficial owner	Domestic Shares	10,058,338	6.71%	5.03%
Mr. Yang Feng ⁽⁶⁾	Interest in controlled corporation	Domestic Shares	10,058,338	6.71%	5.03%
Ms. Ying Nan ⁽⁷⁾	Interest of controlled corporation	Domestic Shares	10,058,338	6.71%	5.03%
Shanghai Yushen Enterprise Management Consulting Co., Ltd. ⁽⁷⁾	Interest in controlled corporation	Domestic Shares	10,058,338	6.71%	5.03%
Shanghai Lipin Sanmin Culture Communication Co., Ltd.* ⁽⁷⁾	Beneficial owner	Domestic Shares	10,058,338	6.71%	5.03%
Mr. Lin Maoyuan ⁽⁷⁾	Interest in controlled corporation	Domestic Shares	10,058,338	6.71%	5.03%
Shanghai Industrial Investment (Holdings) Company Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
Shanghai Industrial Investment Treasury Company Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%

REPORT OF DIRECTORS

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares held ⁽¹⁾	Approximate percentage of shareholding in the class of Shares in issue (%)	Approximate percentage of shareholding in the total number of Shares in issue (%)
Shanghai Investment Holdings Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
Shanghai Industrial Holdings Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
S.I. Infrastructure Holdings Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
S.I. Triumph Power Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
SIIC Environment Holdings Ltd. ⁽⁸⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
SIIC Environment Tech (Hong Kong) Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
Shanghai Yangtze River Delta Water Environment Investment Fund Limited ⁽⁸⁾	Beneficial owner	H Shares	12,500,000	25.00%	6.25%
Mr. Chung Chi Man ⁽⁹⁾	Interest in controlled corporation	H Shares	11,999,000	23.99%	6.00%
Billion Shine International Investment Limited ⁽⁹⁾	Interest in controlled corporation	H Shares	11,999,000	23.99%	6.00%
Innovax Holdings Limited ⁽⁹⁾	Interest in controlled corporation	H Shares	11,999,000	23.99%	6.00%
Ms. Lee Yin Har ⁽¹⁰⁾	Interest of spouse	H Shares	11,999,000	23.99%	6.00%
Orient Fund Management Co., Ltd.*	Trustee	H Shares	4,860,000	9.72%	2.43%
PING AN TRUST CO. LTD.	Trustee	H Shares	3,616,000	7.23%	1.81%

* For identification purposes only

REPORT OF DIRECTORS

Notes:

- (1) As at 31 December 2025, the Company had issued an aggregate of 200,000,000 Shares, including 150,000,000 Domestic Shares and 50,000,000 H Shares.
- (2) Taizhou Urban Construction is wholly-owned by Taizhou State-owned Capital Operation Group Co., Ltd.. By virtue of the SFO, Taizhou State-owned Capital Operation Group Co., Ltd. is deemed to have an interest in the Domestic Shares held by Taizhou Urban Construction.
- (3) Zhejiang Yongning Financial Consulting Co., Ltd. is a state-owned enterprise indirectly wholly-owned by the Finance Bureau of Huangyan District of Taizhou through its wholly-owned subsidiary, Taizhou Huangyan State-owned Capital Investment Operation Group Co., Ltd., and through the wholly-owned subsidiary of Taizhou Huangyan State-owned Capital Investment Operation Group Co., Ltd., Taizhou Huangyan Technology Innovation Investment Co., Ltd.. By virtue of the SFO, each of the Finance Bureau of Huangyan District of Taizhou and Taizhou Huangyan State-owned Capital Investment Operation Group Co., Ltd. is deemed to have an interest in the Domestic Shares held by Zhejiang Yongning Financial Consulting Co., Ltd..
- (4) Taizhou Jiaojiang Infrastructure Investment Company is a state-owned enterprise wholly-owned by the Finance Bureau of Jiaojiang District. By virtue of the SFO, the Finance Bureau of Jiaojiang District is deemed to have an interest in the Domestic Shares held by Taizhou Jiaojiang Infrastructure Investment Company.
- (5) Zhejiang Taixin Asset Management Co., Ltd. is held as to (i) 40% by Taizhou State-owned Assets Investment Group Co., Ltd., a company wholly owned by Taizhou State Owned Capital Operation Group Co., Ltd.; and (ii) 60% by Zhejiang Zheshang Asset Management Co., Ltd., which is in turn owned as to approximately 58.64% by Zhejiang International Business Group Co., Ltd., respectively. By virtue of the SFO, each of Taizhou State-owned Assets Investment Group Co., Ltd., Zhejiang Zheshang Asset Management Co., Ltd., Taizhou State Owned Capital Operation Group Co., Ltd., and Zhejiang International Business Group Co., Ltd., is deemed to have an interest in the Domestic Shares held by Zhejiang Taixin Asset Management Co., Ltd.
- (6) Qufeng Holdings Limited is owned as to 51% by Mr. Yang Feng. By virtue of the SFO, Mr. Yang Feng was deemed to have an interest in the Shares held by Qufeng Holdings Limited.
- (7) Shanghai Lipin Sanmin Culture Communication Co., Ltd. is held as to 99.7% by Ms. Ying Nan and 0.3% by Shanghai Yushen Enterprise Management Consulting Co., Ltd., the latter is in turn wholly owned by Mr. Lin Maoyuan. By virtue of the SFO, Ms. Ying Nan is deemed to be interested in a total of 10,058,338 domestic shares of the Company held by Shanghai Lipin Sanmin Culture Communication Co., Ltd..
- (8) Shanghai Yangtze River Delta Water Environment Investment Fund Limited is held as to 40% by SIIC Environment Tech (Hong Kong) Limited, which is in turn wholly-owned by SIIC Environment Holdings Ltd.. SIIC Environment Holdings Limited is held as to 6.36% by S.I. Infrastructure Holdings Limited and as to 37.92% by S.I. Triumph Power Limited, which is in turn wholly-owned by S.I. Infrastructure Holdings Limited. S.I. Infrastructure Holdings Limited is wholly-owned by Shanghai Industrial Holdings Limited, which is in turn owned as to 55.13% by Shanghai Investment Holdings Limited. Shanghai Investment Holdings Limited is wholly-owned by Shanghai Industrial Investment Treasury Company Limited, which is in turn wholly-owned by Shanghai Industrial Investment (Holdings) Company Limited. By virtue of the SFO, SIIC Environment Tech (Hong Kong) Limited, SIIC Environment Holdings Ltd., S.I. Triumph Power Limited, S.I. Infrastructure Holdings Limited, Shanghai Industrial Holdings Limited, Shanghai Investment Holdings Limited, Shanghai Industrial Investment Treasury Company Limited and Shanghai Industrial Investment (Holdings) Company Limited are deemed to have an interest in the H Shares held by Shanghai Yangtze River Delta Water Environment Investment Fund Limited.
- (9) Innovax Holdings Limited is owned as to 75% by Billion Shine International Investment Limited, which is wholly-owned by Mr. Chung Chi Man.
- (10) Ms. Lee Yin Har is the spouse of Mr. Chung Chi Man. By virtue of the SFO, Ms. Lee Yin Har is deemed to be interested in all the H Shares held by Mr. Chung Chi Man.

REPORT OF DIRECTORS

Save as disclosed above, as at 31 December 2025, the Company had not been notified by any other persons (other than the Directors, Supervisors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors or Supervisors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or Supervisors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

To the knowledge of the Board, none of the Directors or Supervisors or their associates had any interests in any business which competes or is likely to compete, directly or indirectly, with the businesses of the Group for the year ended 31 December 2025.

ISSUANCE OF DEBENTURES

During the Reporting Period, no issuance of debentures was made by the Company.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the Reporting Period are set out in note 34 to the consolidated financial statements.

During the year under review, save for the transactions as set out below, the other related party transactions in note 34 to the consolidated financial statements either did not constitute a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules, or were fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, the Group had not entered into any connected transaction which was required to be disclosed under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions

The following transactions of the Group constituted continuing connected transactions for the Company during the Reporting Period.

REPORT OF DIRECTORS

A. Non-exempt continuing connected transactions**(i) Huangyan Water Supply Framework Agreements**

On 27 October 2019, the Company and Huangyan Water Supply entered into a water supply framework agreement (as supplemented by a supplemental agreement on 13 August 2020 and further supplemented by a second supplemental agreement on 1 September 2021) (collectively, the **“2019 Huangyan Water Supply Framework Agreement”**) for a renewable term commenced from the Listing Date and ended on 31 December 2021. Huangyan Water Supply is owned as to 49% by Taizhou Huangyan Water Conservancy Development Group Co., Ltd.* (台州市黃岩水利發展集團有限公司), an indirect wholly-owned subsidiary of Taizhou Huangyan State-owned Capital Investment Operation Group Co., Ltd. (formerly known as Taizhou Huangyan State-owned Assets Operation Group Co., Ltd.), a substantial shareholder of the Company, and is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.

As the term of the 2019 Huangyan Water Supply Framework Agreement as well as the annual caps for the continuing connected transactions thereunder expired on 31 December 2021, on 1 September 2021, the Company and Huangyan Water Supply entered into a renewal water supply framework agreement (the **“2021 Huangyan Water Supply Framework Agreement”**) for a renewable term commenced from the 1 January 2022 and ending on 31 December 2024 to renew the aforementioned agreements. During the Reporting Period, the sales of raw water to Huangyan Water Supply pursuant to the 2021 Huangyan Water Supply Framework Agreement was RMB51,572,000.

As the term of the 2021 Huangyan Water Supply Framework Agreement as well as the annual caps for the continuing connected transactions thereunder expired on 31 December 2024, on 27 September 2024, the Company and Huangyan Water Supply entered into the 2025 Huangyan Urban and Rural Water Supply framework agreement (the **“2025 Huangyan Urban and Rural Water Supply Framework Agreement”**) to govern the terms and conditions of the transactions between the Group and Huangyan Water Supply in respect of the provision of raw water by the Group to the Huangyan Water Supply for a renewable term from 1 January 2025 to 31 December 2027.

Pursuant to the 2025 Huangyan Urban and Rural Water Supply Framework Agreement, the Company shall provide Huangyan Water Supply with raw water supply services and payment shall be made every month based on the volume of raw water supplied. The annual caps for the sales of raw water under the 2025 Huangyan Urban and Rural Water Supply Framework Agreement are RMB53,000,000, RMB55,000,000 and RMB58,000,000 for the three years ending 31 December 2025, 2026 and 2027, respectively.

For details of the 2025 Huangyan Urban and Rural Water Supply Framework Agreement, please refer to the announcements of the Company dated 27 September 2024 and 25 October 2024 and the circular of the Company dated 10 October 2024.

REPORT OF DIRECTORS

The annual caps for the transactions under the 2025 Huangyan Urban and Rural Water Supply Framework Agreement (the **“Huangyan Water Supply Non-exempt Continuing Connected Transactions”**) were all approved by the independent Shareholders at the extraordinary general meeting of the Company held on 25 October 2024.

(ii) **Huangyan Reservoir Water Supply Framework Agreement**

On 31 March 2023, the Company and Huangyan Reservoir Development entered into the Huangyan Reservoir Water Supply Framework Agreement (**“Huangyan Reservoir Water Supply Framework Agreement”**) to govern the terms and conditions of the transactions between the Company and Huangyan Reservoir Development in respect of the provision of raw water by Huangyan Reservoir Development to the Group for a term commenced from 30 June 2023 to 31 December 2025. Huangyan Reservoir Development is an indirect wholly-owned subsidiary of Taizhou Huangyan State-owned Capital Investment Operation Group Co., Ltd.* (台州市黃岩國有資本投資運營集團有限公司), the holding company of Yongning Financial Consulting, which is a substantial Shareholder holding approximately 13.34% of the total issued share capital of the Company. Accordingly, Huangyan Reservoir Development is a connected person of the Company under the Listing Rules.

Pursuant to the Huangyan Reservoir Water Supply Framework Agreement, Huangyan Reservoir Development agreed to provide raw water supply services to the Group. Payment for the transactions contemplated under the Huangyan Reservoir Water Supply Framework Agreement shall be made on a monthly basis based on the volume of water supplied to

the Group. The annual caps for the purchase of raw water under the Huangyan Reservoir Water Supply Framework Agreement are RMB50,000,000, RMB88,000,000 and RMB88,000,000 for the three years ended/ending 31 December 2023, 2024 and 2025, respectively. During the Reporting Period, the purchase of raw water from Huangyan Reservoir Development pursuant to the Huangyan Reservoir Water Supply Framework Agreement was RMB70,892,000.

For details of the Huangyan Reservoir Water Supply Framework Agreement, please refer to the announcements of the Company dated 31 March 2023 and 30 June 2023 and the circular of the Company dated 31 May 2023.

The annual caps for the transactions under the Huangyan Reservoir Water Supply Framework Agreement (the **“Huangyan Reservoir Water Supply Non-exempt Continuing Connected Transaction”**) were approved by the independent Shareholders at the annual general meeting of the Company held on 30 June 2023.

The independent non-executive Directors have reviewed the Huangyan Water Supply Non-exempt Continuing Connected Transactions and Huangyan Reservoir Water Supply Non-exempt Continuing Connected Transaction (collectively, the **“Non-exempt Continuing Connected Transactions”**) and confirmed that during the year ended 31 December 2025:

- (i) the Non-exempt Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Company;

REPORT OF DIRECTORS

- (ii) as appropriate, the Non-exempt Continuing Connected Transactions are on normal commercial terms or, on terms no less favourable to the Group than terms available to or from independent third parties; and
- (iii) the Non-exempt Continuing Connected Transactions have been entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Ernst & Young, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 (Revised) Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

B. Continuing connected transactions exempt from independent Shareholders' approval

(i) Yuhuan Water Supply Framework Agreements

2021 Yuhuan Water Supply Framework Agreement

On 27 October 2019, Taizhou City Water and Yuhuan Water Supply entered into a water supply framework agreement in relation to the provision of municipal water supply services by Taizhou City Water to Yuhuan Water Supply (the "**2019 Yuhuan Water Supply Framework Agreement**") for a renewable term commenced from the Listing Date and ended on 31 December 2021. Yuhuan Water Supply is a wholly-owned subsidiary of Yuhuan Water Supply Group Co., Ltd., which held 40% of the equity interest of Taizhou South Bay Water Supply, a 60%-owned subsidiary of the Company, and is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.

