



中國水業集團有限公司*
CHINA WATER INDUSTRY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1129

Build a Dream and Share Future Success



2025 ANNUAL REPORT

* For identification purpose only



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhu Yongjun (Chairman)

Ms. Chu Yin Yin, Georgiana

Independent Non-Executive Directors

Mr. Wong Siu Keung, Joe

Mr. Lam Cheung Shing, Richard

Mr. Mak Ka Wing, Patrick

AUDIT COMMITTEE

Mr. Wong Siu Keung, Joe (Committee Chairman)

Mr. Lam Cheung Shing, Richard

Mr. Mak Ka Wing, Patrick

REMUNERATION COMMITTEE

Mr. Wong Siu Keung, Joe (Committee Chairman)

Mr. Zhu Yongjun

Mr. Lam Cheung Shing, Richard

NOMINATION COMMITTEE

Mr. Zhu Yongjun (Committee Chairman)

(resigned as Committee Chairman on 26 June 2025)

Mr. Wong Siu Keung, Joe (Committee Chairman)

(appointed as Committee Chairman on 26 June 2025)

Mr. Lam Cheung Shing, Richard

Ms. Chu Yin Yin, Georgiana

(appointed on 26 June 2025)

INVESTMENT COMMITTEE

Mr. Zhu Yongjun (Committee Chairman)

Ms. Chu Yin Yin, Georgiana

Mr. Pan Yimin

Mr. Tang Po Shing

Mr. Zhong Wei Guang

Ms. Xie Ye

COMPANY SECRETARY

Ms. Chu Yin Yin, Georgiana

AUTHORISED REPRESENTATIVES

Mr. Zhu Yongjun

Ms. Chu Yin Yin, Georgiana

PRINCIPAL BANKERS

PRC

Agricultural Bank of China

Bank of China Limited

Bank of China Industrial and Commercial

Hong Kong

Bank of China (Hong Kong) Limited

DBS Bank (Hong Kong) Limited

Chiyu Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISERS AS TO HONG KONG LAWS

Johnny K.K. Leung & Co., Solicitors

LEGAL ADVISER AS TO CAYMAN ISLANDS LAWS

Conyers Dill & Pearman

AUDITORS

Crowe (HK) CPA Limited

REGISTERED OFFICE

Cricket Square Hutchins Drive P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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P.O. Box 1586, Gardenia Court, Camana Bay,

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Union Registrars Limited

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338 King's Road

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STOCK

1129

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change %
	2025 HK\$'000	2024 HK\$'000	
Financial Result			
Revenue	233,835	536,631	(56.43)
Gross Profit	4,467	87,125	(94.87)
Loss for the year	(300,511)	(334,025)	(10.03)
Loss attributable to owners of the Company	(276,023)	(322,282)	(14.35)
Loss per share (HK cents) — Basic and diluted	(47.56)	(110.99)	(57.15)
EBITDA (Note)	(139,414)	(80,144)	73.95
Financial Position			
	2025 HK\$'000	2024 HK\$'000	
Gearing ratio	56.56%	54.51%	
Current ratio	0.93 times	1.25 times	
Bank balances and cash	42,168	45,156	
Net asset value	876,121	1,055,032	
Equity attributable to owners of the Company	646,886	796,204	
Equity attributable to owners of the Company per outstanding share (HK\$)	1.02	2.77	

Note: Loss before finance costs, income tax, depreciation and amortisation.

FIVE YEARS FINANCIAL SUMMARY

	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000 (Restated)	2024 HK\$'000	2025 HK\$'000
Results					
Revenue	1,101,791	1,219,143	748,973	536,631	233,835
Finance costs	(66,431)	(67,535)	(46,203)	(53,606)	(47,998)
Profit/(loss) before taxation	89,511	(466)	(198,204)	(304,848)	(306,559)
Income tax (expense)/credit	(63,964)	(29,253)	(15,431)	(29,177)	6,048
Profit/(loss) for the year	25,547	(29,719)	(213,635)	(334,025)	(300,511)
Assets and liabilities					
Non-current assets	2,123,019	2,095,700	2,117,988	1,318,984	1,043,551
Current assets	1,738,848	1,367,808	1,252,689	1,000,187	973,155
Total assets	3,861,867	3,463,508	3,370,677	2,319,171	2,016,706
Non-current liabilities	393,904	513,131	659,232	461,878	92,560
Current liabilities	1,542,097	1,047,959	1,070,201	802,261	1,048,025
Total liabilities	1,936,001	1,561,090	1,729,433	1,264,139	1,140,585
Net assets	1,925,866	1,902,418	1,641,244	1,055,032	876,121
Equity attributable to owners of the Company	1,370,239	1,395,640	1,129,387	796,204	646,886
Non-controlling interests	555,627	506,778	511,857	258,828	229,235
Earnings (loss) per share					
Basic	(2.76) cents	(3.88) cents	(84.72) cents	(110.99) cents	(47.56) cents
Diluted	(2.76) cents	(3.88) cents	(84.72) cents	(110.99) cents	(47.56) cents

CHAIRMAN'S STATEMENT

2025 was an extraordinary year in the history of China Water Industry Group Limited (the “Group” or “China Water”). Confronted with multiple challenges including profound adjustments in the environmental protection industry, persistent financial strain on local governments, and severe delays in subsidy payments, the Group braved the elements and forged ahead amidst adversity. Burdened by high account receivables, on-going pressure on cash flow, making losses in certain business segments, and even facing a winding-up petition hearing notice from International Finance Corporation (IFC), all these factors made 2025 the most difficult year since our inception.

The year 2026 will be pivotal for the Group's transformation and breakthrough. We shall take “securing survival, strengthening core competencies, and opening up new horizons” as the lead and strive to expand growth opportunities while continuing to mitigate existing risks.

BUSINESS REVIEW:

I. Traditional Sewage Treatment Segment: Steady Progress with Notable Achievements in Public-Private Partnerships

The traditional water-related services segment in 2025 maintained a stable operational environment overall, with all sewage treatment companies successfully achieved their operating targets. In 2026, the Group will put up more efforts to recover account receivables, optimize operating cost structure, and properly resolve internal governance issues like shareholder relationship, striving for breakthroughs amid stability and seeking development under a regulated framework.

1. Jining City Haiyuan and Jining City Haisheng Water Treatment Company Limited achieved 100% of its revenue target and 148% of its net profit target for the year, with particularly notable effective cost control. Through continuous optimization of operational management, strengthening internal control, and stringent control of operating costs, the company achieved steady improvement in collecting sewage treatment fees. The frequent government-enterprise communication mechanism has effectively alleviated tensions and significantly enhanced monthly collection capabilities, providing concrete financial support for its stable operations. The plant operated safely and steadily throughout the year, with no major safety or operational incidents. However, we are also fully aware that the company is still facing the pressure of overdue government sewage treatment fees amounting to RMB64.28 million, the timing of project collections remains uncertain, and the pressure in settling supplier payments is particularly prominent.
2. Foshan City Gaoming Huaxin Sewage Treatment Company Ltd.* successfully achieved its annual operating targets. Leveraging strong government relationship, and amidst the acute challenges of strained government finances, the company proactively communicated with the local government, promptly grasping policy developments and government needs to ensure the timely collection of sewage fees, safeguarding its operational stability. During the year, the company completed the signing of a supplemental agreement for upgrading and retrofitting, as well as optimizing its debt restructuring plan, further clarifying its development strategy to alleviate certain debt pressure. However, owing to the factors such as cost increase as a result of upgrading and retrofitting and default interest, its net profit fell short of expectations. At the same time, the company continues to face challenges such as strained relationships with minority shareholders and frequent environmental inspections, which also impeded its improvements in profitability.

II. New China Water Segment: Streamlining and Optimization to Enhance Quality and Efficiency for Breakthrough

In 2025, amidst the severe situation of delayed industry subsidies and the continuous pressure on cash flow, New China Water (Nanjing) Renewable Resources Investment Company Limited* ("**New China Water**") steadfastly determined to "survive with breakthroughs". By focusing on three core tasks — enhancing quality and efficiency, revitalizing assets, and exploring new businesses — it carved out a transformative path forward amidst adversity.

Facing the dual pressures of making overall losses and funding shortages, the company streamlined its operations and optimized its workforce decisively. By the end of the year, it shut down two underperforming projects to halt "cash drains" at the source. It also implemented in-depth structural reorganization to enhance efficiency with 36 redundant positions successfully eliminated, achieving a year-on-year labour costs reduction of approximately 15% and a year-on-year increase in output per capita of approximately 15%. Initial success was seen under this "recomposition" approach and reserved intrinsic momentum for future development.

As of the end of December 2025, New China Water had 22 landfill gas power generation projects and 1 purification project under normal operation nationwide, with an online installed capacity of 31.29 MW. Total cumulative operating revenue for the year amounted to RMB95.95 million. For the recovery of electricity generation subsidies, it received RMB33.46 million during the Year, bringing the cumulative subsidies received by this segment to RMB180 million. However, several hundred millions of historical subsidy arrears in Renminbi remained outstanding, putting on-going severe pressure on funds. To address this dilemma, the company systematically identified long-term idle equipment like 70 generator units, 21 pre-treatment equipment units, and 27 transformer and power distribution equipment units. If these assets were to be sold, their disposal would generate certain cash inflows for the group. This initiative not only provides a clear path for revitalizing long-term assets but also unlocks the value of "dormant" resources, offering strong support for financial relief.

Carbon assets, as a crucial strategic resource for New China Water, achieved leapfrog development in 2025. The dedicated carbon reduction team worked diligently, successfully selling 738,600 tonnes of carbon emission reductions from VCS projects during the year, generating sales revenue of RMB3.5 million. In the carbon asset reserve and trading fronts, New China Water has established a stable operational mechanism, not only for cultivating a new revenue channel for the Group but also seizing a strategic advantage in the wave of green development transformation.

CHAIRMAN'S STATEMENT

III. Integrated Water Treatment Segment: Technological Breakthroughs Injecting New Momentum into Transformation and Development

In 2025, amidst the continuous downturn of traditional businesses, guided by technology and innovation, Anchor Environmental & Energy Technology (Shanghai) Co., Ltd. and RELE Environmental & Energy Technology (Shanghai) Co., Ltd. (collectively, "**RELE**") forged a path of survival through technology and development through innovation. Although revenue and net profit temporarily fell short of expectations, the breakthroughs achieved in cultivating core competitiveness had injected powerful impetus into the segment's transformation and upgrading.

RELE actively advanced its qualification building. In April 2025, it obtained the Class II Environmental Engineering Contracting Qualification, expanding its business scope. In December, it was accredited as a "Shanghai Specialised and Sophisticated Middle-to-Small Enterprise" and was granted 28 new patents throughout the year, maintained its status as a Shanghai High-tech Enterprise, thereby solidifying the foundation for technological innovation.

In the industrial wastewater treatment sector, RELE successfully pioneered the new track of bio-jet fuel wastewater treatment, securing a project order worths RMB15.74 million, marking a crucial step for its core technology into high-value-added areas. The cooperation in organic solid waste continued to deepen, with the successful signing of the Phase II contract for the kitchen waste oil extraction project with Zichuan Green Energy Environmental Protection Co., Ltd. of Zhejiang Energy Group, witnessed the industrial synergies gradually emerging. The strategic cooperation with Danish AQP achieved a milestone breakthrough: the first commercial application of the Aquaporin Reverse Osmosis Membrane since the collaboration commenced, with a scale that represents AQP's largest project not only in Mainland China but globally. This has fully demonstrated the company's integration capability in introducing international technology with its localized application. The pilot-scale multi-effect membrane distillation (MD) equipment from Germany's Evcom performed superbly in pentaerythritol concentration experiments at a Guizhou-based group, showing promising prospects for commercial application. The photon quantum biomass gasification technology formally entered the commercial application phase, with a process package contract signed for the South Korean green methanol project and the orderly progress of equipment system sales. This strategic layout highly aligns with the Group's strategic positioning as a "Chinese Biomass Gas Operation Service Provider", securing a competitive edge in the future global green energy market.

IV. Hong Kong and Overseas Investment Segment: Solid Layout with Intertwined Opportunities and Challenges

In 2025, the Group's overseas business was propelled by the dual engines of Hong Kong Glass Resources Limited ("**HK Glass Resources**") and Victory Strategy Investment Limited ("**Victory Strategy**"), focusing on extending the environmental protection industry chain in Hong Kong and targeting emerging markets such as Southeast Asia and the Middle East. Solid strides were made in project pipelines, system establishment, and business expansion. Despite facing the dual challenges of funding bottlenecks and differences in regional business environments, the overseas segment strengthened its foundation amidst adversity, accumulating valuable momentum for its future international layout.

HK Glass Resources's role as a strategic hub in Hong Kong continued to consolidate with significantly enhanced intrinsic momentum. It had exceeded its full-year revenue target and achieved outstanding operating performance. It not only validates the commercial viability of the Hong Kong environmental protection market but also refines mature operational capabilities. During the year, the company optimized its staffing deployment and clarified the direction for expanding glass cullet sales channels. It is now capable of submitting bids for multiple projects simultaneously and expanding overseas businesses synergistically. The Hong Kong segment is evolving from a single-project operation towards a platform-based, scalable model, cementing its role as the "bridgehead" for the Group to expand its environmental footprint in Hong Kong and radiate overseas markets.

The overseas project pipeline has begun to take shape, with system build-up started from nothing to reality. In 2025, Victory Strategy successfully signed two 30-year concession landfill gas power generation projects in Pekanbaru City and Semarang, Indonesia. The Pekanbaru project is currently under construction, with its permitting process progressing smoothly in accordance with local laws and regulations. Concurrently, the team established through exploring a comprehensive overseas investment model and management mechanism, forming a replicable and iterative overseas business control framework while maintaining a lean and efficient team structure. These "invisible infrastructures" will provide institutional security for the long-term stable development of overseas businesses.

V. City-Industry Integration Segment: Focusing on Debt Risk Resolution, Advancing Breakthrough on Multiple Fronts

In 2025, the city-industry integration segment navigated a difficult path amidst a complex and volatile market environment. Facing the dual pressures of profound adjustments in the real estate sector and a persistently tightening financing environment, the entire segment focused on the core tasks of "mitigating risks and revitalizing assets", persevering through the difficulties of the Huizhou project while seeking breakthroughs in the Nanjing project operation.

Huizhou Honghu Blue Valley Wisdom Square Project: Focusing on creditor rights management, seeking a turnaround amidst difficulties. In 2025, the project company destined "survival" as its primary goal, dedicating special focus to creditor rights management and pre-reorganization work. The management maintained frequent communication with creditors, proactively seeking possibilities for advancing project restructuring, and conducted extensive and meticulous work on assessing restructuring plans and preliminary preparations. Although the overall progress fell short of expectations due to the complex debt structure and market environment, we never gave up our efforts. Every piece of communication and every round of negotiation had accumulated hope for project rebirth. In 2026, we will continue to explore diversified paths for debt resolution with an open and pragmatic attitude, striving to foster new opportunities amidst the crisis.

Amidst the industry downturn characterized by intensifying competition and supply-demand imbalance in the office leasing market, the Nanjing Space Big Data Industrial Park project delivered a commendable performance: achieving over RMB6 million in leasing and property service income for the year, with an occupancy rate stabilizing at around 64%, and achieving 108.91% of its rental and property income target. The project achieved the maximum rational utilization of its staffing, not only had it completed an environmental upgrade of the park and continued to optimize property quality and services, but also adjusted its tenant solicitation strategy amidst intensifying competition and supply-demand imbalance, thereby creating a differentiated advantage by focusing on small to medium-sized start-up enterprises. Financially, it completed the transfer assessments of 8 enterprises (with 5 being finalized and 3 pending funding), restructured the operational property loan with Ningbo Bank, initiated the land value-added tax settlement, and actively sought refinancing opportunities.

CHAIRMAN'S STATEMENT

VI. Engineering & Construction Segment: Rising from the Ashes, Re-embarking on the Journey

In 2025, Shenzhen City Li Sai Industrial Development Limited* (“**Li Sai**”) achieved a near-miraculous resumption of operation and production, marking a significant chapter for the Group’s engineering and construction segment. After a complete shutdown that last for two years, Li Sai not only managed to “survive” but, with its strong recovery momentum had demonstrated to the market the Group’s indomitable spirit of never give up.

In 2025, Li Sai overcame numerous difficulties, successfully resumed its operation and production and also achieved grid connection for power generation. In January 2026, the company’s monthly power generation exceeded 2 million kWh, reaching a record high. This figure not only signifies the full return of production operation but also marks the technical team’s leap from “standstill” to “full capacity” in an extremely short time span. For an enterprise that has been dormant for two years, such an operational breakthrough is remarkable and lays a solid foundation for the subsequent stable and continuous operation of its power generation business.

Currently, Li Sai holds the Class II General Contracting Qualification for Municipal Public Works and continues to hold the National High-tech Enterprise certification. These two core qualifications are authoritative endorsements of the company’s technical strengths and essential “passports” for future market competition. As industry barriers continue to rise, Li Sai, with its solid technical accumulation and qualification reserves, possesses the confidence and strength to re-enter the arena. We are also keenly aware that resuming production is only the first step, and the real test has just begun. The legacy debt issues still need to be resolved, the operation and maintenance capabilities of power generation equipment need enhancement, and the biogas collection system’s reliance on third-party cooperation requires optimization — these operational “tough nuts” will be progressively addressed as key priorities in 2026.

VII. Agricultural Organic Waste Comprehensive Utilization Segment: Initial Breakthrough Amidst a Difficult Odyssey Journey Ahead

In 2025, the Group’s agricultural biogas segment trudged through an industry downturn. The three projects in Huoqiu, Boli, and Chengwu are like mirrors, reflecting the real-world dilemmas of agricultural organic waste resource utilization in China, that is insufficient policy support, unsustainable business models, and continuous pressure on funding. Yet, even in the darkest moments, we continued to seek hope amidst despair and explore pathways out of the impasse.

In August 2025, the Huoqiu Project achieved gas production restoration in its anaerobic digesters as well as the purification and supply of biomass gas. However, owing to the inability to effectively utilize the digestate, the project was unable to sustain its operation, making it not possible of another restart. In November, the three shareholders began their discussions with Mineng Co., Ltd. and reached a framework agreement eventually for entrusted operation and equity transfer. Mineng Co., Ltd., leveraging its self-developed specific catalysts, can produce hydrogen from digestate, which can then be synthesized with carbon dioxide into methane. Following the cooperation agreement, Mineng Co., Ltd. will invest funds to retrofit the project and the parties will finalize the equity transfer after one year, bringing new opportunities for the project’s development.

The Boli Project is still at its construction phases without any operating cash flow and it lacks collateral that meets the bank's requirements, hence hindering its project financing. In 2025, the company actively sought partners to resume construction work. Facilitated by the county government, several interested companies are currently in discussions with the company. The cooperation issues will continue to progress to resolve the project's construction difficulties.

Cutting losses to survive. The Chengwu Project faced the most difficult situation. Owing to funding shortages, the project site has already been acquired by another enterprise. After careful assessment, the Group made the rational decision of not investing further into the project. Once the preliminary litigation disputes are resolved, the project will be deregistered and liquidated.

OUTLOOK AND FUTURE PLANS:

Standing at the threshold of 2026, we are acutely aware that the profound adjustment in China's environmental protection industry still continues. Policy tightening, subsidies lag, and funding pressures — these persistent challenges are unlikely to see fundamental relief in the short run. For the Group, 2026 will still be a year of sustaining heavy burdens, but it is also a pivotal year for transformation and breakthrough.

We will take "survival" as our baseline and "thriving" as our goal. Facing the reality of high account receivables, the Group will prioritize collection efforts with the urgency of "recovery is survival", dedicating all efforts to recover government sewage treatment fees, project arrears, and electricity generation subsidies. Concurrently, we will adopt more refined cash management to prioritize funding for core businesses and key projects, ensuring every dollar is spent effectively. We will actively move forward to withdraw the IFC petition, accelerate the introduction of strategic investors, and advance debt resolution and asset divestment — only by shedding burdens can we move forward nimbly.

We will respond to "complexity" with "focus", and seek "gains" through "losses". In 2026, the Group will more firmly adhere to its strategic positioning as a "Chinese Biomass Gas Operation Service Provider". Leveraging years of accumulated technological and resource advantages, we will actively expand asset-light businesses such as overseas project services and environmental technology operations, cultivating new profit growth drivers. With the determination of "cutting unnecessary losses", we will accelerate the divestment of underperforming assets — New China Water will shut down inefficient projects, the water segment will resolve debt risks, and the city-industry integration segment will revitalize existing assets.

We will overcome "difficulties" through "synergy", and solidify the "foundation" through "compliance". We will continue the frequent government-enterprise communication model, closely liaise with local governments, seek policy support and subsidy resources, and drive the collection of arrears and project buybacks. Regarding internal governance issues such as strained minority shareholder relations, we will adhere to communication and consultation as the primary method, take legal channel as a last resort, to resolve conflicts and build consensus. We will closely monitor industry policy trends and seize policy opportunities such as sewage treatment fee adjustments, carbon asset trading, and power generation subsidies, ensuring business development resonates with policy directions.

CHAIRMAN'S STATEMENT

We will drive “innovation” with “talent”, and expand “boundaries” through “cooperation”. We will further expand cooperation channels, introduce strategic partners, strengthen in-depth cooperation with industry leaders and research institutions, and recruit talents with extensive experience and professional skills. Simultaneously, we will focus on improving internal management systems, strengthening contract review throughout the entire process, and establishing a regular compliance inspection mechanism to ensure all subsidiaries are operating in accordance with laws and regulations, that is developing within a regulated framework, and regulating within development.

Looking ahead, China Water Industry Group will continue to uphold its core values of “taking the company as home, taking pride in performance, taking unity as harmony and taking hard-working as the foundation”. While pursuing its own development, the Group will actively fulfill its social responsibilities and strive for a harmonious and win-win situation among the enterprise, society, and the environment. We firmly believe that as long as all China Water colleagues united with one heart and mind, and strive forward with determination, there is no obstacle that we cannot overcome and no goal that we cannot achieve.