As the term of the 2019 Yuhuan Water Supply Framework Agreement as well as the annual caps for the continuing connected transaction thereunder expired on 31 December 2021, on 1 September 2021, Taizhou City Water and Yuhuan Water Supply entered into a renewal water supply framework agreement (the "**2021 Yuhuan Water Supply Framework Agreement**") for a renewable term commenced from the 1 January 2022 and ending on 31 December 2024 to renew the aforementioned agreement. During the Reporting Period, the sales of municipal water pursuant to the 2021 Yuhuan Water Supply Framework Agreement was RMB30,520,000.

REPORT OF DIRECTORS

2022 Yuhuan Water Supply Framework Agreement

On 28 December 2022, Taizhou South Bay Water Supply and Yuhuan Water Supply entered into an agreement in relation to the provision of municipal water supply services by Taizhou South Bay Water Supply to Yuhuan Water Supply (the “**2022 Yuhuan Water Supply Framework Agreement**”) for a term commenced from 1 December 2022 and ending on 31 December 2024. During the Reporting Period, the sales of municipal water pursuant to the 2022 Yuhuan Water Supply Framework Agreement was RMB57,577,000.

2025 Yuhuan Water Supply Framework Agreement

As the term of each of the 2021 Yuhuan Water Supply Framework Agreement and the 2022 Yuhuan Water Supply Framework Agreement and their respective annual caps for the continuing connected transactions thereunder will expire on 31 December 2024, on 27 September 2024, the Company and Yuhuan Water Supply entered into the 2025 Yuhuan Water Supply Framework Agreement (the “**2025 Yuhuan Water Supply Framework Agreement**”) to govern the terms and conditions of the transactions between the Group and Yuhuan Water Supply in respect of the provision of municipal water supply services by the Group to Yuhuan Water Supply for a term from 1 January 2025 to 31 December 2027.

Pursuant to the 2025 Yuhuan Water Supply Framework Agreement, the Group shall provide municipal water supply services to Yuhuan Water Supply. The payment for the transactions contemplated thereunder shall be made every month on the basis of the volume of municipal water supplied by the Group. The annual caps for the transactions contemplated under the 2025

Yuhuan Water Supply Framework Agreement are RMB90,000,000, RMB106,000,000 and RMB110,000,000 for the three years ending 31 December 2025, 2026 and 2027, respectively.

(ii) **Wenling Water Supply Framework Agreements**

2021 Wenling Water Supply Framework Agreement

On 27 October 2019, Taizhou City Water and Wenling Water Supply entered into a water supply framework agreement in relation to the provision of municipal water supply services by Taizhou City Water to Wenling Water Supply (the “**2019 Wenling Water Supply Framework Agreement**”) for a renewable term commenced from the Listing Date and ended on 31 December 2021. Wenling Water Supply is a substantial shareholder of Taizhou City Water, a subsidiary of the Company, and is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.

As the term of the 2019 Wenling Water Supply Framework Agreement as well as the annual caps for the continuing connected transaction thereunder expired on 31 December 2021, on 1 September 2021, Taizhou City Water and Wenling Water Supply entered into a renewal water supply framework agreement (the “**2021 Wenling Water Supply Framework Agreement**”) for a renewable term commenced from the 1 January 2022 and ending on 31 December 2024 to renew the aforementioned agreement. During the Reporting Period, the sales of municipal water pursuant to the 2021 Wenling Water Supply Framework Agreement was RMB83,423,000.

REPORT OF DIRECTORS

2022 Wenling Water Supply (South Bay) Framework Agreement

On 28 December 2022, Taizhou South Bay Water Supply and Wenling Water Supply entered into an agreement in relation to the provision of raw water supply services by Taizhou South Bay Water Supply to Wenling Water Supply (the **“2022 Wenling Water Supply (South Bay) Framework Agreement”**) for a term commenced from 1 December 2022 and ending on 31 December 2024. During the Reporting Period, the sales of raw water pursuant to the 2022 Wenling Water Supply (South Bay) Framework Agreement was RMB19,774,000.

2022 Wenling Water Supply (Binhai) Framework Agreement

On 28 December 2022, Binhai Water and Wenling Water Supply entered into an agreement in relation to the provision of municipal water supply services by Binhai Water to Wenling Water Supply (the **“2022 Wenling Water Supply (Binhai) Framework Agreement”**) for a term commenced from 1 December 2022 and ending on 31 December 2024. During the Reporting Period, the sales of municipal water pursuant to the 2022 Wenling Water Supply (Binhai) Framework Agreement was RMB33,062,000.

2025 Wenling Water Supply Framework Agreement

As the term of each of the 2021 Wenling Water Supply Framework Agreement, the 2022 Wenling Water Supply (Binhai) Framework Agreement and the 2022 Wenling Water Supply (South Bay) Framework Agreement and their respective annual caps for the continuing connected transactions thereunder will expire on 31 December 2024, on 27 September 2024, the Company and

Wenling Water Supply entered into the 2025 Wenling Water Supply Framework Agreement (**“2025 Wenling Water Supply Framework Agreement”**) to govern the terms and conditions of the transactions between the Group and Wenling Water Supply in respect of the provision of raw water supply services and municipal water supply services by the Group to Wenling Water Supply for a term from 1 January 2025 to 31 December 2027.

Pursuant to the 2025 Wenling Water Supply Framework Agreement, the Group shall provide Wenling Water Supply with raw water supply services and municipal water supply services. The payment for the transactions contemplated thereunder shall be made every month on the basis of the volume of raw and municipal water supplied by the Group. The annual caps for the transactions in relation to municipal water supply services contemplated under the 2025 Wenling Water Supply Framework Agreement are RMB139,100,000, RMB141,000,000 and RMB141,000,000 for the three years ending 31 December 2025, 2026 and 2027, respectively. The annual caps for the transactions in relation to raw water supply services contemplated under the 2025 Wenling Water Supply Framework Agreement are RMB24,000,000, RMB24,000,000 and RMB25,000,000 for the three years ending 31 December 2025, 2026 and 2027, respectively.

For details of the 2025 Yuhuan Water Supply Framework Agreement and 2025 Wenling Water Supply Framework Agreement, please refer to the announcement of the Company dated 27 September 2024.

REPORT OF DIRECTORS

Each of Wenling Water Supply and Yuhuan Water Supply is a connected person at the subsidiary level. As (i) the Board has approved the transactions contemplated under (a) the 2025 Wenling Water Supply Framework Agreement; and (b) 2025 Yuhuan Water Supply Framework Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under each of (a) the 2025 Wenling Water Supply Framework Agreement; and (b) 2025 Yuhuan Water Supply Framework Agreement are fair and reasonable, on normal commercial terms in the ordinary and normal course of business of the Group and in the interests of the Company and the Shareholders as a whole, each of (a) the 2025 Wenling Water Supply Framework Agreement; and (b) 2025 Yuhuan Water Supply Framework Agreement is only subject to the reporting, announcement and annual review requirements, but is exempted from the circular, independent financial adviser's advices and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

The independent non-executive Directors have reviewed the continuing connected transactions disclosed under section "B. Continuing connected transactions exempt from independent Shareholders' approval" above and confirmed that during the year ended 31 December 2025:

- (i) such continuing connected transactions have been entered into in the ordinary and usual course of business of the Company;

- (ii) as appropriate, such continuing connected transactions are on normal commercial terms or, on terms no less favourable to the Group than terms available to or from independent third parties; and
- (iii) such continuing connected transactions have been entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Ernst & Young, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 (Revised) Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

C. Exempt continuing connected transactions

During the year under review, Taizhou Urban Construction, a substantial Shareholder of the Company, has provided guarantee for a loan granted by China Development Fund Co., Ltd. to the Company. As the guarantee provided by Taizhou Urban Construction is on normal commercial terms or better and are not secured by the assets of the Group, the said provision of guarantee is fully exempt under Rule 14A.90 of the Listing Rules.

REPORT OF DIRECTORS

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director or Supervisor or an entity connected with a Director or Supervisor was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of the Group to which the Company or any of its subsidiaries was a party subsisting during or at the end of the Reporting Period.

SIGNIFICANT CONTRACT

Save as disclosed in this annual report, no significant contract was entered into between the Company or any of its subsidiaries, and a controlling Shareholder or any of its subsidiaries during the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period between the Company and a person other than a Director or Supervisor or any person engaged in the full-time employment of the Company.

DIRECTORS' PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate insurance cover for Directors' and senior officers' liabilities in respect of legal actions arising out of corporate activities against the Directors and senior officers of the Company and its associated companies during the Reporting Period and up to the date of this annual report.

Except for such insurances, at no time during the Reporting Period and up to the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company or associated companies.

STAFF, EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

As at 31 December 2025, we had a total of 265 employees. All of our employees are based in the PRC. Our employees are generally remunerated by way of fixed salary, and also entitled to a performance-based bonus, paid leave and various subsidies. The Remuneration Committee was set up for reviewing the Company's emolument policy and structure for all remuneration of the Directors and senior management of the Company, having regard to the Company's operating results, individual performance of the Directors and senior management and comparable market practices.

Details of the emoluments of the Directors, the Supervisors and five highest paid individuals for the year ended 31 December 2025 are set out in notes 8 and 9 to the consolidated financial statements.

PENSION SCHEME

The Group participates in the central pension schemes as defined by the laws of the countries in which it has operations. The subsidiaries established and operating in Chinese Mainland are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees.

During the Reporting Period, there is no forfeited contribution (by the Group on behalf of its employees who leave the Group prior to vesting fully in such contributions) available to be utilized by the Group to reduce the contributions payable in the future years or to reduce the Group's existing level of contributions to the defined contribution retirement plan.

EQUITY-LINKED AGREEMENTS

The Company has not entered into any equity-linked agreement during the Reporting Period.

REPORT OF DIRECTORS

CHARITABLE DONATIONS

The donations made by the Group during the Reporting Period amounted to RMB0.17 million.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale or transfer of Treasury Shares, if any) during the Reporting Period.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2025, the Group had not been involved in any material litigation nor arbitration and the Directors are not aware of any litigation or claims of material importance pending or threatened against the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group strived to maintain high standards of corporate governance in order to safeguard the interests of Shareholders and enhance the corporate value and accountability. The Company has adopted the principles of the Corporate Governance Code as its own code of corporate governance. During the Reporting Period, the Company has complied with the provisions set out in the Corporate Governance Code. Information on the corporate governance practices adopted by the Group is set out in the Corporate Governance Report on pages 55 to 68 of this annual report. The Company will continue to review and monitor its corporate governance practice to ensure the compliance of the Corporate Governance Code.

AUDIT COMMITTEE

The Audit Committee, together with the management, had reviewed the accounting policies and practices adopted by the Group as well as the internal control matters, and had also reviewed the Group's consolidated financial statements for the year ended 31 December 2025.

AUDITOR

The consolidated financial statements of the Group for the ended 31 December 2025 have been audited by Ernst & Young.

Ernst & Young shall retire at the AGM and, being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the AGM.

On behalf of the Board

Mr. Yang Jun

Chairman of the Board

Taizhou, the PRC, 27 March 2026

REPORT OF THE SUPERVISORY COMMITTEE

In 2025, in strict compliance with the related laws including the Company Law and the relevant requirements of the Articles of Association and the Procedural Rules of the Supervisory Committee of the Company, abiding by the principle of good faith and in a responsible manner towards the Company and all shareholders, members of the Supervisory Committee have conscientiously performed their supervisory duties and actively carried out its work, attended the Board meetings and general meetings of the Company, and effectively supervised the legal compliance of the Company's operations, its financial condition and the performance of duties of the Directors and management of the Company to promote standardised operation of the Company.

I. WORK OF THE SUPERVISORY COMMITTEE

During the Reporting Period, the Supervisory Committee convened two meetings in accordance with relevant rules: (i) on 27 March 2025, the third meeting of the sixth session of the Supervisory Committee was convened to consider one proposal, namely the Company's 2024 Report on the Work of the Supervisory Committee; (ii) on 29 August 2025, the fourth meeting of the sixth session of the Supervisory Committee was convened to consider one proposal, namely the 2025 Interim Report of the Company.

During the Reporting Period, members of the Supervisory Committee attended all the general meetings and Board meetings of the Company, at which they have proposed relevant suggestions and recommendations in a serious and responsible manner, supervised the procedures and contents of such meetings, supervised effectively the procedures for making operation decisions, legal compliance of the operations and the financial condition of the Company as well as performance of the Directors and management in daily operations of the Company. The reasonable suggestions and recommendations proposed by them were adopted by the Company to better protect the legal interests of the Company and the Shareholders.

II. INDEPENDENT OPINIONS ON RELEVANT MATTERS OF THE COMPANY DURING THE REPORTING PERIOD

(I) Opinions of the Supervisory Committee on legal compliance of the Company's operation

In 2025, the Supervisory Committee supervised the procedures for convening the general meetings and the Board meetings, resolutions thereof, the execution of the resolutions of general meetings and Board meetings by the Board, and performance of the senior management of the Company, under the authority conferred by the Company Law and the Articles of Association.

REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee is of the view that the procedures for the decision making of the Company have complied with the relevant requirements of the Company Law and the Articles of Association and the Board has operated under standardised and legal procedures with reasonable decisions and conscientiously executed the resolutions of the general meetings of the Company. The Directors and senior management of the Company were faithful, devoted and responsible in discharging their duties, and did not violate the laws, regulations and the Articles of Association or prejudice the interests of the Company. All resolutions of the general meetings of the Company have been implemented.

(II) **Opinions of the Supervisory Committee on the financial performance of the Company**

The Supervisory Committee carefully reviewed relevant materials including the financial report for 2025 proposed to be submitted by the Board to the general meetings of the Company, which were prepared under the Hong Kong Financial Reporting Standards and audited and issued with an unqualified opinion by the independent auditor. The Supervisory Committee is of the view that the report gives an objective and true view of the Company's financial condition and operating results.

In 2025, the Supervisory Committee will continue to strictly comply with the requirements of the relevant laws and regulations and the Articles of Association in conscientiously performing their supervisory duties, diligently enhancing supervision efforts and effectively safeguarding and protecting the interests of the Company and Shareholders. The Supervisory Committee will continue to work assiduously to promote the sustainable and healthy development of the Company.