ACKNOWLEDGEMENTS:

On behalf of the Group's Board, I hereby express my sincere gratitude to all our employees, investors, and partners! The Group's perseverance through challenges and progress amidst breakthroughs in 2025 would not have been possible without the dedication of every colleague, the trust of every investor, and the partnership of every collaborator. In 2026, guided by the goals of securing survival, strengthening our core, and expanding into new horizons, the Group will continue to deeply cultivate its core businesses, accelerate technological innovation and overseas deployment, and spare no effort in creating sustainable value, fulfilling social responsibilities, and achieving win-win development for all.

Mr. Zhu Yongjun

Chairman and executive Director

Hong Kong, 30 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Net loss for the year

Net loss for the year ended 31 December 2025 (the “FY2025” or the “Year”) was approximately HK\$300.51 million (the “Net Loss”), representing a decrease of HK\$33.52 million as compared with the net loss of HK\$334.03 million for the year ended 31 December 2024 (the “FY2024”). Loss attributable to owners of the Company for the FY2025 was HK\$276.02 million (FY2024: loss attributable to owners of the Company of HK\$322.28 million).

The Board considered that the reduction in net loss for FY2025, as compared with FY2024, was primarily attributable to the net impact of the following factors: (a) a decrease in administrative and selling expenses resulting from the implementation of enhanced cost control measures across operating and corporate expenditures; (b) the decrease in the provision of expected credit loss on trade and other receivables; (c) the recognition of income tax credit in FY2025 compare to income tax expenses recorded in FY2024; (d) the recognition of other operating income in FY2025 as compared to an other operating expenses recorded in the prior year, which was mainly related to (i) equipment write-offs; and (ii) the recognition of construction cost and default interest payment arising from the litigation in FY2024; and (e) a net reduction in impairment losses on non-financial assets since renewable energy projects discontinued or ceased under construction and had been substantially impaired in the prior year. The effects of the aforesaid factors were partially offset by (i) the decline in revenue and gross profit derived from the renewable energy business, mainly resulting from the decrease in number of landfill site in operation resulting in substantial reduction in the volume of on-grid electricity due to less available new garbage being delivered to the landfill sites for generation of electricity as local incineration projects being in operation; (ii) the absence of the net gain from the disposal of Yichun Water Industry Group Company Limited (the “Yichun Water Group”) which was recognized in FY2024; and (iii) the impairment loss on deposits paid for acquisition of additional interests in a subsidiary.

While the auditor of the Group has issued a disclaimer of opinion due to the material uncertainty arising from the current financial situation of the Company, the Board, having consider that the Company have been undertaking and will continue to implement a number of plans and measures to improve the Group’s liquidity and financial position (for details please refer to the corporate governance report), remains of the view that the preparation of the Company’s consolidated financial statements on a going concern basis is appropriate and will continue to closely monitor developments and evaluate additional contingency measures as and when necessary.

Revenue and gross profit

During the Year, the Group is engaged in four business segments: (i) provision of sewage treatment and the related construction services; (ii) exploitation and sale of renewable energy; (iii) property investment and development; and (iv) waste management and recycling.

In the FY2025, the Group’s total revenue and gross profit were amounted to HK\$233.84 million and HK\$4.47 million respectively, which dropped substantially by HK\$302.79 million and HK\$82.66 million, respectively, as compared with the last year (FY2024: revenue of HK\$536.63 million and gross profit of HK\$87.13 million including HK\$216.41 million in revenue and HK\$67.53 million in gross profit contributed by Yichun Water Group). The downturn was primarily attributable to the disposal of Yichun Water Group in FY2024 and weaker performance in renewable energy business. The latter was negatively impacted by: (i) a substantial reduction in the volume of on-grid electricity, resulting from the development of local incineration projects and a decrease in the number of operational landfill sites; and (ii) a reduced number of service contracts awarded for landfill gas collection. These adverse factors were partially offset by improved performance in other segments, including an increase in revenue from the sewage treatment business excluding the impact of the Yichun Water Group, driven by the implementation of a new tariff rate; and growth in income from the waste management and recycling operations.

MANAGEMENT DISCUSSION AND ANALYSIS

The gross profit declined as a result of (a) the disposal of Yichun Water Group; (b) a deterioration in the performance of the renewable energy business; and (c) the magnitude of the decrease in cost of sales was smaller than the decrease in revenue due to certain fixed expenses included in the cost of sales.

Other operating income, net

For the FY2025, the other operating income, net, amounted to HK\$15.81 million, compared to an other operating expense, net, of HK\$4.78 million recorded in FY2024 which was after deducting the gain of HK\$6.41 million arising from Yichun Water Group. As compared with FY2024, the increase of HK\$20.59 million was mainly due to the loss on disposal of plant and equipment (the “PPE”) of HK\$11.89 million and the construction cost and default interest payment in total of HK\$22.32 million arising from the litigation on Swan Heng Chang, which was recorded in FY2024.

For the FY2025, other operating income, net mainly consisted of income generated from VAT refund of HK\$9.84 million, government grants of HK\$1.49 million, rental income of HK\$4.58 million from investment properties, the sale of carbon emission target income of HK\$3.82 million, net income from the sale of equipment of HK\$2.12 million, net service income of HK\$0.29 million from the operation of landfill gas projects and interest income of HK\$0.62 million after the deduction of the accrued default payment of HK\$8.52 million incurred from certain projects of the renewable energy business.

Selling and distribution expenses and administrative expenses

For the FY2025, the selling and distribution expenses of HK\$3.04 million, together with administrative expenses of HK\$121.15 million (“Total Expenses”) of the Group collectively have dropped by HK\$78.02 million to HK\$124.19 million (FY2024: HK\$202.21 million) due to the implementation of rigorous cost control measures across various operational and corporate functions, staff redundancy payments recorded in FY2024 but not in FY2025 as well as the Yichun Water Group of HK\$63.19 million recorded in FY2024. Total Expenses mainly consisted of staff costs including social insurance payments of HK\$47.19 million, legal and professional fee (including audit fees) of HK\$15.87 million, repair and maintenance of HK\$0.31 million and depreciation (including amortization) of HK\$25.52 million. As at 31 December 2025, the Group had 354 full-time employees, compared with 376 full-time employees excluding the employees of Yichun Water Group as at 31 December 2024. The decrease in the number of staff was mainly due to the continued closure of certain landfill sites. Total Expenses accounted for 53.11% of the total revenue of the Group, which recorded an increase as compared to FY2024 of 37.68%, as most of the Total Expenses were non-variable in nature and would not decrease by the same magnitude when revenue decrease.

Impairment loss recognised on non-financial assets including other intangible assets (the “OIA”), Concession Intangible Assets (“CIA”), goodwill, right-of-use assets (the “ROU assets”) and PPE

Impairment assessment was carried out on certain OIA, CIA, goodwill, ROU assets and PPE when an indication of impairment exists, in particular for the renewable energy projects of the Group’s landfill gas-to-power business operation for FY2025.

The Group after carrying out the impairment assessment recorded impairment losses for FY2025 on PPE of HK\$42.88 million (FY2024: HK\$62.60 million), OIA of HK\$5.18 million (FY2024: HK\$9.86 million), CIA of HK\$0.30 million (FY2024: HK\$1.33 million), goodwill of HK\$6.07 million (FY2024: HK\$21.74 million) and ROU assets of HK\$31.64 million (FY2024: HK\$50.76 million), respectively, mainly provided for the renewable energy projects.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company engaged independent professional valuers to perform the impairment assessments based on the recoverable amounts of the relevant cash-generating units (“CGUs”) as at 31 December 2025 by using income approach, to which of these assets were allocated based on value of inputs involving the future cash flow forecast estimated by the management of the Group (the “Management”). The basis and estimations adopted by the Management in assessing the recoverable amounts of the relevant CGUs included, among other things, key assumptions on annual revenue growth, budgeted gross margin, operating costs, estimated capital expenditure during the projection period and discount rates. For FY2025, the valuation methodology adopted remains unchanged from the previous approach adopted in 2024, with no subsequent modifications to the valuation techniques previously used.

The reasons contributing to the provision on impairment losses on these projects mainly include (i) the local incineration projects being developed in proximate location to the Group’s renewable energy landfill sites resulting in less new garbage being delivered to the Group’s landfill sites and therefore less electricity being generated and with the continued decline in the volume of on-grid electricity generated, certain renewable energy projects of the Group recorded continuous operating losses, (ii) Management revised future income projections downward, attributable to the accelerated depletion of collected gas, led to a reduced recoverable amount; and (iii) non-variable operating cost not decrease by the same magnitude when revenue decrease; and (iv) the shifting of projection on the sale of carbon emission target income to a later period based on the prevailing regulatory regime in respect of carbon emission trading in the PRC, resulting in downward adjustment of estimated revenue.

Considering the reasons above and with reference to valuation performed by independent professional valuers, the management considered that the recoverable amounts of the relevant CGUs for the aforesaid projects were less than their carrying amount of assets and therefore recorded an impairment loss in FY2025.

Impairment loss recognised on loans receivables and prepayment

For the FY2025, the Group recorded a reversal impairment loss for expected credit loss (the “ECL”) of HK\$0.72 million (the “Impairment Loss”), which mainly consists of HK\$0.99 million for loans and interest receivables and HK\$1.50 million for prepayment, partially offset by a reversal of impairment loss on loan receivable of HK\$3.21 million (FY2024: HK\$14.21 million). The decrease of Impairment Loss by HK\$14.93 million was mainly due to no impairment loss recognized on trade receivables, and a portion of loan receivables being collected.

Based on the evaluation of collectability and ageing analysis of trade, loan and other receivable as well as certain forward-looking factors, the Group applied different ECL rates to different classes of receivables according to their respective risk characteristics and business nature.

MANAGEMENT DISCUSSION AND ANALYSIS

Assessment of ECL

The Company has engaged an independent valuer (the “**Valuer**”), to conduct a valuation (the “**Valuation**”) on potential default or defaulted receivables to support the relevant impairment assessment in estimating the Impairment Loss.

For the trade receivables, loan receivables and other receivables, the Valuer adopted the probability of default and loss given default method (the “**PD Model**”) to measure the ECL allowance. Major inputs of the PD Model include (i) probability of default (“**PD**”); (ii) loss given default (“**LGD**”); and (iii) exposure at default (“**EAD**”). The ECL rate has been adjusted for forward-looking factors by taking into account of the expected change in future economic conditions, events and environment, and evaluating the debtor’s past default history and the debtor’s credit, presence of collaterals, as well as the debtor’s financial position. The Group’s trade receivables as at 31 December 2025 had an ECL rate ranging from 0.44% to 1.58% (as at 31 December 2024 ranging from 0.47% to 1.89%), depending on the assessed credit risk of the counterparties. Meanwhile, the rate of ECL of the Group’s loan receivables and other receivables as at 31 December 2025 ranged from 3.12% to 100% (as at 31 December 2024 ranged from 72.10% to 100%) depending on the nature, probability of default and loss incurred in respect of the defaulted loan receivables and advances. Owing to the deteriorating credit status, certain debtors failed to repay their loans and advances which led to the Group proceed with legal actions to recover the outstanding balances (the “**Default Events**”) as compared to the previous year. Once the loans and advances resulted in Default Events, a maximum default probability up to 100% will apply as it will indicate a higher probability of default as well as loss.

Reversal of impairment loss on loan receivable

For the FY2025, the Company, together with its wholly-owned subsidiary of the Company entered into a debt assignment agreement with Guangdong Donglinyuan Ecological Co., Ltd. (the “**Guangdong Donglinyuan**”) (“廣東東霖源生態有限公司”) and Sihui Sewage, pursuant to the terms of the agreement, the creditor’s rights against Top Vision, Sihui Sewage and their respective guarantors were duly assigned to Guangdong Donglinyuan. The consideration for the assignment was RMB8.80 million payable in four installments. Up to the date of this report, all consideration has been received. During the Year, the Group received proceeds amounting to HK\$3.21 million. Consequently, a reversal of impairment loss on loan receivable in sum of HK\$3.21 million was recognized in the Group’s consolidated financial statements (FY2024: Nil). For further details, please refer to section headed “**MATERIAL LITIGATIONS AND ARBITRATION**” in this report.

Impairment loss on deposits paid for acquisition of additional interests in a subsidiary

On 1 March 2023, China Water Industry (Hong Kong) Limited (“**CWI (HK)**”), a wholly-owned subsidiary of the Company, together with the Company (collectively referred to as the “**Purchasers**”) entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with Guangdong Yuecai Small and Medium-sized Enterprises Equity Investment Fund Partnership (Limited Partnership) *廣東粵財中小企業股權投資基金合夥企業(有限合夥)(“**Guangdong Yuecai**”) and Zhuhai Hengqin Yixingbanyue Investment Partnership (Limited Partnership) *珠海橫琴依星伴月投資合夥企業(有限合夥)(“**Zhuhai Hengqin**”) (collectively referred to as the “**Investors**”), pursuant to which the Investors required the Purchasers to repurchase an aggregate of 3.872% equity interests (the “**Aggregate Sale Capital**”) in New China Water (Nanjing), for a total consideration of approximately RMB81.34 million (the “**Repurchase Equity Consideration**”). For further details, please refer to the announcement of the Company dated 1 March 2023 and the section headed “**MATERIAL LITIGATIONS AND ARBITRATION**” in this report.

During the year ended 31 December 2023, the Group paid approximately RMB50.35 million (the “**Deposit Paid**”) to the Investors in partial settlement of the Repurchase Equity Consideration. On 9 September 2024, the Investors commenced legal proceedings before the 廣東省深圳前海合作區人民法院 (the “**Qianhai Court**”) seeking recovery of the outstanding balance of the Repurchase Equity Consideration. The court subsequently issued judgments on 23 June 2025 and 18 July 2025 respectively, ordering the Purchasers to repay the outstanding Repurchase Equity Consideration together with accrued interest.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2025, the Group engaged an independent valuer to conduct a valuation on the fair value of the Aggregate Sale Capital. Based on the valuation report, the Group recognized an impairment loss of HK\$50.57 million on the Deposits Paid and recognized the outstanding balances as other payable (FY2024: Nil).

Share of results from associate

For the FY2025, the Group's share of gain amounted to HK\$1.13 million which was arising from Ziyang Oasis Xinzhong Water Environmental Protection Technology Co., Ltd.* (the "**Ziyang Oasis**") (資陽市綠州新中水環保科技有限公司) (FY2024: loss of HK\$47,000 after deducting a gain of HK\$0.06 million for Yichun Water Group). As at 31 December 2025, the Group has one associated company of 49% equity interests in Ziyang Oasis.

Finance costs

For the FY2025, the finance costs for the Group amounted to HK\$48.00 million, representing a decrease of HK\$5.61 million compared to FY2024 (FY2024: HK\$53.61 million including HK\$1.43 million of interest capitalised for Yichun Water Group). The reduction in finance costs was primarily attributable to the repayment of borrowings during the Year, which resulted in a lower overall debt level relative to the last year.

Change in fair value of investment properties

For the FY2025, the fair value loss on investment property recorded HK\$18.54 million which provided on Nanjing Property Project (FY2024: loss on fair value of HK\$14.49 million including the fair value loss of HK\$0.36 million for Yichun Water Group). As at 31 December 2025, the Group had one investment property on hand which was located in Nanjing City, the PRC. According to the valuation result, the loss from the change in fair value of Nanjing Property Project for 2025 was mainly due to further decline in the fair value of office buildings resulting from the downturn of the office leasing market in China. The Company has engaged an independent property valuer to conduct a valuation on the investment properties.

Income Tax Credit

For the FY2025, the Group recorded income tax credit of HK\$6.05 million (FY2024: income tax expenses of HK\$29.18 million, including HK\$13.47 million of tax for Yichun Water Group and tax paid of HK\$18.88 million for the gain on disposal of Yichun Water Group), which was in line with the substantial dropped operating performance in the renewable energy business and sewage treatment related construction services. No provision for Hong Kong Profits Tax has been made as the Group's operations in Hong Kong did not have any assessable profits subject to Hong Kong Profits Tax. Taxation for the PRC operations is charged at the statutory rate of 25% of the assessable profits under taxation ruling in the PRC. During the year under review, certain renewable energy companies in PRC are still subject to tax concessions of 3-year full exemption and subsequent 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived under the relevant tax rules and regulation.

Exposure to Exchange Rates Fluctuations

Almost all of the Group's operating activities are carried out in the PRC with the most of transactions and assets denominated in RMB but the Company's financial statements are denominated in HK\$, which is also the functional currency of the Company. The Group has not adopted any hedging policies. Due to recent fluctuation in the RMB-HK\$ exchange rate, the Group has been monitoring the foreign exchange exposures closely and will consider adopting appropriate hedging measures to mitigate significant currency risks when deemed necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY MANAGEMENT

During the year under review, there had been no material change in the Group's funding and treasury policies. The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Board closely monitors the Group's liquidity position to ensure that the Group can meet its funding requirements for business development and the repayment of financial liabilities when due. The Group generally finances its business operations and capital expenditure with internally generated cash flow, bank facilities and other borrowings. To support medium to long term funding requirements, the Group also considers via accessing to funding from capital markets, subject to market conditions. On the other hand, the management of the Group closely reviews the trade receivable balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. The Group's financial risk management strategies include active managing firm level liquidity and interest rate profile via obtaining substantial long term funding sources, with diversifying term structures and funding instruments. In anticipating new investments or maturity of bank and other borrowings, the Group will consider new financing while maintaining an appropriate level of gearing.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL POSITION

Financial Position Analysis

As at 31 December 2025, the Group financed its operations with internally generated cash flows, bank loans and other borrowings as well as equity fund raising as disclosed below. The Group recorded a cash and cash equivalents balance of HK\$42.17 million (as at 31 December 2024: HK\$45.16 million) including bank balance and cash and cash held at financial institutions of HK\$19.49 million, the restricted bank deposits of HK\$2.34 million and the pledged bank deposits of HK\$20.33 million. Based on the current financial position, and taking into account the financial resources available to the Group, including the internally generated funds and the possible disposal of assets, in the absence of unforeseeable circumstances, the Directors considered that following the implementation of the proposed settlement arrangement with certain creditors, funds raising activities by the issuance of convertible bonds, implementing measures to speed up the collection of outstanding trade receivables, the Company will be able to pay its debts as they become due. The cash and bank balance were denominated in HK\$ and RMB.

The net current liabilities for the Group at 31 December 2025 were HK\$74.87 million due to the reclassification of the IFC loan of HK\$133.14 million from non-current to current liabilities and litigation claims totaling of HK\$34.17 million payable to Guangdong Yuecai and Zhuhai Hengqin for the repurchase of their equity interests in New China Water (Nanjing) (as at 31 December 2024 of net current assets: HK\$197.93 million). The current ratio of the Group (current assets over current liabilities) was 0.93 times as at 31 December 2025 (as at 31 December 2024: 1.25 times).

Despite the winding-up petitions file against the Company, the Board has taken swift and comprehensive measures to mitigate the impact on operations, including among other things, engaging in ongoing negotiations with the Petitioner and the Supporting Creditors and the entering into a Rescheduling Deed (as defined below) to extend the repayment schedule for the IFC Indebtedness, securing bridging loans arrangements and the issue of convertible bonds. While the auditor of the Company has issued a disclaimer of opinion due to the material uncertainty arising from this situation, the Board remains of the view that the Group will have sufficient cashflow to meet its financial obligations for the next 12 months as and when required.

As at 31 December 2025, the net asset value of the Group amounted to HK\$876.12 million (as at 31 December 2024: HK\$1,055.03 million).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2025, the Group's consolidated total assets (including both current and non-current) decreased by HK\$302.46 million to HK\$2,016.71 million (as at 31 December 2024: HK\$2,319.17 million). The decrease was primarily due to the impairment loss provided on the Deposit Paid, impairment loss on non-financial assets, refund of deposit for acquisition of PPE by offsetting the other loan, depreciation and amortization charges recognized during the Year.

Capital Structure

During the Year, the Company completed the issuance of right issue in January 2025 and placing of new shares under general mandate in June 2025.

Fund-raising activities in the past 12 months

1. *The rights issue on the basis of one (1) rights share for every one (1) existing shares held on the record date on a non-underwritten basis and the compensatory arrangements.*

On 22 January 2025, the Company completed a rights issue at a price of HK\$0.326 per rights share (the "**Subscription Price**") on the basis of one (1) rights share for every one (1) existing shares held by the qualifying shareholders on the record date (i.e. 20 December 2024) (the "**Rights Issue**") by issuing 287,360,964 rights shares and raised up to the net proceeds of HK\$90.10 million (the "**Net Proceeds**"). The net price was approximately HK\$0.3135 per rights share. The aggregate nominal value of the rights shares recorded approximately HK\$28.74 million. The primary reason for the issuance of the rights issue was to meet the Group's funding requirements, particularly for the repayment of overdue debt liabilities.

Referring to the announcement dated 5 June 2025 (the "**Announcement**"), a total of approximately HK\$75.10 million of the net proceeds from the Rights Issue had been utilised by the Group according to the allocation as set out in the Prospectus and the remaining net proceeds from the Rights Issue amount to approximately HK\$15.00 million (the "**Remaining Net Proceeds**"). The Board determined that reallocating the Remaining Net Proceeds to repay the outstanding liabilities would be a more efficient and effective use of financial resources. The Board has resolved to change the use of the Remaining Net Proceeds as follows:

Use of proceeds from the Rights Issue	Change the use		Fully Utilised the Net Proceeds as at 31 December 2025
	Intended use of Net Proceeds as disclosed in the Prospectus	of the Remaining Net Proceeds as at the date of this Report	
	HK\$'million	HK\$'million	HK\$'million
Repayment of debts	68.00	15.00	83.00
Investment in biomass gas project	15.00	(15.00)	–
General working capital of the Group (including HK\$4.50 million for salaries and HK\$1.60 million for professional fee and HK\$1.00 million for rental expenses)	7.10	–	7.10
	90.10	–	90.10

As at 31 December 2025, the Company had fully utilised the Net Proceeds.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Placing of new shares under general mandate

The Placing was completed on 16 June 2025 in accordance with the terms and conditions of the Placing Agreement. A total of 57,472,000 Placing Shares had been successfully placed by Kingston Securities Limited (the “**Placing Agent**”) to not less than six (6) Placees at the Placing Price of HK\$0.228 per Placing Share pursuant to the Placing Agreement. The reason for the Placing of new shares was mainly for the Group to repay the outstanding liabilities. The aggregate nominal value of the Placing Shares under the Placing were HK\$5.75 million. The net subscription price per Placing Share was approximately HK\$0.220. The net proceeds of HK\$12.60 million had been utilized by the Company as follows:

Use of proceeds from the allotment and issued new shares under general mandate	Intended use of net proceeds	Actual use of proceeds as at 31 December 2025
	HK\$'million	HK\$'million
Repayment of debts	10.00	10.00
General working capital of the Group (including HK\$1.00 million for salaries and HK\$1.00 million for professional fee and HK\$0.60 million for other corporate expenses)	2.60	2.60

3. Subsequent to the financial year ended 31 December 2025, the Company has proposed the issuance of convertible bonds of HK\$278.25 million (equivalent to approximately RMB250.0 million). The proposed issuance is subject to the approval of shareholders at the EGM scheduled on 14 April 2026 and to raise up to the net proceeds of HK\$277.50 million. The Company intends to utilise all net proceeds for the repayment of the IFC Indebtedness and other liabilities of the Company. Please refer to the MATERIAL EVENTS AFTER THE YEAR UNDER REVIEW for further details on the issuance of the convertible bonds.

Capital Expenditures

During the Year, the Group incurred capital expenditures amounting to HK\$0.09 million (FY2024: HK\$1.48 million) for acquisition of concession intangible assets.

INVESTMENT PROPERTY

As at 31 December 2025, the Group held the following investment property in Nanjing for leasing:

Location	Usage	Approximately gross floor area (square meters)	Lease terms	% of occupancy rate	Group's interest (%)
Nanjing Space Big Data Industry Base No. 88, Kangyuan Road, Qilin Science and Technology Innovation Park, Nanjing	Commercial	17,808.23	Long	64%	100%

As at 31 December 2025, the carrying value of Nanjing Property Project decreased to HK\$160.66 million (as at 31 December 2024: HK\$175.05 million). The decrease in investment properties by HK\$14.39 million was due to the fair value loss on investment properties in Nanjing Property Project. As at 31 December 2025 and as at 31 December 2024, the Nanjing Property Project has a total gross floor area of 17,808.23 square meters. For the FY2025, the gross rental income arising from Nanjing Property Project after deducting the related outgoings amounted to HK\$4.44 million (FY2024: HK\$4.37 million including HK\$0.44 million for the Yichun Water Group).

MANAGEMENT DISCUSSION AND ANALYSIS

INVENTORIES

As at 31 December 2025, the inventories of the Group recorded HK\$48.04 million, which comprised raw materials for the use of renewable energy business and deliverable products for the waste management and recycling business (as at 31 December 2024: HK\$57.59 million).

PORTFOLIOS AND PERFORMANCE OF SECURITIES INVESTMENTS

As at 31 December 2025, the fair value of securities investments of the Group (including held-for-trading investments and held-for-long term investments) was amounted to HK\$10.75 million (as at 31 December 2024: HK\$13.91 million) representing 0.53% of the total asset value of HK\$2,016.71 million as at 31 December 2025. The decrease of HK\$3.16 million was mainly due to the disposal of investments in China Best Group Holding Ltd. and the unrealized fair value loss from the Guangdong Finance Industry Strategic Fund. The securities investments of the Group comprised listed securities in Hong Kong and investment funds in the PRC. The following analysis was of the Group's investments at the end of the reporting period:

List of stocks in terms of market value as at 31 December 2025

Name of stock listed on the Stock Exchange	Stock code	Brief description of the business	Number of shares held as at 31 Dec 2025	No. of issued ordinary share as at 31 Dec 2025	Effective interest held as at 31 Dec 2025	Initial investment cost HK\$'000	Market value as at 31 Dec 2025 HK\$'000	Unrealised/Realised gain/(loss) for the year ended 31 Dec 2025 HK\$'000	Accumulated unrealised holding gain/(loss) on revaluation HK\$'000	Percentage to total assets value of the Group as at 31 Dec 2025	Classification
Fy Financial (Shenzhen) Co., Ltd. — H Shares	8452	Provision of financial leasing, factoring, advisory services and customer referral services and the supply of medical equipment in the PRC and leasing of 5G base station and energy storage business	844,000	89,840,000	0.94%	988	244	–	(744)	0.01%	FVOCI
China Tangshang Holdings Limited	674	Money lending business, property sub-leasing and investment business and property development business	3,580,000	3,428,466,570	0.10%	908	294	–	(614)	0.01%	FVOCI
Chinese Energy Holdings Limited (Note 2)	8009	General trading (including market sourcing of technical and electronic products); trading of LNG products; money lending and investment in financial assets	250	58,900,537	0.00%	2	–	–	(2)	0.00%	FVPL
Total							538	–	(1,360)	0.02%	
Name of unlisted investment		Brief description of the business									
Guangdong Finance Industry Strategic Fund * (Note 1)		Investment in unlisted equity	N/A		N/A	8,998	10,207	(1,332)	1,209	0.51%	FVPL
Total							10,207	(1,332)	1,209	0.51%	
Total							10,745	(1,332)	(151)	0.54%	

MANAGEMENT DISCUSSION AND ANALYSIS

Note 1: The functional currency of the investment is RMB. The initial investment cost is RMB8.13 million (equivalent to HK\$9.00 million). The market value as at 31 December 2025 is RMB9.22 million (equivalent to HK\$10.21 million).

Note 2: Chinese Energy Holdings Limited was delisted from the GEM of the Stock Exchange on 29 December 2023.

FVPL: Financial assets at fair value through profit or loss.

FVOCI: Financial asset at fair value through other comprehensive income.

N/A: not applicable

For the FY2025, the Group recorded net loss on financial assets at fair value through profit or loss HK\$1.33 million on FVPL (FY2024 of fair value gain: HK\$0.38 million). During the Year, amid the ongoing geopolitical and economic tensions, the global economic recovery was characterised by uncertainty, the Board has scaled down short-term investment in equity trading and managed the investment portfolio in accordance with the Group's investment objectives and policies with a view to gaining good investment yields for our shareholders. In view of the above, the Board will monitor stock market development closely and capture opportunities in a prudent manner so as to balance the investment risks of the Group.

TRADE AND OTHER RECEIVABLES

As at 31 December 2025, the Group's trade and other receivables, (net of loss allowance) were approximately HK\$874.64 million (as at 31 December 2024: HK\$893.72 million), which comprised of: (i) net trade receivables of HK\$774.89 million, (ii) net other receivables of HK\$45.65 million, (iii) net loan receivables of HK\$3.22 million, and (iv) net deposits and prepayments of HK\$50.88 million.

As at 31 December 2025, trade receivables, (net of loss allowance) of the Group decreased by HK\$4.25 million to HK\$774.89 million (as at 31 December 2024: HK\$779.14 million) which was primarily attributable to the government on-grid tariff subsidies partially received and revenue generated from the renewable energy business reduced which was offset by the continued slowdown in payment of sewage treatment fees, and the revenue in the recycling business of glass and food waste collection.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Trade receivables

- (i) The net trade receivables from the renewable energy business amounted to HK\$678.92 million (as at 31 December 2024: HK\$700.11 million) which comprised of: (i) the government on-grid tariff subsidies receivable amounted to HK\$672.07 million (as at 31 December 2024: HK\$686.04 million); and (ii) the electricity sales receivable from local grid companies of HK\$6.85 million (as at 31 December 2024: HK\$14.07 million), which in aggregate accounted for 87.62% of net trade receivables of the Group. The above-mentioned tariff subsidies receivables will be settled in accordance with the prevailing government payment policies including (i) Caijian [2020] No. 4 Guidelines on the Stable Development of Non-Water Renewable Energy Generation (關於促進非水可再生能源發電健康發展的若干意見) and (ii) Caijian [2020] No. 5 Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) updated in January 2020 which jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration; and (iii) Caijian [2020] No. 70 Notice on Accelerating the Review of the List of Renewable Energy Power Generation Subsidy Projects (加快推進可再生能源發電補貼項目清單審核有關工作的通知) published by Ministry of Finance in November 2020 and the prevalent payment trends of Ministry of Finance of the PRC. There were no pre-determined due date for settlement of the tariff subsidies. The trade receivables from renewable energy business were considered as fully recoverable given there were no bad debt experiences with the local grid companies in the past and the above-mentioned tariff subsidies were provided by the relevant PRC government authorities. During the Year, the management has reassessed the credit risk based on the historical settlement records, the ageing of the tariff subsidies receivables and taking into account prevailing economic conditions as at 31 December 2025, the Group is confident on the recoverability of these account receivables. In light of this, no impairment loss on trade receivable relating to the renewable energy business was provided for the FY2025 (FY2024: HK\$8.60 million).
- (ii) The net trade receivables from compressed natural gas & service income from collection of landfill gas & the sale of solid organic fertilizer amounted to HK\$5.66 million, representing 0.73% of the net trade receivables of the Group (as at 31 December 2024: HK\$7.61 million). The Group considered the default risk for such balances to be insignificant. For the FY2025, no impairment loss was recognized on these trade receivables (FY2024: Nil).
- (iii) The net trade receivables from the sewage treatment services amounted to HK\$69.40 million (as at 31 December 2024: HK\$48.91 million), representing 8.96% of the net trade receivables of the Group. The increase of HK\$20.49 million was mainly due to the increase in sewage treatment fees as a result of the completion of upgrading and modification works and the slowdown in payment of sewage treatment fees by the related local PRC government. Generally, trade receivables would be written off if the Group is of the view that the recovery of the amount was remote. In view of the historical repayment record, the Group considered the default risk for such balances to be insignificant and, the ECL to be minimal. No impairment loss was recognized on these trade receivables in FY2025 (FY2024: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

- (iv) The net trade receivables from the sales of completed properties amounted to HK\$7.64 million (as at 31 December 2024: HK\$10.10 million), representing 0.99% of the net trade receivables of the Group. Considerations in respect of the completed properties sold in Nanjing Property Project are payable by the purchasers in accordance with the terms of the related sales and purchase agreements. In the second half of 2022, the properties sold were handed over to customers. Those receivable balances are pending for their mortgage procedures. The Group considered the default risk for such balances to be insignificant. Accordingly, no impairment loss on this segment was provided for the FY2025 (FY2024: Nil).
- (v) The net trade receivables from the recycling business of glass and food waste collection amounted to HK\$13.26 million (as at 31 December 2024: HK\$12.15 million), representing 1.71% of the net trade receivables of the Group. The increase of HK\$1.11 million was mainly due to the operation of food waste collection commenced in March 2024, resulting in bringing new income to the Group. The Group considered the default risk for such balances to be insignificant. For the FY2025, no impairment loss was recognized on these trade receivables (FY2024: Nil).

(B) Net other receivables

As at 31 December 2025, the Group's other receivables, (net of loss allowance) dropped by HK\$7.09 million to HK\$45.65 million due to the refund of land acquisition funds (as at 31 December 2024: HK\$52.71 million). The balance of net other receivables represented mainly tax recoverable, refundable of legal enforcement fee, income receivable from the construction project and from the sale of equipment facilities. For the FY2025, no impairment allowance was recognized (FY2024: Nil).

(C) Net loan receivables

As at 31 December 2025, loans receivables, (net of loss allowance) of the Group increased by HK\$2.64 million to HK\$3.23 million mainly due to the appreciation of the Renminbi exchange rate (as at 31 December 2024: HK\$0.59 million).

As at 31 December 2025, the gross loans receivables of the Group mainly comprised of loans to independent private companies in the PRC and/or Hong Kong and an individual merchant in Hong Kong (the "**Borrowers**"). The loans are interest-bearing with rates ranging from 0% to 24% per annum and maturities ranging from 1 month to 12 months. None of the Borrowers has pledged any of their assets to the Group to secure the loans. The Group has obtained the personal guarantee provided by the respective guarantors as security for certain loans.

Prior to granting the respective loans to the Borrowers, the Group conducted a credit assessment on certain Borrowers and/or guarantors, which included (i) conducting background searches on the respective Borrowers and/or guarantors; (ii) obtaining and reviewing information in relation to the financial background of the Borrowers and/or guarantors; and (iii) assessing whether the Borrowers would provide a pledge and/or guarantee in relation to their respective loans.

MANAGEMENT DISCUSSION AND ANALYSIS

Once any loans receivable were overdue and/or defaulted, the Group adopted collection/recovery actions including, but not limited to issuing demand letters, re-negotiating repayment terms and methods with Borrowers and/or guarantors, and consulting with legal advisers to ascertain whether Borrowers have assets in the HK and/or PRC and considering commencing legal proceedings depending on the results of such searches. Recoverability and impairment assessments would also be carried out accordingly.

The Group has noticed that a number Borrowers failed to repay the loans when due, with certain Borrowers and/or guarantor went into liquidation. During the Year, the impairment loss of HK\$0.99 million was recorded (FY2024: HK\$4.83 million). The decrease in impairment loss was primarily attributable to the fact that the majority of the gross loan receivables were almost fully impaired as at 31 December 2024. As at the date of this report, the Group continues to employ various channels to ascertain whether Borrowers possess any assets. Where such assets are identified, the Group will promptly initiate legal proceedings to recover the outstanding loan amounts.

(D) Net deposits and prepayments

As at 31 December 2025, the Group recorded deposits and prepayments, (net of loss allowance) of HK\$50.88 million (as at 31 December 2024: HK\$61.28 million). The decrease of HK\$10.4 million was mainly due to the utilisation of finance lease deposits to settle lease payments and the amortization of costs related to the finance lease expenses, repairs and drilling activities. The net balance of deposits and prepayment were mainly attributable to prepayment/deposit made in respect of the repairs and drilling works, prepayment made to suppliers and/or sub-contractors for material procurement and construction works, and consultancy fees for the provision of finance lease arrangements, prepayment for overseas projects, various security deposits including glass management contract, construction service contracts and the finance lease. For the FY2025, the impairment loss of HK\$1.50 million has been provided (FY2024: HK\$0.77 million).

LIABILITIES AND GEARING

As at 31 December 2025, the Group's total liabilities (including both current and non-current) amounted to HK\$1,140.59 million (as at 31 December 2024: HK\$1,264.14 million). The decrease of HK\$123.55 million was mainly due to the repayment of bank and other borrowings together with finance lease liabilities during the Year. Except for the issuance of bonds and non-financial institution loan denominated in HK\$, borrowings were mainly denominated in RMB.

The Group's gearing ratio as at 31 December 2025 was 56.56% (as at 31 December 2024: 54.51%). The ratio was calculated by dividing total liabilities of the Group of HK\$1,140.59 million (as at 31 December 2024: HK\$1,264.14 million) over total assets of the Group of HK\$2,016.71 million (as at 31 December 2024: HK\$2,319.17 million).

MANAGEMENT DISCUSSION AND ANALYSIS

DEBTS ANALYSIS

As at 31 December 2025, the Group's total bank and other borrowings were HK\$463.48 million (as at 31 December 2024: HK\$563.05 million). For the maturity profile, refer to the table below:

Debt Analysis	31-Dec-25		31-Dec-24	
	HK\$'000	%	HK\$'000	%
Classified by maturity				
— repayable within one year				
Bank borrowings	342,445	73.89	107,755	19.14
Other loans	121,035	26.11	137,153	24.36
	463,480	100.00	244,908	43.50
Classified by maturity				
— repayable more than one year				
Bank borrowings	—	0.00	257,058	45.65
Other loans	—	0.00	61,084	10.85
	—	0.00	318,142	56.50
Total bank and other borrowings	463,480	100	563,050	100
Classified by type of loans				
Secured	433,521	93.54	447,050	79.40
Unsecured	29,959	6.46	116,000	20.60
	463,480	100	563,050	100
Classified by type of interest				
Fixed rate	413,589	89.24	459,617	81.63
Variable-rate	47,289	10.20	72,980	12.96
Interest free rate	2,602	0.56	30,453	5.41
	463,480	100	563,050	100

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER LOANS

1. Issuance of bonds through the placing agent

On 18 January 2018, the Company entered into a placing agreement with Prior Securities Limited (the “**Placing Agent**”) pursuant to which the Placing Agent on a best effort basis, arranging independent placees to subscribe for 6% coupon unlisted bonds with a term of 90 months in aggregate principal amount of up to HK\$100.00 million (“**Bond**”). On 17 January 2020, the Company has completed the issuance of the Bond to the placees in an aggregate principal amount of HK\$20.00 million. As at 31 December 2025, the outstanding Bond amounted to HK\$19.82 million and was classified as an other loan (as at 31 December 2024: HK\$18.54 million).

2. Loans from related companies

As at 31 December 2025, loans from related companies amounted to approximately of HK\$54.50 million (as at 31 December 2024: HK\$85.00 million).

As at 31 December 2025, the Bond of HK\$19.82 million and loans from related companies of HK\$54.50 million totalled HK\$74.32 million, representing of 61.40% of the other loans, which were utilized as general working capital, repayment of debts, and/or acquisition activities.

TRADE AND OTHER PAYABLES

As at 31 December 2025, the Group’s trade and other payables were approximately HK\$416.27 million (as at 31 December 2024: HK\$385.75 million). The increase in trade and other payables of HK\$30.52 million was mainly due to the litigation claim payable to Guangdong Yuecai and Zhuhai Hengqin for the repurchase of their equity interests in New China Water (Nanjing), together with the additional project payments and other expenses payable to overseas projects. The credit terms for trade payables vary depending on the terms agreed upon with different suppliers.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW BY SEGMENT

The financial performance analysis of the Group by segments is as follows:

	Revenue				Gross Profit/Loss (GP)						2025 vs 2024		
	HK\$' M	%	HK\$' M	%	HK\$' M	%	%	HK\$' M	%	%	Revenue	Gross	GP
	2025	to the total	2024	to the total	2025	to the total	GP margin	2024	to the total	GP margin	HK\$ M	Profit HK\$ M	Margin %
Water supply business	0.00	0.00	83.10	15.49	0.00	0.00	-	25.62	29.40	30.83	(83.10)	(25.62)	-
Sewage treatment business	57.28	24.50	83.41	15.54	27.24	609.40	47.56	35.26	40.47	42.27	(26.13)	(8.02)	5.29
Construction service business	0.09	0.04	125.16	23.32	(1.77)	(39.60)	(1,966.67)	30.59	35.11	24.44	(125.07)	(32.36)	(1,942.23)
Sub-total	57.37	24.54	291.67	54.35	25.47	569.80	44.40	91.47	104.98	31.36	(234.30)	(66.00)	13.04
Exploitation and sale of renewable energy business	104.77	44.80	191.19	35.63	(32.93)	(736.69)	(31.43)	(12.75)	(14.63)	(6.67)	(86.42)	(20.18)	(24.76)
Property Development	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	0.00	-	0.00	0.00	-
Waste Management and Recycling	71.70	30.66	53.78	10.02	11.93	266.89	16.64	8.41	9.65	15.64	17.92	3.52	1.00
Total	233.84	100.00	536.64	100.00	4.47	100.00	1.91	87.13	100.00	16.24	(302.80)	(82.66)	(14.33)

1.1 Water supply business

Following the completion of the disposal of Yichun Water Group in September 2024, the Group ceased its involvement in the water supply business in the PRC.

1.2 Sewage treatment business

Following the completion of the disposal of Yichun Water Group (which held two sewage treatment projects), as at 31 December 2025, the Group has three sewage treatment projects which are located in Guangdong and Shandong provinces (FY2024: five projects) and the daily aggregate sewage disposal capacity was approximately 80,000 tonne (FY2024: 80,000 tonne).

For the FY2025, the revenue and gross profit of the Group were amounted to HK\$57.28 million and HK\$27.24 million respectively. During the Year, the Group processed in aggregate of 28.76 million tonne of waste water (FY2024: 28.49 million tonne), represented an increase of 0.95% over the last corresponding year. Compared to the FY2024, the Group's revenue and gross profit decreased by HK\$26.13 million and HK\$8.02 million, respectively. The significant decline in both revenue and gross profit was primarily attributable to the disposal of Yichun Water Group. Excluding the revenue of HK\$36.08 million and gross profit of HK\$13.28 million from the Yichun Water Group recorded in FY2024, the Group's revenue and gross profit increased by HK\$9.95 million and HK\$5.26 million, respectively. This improvement was mainly driven by higher sewage treatment fees following the completion of upgrading and modification works at the Jining Haiyuan project in December 2024. The average rates for sewage treatment of the Group ranged from HK\$1.44 to HK\$2.28 per tonne (FY2024: HK\$1.36 to HK\$2.10 per tonne).

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of sewage treatment projects on hand is as follows:

Project name	Equity interest held by the Company (%)	Designed daily sewage disposal capacity (tonne)	Provincial cities in PRC	Exclusive operating right (expiry in)
1 Jining Haiyuan	70	30,000	Shandong	2036
2 Jining Haisheng	100	30,000	Shandong	2049
3 Gaoming Huaxin	70	20,000	Guangdong	2033
Total		80,000		

1.3 Construction services for sewage treatment infrastructure

During the Year, construction services provided by the Group was the infrastructure construction for sewage treatment projects. For the FY2025, the Group recorded revenue of HK\$0.09 million and a gross loss of HK\$1.77 million, (FY2024: revenue of HK\$148.77 million and a gross profit of HK\$47.41 million). Compared with the FY2024, the significant decline of business performance in the FY2025 was primarily attributable to: (i) the completion of the disposal of Yichun Water Group in September 2024, (ii) the conclusion of upgrading and modification works on the sewage treatment plant during 2024; and (iii) a reduction in construction activities in 2025.