By the order of the
Supervisory Committee

Lin Ying

Chairman of the Supervisory Committee

Taizhou, the PRC

27 March 2026

CORPORATE GOVERNANCE REPORT

The Board of the Company is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules since the Listing Date and has complied with the applicable code provisions throughout the Reporting Period.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and the growth of its business and to reviewing such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

STRATEGIC OBJECTIVES AND BUSINESS MODEL

As a leading water supply service provider in Taizhou, the Group's principal businesses are supply of raw water, municipal water and tap water. At present, while operating the Taizhou Water Supply System (Phase I) and the Taizhou Water Supply System (Phase II) in a sustainable manner, the Group also advances its own development through the extension of the water supply geographic coverage in Taizhou and the water supply network by construction of the Taizhou Water Supply System (Phase III) and the Water Supply System (Phase IV). During the Reporting Period, the Group has achieved a balanced focus on "operation and construction" for its two major projects, Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV), and the acceptance, rectification and settlement of the work of each section were in solid progress. Taizhou Water Supply System (Phase III) project survey

was approved by the Taizhou Municipal Development and Reform Commission, and the planning and site selection for the booster pumping station of Taizhou Water Supply System (Phase IV) has been completed. Under the water supply pattern of "three horizontal and three vertical" in the southern part of Taizhou, the Taizhou South Water Resources Optimization Project invested and constructed by the Group commenced construction in October 2023. In the future, the completion of this pipeline will further improve the water supply capacity of companies within the Group.

On the basis of deep cultivation of the main water supply industry and by focusing on the optimization of industrial layout, the Group has been developing new business models. The first is to carry out demonstration projects. The deployment of the pipeline potable water project have been organized through the establishment of Bishui Water, responsible for project development, investment, and operational management. The second is to develop the packaged drinking water market. The Group has jointly established Zhejiang Xianzhiquan with Zhejiang Yongan to jointly develop a local mineral water brand.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interest of the Company as well as aligning the Company's culture with its purpose, value and strategy.

There are functional committees and administrative departments established under the Board, each of which adheres to proper management and control principles and strictly implements all established corporate management and control measures.

The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

CORPORATE GOVERNANCE REPORT

Board Composition

The Board currently comprises fifteen Directors, consisting of two executive Directors, eight non-executive Directors and five independent non-executive Directors. The members of the Board of the Company during the Reporting Period are listed as follows:

Name	Position in the Company
Mr. Yang Jun	Chairman and executive Director
Mr. Pan Gang	Vice Chairman, executive Director and general manager
Mr. Lin Genman	Non-executive Director
Ms. Fang Ya	Non-executive Director
Mr. Yu Yangbin	Non-executive Director
Mr. Yang Yide (passed away on 23 October 2025)	Non-executive Director
Mr. Lin Yang	Non-executive Director
Mr. Shao Aiping	Non-executive Director
Ms. Ying Nan	Non-executive Director
Mr. Ye Xiaofeng (appointed on 27 June 2025)	Non-executive Director
Mr. Yang Feng (appointed on 30 January 2026)	Non-executive Director
Mr. Huang Chun	Independent non-executive Director
Ms. Lin Suyan	Independent non-executive Director
Ms. Hou Meiwen	Independent non-executive Director
Mr. Li Wai Chung	Independent non-executive Director
Mr. Wang Yongyue	Independent non-executive Director

The list of Directors is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical information of the Directors is set out in the section headed “Biographies of Directors, Supervisors and Senior Management” of this annual report.

Save as disclosed in this annual report, to the best knowledge of the Company, there are no financial, business, family or other material relationships among members of the Board.

Chairman and General Manager

Mr. Yang Jun is the Chairman and Mr. Pan Gang is the general manager of the Company (the “**General Manager**”). The Chairman and the General Manager are two different positions, and their duties are clearly separated as set out in the Articles of Association.

The main duties of the Chairman are: to preside over shareholders’ general meetings, and convene and preside over meetings of the Board; to supervise and check the execution and implementation of resolutions passed by the Board; to sign the Share certificates, corporate bonds and other securities certificates issued by the Company; to sign the important documents of the Board and other documents which shall be signed by the legal representative of the Company; and to exercise other powers as stipulated by the laws, regulations and the Articles of Association and authorised by the Board. The principal duties of General Manager are: to lead the Company’s production, operation and organise resources to carry out the Board’s resolutions and to report his/her work to the Board; to organise the implementation of the Company’s annual business plan and investment plan; to draft plans for the establishment of the Company’s internal management structure; to draft the Company’s basic management system; to formulate basic and detailed rules and regulations of the Company; to propose the appointment or dismissal of the Company’s deputy general managers, the chief accountant and other senior management to the Board; to appoint or dismiss other management members other than those required to be appointed or dismissed by the Board; and to exercise other powers as stipulated by the laws, administrative regulations, departmental rules, relevant regulatory authorities and the Articles of Association and authorised by the Board.

CORPORATE GOVERNANCE REPORT

Independent Non-Executive Directors

During the Reporting Period, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least five independent non-executive Directors, representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence. The Company is of the view that all independent non-executive Directors are independent and remain so as at the date of this annual report.

Independent View

The Board has established mechanisms to ensure independent views and input are available to the Board. The Board ensures the appointment of at least three independent non-executive directors and at least one-third of its members being independent non-executive directors. Further, independent non-executive directors will be appointed to committees of the Board as required under the Listing Rules and as far as practicable to ensure independent views and input are available. The Nomination Committee strictly adheres to the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive directors, and is mandated to assess annually the independence of independent non-executive directors to ensure that they can continually exercise independent judgement. All Directors may also obtain independent professional advice at the Company's expense for carry out their functions.

Appointment and Re-election of Directors

Each of the Directors has entered into a service contract with the Company for a renewable term of three years commencing from their respective date of appointment, which are subject to termination in accordance with their respective terms.

In accordance with the Articles of Association, Directors shall be elected by the general meeting and may serve a term of three years and consecutive terms if re-elected. Any person appointed by the Board to fill a temporary vacancy on or as an addition to the Board shall hold office only until the next general meeting of the Company, and shall then be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

CORPORATE GOVERNANCE REPORT

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decisions on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Board has clearly set out the circumstances under which the management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The Board regularly reviews the above said circumstances and ensures they remain appropriate.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal action taken against them arising out of corporate activities. The insurance coverage would be reviewed once on an annual basis.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period, the Company organised training sessions conducted by the legal advisers for all Directors. The relevant training sessions covered a wide range of relevant topics including directors' duties and responsibilities, continuing connected transaction, disclosure of interests and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

CORPORATE GOVERNANCE REPORT

The training records of the Directors for the year ended 31 December 2025 are summarised as follows:

Name of Directors	Attending training, briefings, seminars, conferences and workshops relevant to the Company's industry and business, director's duties and/or corporate governance	Reading news alerts, newspapers, journals, magazines and publications relevant to the Company's industry and business, director's duties and/or corporate governance
Executive Directors		
Mr. Yang Jun	√	√
Mr. Pan Gang	√	√
Non-executive Directors		
Mr. Lin Genman	√	√
Ms. Fang Ya	√	√
Mr. Yu Yangbin	√	√
Mr. Yang Yide ⁽¹⁾	√	√
Mr. Lin Yang	√	√
Mr. Shao Aiping	√	√
Ms. Ying Nan	√	√
Mr. Ye Xiaofeng ⁽²⁾	√	√
Mr. Yang Feng ⁽³⁾	√	√
Independent non-executive Directors		
Mr. Huang Chun	√	√
Ms. Lin Suyan	√	√
Ms. Hou Meiwen	√	√
Mr. Li Wai Chung	√	√
Mr. Wang Yongyue	√	√

(1) Mr. Yang Yide passed away on 23 October 2025.

(2) Mr. Ye Xiaofeng was appointed as a non-executive Director on 27 June 2025.

(3) Mr. Yang Feng was appointed as a non-executive Director on 30 January 2026.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established four committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee, each of which has been delegated responsibilities and reports back to the Board. The roles and functions of these committees are set out in their respective terms of reference. The terms of reference of each of these committees will be revised from time to time to ensure that they continue to meet the needs of the Company and to ensure compliance with the Corporate Governance Code where applicable. The terms of reference of all the aforementioned Board committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Audit Committee comprises three members, including two independent non-executive Directors, namely Mr. Li Wai Chung and Ms. Hou Meiwen, and one non-executive Director, namely Mr. Lin Genman. Mr. Li Wai Chung is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the Corporate Governance Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, providing advice and comments to the Board and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Reporting Period and up to the date of this annual report, the Audit Committee held three meetings with the external auditor of the Company to discuss the annual financial results and report for the year ended 31 December 2025, and interim results and report for the six months ended 30 June 2025. The Audit Committee has reviewed and discussed significant issues on the financial reporting, operational and compliance controls, effectiveness of the risk management and internal control systems and internal audit matters with the Board.

Remuneration Committee

The Remuneration Committee comprises five members, including three independent non-executive Directors, namely Mr. Wang Yongyue, Mr. Huang Chun and Ms. Lin Suyan, and two executive Directors, namely Mr. Yang Jun and Mr. Pan Gang. Mr. Wang Yongyue is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the Corporate Governance Code. The primary functions of the Remuneration Committee include determining or making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management; establishing a formal and transparent procedure for developing remuneration policy to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration; and to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

During the Reporting Period and up to the date of this annual report, the Remuneration Committee held two meetings and reviewed the remuneration policy and structure of the Company and assessed the performance and remuneration packages of the Directors and senior management, and made recommendations to the Board, where appropriate.

Pursuant to paragraph E.1.5 of the Corporate Governance Code, the remuneration paid to the senior management (excluding Directors) by bands for the year ended 31 December 2025 is set out below:

Remuneration bands	Number of individuals
Nil to HK\$1,000,000	3

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Nomination Committee comprises seven members, including one executive Director, namely Mr. Yang Jun, two non-executive Directors, namely Mr. Yu Yangbin and Mr. Yang Feng, and four independent non-executive Directors, namely Mr. Huang Chun, Ms. Lin Suyan, Ms. Hou Meiwen and Mr. Wang Yongyue. Mr. Yang Jun is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the Corporate Governance Code. The principal duties of the Nomination Committee include reviewing the structure, size and diversity required of the Board annually and making recommendations on any proposed change to the Board to complement the Company's corporate strategy; monitoring the implementation of diversity policy for board members, and assessing the independence of independent non-executive Directors.

During the Reporting Period and up to the date of this annual report, the Nomination Committee held two meetings to discuss the nomination and appointment matters of Directors, and review the structure, size and composition of the Board and the independence of the independent non-executive Directors.

The procedures for the appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee will identify individuals suitably qualified to become directors and make recommendations to the Board on the selection of individuals. The Nomination Committee will determine the composition of Board members based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will also make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the Chairman and the General Manager), taking into account the Company's corporate strategy and mix of skills, knowledge, experience and diversity needed in the future.

The Board has adopted a board diversity policy which sets out the basic principles to be followed to ensure that the board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. The Nomination Committee shall review this policy and the measurable objectives at least annually, and as appropriate, to ensure the continued effectiveness of the Board.

As at the date of this annual report, the Board comprised eleven male Directors and four female Directors, providing the Board with a direct and diversified channel of the opinion from both genders. In addition, the Directors believe that the composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and effective leadership, taking into account the extensive experience, skills and knowledge of each Director and the balanced mix of two executive Directors, eight non-executive Directors and five independent non-executive Directors.

The Board is of the opinion that Board diversity (including gender diversity) has been achieved with reference to the current circumstances of the Company, and the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the Shareholders.

We will implement policies to ensure gender diversity when recruiting staff to develop a pipeline of female potential successors to the Board. Furthermore, we will implement comprehensive programs aimed at identifying and training our female staff who display leadership and potential, with the goal of promoting them to the Board.

The Nomination Committee will review the implementation and effectiveness of the board diversity policy and the policy for the nomination of directors on an annual basis.

CORPORATE GOVERNANCE REPORT

Strategy Committee

The Strategy Committee comprises seven members, including two executive Directors, namely Mr. Yang Jun and Mr. Pan Gang, four non-executive Directors, namely Ms. Fang Ya, Mr. Lin Yang, Mr. Shao Aiping and Mr. Ye Xiaofeng, and one independent non-executive Director, namely Mr. Huang Chun. Mr. Yang Jun is the chairman of the Strategy Committee.

The primary duties of the Strategy Committee are to make recommendations to the Board on the long-term development strategies and major investment decisions of our Group.

During the Reporting Period and up to the date of this annual report, the Strategy Committee held three meetings and reviewed the business development and project investment arrangement for the year ending 31 December 2026.

WORKFORCE DIVERSITY

The Group follows the principles of openness and equality and does not discriminate against applicants on the basis of gender, race, age, religious beliefs, and other factors. The Group actively promotes diversity in the workforce and encourages the employment of employees from all backgrounds. The Group has established systematic external and internal recruitment management process to ensure the quality of recruitment and select qualified and outstanding talents.

As at 31 December 2025, the gender ratio in the workforce (including senior management) is 177 (male): 88 (female). For further details of gender ratio together with the relevant data, please refer to the section headed “Caring for Employees” under the Environmental, Social and Governance Report.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the Corporate Governance Code.

During the Reporting Period and up to the date of this annual report, the Board had reviewed the Company’s policies and practices on compliance with legal and regulatory requirements, training and continuous professional development of Directors and senior management, the corporate governance policies and practices, the compliance of the Model Code, and the Company’s compliance with the Corporate Governance Code and the disclosure in this Corporate Governance Report.

BOARD MEETINGS AND DIRECTORS’ ATTENDANCE RECORDS

During the Reporting Period, the Company had adopted the practice of holding Board meetings regularly with at least four times a year, and at approximately quarterly intervals with active participation of majority of the Directors, either in person or through electronic means of communication.

CORPORATE GOVERNANCE REPORT

The attendance records of each Director at the Board and Board committee meetings of the Company held during the Reporting Period and up to the date of this annual report are set out below:

Name of Directors	Attendance/Number of Meeting(s)					
	Board meeting(s)	Strategy Committee meeting(s)	Audit Committee meeting(s)	Remuneration Committee meeting(s)	Nomination Committee meeting(s)	General meeting(s)
Executive Directors						
Mr. Yang Jun	7/7	4/4	N/A	3/3	3/3	4/4
Mr. Pan Gang	7/7	4/4	N/A	3/3	N/A	4/4
Non-executive Directors						
Mr. Lin Genman	7/7	N/A	4/4	N/A	N/A	4/4
Ms. Fang Ya	7/7	4/4	N/A	N/A	N/A	4/4
Mr. Yu Yangbin	7/7	N/A	N/A	N/A	3/3	4/4
Mr. Yang Yide ⁽¹⁾	4/4	N/A	N/A	N/A	1/1	3/3
Mr. Lin Yang	7/7	4/4	N/A	N/A	N/A	4/4
Mr. Shao Aiping	7/7	4/4	N/A	N/A	N/A	4/4
Ms. Ying Nan	7/7	N/A	N/A	N/A	N/A	4/4
Mr. Ye Xiaofeng ⁽²⁾	5/5	3/3	N/A	N/A	N/A	3/3
Mr. Yang Feng ⁽³⁾	2/2	N/A	N/A	N/A	1/1	1/1
Independent non-executive Directors						
Mr. Huang Chun	7/7	4/4	N/A	3/3	3/3	4/4
Ms. Lin Suyan	7/7	N/A	N/A	3/3	3/3	4/4
Ms. Hou Meiwen	7/7	N/A	4/4	N/A	3/3	4/4
Mr. Li Wai Chung	7/7	N/A	4/4	N/A	N/A	4/4
Mr. Wang Yongyue	7/7	N/A	N/A	3/3	3/3	4/4

(1) Mr. Yang Yide passed away on 23 October 2025.

(2) Mr. Ye Xiaofeng was appointed as a non-executive Director on 27 June 2025.

(3) Mr. Yang Feng was appointed as a non-executive Director on 30 January 2026.

Board meetings include regular meetings and extraordinary meetings of the Board. Regular Board meetings shall be held at least four times a year and shall be convened by the Chairman. Notice of a regular Board meeting shall be given to all Directors and supervisors at least 14 days in advance and the Board papers together with all appropriate, complete and reliable information shall be delivered to all Directors at least five days prior to the date of such regular Board meeting.

CORPORATE GOVERNANCE REPORT

An extraordinary Board meeting may be held by request of shareholders representing 10% or more of the voting rights or by request of no less than one-third of the Directors or by request of the Supervisory Committee or by request of the General Manager. Notice of an extraordinary Board meeting shall be given to all Directors and Supervisors at least five days in advance and the Board papers thereof shall be delivered to all Directors at least three days prior to the date of such meeting.

The Board shall keep minutes on matters discussed at meetings of the Board, including any concerns or objections raised by the Directors. The minutes shall be signed by the Directors present at the meeting and by the secretary to the Board. Minutes of the Board meeting shall be kept as the Company's record for a period of ten years.

The Board and each Director also have separate and independent access to the senior management whenever necessary.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing the design, implementation and monitoring of the risk management and internal control systems.

We endeavour to uphold the integrity of our business by maintaining an internal control system into our organisational structure. Our internal control system and procedures are designed to meet our specific business needs and to minimise our business-related risk exposure. We engaged

an independent internal control consultant (the "**Internal Control Consultant**") to perform a review of the adequacy and effectiveness of the risk management and internal control systems over our major business processes. At the same time, the internal audit department of the Company also conducts audit supervision on the authenticity, legality and effectiveness of the economic activities and related financial income and expenditure of the Group's affiliated enterprises. The Audit Committee reviewed the internal control system of the Group on an annual basis.

In December 2025, the Internal Control Consultant conducted an internal control review (the "**Internal Control Review**") on, among others, the procurement process, the expense process, the financial (including cash) management process, the connected transaction process etc. and provided recommendations to enhance the internal control system of the Group.

We have adopted and implemented the recommendations provided by the Internal Control Consultant and the Internal Control Consultant has not identified any material findings which may have material impact on the effectiveness of our internal control system.

Based on the results of the follow-up review, our Directors confirmed that as at the date of this annual report, we have adopted all internal measures and policies recommended by the Internal Control Consultant and that our internal control system does not have any major defects and is effective and adequate.

WHISTLEBLOWING POLICY

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee shall review such arrangement regularly and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

CORPORATE GOVERNANCE REPORT

INSIDE INFORMATION

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors and Supervisors. Specific enquiries have been made to all the Directors and Supervisors and the Directors and Supervisors have confirmed that they have complied with the Model Code during the Reporting Period.

DIRECTORS' RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements relating to disclosure of insider information and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" of this annual report.

AUDITOR'S REMUNERATION

The total fee paid/payable to Ernst & Young in respect of audit services and non-audit services during the Reporting Period is set out below:

Category of services	Fee paid/payable RMB'000
Audit services	2,580
Non-audit services	–
Total	2,580

The Group also appointed other external auditors in respect of audit services and non-audit services during the Reporting Period.

JOINT COMPANY SECRETARIES

Ms. Zheng Ranhan and Ms. Siu Pui Wah are the joint company secretaries of the Company. Ms. Siu is a director and head of accounting and corporate services of Trident Corporate Services (Asia) Limited, a global professional services provider. The primary contact person at the Company is Ms. Zheng Ranhan, the deputy general manager, the chief accountant of the Company and secretary of the Board. Ms. Zheng and Ms. Siu worked and communicated closely to discharge the functions of joint company secretaries.

During the Reporting Period, each of Ms. Zheng Ranhai and Ms. Siu has undertaken not less than 15 hours of relevant professional training.

CORPORATE GOVERNANCE REPORT

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable the Shareholders and investors to make the best investment decisions.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meeting and other general meetings. The general meetings of the Company provide a platform for communication between the Board and the Shareholders. The Chairman as well as chairmen of the Strategy Committee, Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees, are available to answer Shareholders' questions at general meetings. The external auditor of the Company is also invited to attend the annual general meeting of the Company to answer questions about the conduct of audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company maintains a website (www.zjtzwater.com), where information and updates on the Company's financial information, corporate governance practices, biographical information of the Board and other information are available for public access.

SHAREHOLDERS' COMMUNICATION POLICY

The Shareholders' Communication Policy aims to set out the provisions which ensure that the Shareholders and in appropriate circumstances, the investment community at large (which include the Company's potential investors as well as analysts who report and analyze the Company's performance), are timely provided with information about the Company (including its financial performance, strategic

goals and plans, material developments and corporate governance), in order to enable Shareholders to exercise their rights in an informed manner, and to enhance the communication between the Shareholders, the investment community and the Company.

During the Reporting Period, the Company reviewed the implementation and effectiveness of the Shareholders' Communication Policy, including the multiple communication channels for the Shareholders in place and the steps taken to handle Shareholders' enquiries, and considered that the Shareholders' Communication Policy has been properly implemented and effective.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Procedures for Shareholders to Convene Extraordinary General Meeting

According to the Articles of Association, Shareholders who hold 10% or more of the voting Shares at the proposed extraordinary general meeting or Shareholders' class meeting have the right to require the Board to convene an extraordinary general meeting or Shareholders' class meeting in accordance with the following procedures:

- (1) to sign one or more written requests of the same format and content to propose the Board to convene an extraordinary general meeting or Shareholders' class meeting and state the subject matter of the meeting. The Board shall give a written reply as to whether or not it agrees to convene an extraordinary general meeting or Shareholders' class meeting within ten days after receiving the aforesaid written request.

CORPORATE GOVERNANCE REPORT

- (2) if the Board agrees to convene an extraordinary general meeting or Shareholders' class meeting, the notice of the meeting shall be issued within five days after the adoption of the relevant Board resolution. Any changes to the original requisition set out in the notice are subject to prior consent of the Shareholders concerned. The Shareholdings referred to above shall be calculated as at the date of the deposit of the requisition by the Shareholders.
- (3) if the Board does not agree to convene an extraordinary general meeting or Shareholders' class meeting or fails to furnish any reply within ten days after receiving such requisition, Shareholders individually or jointly holding 10% or more of the shares carrying the right to vote at the meeting sought to be held shall be entitled to propose to the Supervisory Committee to convene an extraordinary general meeting or Shareholders' class meeting, provided that such proposal shall be made in writing. In the event that the Supervisory Committee agrees to convene an extraordinary general meeting or class meeting, the notice of the meeting shall be issued within five (5) days after receipt of the request. Any changes to the original proposal set out in the notice are subject to prior consent of the Shareholders concerned. Failure of the Supervisory Committee to issue a notice of meeting within the prescribed time limit shall be deemed as failure of the Supervisory Committee to convene and preside over a general meeting, in which case Shareholders individually or jointly holding 10% or more of the Company's shares for ninety (90) consecutive days or more may convene and preside over the meeting.

If the Board fails to issue a notice of convening such a meeting within 30 days from the date of receipt of such requisition in writing, the requisitioning Shareholders may themselves convene such a meeting with the procedures as similar as possible to that in which general meetings are to be convened by the Board within four months from the date

of receipt of the requisition by the Board. A general meeting convened by Shareholders themselves shall be presided over by the representative elected by the convener.

Any reasonable expenses incurred by Shareholders or the Supervisory Committee in convening and presiding over a meeting by reason of the failure of the Board to duly convene a meeting as requested above shall be borne by the Company and shall be set off against sums owed by the Company to the Directors in default.

Procedures for Shareholders to Nominate Candidates of Directors

Written notices specifying the intention to nominate a person for election as a Director and acceptance of such nomination by such person, as well as the written information on such person, shall be sent to the Company no earlier than the day after dispatch of the notice of the general meeting and no later than seven days prior to the date of such meeting. The minimum length of period during the nomination and acceptance of such nomination shall not be less than seven days.

Based on this, if a Shareholder of the Company intends to propose any person for election as a Director, the following documents shall be effectively delivered to the Company's headquarter in the PRC at No. 308 Yin Quan Road, Xicheng Street, Huangyan District, Taizhou, Zhejiang Province, the PRC or the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, including: (i) the signed notice of the intention to propose the candidate for election as a Director in general meeting; and (ii) the signed notice of the candidate indicating his or her willingness to accept the election, together with (a) information about the candidate required to be disclosed under Rule 13.51(2) of the Listing Rules, and (b) the written consent indicating the consent of the candidate to release his or her personal information.

CORPORATE GOVERNANCE REPORT

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiry to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: No. 308 Yin Quan Road, Xicheng Street,
Huangyan District, Taizhou,
Zhejiang Province, the PRC
(For the attention of the Board)

Email: ir@zjtzwater.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Constitutional Documents

The Company adopted the new Articles of Association on 23 June 2021. No amendments have been made to the Articles of Association since its last amendment up to the date of this annual report. The Articles of Association is available on the websites of the Company and the Stock Exchange.

DIVIDEND POLICY

The Company has adopted a dividend policy on payment of dividends, and details are provided in the "Report of Directors" on page 33 of this annual report.

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

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To the shareholders of Taizhou Water Group Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Taizhou Water Group Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 74 to 147, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<i>Provision for expected credit losses of trade receivables</i> As at 31 December 2025, the net carrying value of the Group's trade receivables amounted to RMB159,576,000 (after netting off an impairment provision of RMB52,751,000), representing approximately 2.87% of the Group's total assets. The impairment of trade receivables was assessed based on the expected credit loss model. The assessment of expected credit losses of trade receivables was performed at 31 December 2025 using the simplified approach, which involved significant judgement and estimation by management, including the assessment of customers' current financial positions and forward-looking information. The assessment is highly judgemental. The disclosures about the impairment of trade receivables are included in notes 2.4, 3 and 18 to the financial statements.	We evaluated the expected credit loss provision methodology used by the Group. We also evaluated management's assessment of the estimates of customers' current financial positions and the forward-looking adjustments by reviewing the analyses of the ageing of the receivables, testing, on a sample basis, payments received subsequent to year end and historical payment patterns, reviewing correspondence related to any disputes between the parties involved and market information about the credit status of the counterparties, where available, and evaluating the influence of macroeconomic factors by checking the Purchasing Managers' Index.
<i>Impairment of non-financial assets</i> As at 31 December 2025, the net carrying value of the Group's non-current assets amounted to RMB5,029,869,000, representing approximately 90.33% of the Group's total assets. As the carrying amount of the net assets of the Group was higher than the market capitalisation of the Company as at 31 December 2025, the Group performed impairment tests on long-lived non-financial assets or their related cash-generating units. These impairment tests involved significant estimations and judgements in making assumptions, including discount rates, expected future selling prices, future cost of sales and current replacement cost of the assets or the cash-generating units. Based on the test results, there was no impairment of non-financial assets as at 31 December 2025. The Group's disclosures about the impairment of non-financial long-lived assets are included in notes 2.4 and 3 to the financial statements.	We evaluated management's identification of indicators of impairment and cash-generating units within the Group. We reviewed and tested management's future forecasted cash flows and key assumptions by comparing them to the Group's historical data and development plan. We reviewed and assessed the inputs used for the estimation of recoverable amounts by using the market approach. We involved our internal valuation specialists to assist us in evaluating the methodology used and the underlying assumptions and parameters adopted by management to estimate the recoverable amounts of the cash-generating units. We also performed sensitivity analyses on the discount rates applied and the assumptions for revenue levels adopted.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong (practising certificate number: P06108).

Ernst & Young

Certified Public Accountants

Hong Kong

27 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
REVENUE	5	606,401	600,802
Cost of sales		(475,677)	(476,317)
Gross profit		130,724	124,485
Other income and gains	5	37,361	24,364
Selling expenses		(385)	(106)
Administrative expenses		(88,060)	(83,358)
Other expenses		(1,382)	(696)
Finance costs	7	(122,259)	(136,825)
Share of losses of associates	14	(18,545)	(27,109)
LOSS BEFORE TAX	6	(62,546)	(99,245)
Income tax expense	10	(22,167)	(18,792)
LOSS FOR THE YEAR		(84,713)	(118,037)
Attributable to:			
Owners of the parent		(71,580)	(95,580)
Non-controlling interests		(13,133)	(22,457)
		(84,713)	(118,037)
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted (RMB)	12	(0.36)	(0.48)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income/(loss) of associates	14	3,640	(6,029)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		3,640	(6,029)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		(81,073)	(124,066)
Attributable to:			
Owners of the parent		(67,940)	(101,609)
Non-controlling interests		(13,133)	(22,457)
		(81,073)	(124,066)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	4,109,791	4,298,525
Prepayments for property, plant and equipment and other intangible assets		1,608	2,289
Other intangible assets	16	4,500	1,818
Investments in associates	14	481,636	496,541
Deferred tax assets	26	26,412	26,555
Right-of-use assets	15	405,922	363,882
Total non-current assets		5,029,869	5,189,610
CURRENT ASSETS			
Inventories	17	5,233	5,275
Trade receivables	18	159,576	143,413
Prepayments, other receivables and other assets	19	43,591	35,175
Pledged bank deposits	20	1,066	1,077
Cash and cash equivalents	20	328,862	321,265
Total current assets		538,328	506,205
CURRENT LIABILITIES			
Trade payables	21	82,077	71,153
Other payables and accruals	22	618,500	838,416
Interest-bearing bank and other borrowings	23	62,789	20,436
Corporate debt instruments	24	153,207	154,656
Deferred government grants	25	9,736	9,745
Lease liabilities	15	–	684
Tax payable		5,550	3,814
Total current liabilities		931,859	1,098,904
NET CURRENT LIABILITIES		(393,531)	(592,699)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,636,338	4,596,911