1.4 Exploitation and sales of renewable energy business

Up to the date of this report, the Group had 23 projects in operation with a total installed capacity of 31.29 MW. For the FY2025, the revenue and gross loss of the Group recorded HK\$104.77 million and HK\$32.93 million respectively (FY2024: revenue of HK\$191.19 million and gross loss of HK\$12.75 million). Compared with the FY2024, the revenue declined by HK\$86.42 million while the gross loss widened by HK\$20.18 million.

The decline in business performance was mainly due to (i) the decrease in number of landfill site in operation; (ii) the substantial reduction in the volume of on-grid electricity due to less available new garbage being delivered to the landfill sites for the generation of electricity as a result of the operation of local incineration projects; and (iii) majority of the operating expenses were non-variable in nature and did not decrease in the same magnitude when revenue decreased. During the Year, the Group had 23 projects in operation (FY2024: 27 projects), generating approximately 249,530.89 MWh of on-grid electricity which represented a decrease of 20.37% compared to FY2024 (FY2024: 313,379.26 MWh). As at 31 December 2025, the Group accumulated a total installed capacity of 31.29 MW, representing a decrease of 69.70% compared to the FY2024 (as at 31 December 2024: 103.28 MW). For the FY2025, the average electricity rate of the Group was HK\$0.40 per kilowatt-hour and the average CNG rate was HK\$2.57 per m³ (FY2024: HK\$0.52 per kilowatt-hour and the average CNG rate was HK\$2.63 per m³).

MANAGEMENT DISCUSSION AND ANALYSIS

Included in revenue of FY2025 was HK\$90.64 million (FY2024: HK\$119.10 million) and HK\$5.04 million (FY2024: HK\$49.35 million) derived from the sales of electricity to local grid companies and the government tariff subsidies, respectively. The analysis of financial performance was as follows:

		For the year ended 31 December		
		2025	2024	Variance
Exploitation and sale of renewable energy business				
— Sale of electricity				
Revenue	HK\$'million	95.68	170.96	(75.28)
Gross (loss)/profit	HK\$'million	(31.20)	(9.47)	(21.73)
— Sale of compressed natural gas				
Revenue	HK\$'million	7.09	13.34	(6.25)
Gross (loss)/profit	HK\$'million	(0.66)	(2.51)	1.85
— Service income from collection of landfill gas				
Revenue	HK\$'million	2.00	1.68	0.32
Gross (loss)/profit	HK\$'million	(1.07)	(2.01)	0.94
— Sale of solid organic fertilizer				
Revenue	HK\$'million	—	5.21	(5.21)
Gross (loss)/profit	HK\$'million	—	1.24	(1.24)
Total				
Revenue	HK\$'million	104.77	191.19	(86.42)
Gross (loss)/profit	HK\$'million	(32.93)	(12.75)	(20.18)

MANAGEMENT DISCUSSION AND ANALYSIS

		2025	% to total	2024	% to total
Summary of revenue					
Government tariff subsidies	HK\$'million	5.04	4.81%	49.35	25.81%
The sale of electricity to local grid companies	HK\$'million	90.64	86.51%	119.10	62.29%
Other	HK\$'million	–	–%	2.51	1.32%
		95.68	91.32%	170.96	89.42%
Compressed natural gas & service income from collection of landfill gas & sale of solid organic fertilizer	HK\$'million	9.09	8.68%	20.23	10.58%
		104.77	100%	191.19	100.00%

MANAGEMENT DISCUSSION AND ANALYSIS

1.5 Property Investment and development

Yichun Water Group has held equity interests in two property projects namely Wenbifeng Office Building* (文筆峰辦公樓) and Water Supply Company Datang Water Quality Monitoring and Control Building Construction* (供水公司大樓水質化驗調度大樓建設). Following completion of the Disposal of the Yichun Water Company in September 2024, the aforesaid property projects ceased to contribute to the Group's operational performance.

As at 31 December 2025, the number of property projects decreased from four projects to two projects, which are located in Nanjing and Huizhou City (As at 31 December 2024: two projects) with a total site area of approximately 56,884 square meters.

The development status of the property projects of the Group is as follows:

	Name of project	Location	Stage of completion	Actual/expected date of completion	Major usage/purpose	Approximate site area (square meters)	Estimated gross floor area after completion (square meters)	Lease term (years)	Group's interest (%)
1	Nanjing Space Big Data Industry Base (南京空間大數據產業基地)	No. 88, Kangyuan Road, Qilin Science and Technology Innovation Park, Nanjing	Completed	Mar-22	Research and development/ Commercial (50% for sale and 50% for leasing)	26,340	72,853	50 years	100
2	Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場)	No. 3 Taihao Road, Block 3 Centre, Gaoxin Science and Technology Industrial, Huinan Road East, Huicheng District, Huizhou City, Guangdong Province, the PRC	Under construction (95%)	Apr-27	Research and development Centre/ Commercial (for sale and/or for lease)	30,544	43,738	50 years	100
						56,884	116,591		

MANAGEMENT DISCUSSION AND ANALYSIS

1.6 Waste Management and Recycling

In 2023, Hong Kong Glass Resources Limited (“**Glass Resources**”), an indirect wholly-owned subsidiary of the Company, was awarded two five-year glass management contracts (the “**Glass Management Contracts**”) for the Kowloon and New Territories regions by the Environmental Protection Department of Hong Kong (the “**EPD**”), with an aggregate contract value of approximately HK\$319.00 million. In February 2024, Glass Resources was further awarded a 39-month service contract (the “**Food Waste Contract**”) by the EPD to provide food waste collection services in Kowloon West, at a contract sum of approximately HK\$87.00 million.

For the FY2025, the Group reported revenue of HK\$71.70 million and a gross profit of HK\$11.93 million, compared to revenue of HK\$53.78 million and gross profit of HK\$8.41 million for the corresponding last year. The increase in revenue was primarily driven by the expansion of collection points for glass bottles and the commencement of operations under the Food Waste Contract in March 2024. While only nine months of operational performance from the Food Waste Contract were reflected in the FY2024, FY2025 captured a full year’s contribution from this contract, thereby enhancing both revenue and gross profit.

		For the year ended 31 December		
		2025	2024	Variance
Glass Management Service				
Revenue	HK\$’million	42.49	34.60	7.89
Gross (loss)/profit	HK\$’million	8.42	6.11	2.31
Food Waste Service				
Revenue	HK\$’million	29.21	19.18	10.03
Gross (loss)/profit	HK\$’million	3.51	2.30	1.21
Total				
Revenue	HK\$’million	71.70	53.78	17.92
Gross (loss)/profit	HK\$’million	11.93	8.41	3.52

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL EVENTS DURING THE YEAR UNDER REVIEW

A. Fund Raising Activities

(1.1) the rights issue on the basis of one (1) rights share for every one (1) existing shares held on the record date on a non-underwritten basis and the compensatory arrangements

On 22 January 2025, the Company completed a rights issue at a price of HK\$0.326 per rights share (the “**Subscription Price**”) on the basis of one (1) rights share for every one (1) existing shares held by the qualifying shareholders on the record date (i.e. 20 December 2024) (the “**Rights Issue**”) by issuing up to 287,360,964 rights shares.

There were 287,360,964 Rights Shares offered under the Rights Issue, on Friday, 10 January 2025, being the latest time for acceptance, applications of a total of 181,236,446 Rights Shares, representing approximately 63.07% of the total number of the Offered Shares, was received. Accordingly, the Rights Issue was undersubscribed by 106,124,518 Rights Shares, representing approximately 36.93% of the total number of rights shares offered under the Rights Issue. On 20 January 2025, all of the 106,124,518 Unsubscribed Rights Shares under the compensatory arrangements were successfully placed by the placing agent to not less than six independent places at the price of HK\$0.326 per unsubscribed rights share, which was equivalent to the Subscription Price. As all the conditions with respect to the Rights Issue as set out in the prospectus have been fulfilled, the Rights Issue became unconditional at 4:00 p.m. on Wednesday, 22 January 2025.

As mentioned in the circular dated 15 November 2024, the Group had outstanding debt liabilities amounting to approximately HK\$200.79 million, which were either repayable on demand or due within three months. After evaluating various funding options, the Board is of the view that the proposed Rights Issue represents the most time- and cost-efficient method for the Company to raise capital. This approach enables the Group to strengthen its financial position without further increasing its indebtedness or interest burden.

The gross proceeds from the Rights Issue were amounted to approximately HK\$93.68 million and the net proceeds from the Rights Issue, after deducting all relevant expenses for the Rights Issue, amounted to approximately HK\$90.10 million of which (i) approximately HK\$68.00 million (representing approximately 75% of the net proceeds) for the repayment of debts; and (ii) approximately HK\$15.00 million (representing approximately 17% of the net proceeds) for the investment in biomass gas project; and (iii) approximately HK\$7.10 million (representing approximately 8% of the net proceeds) for general working capital of the Group (including but not limited to the payment of salaries, rental expenses, professional fees and/or other corporate expenses). The net subscription price per Rights Share was approximately HK\$0.3135. As of 5 June 2025, approximately HK\$75.10 million of the net proceeds from the Right Issue had been applied in accordance with the originally stated purposes. The remaining HK\$15.00 million has been reallocated for alternative use. For further details, please refer to section (1.2) — change in use of proceeds from the Rights Issue.

For details, please refer to (i) announcements dated 4 October 2024, 7 October 2024, 6 November 2024, 7 November 2024; (ii) circular dated 15 November 2024; and poll results announcement dated 9 December 2024; and (iii) prospectus dated 23 December 2024 (the “**Prospectus**”); and the announcement dated 14 January 2025 and 28 January 2025 in relation to the acceptance of rights shares and the results of the Rights Issue respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

(1.2) change in use of proceeds from the Right Issue

As disclosed in the Prospectus, the net proceeds of approximately HK\$90.10 million (the “**Net Proceeds**”) from the Rights Issue shall be applied (i) approximately HK\$68.0 million for the repayment of debts; (ii) approximately HK\$15.0 million for the investment in biomass gas project; and (iii) approximately HK\$7.1 million for used as the general working capital of the Group. Further to the Company’s announcement dated 5 June 2025, the Group has utilised approximately HK\$75.10 million of the net proceeds from the Rights Issue in accordance with the allocation outlined in the Prospectus. The remaining net proceeds from the Rights Issue, amounting to approximately HK\$15.00 million (the “**Remaining Net Proceeds**”), have been reallocated and applied by the Board towards the repayment of outstanding liabilities. This reallocation enables the Company to optimise the use of its financial resources more effectively. As at 31 December 2025, the Company had fully utilised the Remaining Net Proceeds for its intended purpose. For details, please refer to the announcement dated 5 June 2025.

(2) Placing of new shares under general mandate

On 5 June 2025, Kingston Securities Limited (the “**Placing Agent**”) and the Company entered into the placing agreement (the “**Agreement**”) pursuant to which the Placing Agent agreed to place, on a best effort basis, up to 57,472,000 placing shares (the “**Placing Shares**”) at a price of HK\$0.228 per placing share. On 16 June 2025, a total of 57,472,000 Placing Shares have been successfully placed by the Placing Agent to not less than six (6) places at the Placing Price of HK\$0.228 per Placing Share pursuant to the Placing Agreement. The net proceeds from the Placing received by the Company, after deducting all related costs, fees, expenses and commission, are approximately HK\$12.60 million, representing a net issue price of approximately HK\$0.220 per Placing Share. Apart from the proceeds generated from the aforementioned Rights Issue, the Group intends to settle its outstanding debts through operating cash flows, the collection of trade receivables, and proceeds from other potential fundraising initiatives. These included the placement of new Shares under the general mandate and debt financing arrangements. According to the Company’s management accounts, as at 31 May 2025, the total amount of debts due for repayment either on demand or within three months was approximately HK\$203.64 million. It is imperative for the Group to address and repay these outstanding liabilities in a timely manner. The Board is of the view that the placement of new Shares represents an effective solution for resolving the Group’s debt obligations without incurring additional interest expenses. This approach is considered prudent and in the best interest of preserving the Group’s financial stability. As at 31 December 2025, the Company had fully utilised the net proceeds for its intended purpose. For details, please refer to the announcements dated 5 June 2025 and 16 June 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

B.1. The Cooperation Agreement for overseas projects

- (i) on 20 March 2025, the Company entered into a MOU with the regional government of Semarang Regency, Indonesia, (the “**Semarang Regency Government**”) in relation to a potential cooperation on the management of a landfill site (the “**Landfill**”) situated at Semarang, Indonesia including but not limited to utilizing landfill gas from the Landfill for power generation, operation and management of the Landfill, and leachate treatment. For details, please refer to the announcement dated 20 March 2025.

On 23 October 2025, PT Blondo Lestari Energi (“**PT Blondo**”), being an indirect non-wholly owned subsidiary of the Company, entered into a cooperation agreement (the “**Cooperation Agreement**”) with the Semarang Regency Government in relation to the implementation, management and operation of a waste processing system at the Blondo final processing site (the “**Site**”) situated at Semarang Regency, which is located in the northern part of Central Java, Indonesia, with a gross area of 69,688 square meters. The purpose of the Cooperation Agreement is to create a waste processing system at the Site which would utilise methane gas as an energy source for the generation of electrical energy (the “**Project**”), thereby improving the quality of public services in the environmental sector, encouraging economic growth through the development of the waste processing industry, and overcoming waste problems in Semarang Regency. The term of the Project is thirty (30) years commencing from the date of the Cooperation Agreement, i.e. from 23 October 2025 to 22 October 2055. For details, please refer to the announcement dated 23 October 2025.

B.2 The Memorandum of understanding (the “MOU”) for potential overseas projects

- (i) on 24 March 2025, the Company entered into a MOU with the Sidoarjo Regency Government in relation to a potential cooperation on the implementation the Landfill Gas-To-Energy (“**LFG**”) system at a landfill site situated at Sidoarjo, Indonesia. For details, please refer to the announcement dated 24 March 2025. The signing of the two MOUs with the Semarang Regency Government and Sidoarjo Regency Government respectively, represents significant achievement of the Group in promoting and expanding its landfill and LFG business in overseas. For details, please refer to the announcement dated 24 March 2025.
- (ii) on 17 June 2025, the Company entered into a MOU with the government of Pekanbaru City, Indonesia, (the “**Pekanbaru Government**”) in relation to a potential cooperation on the implementation the Landfill Gas-To-Energy management project at the TPA Muara Fajar landfill situated at Pekanbaru City. The signing of the MOU with the Pekanbaru Government represents a critical step in the expansion of the Group’s overseas renewable energy market and marks its third collaboration with the government in Indonesia. For details, please refer to the announcement dated 17 June 2025.

As the date of this report, the above MOU for potential projects are still under negotiations, further announcement will be made as and when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

C. The Memorandum of understanding in relation to possible acquisitions

On 26 September 2025, the Company, as purchaser, entered into two non-legally binding memoranda of understanding with (i) Zhang Zhilung* (張志壠) (“**Vendor A**”) and Li Xueying* (李雪穎) (“**Vendor B**”) in respect of the possible acquisition by the Company to acquire the entire limited partnership interest in the Zhejiang Free Trade Zone Charity Enterprise Management Consulting Partnership Enterprise (Limited Partnership) (浙江自貿區善行企業管理諮詢合夥企業(有限合夥)); and (ii) Beijing Kangyun Information Consulting Center (Limited Partnership) (北京康運信息諮詢中心(有限合夥)) (“**Vendor C**”) in respect of the possible acquisition by the Company to acquire 1% of the equity interest in the Beijing Baodian Information Technology Co., Ltd (北京隨身保典信息科技有限公司). For details, please refer to the announcement dated 26 September 2025.

D. Winding up Petition by Petitioner and Supporting Creditors

On 17 November 2025, International Finance Corporation (the “**IFC**”) (the “**Petitioner**”) was filed against the Company at the High Court of Hong Kong (the “**High Court**”) by IFC for the winding up of the Company (the “**Winding Up Petition**”) in relation to the outstanding principal amount of a sum of RMB216,602,900 together with interest accrued thereon (the “**IFC Indebtedness**”) under (i) a loan agreement (the “**IFC Loan Agreement**”) dated 20 May 2022 between New China Water (Nanjing) Renewable Resources Investment Co., Ltd. *(新中水(南京)再生資源投資有限公司) (“**NCW**”), an indirect non wholly-owned subsidiary of the Company, and IFC (as amended and supplemented by a deed of amendment and accession (the “**Deed of Amendment and Accession**”) dated 12 July 2023 between NCW and IFC); and (ii) a guarantee (the “**Guarantee**”) dated 20 May 2022 made by the Company in favour of IFC, pursuant to which the Company has guaranteed the obligations of NCW under the IFC Loan Agreement, the Guarantee and other guarantees and security documents (collectively, the “**IFC Financing Documents**”). Pursuant to the IFC Loan Agreement, IFC agreed to lend and NCW agreed to borrow the loan in the aggregate principal amount of RMB320.0 million (the “**IFC Loan**”), of which RMB301.27 million has been disbursed by IFC in two tranches, with the first tranche in the amount of RMB161.2 million in July 2022 at the interest rate of 5.082% per annum and the second tranche in the amount of RMB140.07 million in July 2023 at the interest rate of 4.78% per annum. NCW shall repay a relevant percentage of the full principal amount of the IFC Loan from 2023 to 2029.

On 19 November 2025, the Company has been served with a Notice of Intention to Appear on Petition by Gao Yuan (高原) (the “**Supporting Creditor I**”), a creditor for an outstanding indebtedness in a sum of HK\$3,000,000, being the outstanding principal amount of a bond issued by the Company on 6 April 2018, indicating her intention to appear on the hearing of the Petition for supporting the Petition.

On 25 November 2025, the Company has received a Notice of Intention to Appear on Petition by Zhao Yuan (趙媛) (the “**Supporting Creditor II**”), a creditor for an outstanding indebtedness in a sum of HK\$2,012,493, being the outstanding principal amount of a bond issued by the Company on 18 April 2018 together with the outstanding interest accrued thereon, indicating her intention to appear on the hearing of the Petition for supporting the Petition.

On 26 March 2026, each of Supporting Creditor I and Supporting Creditor II had transferred their respective interests in the bond to an independent third party and thus, they had ceased to be creditors of the Company and will no longer appear in any hearing of the Winding Up Petition. Following this, these supporting creditors had notified the High Court and the Petitioner of their withdrawal of the Intention to Appear on the Petition.

For details, please refer to the announcements of the Company dated 18 November 2025, 20 November 2025, 25 November 2025 and 27 November 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

E. Demand letter from Kingston Finance Limited

As disclosed in the annual report of the Company for the year ended 31 December 2024, on 19 March 2021, a loan agreement was entered into between China Water Industry (HK) Limited as borrower (the “**Borrower**”), being a wholly-owned subsidiary of the Company, and Kingston Finance Limited as lender (the “**Lender**”), in respect of a secured loan (the “**Loan**”) in the principal amount of HK\$80 million (the “**Loan Agreement**”). Pursuant to a guarantee dated 19 March 2021 given by the Company in favour of the Lender, the Company has guaranteed the obligations of the Borrower under the Loan Agreement and other financing and security documents. On 25 November 2025, the outstanding principal amount of the Loan amounted to HK\$50 million (the “**Outstanding Amount**”). On 24 November 2025, the Borrower received a demand letter from the legal representative of the Lender, in which the Lender alleged that the Borrower was in default of the Loan and demanded repayment of the Outstanding Amount under the Loan Agreement by 26 November 2025, failing which the Lender will pursue necessary legal actions against the Borrower for recovery of the Outstanding Amount together with all accrued interests, legal costs and expenses without further notice.

For details, please refer to the announcement of the Company dated 25 November 2025.

MATERIAL EVENTS AFTER THE YEAR UNDER REVIEW

I. (i) Winding up Petition by Supporting Creditors

On 6 March 2026, the Company has received a Notice of Intention to Appear on Petition by Wang Jiandong (王 建東) (the “**Supporting Creditor III**”), a creditor for an outstanding indebtedness in a sum of HK\$2,000,000, being the outstanding principal amount of a bond issued by the Company on 15 June 2018, indicating his intention to appear on the hearing of the Petition for supporting the Petition.

On 13 March 2026, the Company has received a Notice of Intention to Appear on Petition by Chen Liguo (陳 李國) (the “**Supporting Creditor IV**”), a creditor for an outstanding indebtedness in a sum of HK\$2,000,000, being the outstanding principal amount of a bond issued by the Company on 29 March 2018, indicating his intention to appear on the hearing of the Petition for supporting the Petition. On 17 April 2026, Supporting Creditor IV had transferred his interest in the bond to an independent third party and thus, he had ceased to be creditor of the Company and will no longer appear in any hearing of the Winding Up Petition. Following this, this supporting creditor had notified the High Court and the Petitioner of their withdrawal of the Intention to Appear on the Petition.

On 31 March 2026, the Company has received a Notice of Intention to Appear on Petition by Wang Qi (王 琪) (the “**Supporting Creditor V**”), a creditor for an outstanding indebtedness in a sum of HK\$2,000,000, being the outstanding principal amount of a bond issued by the Company on 8 August 2018, indicating his intention to appear on the hearing of the Petition for supporting the Petition.

For details, please refer to the announcements of the Company dated 6 March 2026, 13 March 2026 and 31 March 2026.

(ii) Adjournment of Winding-Up Petition Hearing

The Court first heard the winding-up Petition as mentioned above on 21 January 2026 and, following a joint consent application, adjourned the hearing to 11 February 2026. Further, at the hearing on 11 February 2026, the Court again adjourned the Petition, this time to 25 March 2026. Following the joint application by way of consent summons, the Court ordered, among other matters, that the hearing of the Petition further be adjourned to Wednesday, 29 April 2026. For details, please refer to the announcements of the Company dated 21 January 2026, 11 February 2026 and 24 March 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Debt Rescheduling

On 16 February 2026, NCW, as borrower, entered into a loan agreement (the “**Bridging Loan Agreement**”) with an Independent Third Party, as lender, pursuant to the lender conditionally agreed to advance a loan in the principal amount of RMB118.0 million (equivalent to approximately HK\$131.33 million) to NCW (the “**Bridging Loan**”) at the interest rate of 10% per annum for the purpose of partial settlement of the IFC Indebtedness. NCW shall repay principal amount and the interest accrued within 90 days from the date of drawdown of the Bridging Loan. The Bridging Loan will be available for drawdown upon fulfillment of all conditions precedent, including the execution of the Rescheduling Deed. As at the date of this report, the Bridging Loan has not been drawdown.

As at the date of this report, the Company and IFC are in negotiation in relation to the proposed rescheduling of the IFC Indebtedness (the “**Debt Rescheduling**”). Subject to further negotiation between the Company and IFC, a formal rescheduling deed (the “**Rescheduling Deed**”) will be entered into between the Company and IFC in relation to the Debt Rescheduling. The Company intends to implement the Debt Restructuring which would involve, among other things, the rescheduling of the payment dates of the IFC Indebtedness.

The Company and IFC entered into the Rescheduling Deed on 10 April 2026. For details, please refer to the announcement of the Company dated 10 April 2026.

III. Proposed Issue of Convertible Bonds

On 16 February 2026, the Company entered into the Subscription Agreement with the five subscribers including Flower Bull International Limited, Digital Advisors Limited, Mingta Fortune Hub Limited, Wonder Consulting Company Limited and Eastern Billion Industries Limited (collectively known as “**Subscribers**”), pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Convertible Bonds in an aggregate principal amount of HK\$278.25 million (equivalent to approximately RMB250.0 million) in five (5) tranches. Based on the initial Conversion Price of HK\$0.308 per Conversion Share (subject to adjustment), a maximum of 903,409,090 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights in full. The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Shareholders at the EGM which is to be held on 14 April 2026. The resolution relating to approve the subscription agreement and the issue of the Convertible Bonds under the specific mandate has been duly passed by the Shareholders by way of poll at the EGM.

The subscription timetable of the Convertible Bonds is aligned with the above-mentioned repayment schedule of the IFC Indebtedness, of which the Bond Consideration from the Tranche 1 Bonds will be utilised to settle the Bridging Loan and the Bond Consideration from the subsequent tranches of the Convertible Bonds to be subscribed will be utilised to repay the IFC Indebtedness and other liabilities of the Company, the completion date of the respective tranche of the Convertible Bonds is in line with the rescheduled repayment dates of the IFC Indebtedness. The estimated net proceeds from the proposed issue of the Convertible Bonds after deduction of related expenses (including professional fees) are approximately HK\$277.50 million. The Company intends to utilise all net proceeds for the repayment of the IFC Indebtedness and other liabilities of the Company. Upon maturity of the Convertible Bonds, the Company intends to settle the principal amount of the Convertible Bonds with its internal resources including but not limited the recovery of receivables and possible disposal of its assets. For details, please refer to the announcement of the Company dated 16 February 2026, 14 April 2026 and the circular dated 20 March 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS HELD

During the Year, the Group did not hold any significant investment in equity interest in any other company.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Save as disclosed herein, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the Year under review.

CONTINGENT LIABILITIES

As at 31 December 2025, the Group had contingent liabilities in respect of guarantees in the mortgage facilities for certain purchasers of properties in the amount of HK\$Nil (as at 31 December 2024: HK\$0.47 million).

PLEDGE OF ASSETS

- (a) The Group's obligations under finance leases, bank loans and other loans of HK\$564.01 million in total as at 31 December 2025 (as at 31 December 2024 of the Group: HK\$606.90 million) were secured by charges over:
- (i) property, plant and equipment in which their carrying amount was HK\$237.88 million (as at 31 December 2024 of the Group: HK\$182.72 million);
 - (ii) right-of-use assets in which their carrying amount was HK\$87.02 million (as at 31 December 2024 of the Group: HK\$162.57 million);
 - (iii) investment properties in which their carrying amount was HK\$160.66 million (as at 31 December 2024 of the Group: HK\$175.05 million);
 - (iv) contractual rights to receive revenue generated by certain of our subsidiaries;
 - (v) equity interests of certain subsidiaries of the Group; and
 - (vi) bank accounts of certain subsidiaries of the Group.
- (b) As at 31 December 2025, the Group's certain bank deposits of HK\$20.33 million (as at 31 December 2024 of the Group: HK\$20.33 million) were pledged to a bank for granting a banking facility of HK\$21.00 million (as at 31 December 2024 of the Group: HK\$21.00 million).

MANAGEMENT DISCUSSION AND ANALYSIS

NO MATERIAL CHANGE

Save as disclosed in this report (including the recording of the net current liabilities position), during the Year, except for the winding up petition, there has been no material change in the Group's financial position or business since the publication of the latest annual report of the Company for the year ended 31 December 2024.

EMPLOYEES

As at 31 December 2025, excluding jointly controlled entities and associates, the Group had 354 employees (as at 31 December 2024: 376 employees excluding the Yichun Water Group), of which 53 are Hong Kong employees (as at 31 December 2024: 32). During the Year, total employee benefit expenses, including Directors' emoluments and provident funds, was HK\$74.63 million (FY2024: HK\$91.68 million excluding the Yichun Water Group). The drop in staff costs was a result of the cost control measures implemented by the laid-off employees in connection with the closure of landfill sites, staff redundancy payment recorded in the FY2024. Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary, a year-end discretionary bonus and the New Option Scheme, which are determined with reference to the Group's operating results, market conditions and individual performance. Remuneration packages of Directors and senior management are normally reviewed as on annual basis by the Remuneration Committee. During the Year, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme, and a similar benefit scheme is offered to employees in Mainland China. In addition, the Group encourage employees' participation in continuing training programmes, seminars and e-learning through which their career, knowledge and technical skills can be enhanced with the development of individual potentials.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations, and business prospects may be affected by several risks and uncertainties directly or indirectly pertaining to our Group's businesses. The following are the key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below that are not known to our Group or that may not be material now but could turn out to be material in the future:

Risk	Description	Key Risk Mitigations	Changes
Going concern risk	<p>Going concern risk is the risk that the Group may be unable to realize its assets and discharge its liabilities in the normal course of business due to financial losses, liquidity shortage and a winding-up petition. For the year ended 31 December 2025, the Group recorded a loss of approximately HK\$300.51 million and had net current liabilities of approximately HK\$74.87 million. In addition, a winding-up petition has been presented against the Group by International Finance Corporation ("IFC") in respect of the outstanding loan principal of approximately RMB216.60 million together with accrued interest under a loan agreement of an indirect non-wholly owned subsidiary, for which the Group has provided a guarantee. Several individual creditors have also indicated their intention to appear at the hearing to support the petition. The hearing has been successively adjourned to 29 April 2026. The Group's auditors have issued a disclaimer of opinion on the 2025 annual financial statements, highlighting a material uncertainty related to going concern.</p>	<ul style="list-style-type: none">— The Group maintains communication with the petitioner and the supporting creditors, actively seeking a settlement and debt restructuring plan.— The Group has engaged legal counsel to advise on the next steps and possible actions regarding the petition.— The Group plans to raise funds through the issuance of convertible bonds to repay the IFC debt and other liabilities.— Management is actively negotiating with lenders for the possibility of extending loan repayment dates and other feasible alternatives.— Actively taking targeted measures to speed up the collection of outstanding receivables, while optimising operational efficiency and cost structure, in order to improve the Group's overall financial performance.	Significantly increased

MANAGEMENT DISCUSSION AND ANALYSIS

Risk	Description	Key Risk Mitigations	Changes
Foreign exchange rates risk	The Group's assets, borrowings, and major transactions are mainly denominated in Renminbi. The Group mainly settles business expenses and receives operating income in mainland China in Renminbi. The Group also remits HK dollars to PRC and converts them into Renminbi for the acquisition of projects or capital injection to establish investment companies. As the Group's financial statements are presented in HK dollars, any appreciation or depreciation of HK dollars against Renminbi will affect the Group's financial position.	<ul style="list-style-type: none"> — Management actively monitors the fluctuation in exchange rates and the Group's exposure to foreign exchange rate risk. — Perform sensitivity analysis to quantify the foreign exchange rate risk. — Management regularly reviews what necessary actions (such as hedging) should be taken. 	Unchanged
Equity price risk	The Group is exposed to equity price risk through its investments in listed equity securities and funds. Unfavorable movement in equity prices could result in book or actual investment losses for the Group.	<ul style="list-style-type: none"> — The Board actively reviews and monitors the investment portfolio and takes necessary action to limit the potential losses to an acceptable level. — Establish investment policies that clearly set out control limits and approval procedures. — Obtain Board approval for investment decisions. — Establish an investment department to perform studies and analyses on investment and potential investments. — Reduce the number of shares held in the investment portfolio to minimize the losses and focus capital on operations. 	Unchanged

MANAGEMENT DISCUSSION AND ANALYSIS

Risk	Description	Key Risk Mitigations	Changes
Liquidity risk	Liquidity risk is the potential that our Group will be unable to meet its financial obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. As at 31 December 2025, a significant amount of the Group's current liabilities was past due or at default.	<ul style="list-style-type: none"> — Actively monitors cash flows and maintains an adequate level of cash and cash equivalents to ensure the ability to finance the Group's operations and reduce the effects of fluctuations in cash flows. — Dispose of subsidiaries that are not profitable, or not as profitable as expected, or dispose of non-core businesses. — Regularly prepares cash flow forecasts for Management to manage the liquidity of each business unit. — The Group is improving capital liquidity through a rights issue plan. — The Group has secured a standby loan facility from the substantial shareholder of the Company. — Proactively negotiate with the banks and lessors regarding the extension and refinancing arrangements for the existing loans and finance lease liabilities, respectively. 	Significantly increased

MANAGEMENT DISCUSSION AND ANALYSIS

Risk	Description	Key Risk Mitigations	Changes
Operational and pricing risk	<p>Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. Additionally, as the Group has only a limited ability to change or renegotiate wastewater treatment tariffs, if the relevant local government authority rejects the Group's applications to increase the tariffs to compensate for the increase in actual costs, the Group might suffer a loss or decrease in profitability.</p>	<ul style="list-style-type: none"> — Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. — Key functions in our Group are guided by their standard operating procedures, limits of authority, and reporting framework. — Our management will identify and assess key operational exposures regularly so that appropriate risk responses could be taken. — A monthly management meeting is held with each business unit's head. — A monthly report is prepared and submitted to Management to review the operational status of each business unit. 	Increased

MANAGEMENT DISCUSSION AND ANALYSIS

Risk	Description	Key Risk Mitigations	Changes
Investment risk	Investment risk can be defined as the likelihood of losses occurring relative to the expected return on any particular investment. A key concern of the investment framework will be balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision-making process.	<ul style="list-style-type: none"> — A site visit and detailed analysis will be performed to ensure that we only invest in high quality projects. — An Investment Committee has been set up to review and approve investments in projects. — Feasibility assessments (including financial due diligence) are performed and submitted to the Investment Committee for review, and eventually reviewed by the Board. — The Investment Committee determines the scale and pace of investment projects based on prevailing Mainland policy measures, evolving market conditions, and the Group's capital position, with such determinations being periodically updated and reported to the Board of Directors. 	Increased

MANAGEMENT DISCUSSION AND ANALYSIS

Risk	Description	Key Risk Mitigations	Changes
Manpower and retention risk	Our Group may face the risk of being unable to attract and retain key personnel and talent possessing the required skills, experience and competencies.	<ul style="list-style-type: none"> — Encourage internal promotion to attract and retain talents. — Provide an attractive remuneration package (including performance bonuses and equity incentive plans) to suitable candidates and personnel. — Create a positive and work-life balanced working environment to avoid staff dissatisfaction. — Regularly review staff benefit packages and compare them to the market. — Establish a clear career path, backup staff plan, and rotate staff regularly, if possible, to reduce the impact of staff departure. 	Unchanged
Legal and regulatory compliance risk	Our business success and operations could be impacted by changes in respective government laws and regulations in the PRC. Any failure to anticipate trends in regulatory changes or comply with relevant requirements may result in non-compliance with local laws or regulations, leading to not only financial loss but also reputational damage to the Group.	<ul style="list-style-type: none"> — Actively monitors and pays close attention to the relevant regulatory and legislative developments in the markets in which we operate. — Consults with regulators of those markets on changes that could impact our businesses. — Provide training to staff during new staff orientation. — Provide ongoing training to staff to keep them alert to the latest regulatory requirements. 	Increased

MANAGEMENT DISCUSSION AND ANALYSIS

Risk	Description	Key Risk Mitigations	Changes
Expansion risk	The Group is exposed to expansion risk through its shift of business focus from the provision of water supply to renewable energy and biomass energy. As expansion into a new market requires substantial capital investment and a certain return period, the Group might suffer from financial loss.	<ul style="list-style-type: none"> — Conduct market research for the new markets in renewable energy and biomass energy. — Develop a detailed business plan with projections and contingency plans. — Explore different sources of funding to manage the potential liquidity risks during expansion. 	Increased
Resource Supply Risk	The Group's renewable energy business requires combustion of landfill gas to generate on-grid electricity for sales, therefore the Group is subject to the resource supply risk to maintain sufficient volume of garbage in order to produce sufficient landfill gas. In case of drop in garbage supplies, electricity generators may need to cease operation and thus reduce the profitability of the renewable energy business.	<ul style="list-style-type: none"> — Before expansion of renewable energy-related investment, conduct an assessment for sufficiency of garbage supply in order to achieve the expected electricity generating volume and thus profitability. — Research to increase landfill gas utilization rate in electricity generation to reduce the need for landfill gas input while maintaining routine electricity production activities. — Explore agricultural waste and food processing waste, among other non-government-controlled organic alternative waste materials, as supplemental or alternative sources for landfill gas. 	Increased

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zhu Yongjun (“Mr. Zhu”), aged 59, was appointed as an executive Director of the Company in August 2019. Mr. Zhu has been appointed as the Chairman, an authorised representative, a member of the Remuneration Committee, the chairman of the Investment Committee in 8 February 2021. He is the director of various subsidiaries of the Company. He obtained his undergraduate from Hunan University in 1989 and a master degree of business administration in Peking University in the People’s Republic of China in 2005. With effect from 9 September 2022, Mr. Zhu was appointed as a non-executive Director, a member of the Nomination Committee and a member of the Remuneration Committee of the Affluent Partners Holdings Limited (Stock code: 1466) which is listed on the Main Board of the Stock Exchange. Currently, Mr. Zhu is the chairman of the board and an executive director of the New Concepts Holdings Limited (Stock code: 2221) which is listed on the Main Board of the Stock Exchange. From February 2015 to 6 March 2020, Mr. Zhu was the chairman of the board of Josab Water Solutions AB, a company incorporated under the laws of Sweden, whose shares are listed on the Spotlight Stock Market, a stock exchange in Sweden. Mr. Zhu started his environmental protection career in 2001. From July 2007 to February 2009, Mr. Zhu was an executive director of Softpower International Limited (Stock code: 380) which is listed on the Main Board of the Stock Exchange. From May 2008 to March 2013, Mr. Zhu was an executive Director of EverChina Int’l Holdings Company Limited (Stock Code: 202) which is listed on the Main Board of the Stock Exchange. From January 2009 to May 2015, he was also the chairman of the board of Heilongjiang Interchina Water Treatment Company Limited (Stock Code: 600187) which is listed on the Shanghai Stock Exchange.

Ms. Chu Yin Yin, Georgiana (“Ms. Chu”), aged 55, was appointed as an executive Director and Company Secretary of the Company as well as Financial Controller of the Group in October 2006, November 2006 and November 2019 respectively. Ms. Chu has been appointed as a member of Investment Committee in September 2021 and a member of the Nomination Committee in June 2025. She is the director of various subsidiaries of the Company. Ms. Chu holds a Bachelor’s Degree of Accounting and a Master’s Degree of Corporate Governance. She is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of the Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales. Ms. Chu is a fellow member of both of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. Ms. Chu has over 20 years’ extensive experience by working in an international audit firm and other listed companies. With effect from 1 January 2025, Ms. Chu has been appointed as the company secretary and the authorised representative of New Concepts Holdings Limited (Stock code: 2221, a company listed on the main board of Stock Exchange). With effect from 1 March 2024, Ms. Chu has been appointed as a non-executive Director of DeTai New Energy Group Limited (stock code: 559) which is listed on the Main Board of the Stock Exchange. On 28 November 2018, Ms. Chu has resigned as an independent non-executive Director (the “INED”) and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of Bisu Technology Group International Limited (stock code:1372). On 4 April 2019, Ms. Chu has resigned as an INED, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of Sino Golf Holdings Limited (stock code: 361). Both of the aforesaid companies are listed on the Main Board of the Stock Exchange. As at the date of this report, Ms. Chu was interested in 111,200 shares of the Company, representing approximately 0.02% of the issued share capital of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Wong Siu Keung, Joe (“Mr. Wong”), aged 61, was appointed as an INED of the Company in October 2012. Mr. Wong is a Chairman of the Audit Committee, Remuneration Committee and the Nomination Committee. With effect from 31 January 2024, Mr. Wong has been appointed as an independent non-executive Director, the chairman of the audit committee, and a member of the nomination committee and the remuneration committee of Yuk Wing Group Holdings Limited (stock code: 1536) which is listed on the Main Board of the Stock Exchange. With effect from 16 June 2023, Mr. Wong resigned as independent non-executive director of Worldgate Global Logistics Ltd (stock code: 8292) which is listed on the Growth Enterprise Market (GEM) Board of the Stock Exchange. With effect from 14 January 2022, Mr. Wong was appointed as an INED, the Chairman of the Nomination Committee, a member of both of the Audit Committee and the Remuneration Committee of the Affluent Partners Holdings Limited (Stock code: 1466) which is listed on the Main Board of the Stock Exchange. With effect from 25 March 2022, Mr. Wong was appointed as an executive Director of the DeTai New Energy Group Limited (the “**DeTai New Energy**”) (Stock code: 559) which is listed on the Main Board of the Stock Exchange. Mr. Wong was appointed as the Company Secretary, the Authorised Representative and the Chief Financial Officer of the DeTai New Energy with effect from 10 January 2022. Mr. Wong is currently an INED of Interactive Entertainment China Cultural Technology Investments Limited (stock code: 8081), which is listed on the GEM of The Stock Exchange. Mr. Wong holds a Degree of Master of Arts in International Accounting from City University of Hong Kong and a Master’s Degree of Corporate Governance from Hong Kong Polytechnic University. He is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Wong has extensive experience in taxation, accounting, financing, audit field and public listed companies for many years.

Mr. Lam Cheung Shing, Richard (“Mr. Lam”), aged 67, was appointed as an INED of the Company in August 2019. Mr. Lam has been appointed as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee in February 2021. Mr. Lam is a fellow member of Hong Kong Institute of Certified Public Accountants and obtained the Master’s Degree in Business Administration in the Chinese University of Hong Kong in 2006. He spent over ten years in PricewaterhouseCoopers, an international accounting firm and was promoted to the position of senior audit manager, and is equipped with extensive experience in accountancy, taxation and corporate finance. Mr. Lam served as Executive Director of Everchina International Holdings Limited (“**Everchina**” stock code: 0202), whose shares are listed on the Main Board of the Stock Exchange, from August 2001 to October 2023 and was designated as Deputy Chairman and CEO of Everchina since 2009 until his retirement in October 2023. Mr. Lam was appointed as a director in various companies whose shares are listed on the main Board of the Stock Exchange during the period from December 2001 to December 2014, namely Eagle Legend Asia Limited (now known as Kaisa Capital Investment Holdings Limited) (stock code: 936), Kai Yuan Holdings Limited (stock code: 1215) and China Pipe Group Limited (stock code: 380). Mr. Lam currently still act as an INED of the following companies whose shares are listed on either the main board or the Gem board of the Stock Exchange; Legend Strategy International Holdings Group Limited (stock code: 1355); Far East Holdings Company Limited (stock code: 0036) and Lajin Entertainment Network Group Limited (stock code: 8172).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Mak Ka Wing, Patrick (“Mr. Mak”), aged 61, was appointed as an INED of the Company in September 2024. He is a registered solicitor of the High Court of Hong Kong and Managing Partner of Patrick Mak & Tse, Solicitors. Mr. Mak has over 20 years’ legal experience in the legal field. He was awarded the Common Professional Examination Certificate in Laws by the University of Hong Kong in 1995 and was awarded his Postgraduate Certificate in Laws (P.C.LL) by the University of Hong Kong in 1998. Since July 2017, Mr. Mak has been appointed as an independent non-executive director of Far East Holdings International Limited (a company listed on the main board of the Stock Exchange with stock code: 0036), and since March 2022, Mr. Mak has also been appointed as an independent non-executive director of Macau Legend Development Limited (a company listed on the main board of the Stock Exchange with stock code: 1680). He had been an independent non-executive director of Fresh Express Delivery Holdings Group Co., Limited (a company previously listed on the main board of the Stock Exchange with stock code: 1175, listing of which was canceled on 9 February 2023) from July 2013 to December 2021.

SENIOR MANAGEMENT OF THE GROUP

Mr. Pan Yimin (“Mr. Pan”), aged 49, graduated from Jiangxi University of Finance and Economics with a bachelor’s degree in Economics. He was appointed as the Vice President of the Company in March 2021 and is in charge of the legal and risk control department of the Company. In September 2021, he was appointed as a member of the Investment Committee of the Company. Mr. Pan currently is an executive Director of the New Concepts Holdings Limited (the “**New Concepts**”) (Stock code: 2221) which is listed on the Main Board of the Stock Exchange. He was the president of Tianjin Dongfang Mingrui Investment Management Co., Ltd* since 2013 prior to joining to the Company. Mr. Pan was the Vice President of Interchina (Tianjin) Water Treatment Co., Ltd.* from April 2011 to March 2013, and a deputy manager of Heilongjiang Interchina Water Treatment from April 2009 to March 2011. Before joining the Company, Mr. Pan worked at a number of reputable domestic investment companies and water companies. For over a decade in the industry, Mr. Pan possesses rich experience in corporate management, financial management, and project and financial investments.