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	3,240,282	3,494,758
Deferred government grants	25	112,122	121,971
Other liabilities		1,848	1,784
Total non-current liabilities		3,354,252	3,618,513
Net assets		1,282,086	978,398
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	200,000	200,000
Reserves	28	501,635	570,664
		701,635	770,664
Perpetual securities	29	379,164	—
Non-controlling interests		201,287	207,734
Total equity		1,282,086	978,398

Yang Jun
Director

Pan Gang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2025

	Attributable to owners of the parent					Perpetual securities RMB'000 (note 29)	Non-controlling interests RMB'000	Total equity RMB'000
	Share capital	Capital reserve*	Statutory surplus reserve*	Retained profits*	Total			
	RMB'000 (note 27)	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000	RMB'000			
At 1 January 2024	200,000	146,638	68,604	457,031	872,273	–	205,594	1,077,867
Loss for the year	–	–	–	(95,580)	(95,580)	–	(22,457)	(118,037)
Other comprehensive loss for the year:								
Share of other comprehensive loss of associates	–	(6,029)	–	–	(6,029)	–	–	(6,029)
Total comprehensive loss for the year	–	(6,029)	–	(95,580)	(101,609)	–	(22,457)	(124,066)
Capital contribution by a non-controlling shareholder	–	–	–	–	–	–	24,597	24,597
At 31 December 2024 and 1 January 2025	200,000	140,609	68,604	361,451	770,664	–	207,734	978,398
Loss for the year	–	–	–	(71,580)	(71,580)	–	(13,133)	(84,713)
Other comprehensive income for the year:								
Share of other comprehensive income of associates	–	3,640	–	–	3,640	–	–	3,640
Total comprehensive loss for the year	–	3,640	–	(71,580)	(67,940)	–	(13,133)	(81,073)
Issue of perpetual securities	–	–	–	–	–	378,075	–	378,075
Accrued interest attributable to perpetual securities, net of tax	–	–	–	(1,089)	(1,089)	1,089	–	–
Capital contribution by a non-controlling shareholder	–	–	–	–	–	–	6,686	6,686
At 31 December 2025	200,000	144,249	68,604	288,782	701,635	379,164	201,287	1,282,086

* These reserve accounts comprise the consolidated reserves of RMB501,635,000 (2024: RMB570,664,000) in the consolidated statement of financial position as at 31 December 2025.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(62,546)	(99,245)
Adjustments for:			
Loss on disposal of items of property, plant and equipment		520	177
Finance costs	7	122,259	136,825
Depreciation of property, plant and equipment	6	190,904	194,657
Share of losses of associates	14	18,545	27,109
Depreciation of right-of-use assets	15(a)	10,206	9,935
Foreign exchange differences, net	6	17	(7)
Amortisation of government grants	25	(9,858)	(9,840)
Amortisation of other intangible assets	16	756	322
Reversal of impairment of trade receivables, net	18	(626)	(418)
Impairment/(reversal of impairment) of contract assets, net	19	15	(208)
Impairment of other receivables, net	19	22	–
		270,214	259,307
Decrease/(increase) in inventories		42	(420)
(Increase)/decrease in trade receivables		(15,537)	3,806
Increase in prepayments, other receivables and other assets		(9,576)	(2,819)
Increase/(decrease) in trade payables		10,924	(4,157)
Increase in other payables and accruals		6,986	6,958
Increase/(decrease) in other liabilities		64	(216)
Cash generated from operations		263,117	262,459
Income tax paid		(19,165)	(30,403)
Net cash flows from operating activities		243,952	232,056

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(221,232)	(338,794)
Prepayments for right-of-use assets		(684)	(652)
Addition to land use rights		(52,246)	(7,405)
Proceeds from disposal of items of property, plant and equipment		340	610
Purchases of other intangible assets	16	(3,438)	(1,907)
Withdrawal of pledged bank deposits		11	7,518
Net cash flows used in investing activities		(277,249)	(340,630)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from a non-controlling shareholder		6,686	16,000
New bank and other borrowings		185,580	183,410
Repayment of bank and other borrowings		(397,703)	(75,536)
Proceeds from issue of corporate debt instruments	24	149,985	149,985
Repayment of corporate debt instruments		(150,000)	(150,000)
Proceeds from issue of perpetual securities		378,075	—
Interest paid		(131,712)	(141,857)
Net cash flows from/(used in) financing activities		40,911	(17,998)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		7,614	(126,572)
Cash and cash equivalents at beginning of year		321,265	447,830
Effect of foreign exchange rate changes, net		(17)	7
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		328,862	321,265
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	328,862	321,265
Cash and bank balances as stated in the consolidated statement of financial position and consolidated statement of cash flows		328,862	321,265

NOTES TO FINANCIAL STATEMENTS

31 December 2025

1. CORPORATE AND GROUP INFORMATION

The Company is a joint stock company with limited liability established in the People's Republic of China ("PRC"). The registered office of the Company is located at No.308, Yin Quan Road Xicheng Street, Huang Yan District, Taizhou, Zhejiang Province, PRC.

The Company and its subsidiaries (together, the "Group") are principally engaged in the supply of raw water, municipal water, pipeline direct drinking water, packaged drinking water and tap water directly to end-users and the installation of water pipelines for distributing tap water to end-users.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of registration and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Taizhou City Water Co., Ltd. ("Taizhou City Water") (台州城市水務有限公司)*	PRC/Chinese mainland 30 September 2003	RMB220,000,000	82	–	Centralised water production and supply
Wenling Zeguo Water Supply Co., Ltd. ("Wenling Zeguo Water Supply") (溫嶺市澤國自來水有限公司)*	PRC/Chinese mainland 9 November 2006	RMB30,000,000	100	–	Centralised water supply and provision of pipeline installation service
Taizhou Environmental Development Co., Ltd. ("Taizhou Environmental Development") (台州市環境發展有限公司)*	PRC/Chinese mainland 5 September 2018	RMB10,000,000	100	–	Examination of water quality
Taizhou South Bay Water Supply Co., Ltd. ("Taizhou South Bay Water Supply") (台州市南部灣區水務有限公司)*	PRC/Chinese mainland 13 March 2018	RMB340,000,000	60	–	Centralised water production and supply
Taizhou Binhai Water Co., Ltd. ("Binhai Water") (台州市濱海水務有限公司)*	PRC/Chinese mainland 7 June 2016	RMB200,000,000	51	49	Centralised water production and supply
Zhejiang Xianzhiquan Water Co., Ltd. ("Xianzhiquan Water") (浙江仙之泉水業有限公司)*	PRC/Chinese mainland 24 May 2023	RMB50,000,000	51	–	Bottled drinking spring water production
Taizhou Bishui Water Technology Co., Ltd. ("Bishui Water") (台州碧水科工有限公司)*	PRC/Chinese mainland 13 September 2023	RMB13,333,333	60	–	Pipeline direct drinking water production and supply

* These entities are limited liability enterprises established under PRC law. The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

As at 31 December 2025, the Group recorded net current liabilities of approximately RMB393,531,000. In view of the net current liabilities position, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 31 December 2025, the Group had available unutilised bank facilities with a total amount of RMB1,777,010,000 to meet the debt obligations and capital expenditure requirements in the next twelve months. Taking into account these additional financial resources available to the Group and the internally generated funds from operations, the directors believe that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due. Therefore, the consolidated financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2025. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted amendments to HKAS 21 *Lack of Exchangeability* for the first time for the current year's financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries and associates for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the Group's financial statements.

In addition, the HKICPA has issued amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37 *Disclosures about Uncertainties in the Financial Statements*, which added illustrative examples in the corresponding HKFRS Accounting Standards. These examples reflect existing requirements in the corresponding HKFRS Accounting Standards to report the effects of uncertainties in the financial statements using climate-related examples. Therefore, the amendments do not have an effective date or transitional provisions.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended HKFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and amended HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ²
HKFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures</i> ²
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ¹
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ¹
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency</i> ²
<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 ¹

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

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2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (Continued)

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss and other comprehensive income into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards or IFRS Accounting Standards. HKFRS 19 was amended in April 2025 to include IFRS Accounting Standards in the eligibility criteria for applying the standard. The standard was further amended in October 2025 to (i) remove disclosure objectives from HKFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to HKFRS 18 for entities that use these measures. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19 and its amendments. Some of the Company's subsidiaries are considering the application of HKFRS 19 and its amendments in their specified financial statements.

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2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (Continued)

Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of the initial application. Earlier application is permitted. The amendments to HKFRS 9 and HKFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKAS 21 *Translation to a Hyperinflationary Presentation Currency* require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of HKAS 29 *Financial Reporting in Hyperinflationary Economies*, to the foreign operation's comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (Continued)

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- **HKFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in HKFRS 16 and an extinguishment of a lease liability in accordance with HKFRS 9. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKFRS 10 *Consolidated Financial Statements*:** The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKAS 7 *Statement of Cash Flows*:** The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

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2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associate is included in consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investment in associate.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other case, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)**Impairment of non-financial assets (Continued)**

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)**Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	10 to 35 years
Pipelines	10 to 40 years
Machinery and equipment	5 to 20 years
Computer and office equipment	3 to 10 years
Motor vehicles	4 to 6 years
Leasehold improvements	3 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised to profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)**Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 4 to 5 years.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land	2 to 50 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt investments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

NOTES TO FINANCIAL STATEMENTS

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2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

The Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments (Continued)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing bank and other borrowings and corporate debt instruments.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, borrowings and corporate debt instruments)

After initial recognition, trade and other payables, interest-bearing bank and other borrowings and corporate debt instruments are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Perpetual securities

Perpetual securities issued by the Group, which includes no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments and are initially recorded at the proceeds received, net of direct issue costs.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- (b) in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (a) when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- (b) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Sale of water

Revenue from the sale of water is recognised at the point in time when control of the water is transferred to the customer, generally on delivery of the water.

(b) Installation services

The Group provides installation services that are sold separately to a customer.

Revenue from installation services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue on the basis of the actual cost expended relative to the total expected cost to complete the service.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in the Chinese mainland are required to participate in central pension schemes operated by the local municipal government and the central government, respectively. These subsidiaries are required to contribute a certain percentage of payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Pension schemes (Continued)

The contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 0.23% and 0.27% has been applied to the expenditure on the individual assets.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

NOTES TO FINANCIAL STATEMENTS

31 December 2025

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2025 was RMB507,713,000 (2024: RMB375,648,000). Further details are contained in note 26 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. As at 31 December 2025, the Company's market capitalisation was lower than the Group's net assets value which is an indicator of impairment for non-financial assets. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on the price that would be required currently to replace the service capacity of an asset less incremental costs for disposing of the asset. When value in use calculations are undertaken, the Group estimates the expected future cash flows from the assets or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

The key assumptions used in the fair value less costs of disposal calculations mainly include current replacement cost. The key assumptions used in the expected future cash flows calculations include appropriate discount rates, expected future selling prices and future cost of sales. Where the expectation is different from the original estimates, the carrying value and provision for such non-financial assets in the period in which such estimates are changed will be adjusted accordingly.

Based on the test results, no impairment of non-financial assets was provided for as at 31 December 2025.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)**Estimation uncertainty (Continued)*****Provision for expected credit losses of trade receivables***

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 18 to these financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group only has one reportable operating segment which is water supply and installation of water pipelines. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment.

Geographic information**(a) Revenue from external customers**

During the year, the Group operated within one geographical area as all of the Group's revenue was generated from customers located in the Chinese mainland.

(b) Non-current assets

All non-current assets of the Group are located in the Chinese mainland.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the year is set out below:

	2025 RMB'000	2024 RMB'000
Taizhou Water Supply	153,577	149,637
Wenling Water Supply	136,259	141,418
Luqiao Water Supply	105,040	106,652
Yuhuan Water Supply	88,097	86,606

NOTES TO FINANCIAL STATEMENTS

31 December 2025

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers	606,401	600,802

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	2025 RMB'000	2024 RMB'000
Type of goods or services		
Sale of water	589,443	587,684
Installation services	16,958	13,118
Total	606,401	600,802
Timing of revenue recognition		
Goods transferred at a point in time	589,443	587,684
Services transferred over time	16,958	13,118
Total	606,401	600,802

(b) *Contract liabilities*

The Group recognised the following revenue-related contract liabilities:

	2025 RMB'000	2024 RMB'000
Current (note 22(b))	5,240	6,724

Contract liabilities represented the obligations to transfer goods to a customer for which the Group has received consideration. The amount was included in "Other payables and accruals" in the consolidated statement of financial position.

(i) Significant changes in contract liabilities

The changes in the contract liabilities are mainly attributable to the short-term advances received to transfer goods to customers and satisfaction of performance obligations.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(b) Contract liabilities (Continued)

(ii) Revenue recognised in relation to contract liabilities

The following table shows the amount of revenue recognised during the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2025 RMB'000	2024 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of water	620	276
Installation services	6,104	4,825
Total	6,724	5,101

(c) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of water

The performance obligation is satisfied upon delivery of the water and payment is generally due within two months.

Installation services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of installation and customer acceptance.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2025 RMB'000	2024 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	5,844	9,351
After one year	17,565	23,059
Total	23,409	32,410

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to installation services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(c) *Performance obligations (Continued)*

Installation services (Continued)

	2025 RMB'000	2024 RMB'000
Other income and gains		
Bank interest income	2,326	6,335
Government grants	21,537	4,961
Value-added tax refund	12,828	11,408
Rental income	222	–
Others	448	1,653
	37,361	24,357
Gains		
Foreign exchange differences, net	–	7
Total other income and gains	37,361	24,364

NOTES TO FINANCIAL STATEMENTS

31 December 2025

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2025 RMB'000	2024 RMB'000
Cost of inventories sold*		462,476	467,475
Cost of services provided		13,201	8,842
Depreciation of property, plant and equipment	13	190,904	194,657
Depreciation of right-of-use assets	15(a)	10,206	9,935
Amortisation of other intangible assets**	16	756	322
Reversal of impairment of trade receivables, net	18	(626)	(418)
Impairment of other receivables, net	19	22	—
Impairment/(reversal of impairment) of contract assets, net	19	15	(208)
Government grants***		(21,537)	(4,961)
Foreign exchange differences, net		17	(7)
Auditor's remuneration		3,479	3,782
Employee benefit expense (excluding directors', chief executive's and supervisors' remuneration (note 8)):			
Wages and salaries		58,750	57,912
Pension scheme contributions		12,467	11,494
Staff welfare expenses		14,105	13,056
Total		85,322	82,462
Loss on disposal of items of property, plant and equipment		520	177

* The cost of inventories sold includes RMB231,856,000 (2024: RMB236,716,000) relating to staff costs and depreciation of property, plant and equipment for the year, which are also included in the respective total amounts disclosed above for each type of expenses.