Mr. Tang Po Shing (“Mr. Tang”), aged 33, graduated from School of Economics and Management of Wuhan University in July 2015 with a bachelor’s degree in marketing. He obtained a master’s degree in entrepreneurship and innovation management from Loughborough University in October 2017. Mr. Tang joined the Group in November 2017. He previously served as an assistant to the general manager of Shenzhen City Li Sai Industrial Development Limited* (深圳市利賽實業發展有限公司), the deputy general manager of the Investment and Financing Department of the Company, the vice chairman of New China Water (Nanjing) Renewable Resources Investment Company Limited* (新中水(南京)再生資源投資有限公司). Mr. Tang was appointed as the Vice President of Company in January 2019 and currently act as the chairman of New China Water (Nanjing) Renewable Resources Investment Company Limited (新中水(南京)再生資源投資有限公司) and a member of Investment Committee.

Mr. Zhong Wei Guang (“Mr. Zhong”), aged 58, was appointed as the Vice President of Company in May 2022. He is a member of the Investment Committee and a director of Swan (Huizhou) Investment Company Limited, a subsidiary of the Group. Currently, he serves as a general manager and deputy general manager in Huizhou Junfeng Investments Limited* (惠州俊峰投資有限公司) and Huizhou City Huixinfu Investment Co., Limited* (惠州市惠新福投資有限公司) respectively. Mr. Zhong was a committee member of 9th, 10th and 11th session of the Huizhou City Political Consultative Conference. He has over 20 years of experience in corporate management in PRC.

CORPORATE GOVERNANCE REPORT

OVERVIEW

The board (the “**Board**”) of directors believes that good corporate governance enhances credibility and improves shareholders’ and other stakeholders’ interests. Maintaining a good, solid, and sensible framework of corporate governance is one of the Company’s prime tasks.

The Company is committed to achieving high standards of corporate governance. An internal corporate governance policy was adopted by the Board aiming at providing greater transparency, quality of disclosure as well as more effective risk and internal control. The execution and enforcement of the Company’s corporate governance system is monitored by the Board with regular assessments and procedures are in place to enable the shareholders to evaluate how the principles of corporate governance have been applied. The Company believes that its commitment to high-standard practices will translate into long-term value and ultimately maximize returns to shareholders. The Board continues to monitor and review the Company’s corporate governance practices to ensure compliance.

For the year ended 31 December 2025, the Company has complied with the Corporate Governance Code (the “**CG Code**”) set out in Appendix C1 to the Listing Rules throughout the year ended 31 December 2025 except for the deviation from the code provision B(f) of Part 1 of the CG Code and the code provision C.2.1 of Part 2 of the CG Code.

The Board develops a corporate culture with a commitment to withhold integrity and ethical practices and promotes the value from the top within the Group and reinforces such strategy across all departments of the Group.

A. Directors

A.1 The Board

- The overall management of the Company’s business is vested in the Board. The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitoring the performance of the senior management. The Directors have to take decisions objectively in the interests of the Company. The Company has held 30 Board meetings in the year of 2025. Directors have been consulted to advise the agenda of the Board meeting. For the board regular meeting, at least 14 days notice has been given to the Directors.
- Directors may attend meetings in person or through electronic facilities in accordance with the minutes of the Board. Both of the Board meeting minutes and the Board Committees meeting minutes are recorded in sufficient details and kept by the company secretary for inspection at any reasonable time on reasonable notice by any Director.
- Directors were supplied with adequate and relevant information in a timely manner to enable them forming decision in the relevant meetings. Every Director is aware that he/she should give sufficient time and attention to the affairs of the Company. As Directors are required to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity and the time involved to the issuer under the provisions of the CG Code, the Directors have agreed to disclose their commitments and any subsequent change thereof to the Company in a timely manner. Agreed procedures are in place providing to the member of the Board and/or committee to seek independent professional advice at the Company’s expenses to assist them to discharge their duties. The Board including all the committees are provided with sufficient resources to perform its duties.

CORPORATE GOVERNANCE REPORT

- Where a substantial shareholder or a Director had a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, a Board meeting was held by physical board meeting rather than a written resolution with the presence of Independent non-executive Directors (“INEDs”) who have no material interest in the transaction.
- A Directors’ and Officers’ Liabilities Insurance cover was in place in respect of legal actions against Directors and senior management arising out of corporate activities.
- The Board holds meetings on a regular basis and will meet on other occasions when a board level decision on a particular matter is required. The individual attendance records of each Director including INEDs at the meetings of the Board, Remuneration Committee, Audit Committee, Nomination Committee, Investment Committee, extraordinary general meetings (“EGM”) and annual general meeting (“AGM”) during the year ended 31 December 2025 are set out below:

Attendance Records

Name of Directors	Number of meetings attended/held						
	Board	Remuneration Committee	Audit Committee	Nomination Committee	Investment Committee	EGM	AGM
Executives Directors:							
Mr. Zhu Yongjun (“ Mr. Zhu ”) (Chairman)	29/30	1/1	N/A	1/1	1/1	N/A	1/1
Ms. Chu Yin Yin, Georgiana (“ Ms. Chu ”)	29/30	N/A	N/A	N/A	1/1	N/A	1/1
Independent Non-executive Directors:							
Mr. Wong Siu Keung, Joe (“ Mr. Wong ”)	28/30	1/1	3/3	1/1	N/A	N/A	1/1
Mr. Lam Cheung Shing, Richard (“ Mr. Lam ”)	15/30	1/1	3/3	1/1	N/A	N/A	1/1
Mr. Mak Ka Wing, Patrick (“ Mr. Mak ”)	8/30	N/A	1/3	N/A	N/A	N/A	1/1

N/A: Not applicable

Apart from the Board meetings, the Chairman also held a meeting with all INEDs without the presence of other Directors.

A.2. Chairman and Chief Executive Officer

- Mr. Zhu, an executive Director of the Company, was appointed as the Chairman of Company on 8 February 2021. Since such arrangements, the role of Chairman is performed by Mr. Zhu and the role of Chief Executive Officer (“CEO”) is performed by different members of the Board. As all major decisions are made in consultation with the members of the Board, including the relevant Board Committees, and three independent non-executive Directors (the “INEDs”) on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. In view of the above, the Company has failed to comply with code provision C.2.1 of the CG Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Company has made endeavors however more time is required to identify suitable candidate to be the CEO in order to comply with the Code.

CORPORATE GOVERNANCE REPORT

- The Chairman provides leadership and focus on his role for the Group's overall strategy planning, analysis of market trend and establishment of the Group's future development direction. Also, he is responsible for the effective functioning of the Board in accordance with good corporate governance practice, and encourages and facilitates active contribution of directors in board activities and constructive relations between executive and independent non-executive Directors. With the support of the senior management, the Chairman is also responsible for ensuring that all the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at board meeting.
- The Chairman, with the assistance of the Company Secretary and other relevant departmental heads, reviews from time to time various procedural aspects of the Company in order to ensure that good corporate governance practices and procedures are well in place.
- The Chairman believes that it is in the Directors' own best interest to voice whatever concerns they may have as each Director has the same general legal responsibilities to the Company as any other Director, regardless of whether they are executive or non-executive. As such, in each Board meeting, the Chairman nurtures an open and uninhibited environment where other Directors with different views are free to express their own opinions.
- The Chairman has held one private meeting with INEDs without the presence of other Directors to discuss major events or issues which incurred in 2025 and the Company's business plan to be developed in 2026. The Board believed that INEDs could through this private meeting to voice out their concerns on financial aspects after discussing major events or issues and provide constructive advice on the direction of Group's future development.
- When compiling board papers, the Chairman works closely with the Company Secretary to ensure that comprehensive, adequate, complete, reliable and timely information are presently to the Board to enable them to set strategy, monitor progress towards meeting the Group's objectives and to conduct regular reviews of financial performance, risk management and other business issues.
- The Company does not have an officer with the title "CEO". The overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operations and execution is vested in the Board itself.
- The executive Directors and senior management also work closely with the Company Secretary to ensure that information necessary to keep Directors updated of the latest situation of the Company and for them to make informed decisions are presented to the Board in a timely manner.

A.3 Board Composition

- Up to the date of this report, the Board comprises a total of five members including two executive Directors, and three INEDs, as set out on page 59 of this annual report. Members of the Board have different professional and relevant industry experiences and background so as to bring in valuable contributions and advices for the development of the Group's business.
- Up to the date of this report, the Board comprised three INEDs, all of the INEDs possessed professional qualifications in accounting and financing field as well as legal profession. Mr. Wong and Mr. Lam are certified public accountants. Mr. Mak is a lawyer.
- The Company has received written confirmation from each INED of their independence to the Group. The Group considered all of INEDs meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.
- The Company has maintained an updated list of its directors identifying their role and function on its website and on the Stock Exchange's website.
- Save as disclosed above, to the best knowledge of the Company, there is no financial, business or family relationship among the members of the Board.
- The names of the directors and their respective biographies are set out on pages 49 to 51 of this annual report.

A.4 Appointment, re-election and removal

The Company has on 19 January 2012 established Nomination Committee, further details of which are set out in section of A.5 Nomination Committee. All Directors including INEDs have signed letter of appointments with the Company. In addition, the shareholders have right to nominate any person to become a director of the Company in accordance with the Articles of Association ("A.A.") of the Company, the procedure for election of directors was published on the Company's website.

- The Board from time to time considers replenishing the composition of the Board whenever the Company requires to meet the business demand, opportunities and challenges and to comply with the laws and regulations. The nomination procedures basically follow the A.A. which empowers the Board from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an additional to the Board. The Directors will select and evaluate the balance of skills, qualification, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time by such means as the Company may deems fit. The Nomination Committee has considered the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration his/her time devoted to the position.

CORPORATE GOVERNANCE REPORT

- The Company's A.A. requires for those Directors appointed to fill a casual vacancy to hold office only until the first general meeting after their appointment and be subject to re-election at such meeting. The Company's A.A. also requires at every AGM, one-third of the Directors for the time being or, if their number is not a multiple of three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation provided that every Directors, including those appointed for a specific term shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election to fill a casual vacancy until the next general meeting or the next AGM.
- All INEDs of the Company were not appointed for a specific term but they are subject to retirement by rotation at least once every three years and re-election at AGM of the Company in line with the Company's A.A..
- Independence of Independent Non-Executive Directors

The INEDs play a significant role in the Board as they bring an impartial view on the Group's strategies, performance and control, as well as ensuring that the interests of all shareholders of the Company are considered. All INEDs possess appropriate academic, professional qualifications or related financial management experience.

In addition to the annual meeting among the Chairman and the INEDs only as well as the annual confirmation of independence pursuant to the Rule 3.13 of the Listing Rules as noted above, the Nomination Committee and the Board are committed to review and assess the Directors' independence annually in order to ensure that independent views and input of the INEDs are made available to the Board. Factors taken into account in such independence review include, and are not limited to, the following:

- (1) required character, integrity, perspectives, skills, expertise and experience to fulfill their roles;
- (2) time commitment and attention to the Group's affairs;
- (3) declaration of conflicts of interest (if any) in their roles as INEDs;
- (4) to assess the independence of INEDs;
- (5) no involvement in the daily management of the Group nor in any relationship or circumstances which would affect the exercise of their independent judgement; and
- (6) further reappointment of an INED (including any long-serving INED, where applicable) is subject to a separate resolution to be approved by the shareholders.

The Company has established mechanisms to ensure independent views and input are available to the Board. The Board believes that the INEDs constituting more than one-third of the Board provides adequate checks and balances that safeguard the interests of the shareholders and the Group. All the INEDs are from various different backgrounds with a diverse range of business, financial services, legal and professional experience and possess diversified expertise, skills and experience. Their views and participation in Board meetings and committees' meetings bring independent judgment and advice on issues relating to the Group's strategies, prospects, internal control and conflicts of interest, and ensure that the interests of the shareholders are well taken into account. The Board should review the implementation and effectiveness of the abovementioned mechanisms on an annual basis; and had reviewed the same for the Reporting Period and is of the opinion that those are proper, adequate and effective.

A.5 Nomination Committee

The Nomination Committee comprised an executive Director, namely Ms. Chu, two INEDs, namely Mr. Wong (Committee Chairman) and Mr. Lam. The majority shall be INEDs with at least one member of a different gender. The revised terms of reference in compliance with paragraph B.3 of the CG code as set out in Appendix C1 of the Listing Rules of the Nomination Committee is available on the Company's website and on the Stock Exchange's website.

- The main duties of the Nomination Committee include the following:
 - (a) to review the policy concerning diversity of Board members (the "**Board Diversity Policy**") and the structure, size and composition (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and disclose such policy, including any measurable objectives that the Nomination Committee has set for implementing the policy and progress on achieving these objectives, in the Company's corporate governance report;
 - (b) to develop and maintain a policy for nomination of Board members (the "**Nomination Policy**") which includes the nomination procedures and the process and criteria adopted by the Nomination Committee to identify, select and recommend candidates for directorship during the year, and to review periodically and disclose the policy in the Company's corporate governance report;
 - (c) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships under the Nomination Policy and Board Diversity Policy;
 - (d) to assess the independence of INEDs;
 - (e) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive; and
 - (f) to support the Company's regular evaluation of the Board's performance;

CORPORATE GOVERNANCE REPORT

- Nomination Policy

The Group has a formal, considerate and transparent nomination policy for the appointment of new Director or re-election of Directors to the Board. The Group has adopted a nomination procedure and the Board, based on the criteria established, evaluate and select candidates for the directorships. In assessing, selecting and recommending candidates for directorship to the Board, the Nomination Committee will give due consideration to the factors including but not limited to:

- Reputation for integrity;
 - Accomplishment and experience in the relevant industries in which the Company's business is involved and other professional qualifications;
 - Relevant skills and experience to contribute to the Board;
 - Commitment in respect of available time and relevant interest;
 - Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
 - Contribution that the candidates can potentially bring to the Board;
 - Plans in place for the orderly succession of the Board; and
 - Independence criteria as required under the Listing Rules for candidates for INEDs. All candidates must be able to meet the standards set out in Rules 3.08 and 3.09 of the Listing Rules.
- These above-mentioned factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

The Nomination Committee considers the personal profile and credentials of the proposed candidates and may request candidates to provide additional information and documents if it considers necessary, and assesses the proposed candidates or incumbent candidates on criteria set out above. The Nomination Committee may also invite nominations of suitable candidates from Board members (if any) for consideration by the Nomination Committee prior to its meeting. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election and re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

CORPORATE GOVERNANCE REPORT

- Board Diversity Policy

- The Company has adopted a board diversity policy (the “**Policy**”) in August 2013 which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The Policy has been made available on the Company’s website and a summary of the Policy is set out as below:

The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company’s business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge and length of service.

- During the year under review, the Nomination Committee held 1 meetings to review the composition of the Board and its committees as well as the background and experiences of the Board members and evaluate the contributions of the Board members to the Group in 2025. An analysis of the Board’s current composition is set out in the following table:

Name of director	Title	Age	Gender	Professional/ Industry experience	Length of service on Board (since)
Mr. Zhu	ED and Chairman	59	Male	Environmental protection and investment	August 2019
Ms. Chu	ED, Company Secretary and Group Financial Controller	55	Female	Accounting, auditing and financing	October 2006
Mr. Wong	INED	61	Male	Accounting, auditing and financing	October 2012
Mr. Richard Lam	INED	67	Male	Accounting, taxation and corporate finance	August 2019
Mr. Mak	INED	61	Male	Legal experience	September 2024

ED: Executive Director

INED: Independent non-executive Director

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- The Board currently has one female Director out of five Directors. The Company is of the view that gender diversity in respect of the Board has been achieved. Of the approximately 354 employees (including Directors and senior management) of the Group as at 31 December 2025, 94 are female employees which accounted for 26.55% of the total number of employees. Accordingly, the Company considers that gender diversity is also achieved in its workforce generally. In addition, the Group has taken measures to promote diversity at all levels of its workforce. Training and career development are equally opened to all eligible employees without discrimination. During the year ended 31 December 2025, the Board, through the Remuneration and Nomination Committee, has reviewed the implementation and effectiveness of the Board Diversity Policy from time to time and at least on an annual basis and confirm that the Board has an appropriate mix of skills and experience to deliver the Group's strategy. The Board is also of the view that the nomination policy of the Company can ensure there will be a pipeline of potential successors to the Board to maintain gender diversity. For further information about the gender ratio in the workforce, please refers to the Environment, Social and Governance Report in this report.

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

- The Nomination Committee review the Board Diversity Policy at least on an annual basis and from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.
- During the year, the Nomination Committee held 1 meetings and the attendance of each member is set out in the section headed "A1. The Board" of this report.

A.6 Responsibilities of the Directors

- The Company ensures that every newly appointed Director should receive a formal and tailored induction on appointment and a comprehensive information package containing business activities and operation of the Group, the Directors' responsibilities and duties and other statutory requirement upon his/her appointment. The Company Secretary is responsible for keeping all Directors updated on the Listing Rules and other statutory requirement.
- All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. All Directors have confirmed that they have complied with code provision C.1.4 of the CG Code for the year ended 31 December 2025. During the year, Company Secretary has provided the updated materials in relation to amendments to the Listing Rules in 2025 and other rules to the Directors.

CORPORATE GOVERNANCE REPORT

During the year, the Directors participated in the following training:

	Type of Continuous Professional Development		
	Training on regulatory development, directors' duties or other relevant topics	Reading on regulatory updates or information relevant to directors' duties and the Company	Courses relating to Corporate Governance/ Accounting/ Financial or other professional skills
Mr. Zhu	X	X	
Ms. Chu	X	X	X
Mr. Wong	X	X	X
Mr. Lam		X	
Mr. Mak		X	

All Directors have participated in appropriate continuous professional development and have confirmed that they have completed not less than 6 hours of the aforesaid professional trainings during the reporting period as required under the applicable Listing Rules.

- INEDs were well aware of their functions and had been actively providing their independent advices at the Board meetings, take the lead where potential conflicts of interest arise and scrutinize the Company's performance so as to achieve agreed corporate goals.
- Up to the date of this report, Mr. Wong and Mr. Lam both of INEDs, are members of the Audit, Remuneration and Nomination Committees.
- There were satisfactory attendances and active participations at the Board meetings, the Board Committee meetings and the general meetings by the Directors.
- The Company has adopted the full set of Model Code set out in Appendix C3 of the Listing Rules as the code of the conduct for securities transactions by Directors (the "**Model Code**"). The prohibitions on securities dealing and disclosure requirements in the Model Code apply to specified individuals including the Group's senior management and also persons who are privy to price sensitive information of the Group. Having made specific enquiry of all Directors, the Board confirms that the Director of the Company have complied with the Model Code regarding directors' securities transactions during the year and up to the date of this Report.

CORPORATE GOVERNANCE REPORT

A.7 Supply of and access to information

- The Company's senior management regularly supplies the Board and its Committees with adequate information in a timely manner to enable them to make informed decisions.
- For Board meetings and the Board Committee meetings, the agenda accompanying with Board papers and relevant materials were sent to all Directors at least 3 days before the intended date of the Board meetings or Board Committee meetings. Queries raised by the Directors would be responded promptly by the relevant management.

B Remuneration of Directors and Senior Management

The Company has established a Remuneration Committee since 29 June 2005 with written terms of reference in consistence with the CG Code. A majority members of the Remuneration Committee is INEDs.

The Remuneration Committee currently comprises two INEDs, namely Mr. Wong (Committee Chairman), Mr. Lam and Mr. Zhu, an executive Director. On 29 December 2022, the terms of reference of the Remuneration Committee was revised and is available on the Company's website and on the Stock Exchange's website.

- The main duties of the Remuneration Committee include the following:
 - i. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
 - ii. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
 - iii. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
 - iv. to make recommendations to the Board on the remuneration of non-executive Directors;
 - v. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;
 - vi. to review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
 - vii. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
 - viii. to ensure that no Director or any of his or her associates is involved in deciding his or her own remuneration;

CORPORATE GOVERNANCE REPORT

- ix. to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and
 - x. to consider and implement other matters, as defined or assigned by the Board or otherwise required by the Listing Rules from time to time.
- The Remuneration Committee would consult the Chairman or CEO the proposals relating to the remuneration of other executive Directors. The Remuneration Committee may have access to external professional advice if considered necessary.
 - The details of the remuneration of the Directors are set out in note 43 of the consolidated financial statements of this annual report. The band of the emoluments of senior management personnel and related number of members of senior management personnel are as follows:

Emolument band (HK\$)	31 December	
	2025 Number of individuals	2024 Number of individuals
Nil to 500,000	0	1
500,001 to 1,000,000	2	2
1,000,001 to 2,000,000	1	1

During the year, the Remuneration Committee determined the remuneration packages of the executive Directors, INEDs and senior management of the Company, and reviewed the collective performance and individual performance and the remuneration policy of the Group.

- The Group's share option scheme as described on note 40 of this annual report is adopted as the Group's long-term incentive scheme.
- Remuneration Policy

The Group's remuneration policies are formulated based on the performance of individual employees and the Group's performance and are reviewed regularly. We have adopted employee incentive plans designed to attract, retain, motivate and encourage employees to commit to enhancing value for us and our shareholders as a whole. In addition, the Group has retention programmes that include individual development plans, merit wage adjustments, annual incentive plans and promotions. We offer training programmes to our employees which are designed to develop the skills that we need to meet our enterprise goals and customer requirements and to meet certain training requirements such as regulatory requirements and contractual obligations.

- The Remuneration Committee held 1 meetings during the year to review and approve the remuneration of executive Directors including INEDs and senior management. The attendance record of individual members is set out in the section headed "The Board" of this report.

CORPORATE GOVERNANCE REPORT

C Accountability and Audit

C.1 Financial Reporting

- **Directors' Responsibility for Financial Statements**

The directors acknowledge their responsibility for preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Group, and of its results and cash flows for the year ended 31 December 2025 in accordance with Hong Kong Financial Reporting Standards, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules as well as their responsibility for performing the corporate governance functions.

Disclaimer of Opinion

The Company's auditor, Crowe (HK) CPA Limited, issued a disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 December 2025 due to scope limitation relating to appropriateness of the going concern assumption. Details are disclosed in the section headed "**Basis for disclaimer of opinion**" in the Independent Auditor's Report of this annual report on pages 146 to 148.

Position and basis of the management on the disclaimer of opinion

The Company understands the position of the Company's auditor that they could not evaluate and unable to obtain sufficient appropriate audit evidence regarding the (i) successfully rescheduling the IFC Indebtedness for extension of repayment schedule; (ii) the reasonableness of the likelihood of success, and the timing and amount of obtaining additional new sources of financing, as and when needed, from the lender of a bridging loan, from various subscribers of the convertible bonds proposed to be issued, and from the substantial shareholder of the Company which has agreed to provide a standby loan facility to the Company and (iii) successfully negotiating with the existing banks and finance lease lessors on the renewal of existing bank loans and lease refinancing arrangements, respectively. The successful outcomes of the above-mentioned plans and measures are subject to multiple uncertainties.

However, the Board is of the view that the Company have been undertaking the following plans and measures to improve the Group's liquidity and financial position:

- (i) Upon entering into the rescheduling deed (the "**Rescheduling Deed**"), the repayment schedule for the IFC Indebtedness will be confirmed and extended;
- (ii) On 16 February 2026, NCW, as NCW as borrower, entered into a loan agreement (the "**Bridging Loan Agreement**") with an independent third party, as lender, pursuant to which the lender conditionally agreed to advance a loan in the principal amount of RMB118.0 million (equivalent to approximately HK\$131.33 million) to NCW (the "**Bridging Loan**") at the interest rate of 10% per annum for the purpose of partial settlement of the IFC Indebtedness.

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- (iii) On 16 February 2026, the Company as issuer, entered into a conditional subscription agreement with five subscribers in relation to the subscription of the convertible bonds (the “**Convertible Bonds**”) in the aggregate principal amount of up to HK\$278.25 million (equivalent to approximately RMB250.0 million), which will be issued in five tranches with the subscription timetable of the Convertible Bonds to be aligned with the proposed repayment schedule of the IFC Indebtedness under the Rescheduling Deed. The issue of the Convertible Bonds by the Company was subject to the approval of EGM on 14 April 2026 and the relevant resolution as set out in the notice of the EGM has been duly passed by the Shareholders by way of poll;
- (iv) a standby loan facility from the substantial shareholder of the Company, covering a period up to 31 December 2029;
- (v) actively negotiating with the existing banks on the terms and financial covenants of loan agreements and communicating with banks on the renewal of existing bank loans and refinancing arrangements; and
- (vi) by strengthening the collection of outstanding receivables and implementing various strategies to enhance the Group’s revenue and financial performance

Furthermore, on 10 April 2026 (after trading hours of the Stock Exchange), the Company and IFC have entered into the formal Rescheduling Deed amending and supplementing the IFC Loan Agreement, pursuant to which the Company and IFC have conditionally agreed to amend certain terms of the IFC Loan Agreement to give effect to the proposed debt restructuring of the Company (for further details please refer to the announcement dated 10 April 2026 of the Company) and taking into account of the above, the Board has made a full and detailed assessment of the Group’s ability to continue as a going concern, including reviewing the Group’s working capital forecast for the next 12 months compiled by the management. It is believed that the Group will have sufficient cashflow to meet its financial obligations for the next 12 months as and when required. Accordingly, the management considers that the use of going concern basis for the preparation of the consolidated financial statements for the year ended 31 December 2025 is appropriate.

Management will continue to closely monitor developments and evaluate if additional measures will be required as and when necessary.

Audit Committee’s view on the management’s position

The Audit Committee has reviewed and understood the basis for the disclaimer of opinion and has discussed the disclaimer of opinion with the management and the Directors, and concurred with their position and basis (including the matters involving their substantial judgements). In particular, the Audit Committee noted that (i) the proposed issuance of Convertible Bonds will be approved by the shareholders at the EGM with the Convertible Bonds convertible into the Company’s ordinary shares at HK\$0.308 per conversion share; (ii) the latest negotiation between the Company, NCW and IFC on the Rescheduling Deed; (iii) the substantial shareholders have provided a standby loan facility; and (iv) the cashflow forecast of the Group for a period of not less than 12 months demonstrates that sufficient liquidity to meet its financial obligations as and when they fall due.

CORPORATE GOVERNANCE REPORT

Taking these factors into account, the Audit Committee agreed with the management's assessment that the Group will have sufficient cash flows to meet its financial obligations as and when they fall due, and it is appropriate for the Company to prepare its consolidated financial statements on a going concern basis.

- Executive Directors are provided with a wide range of reports on monthly intervals and are fully aware of the Company's latest performance, position and prospects. All members of the Board are provided with monthly updates by the management in accordance with code provision D.1.2 of the CG code.

C.2 Risk Management and Internal Control

The Board acknowledges its responsibility to establish, maintain and review a sound and effective risk management and internal control systems on an ongoing basis as required in paragraph D.2 of the CG code as set out in Appendix C1 of the Listing Rules. An enterprise risk management (ERM) framework is in place to implement risk management and internal control effectively.

It should be acknowledged that our risk management and internal control systems are designed to manage rather than eliminate the risks of failure to achieve the Group's business objectives, and can only provide reasonable, but not absolute assurance against material misstatements or losses.

Risk Management Structure

Effective risk management resides at all levels of the Group. Staff in different business units identify and manage risks during their daily operation, the management is responsible for identifying, assessing and responding to risk at strategic level. The Board and the Audit Committee reviews and monitors major risks and the effectiveness of risk management and internal control systems. This top down and bottom up approach, together with independent review by the internal audit function, assisted the Group to manage its major risks in an effective manner.

Board Oversight

The Board

- Oversees the risk management and internal control systems on an on-going basis;
- Determines the Group's business strategies and risk appetite;
- Reviews at least annually the effectiveness of the Company's and its subsidiaries' risk management and internal control systems; and
- Monitors the risk management and internal control systems in an on-going manner.

Audit Committee

- Oversees the evaluation and improvement process of risk management and internal control systems;
- Reviews the Group's risk register;
- Reviews and approves the internal control review plan and review results; and
- Reviews and monitors the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.

CORPORATE GOVERNANCE REPORT

Internal audit function and external auditors

Internal Audit Function

- Identify and monitor all risks relevant to daily operations of the Group;
- Report to the Board and Audit Committee on the risks identified including strategic, operational, financial, ESG, reporting and compliance risks and its changes during the year;
- Implement, execute and on-going monitor risk management and internal control processes; and
- Develop and execute appropriate action plans to mitigate the risk identified and to resolve material internal control defects.
- Review the effectiveness of the Group's risk management and internal control systems during the year at least annually;
- The scope of the internal control review is risk-based and is reviewed by the Audit Committee; and
- Communicate the internal control review result directly to the Audit Committee.

External Auditor

- Communicate internal control issues they noticed during their audit to Audit Committee directly.

Risk Management Process

The risk management process defined the procedures for identifying, assessing, responding and monitoring risks and their changes. The Management discusses regularly with each operating function to collect their views towards the risks they have identified at operation level, and to strengthen their understanding of risk management at the Group's strategic level to foster two way communication. Management collects views towards risks at different angles and formulates risk universe, from which risks relevant to the Group are identified. Risk identification is a continuous and interactive process, and major risks are communicated between the bottom and the top.

Significant risks are classified into one of the five categories: strategic, operational, ESG, financial, reporting and compliance. After identified all relevant risks, the Management assesses the potential impact and possibilities of the risks and prioritize the risks, appropriate internal control measures are then developed to mitigate the risks and the effectiveness of internal control measures and changes of risks are monitored in an ongoing manner and communicated to the Board and Audit Committee to allow their monitoring at the top level.



CORPORATE GOVERNANCE REPORT

Main features of our risk management and internal control systems

Maintain an effective internal control system at operational level

- Establish clear internal control policies and procedures, clearly define the responsibilities, authorities and accountabilities of each key position;
- Establish code of conduct, explain the Group's requirements on integrity and ethical value to all staff;
- Establish whistle blowing mechanism, to encourage employees to report incidents of misconduct or fraud;
- Establish anti-corruption policy to prevent incidents of bribery, extortion, fraud, and money laundering and comply with the laws of the place where the business of the Group carries on, to report the issues to the relevant Government authorities;
- Establish appropriate level of information technology access rights, avoid leakage of price sensitive information; and
- Establish insider information disclosure policy, including reporting channels and responsible person of disclosure, unified response to external enquiries and obtain advices from professionals or the Stock Exchange, if necessary.
- Adopt policies in respect of the confidentiality management of the Company's information and the disclosure of insider information, sensitive information or confidential information in accordance with the SFO and the Listing Rules to ensure confidentiality when handling insider information and the publication of relevant disclosures to the public as soon as practicable. Under this policy, the Company disseminates information to specified persons on a need-to know basis, and requires all employees who have access to the insider information to maintain strict confidentiality of the insider information until it is announced. The policy also sets out the procedures for identifying, handling and monitoring insider information or sensitive or confidential information, the scope of insider information and the procedures and precautionary measures for reporting or leakage of insider information of the Group.

In evaluating the effectiveness of the risk management and internal control systems, the Board has considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions as well as those relating to the Group's ESG performance and reporting.

On-going risk monitoring at risk management level

The Management identifies and mitigates major risks according to the risk management process, the identified risks are summarized in risk register and submitted to the Board and Audit Committee for their review together with annual internal control review plan to enable the Board and Audit Committee effectively monitor major risks of the Group and how the risks are managed. Major risks relevant to the Group are shown on pages 42 to 48 of this Report. Material risks relating to ESG are shown on page 96 in the Environmental, Social and Governance Report.

Independent review

The Group has established an independent risk control department to conduct an internal control review on an annual basis, the scope of review has covered the period from 1 January 2025 to 31 December 2025. The results of the internal control review has been submitted to the Audit Committee.

The Management has established remediation and improvement plan for internal control weaknesses identified. Nothing has come to the Audit Committee's or Board's attention to believe that risk management and internal control systems of the Group are inadequate or ineffective.

C.3 Audit Committee

The Audit Committee of the Company was established since 29 June 2005 with specific written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG code as set out in Appendix C1 of the Listing Rules. The Audit Committee comprises 3 INEDs, namely Mr. Wong (Committee Chairman), Mr. Mak and Mr. Lam. Mr. Wong and Mr. Lam are certified public accountant for many years. The revised term of reference of the Audit Committee is available on the Company's website and on the Stock Exchange's website.

The major duties of the Audit Committee include:

- (a) to make recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and the terms of engagement of the external auditor;
- (b) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and to review significant financial reporting judgments contained in them;
- (c) to monitor and review the Company's financial controls, internal control and risk management systems;

CORPORATE GOVERNANCE REPORT

- (d) to co-ordinate between the internal and external auditors, to monitor the performance of both internal and external auditors and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor the effectiveness of the internal audit function;
- (e) to review the interim and final results of the Group prior to recommending them to the Board for approval;
- (f) to ensure compliance with applicable statutory accounting and reporting requirements, Listing Rules, legal and regulatory requirements, an internal rules and procedures approved by the Board;
- (g) to review and discuss the adequacy of resources, qualifications or experience of staff of the Group's accounting and financial reporting function and their training programs and budget;
- (h) to monitor the compliance of the Whistle-blowing policy and ensuring the fair and independent investigation with appropriate follow up action;
- (i) to report back to the Board on their decision or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

For the year under review, the Audit Committee held 3 meetings included the reviewing of the financial statements, annual report and accounts and interim report. The Group's annual report for the year ended 31 December 2025 and internal audit reports have been reviewed by the Audit Committee. The attendance record of individual members is set out in the section headed "The Board" of this report. It has also reviewed the effectiveness of the risk management and internal control systems and internal audit functions of the Group.

D. Delegation by the Board

D.1 Management functions

- When the Board delegates aspects of its management and administration functions to the management, it has given clear directions as to the powers of management, in particular, with respect to the circumstance where management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.
- The segregation of duties and responsibilities between the Board and the management has been defined as follows:

The overall management of the Company's business is vested on the Board. The duties of the Board include:

- Formulating and the approval of the Company's operational strategies and management policies and establishing corporate governance and internal control system;
- Setting the objectives and targets of the Company;
- Monitoring performance of management and providing guidance to the management; and
- Reviewing the Company's policies and practices on corporate governance.

The day to day management administration and operation of the Company are delegated to the senior management. The duties of the management include:

- Regularly evaluating businesses and operation performance;
 - Ensuring effective implementation of the Board's decision;
 - Ensuring adequate fundings; and
 - Monitoring performance of the management of the Group.
- Each Director including INED was appointed by formal letter of appointment with the Company upon appointment. Such letter of appointment sets out key terms and condition, the roles and functions and amount of remuneration.

CORPORATE GOVERNANCE REPORT

D.2 Board Committees

The Company has set up four committees including an Audit Committee, a Remuneration Committee, a Nomination Committee and an Investment Committee of the Board with respective terms of reference which clearly defined its authority and duties. The Chairman of Board Committees reported to the Board their work, findings and recommendations at the Board meetings.

D.3 Corporate Governance Functions

According to code provision A.2 of the CG code, the Board as a whole is responsible for performing the corporate governance duties including:

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) to review the Company's compliance with the CG code and disclosure in the Corporate Governance Report.

E Communication with shareholders and investors

E.1 Effective communication

- The AGM or other general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings.
- The Company serves notice to shareholders in writing of not less than twenty-one (21) clear days and not less than twenty (20) clear business days before the AGM. Any EGM at which the passing of a Special Resolution may be called by notice in writing of not less than twenty-one (21) clear days and not less than ten (10) clear business days. All other EGM may be called by notice in writing of not less than fourteen (14) clear days and not less than ten (10) clear business days.
- The external auditor of the Company should attend the AGM to answer questions about the conduct of audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

CORPORATE GOVERNANCE REPORT

- Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors proposed by shareholders.
- The updated consolidated version of the Company's Memorandum and A.A. (the "M&A") was available on the Company's website and on the Stock Exchange's website respectively and there is no changes made to the M&A.
- The Board has adopted a Shareholders' Communication Policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. The policy will be reviewed regularly to ensure effectiveness and compliance with the prevailing regulatory and other requirements. A summary of Shareholders' Communication Policy is set out as below:
 - Shareholders' Communication Policy

The Group has established several channels and maintained close communication with shareholders and potential investors through emails, conference calls, one-on-one meetings and non-deal roadshows, to ensure that its shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information and updates about the Company for exercising their rights in an informed manner and engaging actively with the Company. The Group also managed to arrange several physical events for investors and analysts, including inviting them to participate in the Group's trade fairs so as to deepen the capital market's understanding of the Group's business and operations and further enhance corporate transparency. To enhance communications and relationships with its investors, designated Directors or senior management maintains regular dialogue with investors and analysis to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. The Company maintains a corporate website (www.chinawaterind.com) as one of the channels to promote effective corporate communication with the investors and the general public. The investors may also visit the Group's website at (www.chinawaterind.com) where the Group's announcements, financial information, stock quotes, press releases and other information are posted. The Board has conducted an annual review of the implementation and effectiveness of the shareholders' communication policy of the Company, and considered the steps taken at the general meeting, the handling of queries received (if any) and the multiple channels of communication as mentioned above, and concluded that the policy was implemented effectively during the year under review.

CORPORATE GOVERNANCE REPORT

- Dividend Policy

The Company has adopted a dividend policy (“**Dividend Policy**”) on 3 January 2019. In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board shall take into account, inter alia:

- a) the Group’s actual and expected financial performance;
- b) retained earnings and distributable reserves of the Group and each of the members of the Group;
- c) the level of the Group’s debts to equity ratio, return on equity and the relevant financial covenants;
- d) the Group’s capacity from current and future operation, future commitments at the time of preparing and making the distribution;
- e) any restrictions on payment of dividends that may be imposed by the Group’s lenders;
- f) any restrictions under the laws of Hong Kong and Cayman Islands and the Company’s A.A.;
- g) the dividends received from the Group’s subsidiaries and associates, which in turn will depend on the ability of those subsidiaries and associates to pay a dividend;
- h) the Group’s expected working capital requirements;
- i) general economic conditions, business cycle of the Group’s core business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- j) any other factors that the Board deem appropriate.

This Dividend Policy and the declaration and/or payment of future dividends under this policy are subject to the Board’s continuing determination that this Dividend Policy and the declaration and/or payment of dividends would be in the best interests of the Group and Shareholders, and are in compliance with all applicable laws and regulations. The Board endeavours to maintain a balance between meeting Shareholders’ expectations and prudent capital management with a sustainable Dividend Policy.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time. This Dividend Policy shall in no way constitute a legally binding commitment by the Group in respect of its future dividend and/or in no way obligate the Group to declare a dividend at any time or from time to time. In view of the Group’s current financial position, operating losses, and net current liabilities, the Directors have resolved not to recommend the payment of a final dividend for the year ended 31 December 2025.

E.2 Shareholders' rights

- Procedures for Shareholders to Convene an EGM

Pursuant to the A.A. of the Company, the Directors may, whenever they think fit, convene an EGM. EGM shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary for the purpose of requiring an EGM to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

- Procedures for Proposing a Person for Election as a Director

As regards the procedure for proposing a person for election as a Director, please refer to the procedures made available under the "**Corporate Governance**" section ("**Procedure for shareholders to propose a person for election of Directors**" sub-section) of the Company's website at www.chinawaterind.com.

- Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are set out in the "Contact Us" section of the Company's website at www.chinawaterind.com or send an email to us at info@chinawaterind.com.

- Procedures for making proposals at Shareholders' Meetings

To put forward proposals at an AGM or EGM, the shareholders should submit a written notice of those proposals with detailed contact information to the Company Secretary at the Company's principal place of business at Office H, 8/F., Kingston International Centre, 19 Wang Chiu Road, Kowloon Bay, Hong Kong. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

CORPORATE GOVERNANCE REPORT

The notice period to be given to all shareholders for consideration of the proposal raised by the shareholders concerned at an AGM or EGM varies according to the nature of the proposal, as follows:

- At least 14 clear days if the proposal constitutes an ordinary resolution of the Company in an EGM.
- At least 21 clear days if the proposal constitutes a special resolution of the Company in an EGM.
- At least 21 clear days if the resolution of the Company in an AGM.

E.3 Voting by poll

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's A.A.. Details of such rights to demand a poll and the poll procedures are included in all circulars to shareholders and will be explained during the proceedings of meetings.

Poll results were published on the website of the Stock Exchange as well as the Company's website.

F. Company Secretary

The Company Secretary has knowledge of the Company's affairs. The appointment of the current Company Secretary was approved by the Board in November 2006. The Company Secretary reports to the Chairman and is responsible for advising the Board on corporate governance matters. For the year under review, the Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training during the year pursuant to the relevant training requirements under Rule 3.29 of the Listing Rules. All Directors have access to the advice and services of the Company Secretary.

G. Investment Committee

The Investment Committee of the Company was established since 18 December 2008 with specific terms of reference. On 6 March 2024, the revised term of reference of the Investment Committee is available on the Company's website.

The Committee members consisted of two executive Directors, namely Mr. Zhu (Committee Chairman), Ms. Chu, three Vice Presidents of the Company including Mr. Tang Po Shing, Mr. Zhong Wei Guang, Mr. Pan Yimin, and Mr. Xie Ye, a financial controller of New China Water.

- The role of Investment Committee is to oversee the Company's long-term development strategies and major investment decisions and to provide recommendations on the investment of the Company including asset allocation and new investment proposal.

CORPORATE GOVERNANCE REPORT

- The major duties of the Investment Committee include:
 - (a) Review and revise the system of the Investment Committee of the Group;
 - (b) Review the relevant information such as the analysis reports and income estimates of the proposed investment projects submitted by business segments and subsidiaries of the Group;
 - (c) Evaluate the proposed investment projects submitted by business segments and subsidiaries of the Group, and to make clear investment decisions;
 - (d) Carry out continuous monitoring and management of the projects after investment, including but not limited to monitoring the performance and return of the projects after investment (providing review reports to the Board every 6 months for review), and making decisions on major matters affecting the development of the Group (if necessary);
 - (e) Other matters authorised by the Board of the Group.
- The Investment Committee held 1 meeting during the year. The attendance record of executive Directors is set out in the section headed "The Board" of this report.

H. Auditors' Remuneration

For the financial year, the remuneration paid and payable to Crowe (HK) CPA Limited, the auditors of the Company, totalled approximately of HK\$2.31 million of which HK\$2.30 million related to audit services and HK\$0.1 million to professional services. The auditors' remuneration has been duly approved by the Audit Committee and there was no disagreement between the Board and the Audit Committee on the selection and appointment of auditor.

COMPLIANCE WITH THE CODE ON THE CORPORATE GOVERNANCE CODE

The Company has complied with the CG Code throughout the financial year ended 31 December 2025 except for the deviation from the code provision C.2.1 in Part 2 and the code provision B(f) in Part 1 of Appendix C1 to the Listing Rules as below:

- Pursuant to the code provision C.2.1 of the CG Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. Zhu, an executive Director of the Company, was appointed as the Chairman of Company on 8 February 2021. Since such arrangements, the role of Chairman is performed by Mr. Zhu and the role of CEO is performed by different members of the Board. As all major decisions are made in consultation with the members of the Board, including the relevant Board Committees, and three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. In view of the above, the Company has failed to comply with code provision C.2.1 of the CG Code. The Company has made endeavors however more time is required to identify suitable candidate to be the CEO in order to comply with the Code.

REPORT OF THE DIRECTORS

The board of Directors of the Company, present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in (i) provision of sewage treatment and related construction services; (ii) exploitation and sale of renewable energy in the PRC; (iii) property investment and development and (iv) waste management and recycling. The details of principal activities and other particulars of the subsidiaries are set out in note 21 to the consolidated financial statements.

Details of the activities during the year as required by schedule 5 to the Companies Ordinance, including a description of the key risks and uncertainties facing the Group, an indication of likely future development in the Group’s business is set out under the sections of Management Discussion and Analysis on pages 13 to 48, Chairman’s Statement on pages 6 to 12 of this Annual Report respectively. An analysis of the Group’s performance during the year using financial key performance indicators can be found throughout this Annual Report. Save as disclosed in this Annual Report, there were no significant changes in the nature of the Group’s principal activities during the year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to sustainable future development. We assess the materiality of various environmental, social and governance (“**ESG**”) issues and take measures to control the environmental and social impacts on operations. All our businesses are required to comply with all applicable ESG laws and regulations strictly. Discussion on the Group’s ESG initiatives, performance and applicable ESG laws and regulations can be found in the section headed “Environmental, Social and Governance Report” on pages 91 to 145 of this Annual Report.