** The amortisation of other intangible assets for the year is included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

*** The government grants mainly represent compensation by the local government to support the Group's operation in Taizhou City, the PRC. There were no unfulfilled conditions or contingencies attached to these government grants.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2025 RMB'000	2024 RMB'000
Interest on bank borrowings	114,449	105,881
Interest on other borrowings	11,568	34,703
Interest on corporate debt instruments (note 24)	3,261	4,948
Less: Interest capitalised	(7,019)	(8,707)
Total	122,259	136,825

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION

Directors', chief executive's and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2025 RMB'000	2024 RMB'000
Fees	373	376
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	2,330	2,220
Pension scheme contributions	196	163
Subtotal	2,526	2,383
Total	2,899	2,759

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2025 RMB'000	2024 RMB'000
Li Wai Chung	180	180
Hou Meiwen	40	40
Lin Suyan	40	40
Wang Yongyue	40	40
Huang Chun	40	40
Total	340	340

There were no other emoluments payable to the independent non-executive directors during the year (2024: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2025

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION
(Continued)

(b) Executive directors, non-executive directors, the chief executive and supervisors

	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2025				
Executive directors:				
Yang Jun	–	732	49	781
Pan Gang	–	732	49	781
Subtotal	–	1,464	98	1,562
Non-executive directors:				
Ying Nan (i)	18	–	–	18
Yang Yide (v)	15	–	–	15
Lin Genman	–	–	–	–
Fang Ya	–	–	–	–
Lin Yang	–	–	–	–
Ye Xiaofeng (iv)	–	–	–	–
Mo Danjun (iii)	–	–	–	–
Yu Yangbin	–	–	–	–
Shao Aiping	–	–	–	–
Subtotal	33	–	–	33
Supervisors:				
Lin Ying	–	–	–	–
Xu Jianhua (ii)	–	407	49	456
Shi Yongjie (ii)	–	459	49	508
He Lin	–	–	–	–
Lin Lin	–	–	–	–
Subtotal	–	866	98	964
Total	33	2,330	196	2,559

NOTES TO FINANCIAL STATEMENTS

31 December 2025

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION
(Continued)(b) Executive directors, non-executive directors, the chief executive and supervisors
(Continued)

	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2024				
Executive directors:				
Yang Jun	–	735	44	779
Pan Gang	–	735	44	779
Subtotal	–	1,470	88	1,558
Non-executive directors:				
Yang Yide (v)	18	–	–	18
Guo Dingwen (i)	9	–	–	9
Lin Genman	–	–	–	–
Fang Ya	–	–	–	–
Lin Yang	–	–	–	–
Ye Xiaofeng (iv)	–	–	–	–
Yu Yangbin	–	–	–	–
Shao Aiping	–	–	–	–
Mo Danjun (iii)	–	–	–	–
Ying Nan (i)	9	–	–	9
Subtotal	36	–	–	36
Supervisors:				
Chen Guojun (ii)	–	96	10	106
Xu Junwei (ii)	–	221	21	242
Lin Ying	–	–	–	–
Xu Jianhua (ii)	–	203	22	225
Shi Yongjie (ii)	–	230	22	252
He Lin	–	–	–	–
Lin Lin	–	–	–	–
Subtotal	–	750	75	825
Total	36	2,220	163	2,419

NOTES TO FINANCIAL STATEMENTS

31 December 2025

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (Continued)

(b) Executive directors, non-executive directors, the chief executive and supervisors (Continued)

Notes:

- (i) Ying Nan was appointed as a non-executive director and Guo Dingwen resigned as a non-executive director in June 2024.
- (ii) Xu Jianhua and Shi Yongjie were appointed as supervisors in June 2024, and Chen Guojun and Xu Junwei resigned as supervisors in June 2024.
- (iii) Mo Danjun was appointed as a non-executive director in June 2024, and resigned as a non-executive director in March 2025.
- (iv) Ye Xiaofeng resigned as a non-executive director in June 2024 and was appointed as a non-executive director in June 2025.
- (v) Yang Yide passed away in October 2025.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2024: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2024: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, bonuses, allowances and benefits in kind	1,897	1,903
Pension scheme contributions	146	132
Total	2,043	2,035

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2025	2024
Nil to HK\$1,000,000	3	3

NOTES TO FINANCIAL STATEMENTS

31 December 2025

10. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

During the year, except for Taizhou Environmental Development, Xianzhiquan Water and Bishui Water, the provision for current income tax in the Chinese mainland was based on the statutory rate of 25% (2024: 25%) of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008.

According to the Announcement of the Ministry of Finance and the State Taxation Administration of Taxation on the Income Tax Preferential Policies for Small and Micro Enterprises and Individual Businesses, which became effective on 1 January 2023, Taizhou Environmental Development, Xianzhiquan Water and Bishui Water, which are qualified as small and micro enterprises, were entitled to a preferential income tax rate of 5% (2024: 5%) for the taxable income between Nil and RMB3,000,000 during the year.

The income tax expense of the Group is analysed as follows:

	2025 RMB'000	2024 RMB'000
Current tax – Chinese mainland		
Charge for the year	22,024	20,134
Deferred tax (note 26)	143	(1,342)
Total tax charge for the year	22,167	18,792

A reconciliation of the tax expense applicable to loss before tax at the statutory rate in the Chinese mainland to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	2025 RMB'000	%	2024 RMB'000	%
Loss before tax	(62,546)		(99,245)	
Tax at the statutory tax rate of 25% in Chinese mainland	(15,637)	25.0	(24,811)	25.0
Lower tax rate for specific provinces or enacted by local authority	514	(0.8)	518	(0.5)
Profits and losses attributable to associates	4,636	(7.4)	6,777	(6.8)
Effect of non-deductible expenses	166	(0.3)	665	(0.7)
Tax losses not recognised	32,488	(51.9)	35,643	(35.9)
Tax charge at the Group's effective rate	22,167	(35.4)	18,792	(18.9)

NOTES TO FINANCIAL STATEMENTS

31 December 2025

11. DIVIDENDS

The board of the directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, adjusted to reflect accrued interest attributable to perpetual securities net of tax, and the weighted average number of ordinary shares outstanding during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2025 and 2024.

The calculation of basic loss per share is based on:

	2025 RMB'000	2024 RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent	(71,580)	(95,580)
Accrued interest attributed to perpetual securities, net of tax	(1,089)	–
Loss for the purpose of basic loss per share	(72,669)	(95,580)
	Number of shares	
	2025	2024
Shares		
Weighted average number of ordinary shares outstanding during the year used in the basic loss per share calculation	200,000,000	200,000,000

NOTES TO FINANCIAL STATEMENTS

31 December 2025

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Pipelines RMB'000	Machinery and equipment RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2025								
At 1 January 2025:								
Cost	1,357,782	3,368,301	553,089	72,042	12,638	5	396,986	5,760,843
Accumulated depreciation	(430,613)	(668,574)	(295,572)	(56,842)	(10,716)	(1)	-	(1,462,318)
Net carrying amount	927,169	2,699,727	257,517	15,200	1,922	4	396,986	4,298,525
At 1 January 2025, net of accumulated depreciation	927,169	2,699,727	257,517	15,200	1,922	4	396,986	4,298,525
Additions	80	-	897	280	958	-	815	3,030
Disposals	(452)	-	(302)	(102)	-	(4)	-	(860)
Depreciation provided during the year	(66,032)	(89,500)	(31,979)	(2,802)	(591)	-	-	(190,904)
Transfers	86,547	26,258	48,396	4,014	-	-	(165,215)	-
At 31 December 2025, net of accumulated depreciation	947,312	2,636,485	274,529	16,590	2,289	-	232,586	4,109,791
At 31 December 2025:								
Cost	1,442,308	3,394,559	593,029	73,382	13,277	-	232,586	5,749,141
Accumulated depreciation	(494,996)	(758,074)	(318,500)	(56,792)	(10,988)	-	-	(1,639,350)
Net carrying amount	947,312	2,636,485	274,529	16,590	2,289	-	232,586	4,109,791

NOTES TO FINANCIAL STATEMENTS

31 December 2025

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Pipelines RMB'000	Machinery and equipment RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024								
At 1 January 2024:								
Cost	1,356,680	3,368,301	529,254	68,057	12,105	24	283,048	5,617,469
Accumulated depreciation	(363,350)	(580,230)	(274,712)	(57,295)	(10,009)	(1)	-	(1,285,597)
Net carrying amount	993,330	2,788,071	254,542	10,762	2,096	23	283,048	4,331,872
At 1 January 2024, net of accumulated depreciation	993,330	2,788,071	254,542	10,762	2,096	23	283,048	4,331,872
Additions	-	-	24,438	3,017	753	-	134,024	162,232
Disposals	(65)	-	(640)	(175)	(23)	(19)	-	(922)
Depreciation provided during the year	(67,361)	(88,344)	(32,774)	(5,274)	(904)	-	-	(194,657)
Transfers	1,265	-	11,951	6,870	-	-	(20,086)	-
At 31 December 2024, net of accumulated depreciation	927,169	2,699,727	257,517	15,200	1,922	4	396,986	4,298,525
At 31 December 2024:								
Cost	1,357,782	3,368,301	553,089	72,042	12,638	5	396,986	5,760,843
Accumulated depreciation	(430,613)	(668,574)	(295,572)	(56,842)	(10,716)	(1)	-	(1,462,318)
Net carrying amount	927,169	2,699,727	257,517	15,200	1,922	4	396,986	4,298,525

14. INVESTMENTS IN ASSOCIATES

	2025 RMB'000	2024 RMB'000
Share of net assets	481,636	496,541

The Group's trade receivable balances with the associates are disclosed in note 34(c).

No associate is individually material to the Group for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

14. INVESTMENTS IN ASSOCIATES (Continued)

Particulars of the associates are as follows:

Name	Place of registration and business	Nominal value of issued/registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
Taizhou Zhuxi Reservoir Development Co., Ltd.	PRC/Chinese mainland	RMB950,000,000	25	Project construction and operation, water resources development, utilisation and protection
Taizhou Water Supply Co., Ltd. ("Taizhou Water Supply")	PRC/Chinese mainland	RMB63,716,000	45	Water supply, pipelines installation and distribution
Taizhou Jiaobei Water Supply Co., Ltd.	PRC/Chinese mainland	RMB15,500,000	45	Water supply, pipelines installation and distribution
Taizhou Luqiao Water Supply Co., Ltd. ("Luqiao Water Supply")	PRC/Chinese mainland	RMB64,460,000	45	Water supply
Taizhou Huangyan Urban and Rural Water Supply Co., Ltd. ("Huangyan Water Supply")	PRC/Chinese mainland	RMB30,988,000	45	Water production, water supply, pipelines installation, water quality inspection, and swimming stadium operation

The Group's shareholdings in the associates all comprise equity shares held by the Company.

The financial years of the above associates are coterminous with that of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

14. INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2025 RMB'000	2024 RMB'000
Share of the associates' loss for the year	(18,545)	(27,109)
Share of the associates' other comprehensive income/(loss)	3,640	(6,029)
Share of the associates' total comprehensive loss	(14,905)	(33,138)
Aggregate carrying amount of the Group's investments in the associates	481,636	496,541

15. LEASES

The Group as a lessee

The Group has lease contracts for land used in its operations with lease periods of 2 to 50 years. Lump sum payments were made upfront to acquire certain of these land leases, and no ongoing payments will be made under the terms of these land leases. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Land RMB'000	Total RMB'000
As at 1 January 2024	365,760	365,760
Additions	8,057	8,057
Depreciation recognised in profit or loss during the year	(9,935)	(9,935)
As at 31 December 2024 and 1 January 2025	363,882	363,882
Additions	52,246	52,246
Depreciation recognised in profit or loss during the year	(10,206)	(10,206)
As at 31 December 2025	405,922	405,922

The Group has acquired land for development purposes, and the purchase consideration has been fully paid. The land use right certificates had not yet been obtained by the Group at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

15. LEASES

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2025 RMB'000	2024 RMB'000
Carrying amount at 1 January	684	684
Additions	52,246	8,057
Payments during the year	(52,930)	(8,057)
Carrying amount at 31 December	–	684
Analysed into:		
Current portion	–	684

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2025 RMB'000	2024 RMB'000
Depreciation charge of right-of-use assets	10,206	9,935

(d) The total cash outflow for leases is disclosed in note 30(b) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

16. OTHER INTANGIBLE ASSETS

	Software RMB'000
Cost at 1 January 2025, net of accumulated amortisation	1,818
Additions	3,438
Amortisation provided during the year	(756)
At 31 December 2025	4,500
At 31 December 2025:	
Cost	6,027
Accumulated amortisation	(1,527)
Net carrying amount	4,500

	Software RMB'000
Cost at 1 January 2024, net of accumulated amortisation	233
Additions	1,907
Amortisation provided during the year	(322)
At 31 December 2024	1,818
At 31 December 2024:	
Cost	2,589
Accumulated amortisation	(771)
Net carrying amount	1,818

17. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	5,233	5,275

NOTES TO FINANCIAL STATEMENTS

31 December 2025

18. TRADE RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables	20,627	19,271
Due from related parties (note 34(c))	191,700	177,519
Subtotal	212,327	196,790
Impairment	(52,751)	(53,377)
Total	159,576	143,413

The Group's trading terms with its customers are mainly on credit. The credit period is generally two months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

As at 31 December 2025, certain of the Group's trade receivables with a carrying amount of RMB191,609,000 (2024: RMB128,581,000) were pledged to secure the Group's interest-bearing bank and other borrowings (note 23).

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2025 RMB'000	2024 RMB'000
Within 3 months	136,592	120,419
3 to 6 months	20,069	20,345
6 to 12 months	1,331	1,302
1 to 2 years	1,344	1,177
2 to 3 years	240	170
Total	159,576	143,413

The movements in the loss allowance for impairment of trade receivables are as follows:

	2025 RMB'000	2024 RMB'000
At beginning of year	53,377	53,795
Reversal of impairment, net	(626)	(418)
At end of year	52,751	53,377

NOTES TO FINANCIAL STATEMENTS

31 December 2025

18. TRADE RECEIVABLES (Continued)

The Group has applied the simplified approach to provide for expected credit losses under HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the credit risk characteristics and the days past due of each group of trade receivables to measure the expected credit losses. The Group considers the historical loss rate and adjusts for forward-looking macroeconomic data in calculating the expected credit loss rate. The expected credit losses were determined according to a provision matrix as follows:

	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
As at 31 December 2025			
Less than 1 year	158,377	0.24%	385
Between 1 and 2 years	1,627	17.39%	283
Over 2 years	3,643	93.41%	3,403
Default receivables	48,680	100.00%	48,680
Total	212,327	24.84%	52,751
As at 31 December 2024			
Less than 1 year	142,419	0.25%	353
Between 1 and 2 years	1,436	18.04%	259
Over 2 years	4,255	96.00%	4,085
Default receivables	48,680	100.00%	48,680
Total	196,790	27.12%	53,377

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2025 RMB'000	2024 RMB'000
Prepayments	637	324
Deposits and other receivables	1,764	2,280
Deductible value-added tax	18,061	16,149
Prepaid income tax	464	1,587
Contract assets	23,556	15,689
	44,482	36,029
Impairment	(891)	(854)
Total	43,591	35,175

NOTES TO FINANCIAL STATEMENTS

31 December 2025

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

The movements in the loss allowance for impairment of deposits and other receivables are as follows:

	2025 RMB'000	2024 RMB'000
At beginning of year	222	222
Impairment losses recognised	22	–
At end of year	244	222

Other receivables mainly represent deposits and advances to third parties. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. As at 31 December 2025, except for the defaulted other receivables of RMB218,000 (2024: RMB218,000), the probability of default applied ranged from 0.03% to 0.79% (2024: 0.03% to 0.79%) and the loss given default was estimated to be 50% (2024: 50%). In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied where there were no comparable companies as at 31 December 2025 was 0.79% (2024: 0.79%).

The movements in the loss allowance for impairment of contract assets are as follows:

	2025 RMB'000	2024 RMB'000
At beginning of year	632	840
Impairment losses/(reversal of impairment), net	15	(208)
At end of year	647	632

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2025	2024
Expected credit loss rate	2.75%	4.03%
Gross carrying amount (RMB'000)	23,556	15,689
Expected credit losses (RMB'000)	647	632

NOTES TO FINANCIAL STATEMENTS

31 December 2025

20. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2025 RMB'000	2024 RMB'000
Cash and bank balances	328,862	321,265
Bank deposits	1,066	1,077
	329,928	322,342
Less: Pledged deposits for land reclamation fee	(1,066)	(1,077)
Cash and cash equivalents	328,862	321,265
Denominated in:		
RMB	328,196	320,582
Hong Kong dollars ("HK\$")	666	683
Total	328,862	321,265

The RMB is not freely convertible into other currencies. However, under the Chinese mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of the Chinese mainland is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Pledged bank deposits mainly represent deposits pledged to banks to secure land reclamation fee. The pledged bank deposits carry interest at floating rates range from 0.050% to 0.350% (2024: 0.100% to 1.250%) per annum. The bank balances and pledged bank deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables	82,077	71,153

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2025 RMB'000	2024 RMB'000
Within 3 months	35,330	36,948
3 to 6 months	13,728	3,342
6 to 12 months	4,803	5,154
Over 12 months	28,216	25,709
Total	82,077	71,153

The trade payables are non-interest-bearing and are normally settled on terms of one to two months.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

22. OTHER PAYABLES AND ACCRUALS

	Notes	2025 RMB'000	2024 RMB'000
Other payables	(a)	471,211	657,288
Accrued salaries		21,249	23,210
Interest payable		3,088	4,088
Contract liabilities	(b)	5,240	6,724
Taxes payable other than income tax		26,373	16,635
Due to related parties		91,339	130,471
Total		618,500	838,416

Notes:

- (a) Other payables are non-interest-bearing and repayable on demand.
- (b) Details of contract liabilities are as follows:

	2025 RMB'000	2024 RMB'000
<i>Short-term advances received from customers</i>		
Sale of water	355	620
Installation services	4,885	6,104
Total	5,240	6,724

Contract liabilities include short-term advances received to deliver water and installation services. The decrease in contract liabilities in 2025 was mainly due to the decrease in short-term advances received from customers in relation to installation services rendered at the end of the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	2025 RMB'000	2024 RMB'000
Current				
Bank loans – unsecured	3.50	2025	–	4,460
Current portion of long term bank loans – secured	3.80	2025	–	23
Current portion of long term bank loans – secured	3.85	2025	–	533
Current portion of long term bank loans – secured	3.95	2025	–	266
Current portion of long term bank loans – secured	4.00	2025	–	267
Current portion of long term bank loans – secured	4.05	2025	–	40
Current portion of long term bank loans – secured	4.15	2025	–	4,800
Current portion of long term bank loans – secured	4.20	2025	–	5,000
Current portion of long term bank loans – secured	4.45	2025	–	5,047
Current portion of long term bank loans – secured	2.95	2026	5,306	–
Current portion of long term bank loans – secured	3.05	2026	100	–
Current portion of long term bank loans – secured	3.15	2026	3,460	–
Current portion of long term bank loans – secured	3.45	2026	23	–
Current portion of long term bank loans – secured	3.85	2026	2,900	–
Subtotal – current			11,789	20,436
Current portion of long term other borrowings – secured	2.80	2026	51,000	–
Total – current			62,789	20,436

NOTES TO FINANCIAL STATEMENTS

31 December 2025

23. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	Effective interest rate (%)	Maturity	2025 RMB'000	2024 RMB'000
Non-current				
Bank loans – secured	2.95	2041–2048	1,962,197	–
Bank loans – secured	2.96	2041–2049	328,000	–
Bank loans – secured	3.05	2046	900	–
Bank loans – secured	3.15	2041	72,890	–
Bank loans – secured	3.25	2035–2045	160,000	76,270
Bank loans – secured	3.36	2047	45,000	–
Bank loans – secured	3.45	2047–2049	39,895	90,000
Bank loans – secured	3.50	2041–2046	–	252,990
Bank loans – secured	3.55	2042–2047	–	190,000
Bank loans – secured	3.58	2041	–	30,000
Bank loans – secured	3.60	2035–2048	–	340,500
Bank loans – secured	3.65	2042–2046	–	85,000
Bank loans – secured	3.70	2044–2048	–	65,000
Bank loans – secured	3.71	2047	–	45,000
Bank loans – secured	3.75	2041–2043	–	50,000
Bank loans – secured	3.80	2043–2046	–	116,890
Bank loans – secured	3.83	2044	–	50,000
Bank loans – secured	3.85	2041–2047	274,400	163,133
Bank loans – secured	3.90	2045–2046	–	80,000
Bank loans – secured	3.95	2043–2048	–	39,067
Bank loans – secured	4.00	2046	–	9,067
Bank loans – secured	4.05	2046–2049	–	114,954
Bank loans – secured	4.06	2047	–	–
Bank loans – secured	4.10	2043–2046	–	–
Bank loans – secured	4.15	2039–2046	–	383,200
Bank loans – secured	4.18	2042	–	50,000
Bank loans – secured	4.20	2044–2048	–	300,000
Bank loans – secured	4.30	2043–2045	–	100,000
Bank loans – secured	4.45	2026–2049	–	455,687
Subtotal – non-current			2,883,282	3,086,758
Other borrowings – secured	2.80	2027–2041	357,000	408,000
Subtotal – non-current			3,240,282	3,494,758
Total			3,303,071	3,515,194

NOTES TO FINANCIAL STATEMENTS

31 December 2025

23. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2025 RMB'000	2024 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	11,789	20,436
In the second year	12,689	17,256
In the third to fifth years, inclusive	83,035	68,248
Beyond five years	2,787,558	3,001,254
Subtotal	2,895,071	3,107,194
Other borrowings repayable:		
Within one year	51,000	—
In the second year	—	51,000
In the third to fifth years, inclusive	102,000	51,000
Beyond five years	255,000	306,000
Subtotal	408,000	408,000
Total	3,303,071	3,515,194

Notes:

- (a) The Group's bank and other borrowings are secured by:
- (i) the pledge of the Group's trade receivables with a carrying amount of RMB191,609,000 (2024: RMB128,581,000) (note 18); and
 - (ii) the pledge of right of charge of the Company, Taizhou City Water, Binhai Water and Taizhou South Bay Water Supply on the future revenue generated by Taizhou water supply system (Phase I, Phase II, Phase III and Phase IV).
- (b) A subsidiary of the Company, Taizhou City Water, has guaranteed certain of the Group's bank loans up to RMB1,158,854,000 (2024: RMB1,246,600,000).
- (c) A shareholder of the Company, Taizhou Urban Construction Investment Development Group Co., Ltd. ("Taizhou Urban Construction"), has guaranteed certain of the Group's other borrowings up to RMB408,000,000 (2024: RMB459,000,000) (note 34(b)).
- (d) The Company has guaranteed certain of the Group's bank loans up to RMB2,588,627,000 (2024: RMB2,707,720,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2025

24. CORPORATE DEBT INSTRUMENTS

The movements in the corporate debt instruments are as follows:

	2025 RMB'000	2024 RMB'000
At 1 January	154,656	150,891
Issued during the year	149,985	149,985
Interest charged during the year	3,261	4,948
Interest paid during the year	(4,695)	(1,168)
Principal repaid during the year upon maturity	(150,000)	(150,000)
At 31 December	153,207	154,656

On 8 January 2025, the Company issued a private placement note with an aggregate principal amount of RMB150,000,000 at 100% of face value (the "2025 First PPN"). The 2025 First PPN carries interest at the rate of 2.18% per annum payable annually in arrears. The net proceeds, after deduction of direct issuance costs, amounted to RMB149,985,000. The 2025 First PPN will mature on 8 January 2026.

25. DEFERRED GOVERNMENT GRANTS

	2025 RMB'000	2024 RMB'000
At 1 January	131,716	141,556
Amount released	(9,858)	(9,840)
At 31 December	121,858	131,716
Current portion	(9,736)	(9,745)
Non-current portion	112,122	121,971

The government grants are related to the subsidies for the compensation of relocation and reconstruction of the original water supply pipelines of certain projects of the Group. Upon completion of the related projects and successful final assessment of the relevant government authorities, the grants related to assets would be released to profit or loss over the expected useful lives of the relevant assets.

NOTES TO FINANCIAL STATEMENTS

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26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Lease liabilities RMB'000	Impairment of trade and other receivables and contract assets RMB'000	Accrued expense RMB'000	Government grants RMB'000	Unrealised profit attributable to the intra-group RMB'000	Depreciation allowance difference between tax and accounting RMB'000	Total RMB'000
At 1 January 2024	171	13,695	1,193	3,603	3,397	3,325	25,384
Deferred tax credited/(charged) to profit or loss during the year (note 10)	(171)	(154)	2,408	(768)	89	(233)	1,171
Gross deferred tax assets at 31 December 2024 and 1 January 2025	-	13,541	3,601	2,835	3,486	3,092	26,555
Deferred tax credited/(charged) to profit or loss during the year (note 10)	-	(159)	61	(440)	131	264	(143)
Gross deferred tax assets at 31 December 2025	-	13,382	3,662	2,395	3,617	3,356	26,412

Deferred tax liabilities

	Right-of-use assets RMB'000
At 1 January 2024	171
Deferred tax credited to profit or loss during the year (note 10)	(171)
Gross deferred tax liabilities at 31 December 2024 and 31 December 2025	-

NOTES TO FINANCIAL STATEMENTS

31 December 2025

26. DEFERRED TAX (Continued)

Deferred tax liabilities (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2025 RMB'000	2024 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	26,412	26,555

Deferred tax assets have not been recognised in respect of the following item:

	2025 RMB'000	2024 RMB'000
Tax losses	507,713	375,648

The above tax losses arising in the Chinese mainland will expire in one to five years for offsetting against taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

27. SHARE CAPITAL

	2025 RMB'000	2024 RMB'000
Issued and fully paid:		
Domestic shares of 150,000,000 (2024: 150,000,000) of RMB1.00 each	150,000	150,000
H shares of 50,000,000 (2024: 50,000,000) of RMB1.00 each	50,000	50,000
	200,000	200,000

All domestic shares and H shares rank pari passu with each other in terms of dividend and voting rights.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

28. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity.

Capital reserve

The capital reserve of the Group represents (i) the difference between the proceeds from issue of shares and nominal values of shares issued was credited to the Company's share premium accounts and (ii) the remeasurement reserve of defined benefit plans in associates. Details of the movements in the capital reserve are set out in the consolidated statement of changes in equity.

Statutory surplus reserve

Pursuant to the PRC Company Law and the respective entities' articles of association, the Company and its subsidiaries established in the PRC shall appropriate 10% of their annual statutory net profit (determined in accordance with the PRC accounting principles and regulations and after offsetting any prior years' losses) to the statutory surplus reserve until such reserve fund reaches 50% of the share capital of these entities. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, such reserve must be maintained at a minimum of 25% of the share capital after offsetting prior years' losses.

29. PERPETUAL SECURITIES

On 6 November 2025, the Company issued listed and unsecured domestic perpetual securities with an aggregate principal amount of RMB378,075,000.

In the current year, the accrued interest attributable to perpetual securities was RMB1,089,000, net of tax.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

- (a) During the year ended 31 December 2024, the Group had a non-cash addition to paid-in capital of RMB8,597,000 from a non-controlling shareholder of a subsidiary in respect of the purchase arrangement for property, plant and equipment.

(b) Changes in liabilities arising from financing activities

	Corporate debt RMB'000	Interest-bearing bank and other borrowings RMB'000	Interest payable RMB'000
At 1 January 2024	150,891	3,407,320	4,193
Changes from financing cash flows	(1,183)	107,874	(140,689)
Interest accrued on corporate debt instruments	4,948	—	—
Interest on bank and other borrowings	—	—	140,584
At 31 December 2024 and 1 January 2025	154,656	3,515,194	4,088
Changes from financing cash flows	(4,710)	(212,123)	(127,017)
Interest accrued on corporate debt instruments	3,261	—	—
Interest on bank and other borrowings	—	—	126,017
At 31 December 2025	153,207	3,303,071	3,088

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2025 RMB'000	2024 RMB'000
Within investing activities	52,930	8,057

31. PLEDGE OF ASSETS

Details of the Group's assets pledged for bank and other borrowings are included in notes 18 and 23 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

32. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2025	2024
Percentage of equity interest held by non-controlling interests:		
Taizhou City Water	18.0%	18.0%
Taizhou South Bay Water Supply	40.0%	40.0%
	2025 RMB'000	2024 RMB'000
Profit/(loss) for the year allocated to non-controlling interests:		
Taizhou City Water	4,722	2,658
Taizhou South Bay Water Supply	(17,068)	(24,363)
Capital contribution from non-controlling interests of		
Taizhou South Bay Water Supply	–	16,000
Accumulated balances of non-controlling interests at the reporting date:		
Taizhou City Water	134,111	129,389
Taizhou South Bay Water Supply	53,982	71,050

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2025

	Taizhou City Water RMB'000	Taizhou South Bay Water Supply RMB'000
Revenue	304,664	77,351
Total expense	(278,430)	(120,020)
Profit/(loss) for the year	26,234	(42,669)
Total comprehensive income/(loss) for the year	26,234	(42,669)
Current assets	735,900	36,673
Non-current assets	346,532	1,248,421
Current liabilities	(78,626)	(62,444)
Non-current liabilities	(258,747)	(1,087,694)
Net cash flows from operating activities	84,390	35,274
Net cash flows used in investing activities	(108,621)	(91,012)
Net cash flows (used in)/from financing activities	(8,342)	20,115
Net decrease in cash and cash equivalents	(32,573)	(35,623)

NOTES TO FINANCIAL STATEMENTS

31 December 2025

32. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

2024

	Taizhou City Water RMB'000	Taizhou South Bay Water Supply RMB'000
Revenue	290,535	75,619
Total expense	(275,763)	(136,529)
Profit/(loss) for the year	14,772	(60,910)
Total comprehensive income/(loss) for the year	14,772	(60,910)
Current assets	663,671	71,263
Non-current assets	378,406	1,260,641
Current liabilities	(64,238)	(119,623)
Non-current liabilities	(259,010)	(1,034,656)
Net cash flows from/(used in) operating activities	104,274	(1,170)
Net cash flows used in investing activities	(154,415)	(60,868)
Net cash flows from financing activities	8,202	34,558
Net decrease in cash and cash equivalents	(41,939)	(27,480)

33. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	2025 RMB'000	2024 RMB'000
Pipelines and buildings	142,898	186,011

NOTES TO FINANCIAL STATEMENTS

31 December 2025

34. RELATED PARTY TRANSACTIONS

The Group's related parties are as follows:

Name	Relationship with the Company
Taizhou Bishui Qingquan Engineering Co., Ltd. ("Taizhou Bishui Qingquan") (Formerly known as "Zhejiang Taizhou Landscape")	An entity controlled by the shareholders of the Company
Zhejiang Taishui Science and Trade Co., Ltd. ("Zhejiang Taishui") (Formerly known as "Taizhou Modern Construction")	An entity controlled by the shareholders of the Company
Taizhou Huangyan Water Conservancy Development Group Co., Ltd. ("Huangyan Water Conservancy")	An entity controlled by the shareholders of the Company
Wenling Water Supply Co., Ltd. ("Wenling Water Supply")	A shareholder of Taizhou City Water
Yuhuan Water Supply Co., Ltd. ("Yuhuan Water Supply")	An entity controlled by the non-controlling shareholders of a subsidiary
Luqiao Water Supply	An associate of the Company
Huangyan Water Supply	An associate of the Company
Taizhou Water Supply	An associate of the Company
Taizhou Zhuxi Reservoir Development Co., Ltd. ("Taizhou Zhuxi Reservoir")	An associate of the Company
Huangyan Reservoir Development ("Huangyan Reservoir")	An entity controlled by the shareholders of the Company
Taizhou Urban Construction	A Company's substantial shareholder

NOTES TO FINANCIAL STATEMENTS

31 December 2025

34. RELATED PARTY TRANSACTIONS (Continued)

- (a) In addition to the transactions detailed in note 18 and note 22 to the financial statements, the Group had the following transactions with related parties during the year:

	Notes	2025 RMB'000	2024 RMB'000
<u>Associates</u>			
Sales of water to:			
Taizhou Water Supply	(i)	153,577	149,637
Luqiao Water Supply	(i)	105,040	106,652
Huangyan Water Supply	(i), (ii)	51,572	51,552
Total		310,189	307,841
Purchases of water from:			
Taizhou Zhuxi Reservoir	(i)	14,456	–
Huangyan Water Supply	(i)	–	39
Total		14,456	39
Construction services and other services from:			
Huangyan Water Supply	(i)	–	50
<u>Other related parties</u>			
Sales of water to:			
Yuhuan Water Supply	(i), (ii)	88,097	86,606
Wenling Water Supply	(i), (ii)	136,259	141,418
Total		224,356	228,024
Other services to:			
Zhejiang Taishui	(i)	132	–
Purchases of water from:			
Huangyan Reservoir	(i), (ii)	70,892	84,401
Construction services and other services from:			
Zhejiang Taishui	(i)	11,152	5,396
Taizhou Bishui Qingquan	(i)	672	25,146
Total		11,824	30,542

Note:

- (i) The sales or purchases of water and provision of services to/from the associates and other related parties were made according to the published prices and conditions offered by the Group and the related parties to their major customers.
- (ii) The related party transactions in respect of sale or purchase of water to an associate and other related parties as set out above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

34. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties:

A shareholder of the Company, Taizhou Urban Construction, has guaranteed certain of the Group's other borrowings up to RMB408,000,000 (2024: RMB459,000,000) as at the end of the reporting period, as disclosed in the note 23(c) to the financial statements.

(c) Outstanding balances with related parties:

	2025 RMB'000	2024 RMB'000
Due from related parties		
Trade in nature		
Taizhou Water Supply	54,102	57,745
Wenling Water Supply	72,486	55,924
Luqiao Water Supply	21,872	21,267
Huangyan Water Supply	30,929	24,616
Yuhuan Water Supply	12,311	17,967
Balance included in trade receivables (note 18)	191,700	177,519
Due to related parties		
Trade in nature		
Huangyan Reservoir	28,186	20,974
Taizhou Zhuxi Reservoir	14,456	–
Zhejiang Taishui	2,742	12,941
Taizhou Bishui Qingquan	21	28,954
Total	45,405	62,869
Non-trade in nature		
Huangyan Water Conservancy	88,576	88,576
Total	133,981	151,445

The balances with related parties are unsecured, interest-free and repayable on demand.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

34. RELATED PARTY TRANSACTIONS (Continued)

(d) Compensation of key management personnel of the Group:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	3,362	3,272
Pension scheme contributions	243	221
Total compensation paid to key management personnel	3,605	3,493

Further details of directors', chief executive's and supervisors' emoluments are included in note 8 to the financial statements.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets at amortised cost

	2025 RMB'000	2024 RMB'000
Trade receivables	159,576	143,413
Financial assets included in prepayments, other receivables and other assets	24,429	17,115
Pledged bank deposits	1,066	1,077
Cash and cash equivalents	328,862	321,265
Total	513,933	482,870

Financial liabilities at amortised cost

	2025 RMB'000	2024 RMB'000
Trade payables	82,077	71,153
Financial liabilities included in other payables and accruals	565,638	791,847
Lease liabilities	—	684
Interest-bearing bank and other borrowings	3,303,071	3,515,194
Corporate debt instruments	153,207	154,656
Total	4,103,993	4,533,534

NOTES TO FINANCIAL STATEMENTS

31 December 2025

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Financial liabilities				
Non-current portion of interest-bearing bank and other borrowings (note 23)	3,240,282	3,494,758	3,311,086	3,498,825

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank and other borrowings and corporate debt instruments approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Management has assessed that the fair values of the non-current portion of interest-bearing bank and other borrowings based on prevailing market interest rates approximate to their carrying amounts. The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2025 were assessed to be insignificant.

The Group did not have any financial assets and liabilities measured at fair value as at 31 December 2024 and 2025.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed: **2025**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Non-current portion of interest-bearing bank and other borrowings	–	3,311,086	–	3,311,086

2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Non-current portion of interest-bearing bank and other borrowings	–	3,498,825	–	3,498,825

NOTES TO FINANCIAL STATEMENTS

31 December 2025

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, cash and cash equivalents and pledged bank deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings with floating interest rates.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB interest rate, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	(Increase)/ decrease in loss before tax RMB'000
2025		
RMB	50	(14,422)
RMB	(50)	14,422
2024		
RMB	50	(15,113)
RMB	(50)	15,113

NOTES TO FINANCIAL STATEMENTS

31 December 2025

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis.

31 December 2025

	12-month ECLs		Lifetime ECLs		Total
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables*	–	–	–	212,327	212,327
Financial assets included in prepayments, other receivables and other assets					
– Normal**	25,102	–	–	–	25,102
– Doubtful**	–	–	218	–	218
Pledged bank deposits					
– Not yet past due	1,066	–	–	–	1,066
Cash and cash equivalents					
– Not yet past due	328,862	–	–	–	328,862
Total	355,030	–	218	212,327	567,575

31 December 2024

	12-month ECLs		Lifetime ECLs		Total
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables*	–	–	–	196,790	196,790
Financial assets included in prepayments, other receivables and other assets					
– Normal**	17,751	–	–	–	17,751
– Doubtful**	–	–	218	–	218
Pledged bank deposits					
– Not yet past due	1,077	–	–	–	1,077
Cash and cash equivalents					
– Not yet past due	321,265	–	–	–	321,265
Total	340,093	–	218	196,790	537,101

NOTES TO FINANCIAL STATEMENTS

31 December 2025

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to these financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2025					
	On demand	Less than	3 to 12	1 to 5	Over	Total
	RMB'000	3 months	months	years	5 years	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	–	25,118	137,968	591,988	4,394,091	5,149,165
Corporate debt instruments	–	153,207	–	–	–	153,207
Trade payables	46,747	35,330	–	–	–	82,077
Financial liabilities included in other payables and accruals	562,095	548	2,995	–	–	565,638
Total	608,842	214,203	140,963	591,988	4,394,091	5,950,087

NOTES TO FINANCIAL STATEMENTS

31 December 2025

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	2024					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	38,343	115,182	717,430	5,276,193	6,147,148
Corporate debt instruments	–	154,695	–	–	–	154,695
Trade payables	34,206	36,947	–	–	–	71,153
Financial liabilities included in other payables and accruals	765,335	475	26,037	–	–	791,847
Lease liabilities	684	–	–	–	–	684
Total	800,225	230,460	141,219	717,430	5,276,193	7,165,527

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2025.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, corporate debt instruments other liabilities, trade payables, other payables and accruals, lease liabilities, less cash and cash equivalents and pledged bank deposits. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2025 RMB'000	2024 RMB'000
Interest-bearing bank and other borrowings	3,303,071	3,515,194
Corporate debt instruments	153,207	154,656
Other liabilities	1,848	1,784
Trade payables	82,077	71,153
Other payables and accruals	618,500	838,416
Lease liabilities	–	684
Less: Cash and cash equivalents	(328,862)	(321,265)
Pledged bank deposits	(1,066)	(1,077)
Net debt	3,828,775	4,259,545
Equity attributable to owners of the parent	701,635	770,664
Total capital and net debt	4,530,410	5,030,209
Gearing ratio	85%	85%

NOTES TO FINANCIAL STATEMENTS

31 December 2025

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	100,822	120,565
Prepayments for property, plant and equipment	1,348	1,257
Investments in subsidiaries	601,307	596,306
Investments in associates	481,636	496,541
Other intangible assets	3,996	1,551
Deferred tax assets	7,046	7,056
Right-of-use assets	5,883	6,098
Total non-current assets	1,202,038	1,229,374
CURRENT ASSETS		
Inventories	242	249
Trade receivables	68,325	34,718
Prepayments, other receivables and other assets	942,153	580,462
Cash and cash equivalents	51,323	35,229
Total current assets	1,062,043	650,658
CURRENT LIABILITIES		
Trade payables	81,321	70,106
Corporate debt instruments	153,207	154,656
Other payables and accruals	203,935	645,704
Interest-bearing bank and other borrowings	51,000	–
Deferred government grants	2,313	2,313
Tax payable	870	–
Total current liabilities	492,646	872,779
NET CURRENT ASSETS/(LIABILITIES)	569,397	(222,121)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,771,435	1,007,253
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	807,000	408,000
Deferred government grants	2,409	4,747
Other liabilities	1,848	1,784
Total non-current liabilities	811,257	414,531
Net assets	960,178	592,722
EQUITY		
Share capital	200,000	200,000
Reserves (note)	381,014	392,722
	581,014	592,722
Perpetual securities (note 29)	379,164	–
Total equity	960,178	592,722

NOTES TO FINANCIAL STATEMENTS

31 December 2025

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000	Perpetual securities RMB'000	Total equity RMB'000
At 1 January 2024	156,227	79,695	188,462	424,384	–	424,384
Loss for the year	–	–	(25,633)	(25,633)	–	(25,633)
Share of other comprehensive loss of associates	(6,029)	–	–	(6,029)	–	(6,029)
Total comprehensive loss for the year	(6,029)	–	(25,633)	(31,662)	–	(31,662)
At 31 December 2024 and 1 January 2025	150,198	79,695	162,829	392,722	–	392,722
Loss for the year	–	–	(14,259)	(14,259)	–	(14,259)
Share of other comprehensive income of associates	3,640	–	–	3,640	–	3,640
Total comprehensive loss for the year	3,640	–	(14,259)	(10,619)	–	(10,619)
Issue of perpetual securities	–	–	–	–	378,075	378,075
Accrued interest attributable to perpetual securities, net of tax	–	–	(1,089)	(1,089)	1,089	–
At 31 December 2025	153,838	79,695	147,481	381,014	379,164	760,178

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2026.

FIVE-YEAR FINANCIAL SUMMARY

FIVE-YEAR FINANCIAL SUMMARY

Results

	Year ended 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
CONTINUED OPERATIONS					
Revenue	606,401	600,802	606,347	542,659	520,279
Loss before tax	(62,546)	(99,245)	(78,438)	92,596	178,898
Income tax expense	(22,167)	(18,792)	32,022	34,842	43,907
Loss for the year	(84,713)	(118,037)	(110,460)	57,754	134,991
Loss for the year					
Attributable to:	(84,713)	(118,037)	(110,460)	57,574	134,991
Owners of the Company	(71,580)	(95,580)	(84,000)	55,925	120,310
Non-controlling interests	(13,133)	(22,457)	(26,460)	1,829	14,681

ASSETS AND LIABILITIES

	Year ended 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Total assets	5,568,197	5,695,815	5,902,992	5,737,648	4,855,907
Total liabilities	4,286,111	4,717,417	4,825,125	4,571,077	3,725,539
Perpetual securities	379,164	—	—	—	—
Non-controlling interests	201,287	207,734	205,594	222,667	207,194
Equity attributable to owners of the Company	701,635	770,664	872,273	943,904	923,174