SEGMENT INFORMATION

Analyses of the Group’s segmental information by businesses for the year ended 31 December 2025 are set out in note 8 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2025 and the state of affairs of the Group and the Company are set out in the financial statements on pages 149 to 296.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2025 (FY2024: nil). As at the date of the annual report, there was no arrangement which a Shareholder had waived or agreed to waive any dividends.

CHARITABLE DONATIONS

During the year, the Group did not make any charitable donations (FY2024: Nil).

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees, customers and suppliers are the key stakeholders who affected the sustainability of our business. Engaging with those stakeholders will not only help us understand the possible risks and opportunities to our business, but also help us to mitigate risk and seize the opportunities in the real market situation. The Group believes that our people are critical success factors to the Group's competitiveness in the market. As such, we had adopted a Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. For details of the Share Option Scheme, please refer to page 87. Customer satisfaction with our services and products has a profound effects on our profitability. To provide good quality services to our customers, our dedicated teams are in constant communication with our customers and potential customers to uncover and create customer needs and help customers make informed decisions. Collaborative and mutual beneficial business relationship with our suppliers is of importance to achieve higher levels of efficiency and competitive advantage. The Group evaluate the capabilities of our suppliers to determine if they are able to meet the requirement and needs of the Group from time to time. Developing and maintaining good relationship with various commercial banks and financial institutions always are our main tasks because our capital-intensive projects require on- going funding to maintain continuous growth.

MAJOR CUSTOMERS AND SUPPLIERS

Information on the Group's revenue and purchases attributable to the major customers and suppliers during the year is set out as follows:

	2025	2024
The largest customer	30.66%	12.02%
Five largest customers in aggregate	77.71%	38.88%
The largest supplier	23.92%	14.36%
Five largest suppliers in aggregate	44.30%	36.35%

For the year ended 31 December 2025, the percentage of revenue from the five largest customers in aggregate was more than 30% of the Group's total revenue and the percentage of purchase from the five largest suppliers in aggregate was more than 30% of the Group's total purchase.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options of the Company during the year are set out in note 34(b) and note 40 to the consolidated financial statements, respectively.

REPORT OF THE DIRECTORS

RESERVES AND DISTRIBUTIVE RESERVE

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 34 to the consolidated financial statements, respectively.

The Company had no reserve available for distribution to shareholders as at 31 December 2025 (31 December 2024: Nil).

BANK BORROWINGS AND BANKING FACILITIES

Particulars of bank loans of the Group as at 31 December 2025 are set out in note 30 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 5.

DIRECTORS

The Directors of the Company were:

Executive Directors:

Mr. Zhu Yongjun ("**Mr. Zhu**") (*Chairman*)

Ms. Chu Yin Yin, Georgiana ("**Ms. Chu**")

Independent non-executive Directors:

Mr. Wong Siu Keung, Joe ("**Mr. Wong**")

Mr. Lam Cheung Shing, Richard ("**Mr. Lam**")

Mr. Mak Ka Wing, Patrick ("**Mr. Mak**")

Pursuant to Article 108(A) of the Articles of Association (the "**A.A.**"), at each annual general meeting one-third of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three (3) years.

Further, pursuant to Article 112 of the A.A., any Director appointed by the Board either to fill a causal vacancy or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company. Such Director to retire at an annual general meeting of the Company shall not be taken into account in determining who are to retire by rotation at such annual general meeting.

At the forthcoming AGM, each of Mr. Zhu and Mr. Wong shall retire from office and being eligible, shall offer themselves for re-election, each as an executive Director or independent non-executive Director pursuant to Article 108(A) of the Articles of Association.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHICAL DETAILS

Biographical details of the Directors and senior management of the Company are set out on pages 49 to 51 of the Annual Report.

EMOLUMENT POLICY

A Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. A remuneration package typically comprises salary, contributions to pension schemes, performance bonuses and share option. The Company has adopted a Share Option Scheme as incentive to Directors and eligible employees, details of the scheme are set out in the heading "Share Option Scheme" below.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2025, none of the Directors has entered into any service contracts with the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations and does not have specific terms of appointment but is subject for retirement and for re-elections at the forthcoming AGM as required by the A.A. of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2025, the interests and short positions of each Director and Chief Executive of the Company, or their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the securities and futures ordinance ("SFO") which (a) had been notified of the Company and the Stock Exchange pursuant to divisions 7 and 8 of part xv of the SFO (including interests and short positions in which directors have taken or deemed to have under such provisions of the SFO) or which (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which (c) were required, pursuant to the Model Code for securities transactions by Directors of listed companies (the "Model Code") contained in Appendix 10 to the Listing Rules to be notified to Company and the Stock Exchange were as follows:

Interest in the Shares

Name of director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ms. Chu	Beneficial owner	111,200 (L)	0.02%

For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 632,193,928 shares in issue as at 31 December 2025.

The letter "L" denotes a long position in shares of the Company.

Save as disclosed above, as at 31 December 2025, none of the Directors or Chief Executive of the Company had any interest or short position in any shares, underlying shares or debenture of the Company or any of its associated corporations (within meaning of the SFO) which (a) were 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 directors have taken or deemed to have under such provisions of SFO) or (b) were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which (c) were required, pursuant to the Model Code to be notified to Company and the Stock Exchange.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2025, the following persons and entities, other than a Director or Chief Executive of the Company disclosed under the section “Directors’ and Chief Executive’s interests in securities” above had interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of SFO or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Step Wide Investment Limited	Beneficial owner	141,564,202 (L) (Note 1)	22.39%

Note 1: These shares are held by Step Wide Investment Limited (“**Step Wide**”) which Mrs. Chu Yuet Wah (“**Mrs. Chu**”) is the beneficial owner. Mrs. Chu is deemed to be interested in shares held by Step Wide by virtues of the SFO.

Note 2: The shareholding percentage in the company is calculated on the basis of 632,193,928 shares in issue as at 31 December 2025.

Note 3: The letter “L” denotes a long position in shares.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading “Share Option Scheme” below, at no time during the year were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or Chief Executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

PERMITTED INDEMNITY PROVISION

Pursuant to the A.A., every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto, and no Director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his or her office or in relation thereto. The Company has arranged appropriate Directors’ and officers’ liability insurance coverage for the Directors and officers of the Company during the year.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group's operations are mainly carried out by the subsidiaries of the Company in Hong Kong and the PRC while the shares of the Company are listed on the Stock Exchange. The Group's establishment and operations shall comply with the relevant laws and regulations in Hong Kong, the PRC and the relevant places of incorporation of the Company and its subsidiaries. In addition, the Company is required to comply with the Listing Rules and SFO. As far as the Board and the management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year and up to the date of this report, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

KEY RISKS AND UNCERTAINTIES

The Group's key risks and uncertainties are set out under the paragraph headed **"Key Risks and Uncertainties"** in the section headed **"MANAGEMENT DISCUSSION AND ANALYSIS"** on pages 42 to 48 of this Annual Report.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme adopted by the Company described below, the Group has not entered into any equity-linked agreements during the year.

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 in the year under review.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the shareholders by reason of their holding of the Company's securities.

DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2025.

REPORT OF THE DIRECTORS

MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

During the year, the Group entered into the following material related party and connected transactions:

1. Financial Assistance Received by the Group

As at 31 December 2025, the loans including Loan A, Loan B and Loan C due to Kingston Finance Limited was HK\$54.50 million. For the FY2025, the interest expenses incurred for the loans financing were approximately HK\$9.36 million. The following is the analysis of the aforesaid loan:

On 29 June 2021, Mrs. Chu Yuet Wah (“**Mrs. Chu**”) acquired entire equity interests in Step Wide Investment Limited (the “**Step Wide**”). Step Wide is a substantial shareholder of the Company which Mrs. Chu is the beneficial owner. Mrs. Chu is deemed to be interested in the shares held by Step Wide by virtue of the SFO. Kingston Finance Limited (the “**Lender I**”) is indirectly wholly-owned by Mrs. Chu. Accordingly, The Lender I is an associate of Mrs. Chu (as defined in the Listing Rules) and thus became a connected person of the Company on 29 June 2021.

Prior to Mrs. Chu becoming the substantial shareholder of the Company, on 19 March 2021, China Water Industry (HK) Limited (the “**Borrower I**”), a wholly-owned subsidiary of the Company entered into loan agreement with the Lender I for HK\$80.00 million (the “**Loan A**”) at an interest rate of 15% per annum and repayable within one year. The drawdown date for the Loan A was on 19 March 2021. Loan A was secured by the shares of two subsidiaries of the Company and corporate guarantee provided by the Company. Borrower I had issued a debenture in favor of Lender I as security for the indebtedness. Such loan transaction was one-off and non-revolving in nature. The interest expenses in respect of Loan A was paid to the Lender I pursuant to the terms stipulated in the loan agreement entered into with the Lender I in March 2021, prior to Mrs. Chu and the Lender I becoming connected persons of the Company. The Company considered that as of the date of execution of this loan agreement in March 2021 did not constitute connected party transaction of the Company. As at 31 December 2025, the remaining principal balance of Loan A recorded HK\$50 million which was mutually agreed to be repayable on demand.

On 3 October 2024, the Borrower I entered into a loan agreement with the Lender I for HK\$2 million (the “**Loan B**”) at an interest rate of 12% per annum and repayable within six months. Loan B was secured by the corporate guarantee provided by the Company. During the FY2025, partial repayment of HK\$0.50 million was made. As at 31 December 2025, the remaining balance of Loan B recorded HK\$1.50 million.

On 8 November 2024, the Company (the “**Borrower II**”), entered into a loan agreement with Lender I for HK\$33 million (the “**Loan C**”) at an interest rate of 15% per annum and repayable within six months. Loan C was unsecured. During the FY2025, the partial repayment of HK\$30 million were made. As at 31 December 2025, the remaining principal balance of Loan C recorded HK\$3 million which was mutually agreed to be repayable on demand.

The entering into the above loan agreements in respect of Loan B and Loan C (the “**Loans**”) constituted connected transactions of the Company as defined under Chapter 14A of the Listing Rules. However, given the aforesaid Loans were made for the benefit of the Group, on normal commercial terms with no security over the assets of the Group. In this regard, the Loans were fully exempt under Rule 14A.90 of the Listing Rules.

2. Rental of premise

On 26 August 2022, South Top Investment Limited (the “**South Top**”), a wholly-owned subsidiary of the Company as the tenant, entered into a tenancy agreement with Star Wing International Limited (the “**Landlord**”) for leasing Office H, 8/F, Kingston International Centre, 19 Wang Chiu Road, Kowloon Bay, Hong Kong (the “**Premise**”), for a term of three years. The Premises is the principal office of the Company in Hong Kong. On 26 August 2022, South Top entered into a renewal tenancy agreement for the Premise with the Landlord for a term of three years (the “**New Lease**”). The ultimate beneficial owner of the Landlord is Mrs. Chu, hence the Landlord is a connected person of the Company, the entry into the Tenancy Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules. In accordance with HKFRS 16 “Leases”, the Company recognised a right-of-use asset on its consolidated statement of financial position in connection with the lease of the Premises under the tenancy agreement. Accordingly, the lease transaction under the Tenancy Agreement regarded as an acquisition of asset by the Company for the purpose of the Listing Rules. At the commencement date of the New Lease, the Group recognised a right-of-use asset and a lease liability of HK\$2.17 million, which was the present value of total rent payable calculated in accordance with HKFRS 16. As the value of the right-of-use asset below is HK\$3.00 million, it was fully exempt under 14A.76(1)(c) of the Listing Rules. During the year, lease payment of approximately HK\$0.89 million (FY2024: HK\$0.97 million) has been made.

3. Advisory fee

- (i) For the FY2025, the advisory fee incurred for the provision of corporate finance services by Kingston Corporate Finance Limited was approximately HK\$0.10 million (FY2024: HK\$0.65 million). Kingston Corporate Finance Limited is a subsidiary of Kingston Financial Group Limited. Mrs. Chu is the controlling shareholder of Kingston Financial Group Limited. Accordingly, Kingston Corporate Finance Limited is an associate of Mrs. Chu (as defined in the Listing Rules) and thus became a connected person of the Company. The provision of corporate finance services constituted connected transaction of the Company under Chapter 14A of the Listing Rules but such transaction was fully exempt under Rule 14A.76 (1) of the Listing Rules.
- (ii) For the FY2025, the placing commission incurred for the provision of placing agency services by Kingston Securities Limited was approximately HK\$2.20 million (FY2024: Nil). Kingston Securities Limited is an associate of Mrs. Chu (as defined in the Listing Rules) and thus became a connected person of the Company. The provision of placing agency services constituted connected transaction of the Company under Chapter 14A of the Listing Rules but such transaction was fully exempt under Rule 14A.76 (1) of the Listing Rules.

The Company has complied with the disclosure requirement prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions entered into by the Group during the year under review. Details of the related party and connected transactions of the Group are also set out in note 45 to the consolidated financial statements.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS

Details of material related party transactions are set out in note 45 to the consolidated financial statements.

MATERIAL LITIGATIONS AND ARBITRATION

Details of material litigation and arbitration are set out in note 44 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10(2) of the Listing Rules, the Company discloses that as at 31 December 2025, Mr. Zhu Yongjun (“**Mr. Zhu**”) being the chairman and executive Director of the Company, was interested in approximately 9.60% of the issued share capital of New Concepts Holdings Limited (stock code: 2221) (“**New Concepts**”), the issued shares of which are listed on the Main Board of the Stock Exchange and New Concepts is engaged in environmental protection businesses including the provision of kitchen waste treatment related business in the PRC. Mr. Zhu also served as the chairman and executive director of New Concepts. In February 2024, upon the entering into of the service contract between Hong Kong Glass Resources Limited (the “**HK Glass Resources**”) an indirect wholly-owned subsidiary of the Company and the Environmental Protection Department of the Government of Hong Kong, the Group has commenced the business in the provision of food waste collection services in Hong Kong.

Notwithstanding the fact that the Group and New Concepts are both engaged in the provision of food waste related services, the Company considers that there would be no competition between the Company and New Concepts as there is clear geographical delineation in terms of services area of the food waste related services to be provided by the Group and that of New Concepts.

The Board also considers that they are independent from the board of New Concepts (“**New Concepts Board**”) as Mr. Zhu does not personally control the Board nor the New Concepts Board and the Group is capable of carrying its food waste collection business independently.

Nevertheless, should the Group have any co-operation with New Concepts in the future, the Group will comply with relevant rules and regulations including but not limited to having relevant directors with interest in any transaction to be approved during a board meeting to abstain from voting on the relevant resolutions(s).

Save as disclosed above, none of the Directors or their respective close associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group. In light of the foregoing analysis, the service fees payable to the subsidiary of New Concepts are classified as related party transactions of the Group. For the FY2025, HK Glass Resources paid a service fee amounted to HK\$25.70 million (2024: HK\$16.88 million) to New Concept’s subsidiary for the food waste collection consultancy and related services provided by New Concept’s subsidiary to HK Glass Resources.

SHARE OPTION SCHEME

At the AGM of the Company held on 2 June 2021, the shareholders of the Company approved the adoption of the Company's new share option scheme ("**Scheme**") and the termination of the Company's then existing Share Option Scheme (the "**Old Option Scheme**"). The Scheme adopted by the Company was on 3 June 2021. A summary of the principal terms of the Scheme, as disclosed in accordance with the Listing Rules on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") is as follows:

(i) Purpose

The purpose of the Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the development of the business and operations of the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. In determining whether a person has contributed or will contribute to the Group, the Group will take into account, among other things, whether contribution has been made to or will be made to the Group in terms of operation, financial performance, prospects, growth, reputation and image of the Group.

(ii) Qualifying participants

Under the terms of the Scheme, the Directors of the Company may, at their discretion, grant options to the any directors, whether executive or non-executive and whether independent or not, of the Group, full time or part time employees of the Group; and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensees) or distributors, landlords or tenants (including any sub-tenants) of the Group (the "**eligible participants**").

(iii) Maximum number of shares

The scheme mandate limit for the Scheme allows the Company to issue a maximum of 15,965,397 share options after share consolidation, representing 10.00% of the issued share capital of the Company as at the date of the approval of the Scheme.

(iv) Maximum entitlement of each eligible participant

Share options granted to connected person and its associates is subject to the approval of the INEDs. In addition, any grant of share options to a substantial shareholder or an INED or any of their respective associates, in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5.00 million, within any 12-month period, is subject to the approval of the shareholders of the Company in a general meeting.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. Subject to the shareholders' approval, the maximum number of shares in respect of which options may be granted under the scheme shall not exceed 10% of the shares in issue as at the date of the approval, or the maximum number of shares in respect of which options may be granted to any eligible participants may not exceed 1% of the shares in issue from time to time in a 12-month period.

REPORT OF THE DIRECTORS

(v) Option period

In respect of any particular option, such period commencing on the date of grant or such later date as the Directors may decide and expiring on such date as the Directors may determine, such period not to exceed 10 years from the date of grant.

(vi) Acceptance of offer

An offer of the grant of an option shall remain open for acceptance for a period of 21 days from the date of the letter containing the grant. An offer of the grant of the option shall be regarded as having been accepted when the duplicate of the grant letter duly signed by the grantee together with a remittance in favour of the company of HK\$1.00 by way of consideration for the grant thereof is received by the Company.

(vii) Subscription price

The subscription price in respect of any particular option shall be such price as the Directors may determine at the date of grant of the relevant option but shall be at least the highest of (i) the nominal value of the shares of the Company; (ii) the closing price of the shares of the Company on the Stock Exchange on the date of grant; and (iii) the average of the closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of the grant of the option.

(viii) The remaining life of the Scheme

The Directors shall be entitled at any time within 10 years commencing on 3 June 2021 to offer the grant of an option to any eligible participant. The Scheme will expire on 2 June 2031.

Save for the Scheme, the Company did not have any other share option scheme as at 31 December 2025. From the date of the Scheme being adopted up to 31 December 2025, no options had been granted and remained outstanding under the Scheme of the Company.

As at 1 January 2025, the total number of options available for grant under the scheme mandate of the New Option Scheme after share consolidation was 15,965,397, representing 5.56% of the issued share capital of 287,360,964 shares (excluding treasury shares) of the Company. As at 31 December 2025, the total number of shares available for issue under the New Option Scheme was 15,965,397, representing approximately 2.52% of the issued capital of 632,193,928 shares (excluding treasury shares) of the Company. As at 31 December 2025, the total number of shares available for issue under the New Option Scheme was 15,965,397 divided by the weighted average number of 580,348,187 shares of the Company in issue was 2.75%. As at the date of this annual report, the total number of shares available for issue under the New Option Scheme was 15,965,397, representing approximately 2.52% of the issued capital of 632,193,928 shares (excluding treasury shares) of the Company. The Company does not have any treasury share during the year and up to the date of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's A.A. or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

PURCHASES, REDEMPTIONS OR SALES OF COMPANY'S LISTED SECURITIES

During the year, neither the Company nor its subsidiaries purchased, redeemed or sold of the Company's listed securities.

RETIREMENT SCHEMES

The Group's subsidiary in the PRC participates in a central pension scheme ("CPS") operated by the PRC government. The subsidiaries are required to contribute a certain percentage of the relevant PRC employees' salaries to the CPS. The Group's subsidiary in Hong Kong has also participated in a mandatory provident fund scheme for its staff based in Hong Kong pursuant to the mandatory provident fund schemes ordinance. Save as disclosed, the Group was not required to operate any other of retirement benefits of its employees during the year.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period for the year are set out in note 47 to the consolidated financial statements and the section "MATERIAL EVENTS AFTER THE YEAR UNDER REVIEW" on pages 38 to 39.

SUFFICIENCY OF PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors of the Company, at least 25% of the Company's issued share capital were held by members of the public as at date of this report.

AUDIT COMMITTEE

In accordance with the requirements of the Listing Rules, the Group established an Audit Committee comprising three INEDs of the Company. The Audit Committee of the Company has reviewed (i) the accounting principles and practices adopted by the Group; (ii) internal controls including relevant internal control measures to govern connected party transactions; (iii) financial reporting matters including the review of the audited annual results for the year ended 31 December 2025; (iv) discussion about key audit matters and going concern issues with auditors. Information on the work of Audit Committee and its composition are set out in the Corporate Governance Report on pages 69 to 70 of this Annual Report.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the annual report of the Company for the year ended 31 December 2024 required to be disclosed. The following changes in the composition of the nomination committee of the Company (the "Nomination Committee") with effect from 26 June 2025.

- (1) Mr. Zhu Yongjun ("Mr. Zhu"), ceased to be a chairman and a member of the Nomination Committee. Mr. Zhu will continue to serve as the chairman of the Board and an executive Director of the Company;
- (2) Mr. Wong Siu Keung, Joe ("Mr. Wong"), an independent non-executive Director and a member of the Nomination Committee, was re-designated as the chairman of the Nomination Committee; and
- (3) Ms. Chu Yin Yin, Georgiana, an executive Director and a company secretary of the Company, has been appointed as a member of the Nomination Committee.

Save as disclosed above, there is no other information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company's Corporate Governance principles and practices are set out in the Corporate Governance Report on pages 52 to 77 of this Annual Report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the INEDs an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules and considers all the INEDs to be independent.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 26 June 2026. Notice of AGM will be published on the websites of the Company (www.chinawaterind.com) and the Stock Exchange (www.hkexnews.hk), and will be despatched to the shareholders of the Company within the prescribed time and in such manner as required under the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

In order to determine shareholders' eligibility to attend and vote at the forthcoming AGM of the Company to be held on Friday, 26 June 2026, the register of members of the Company will be closed from Tuesday, 23 June 2026 to Friday, 26 June 2026 (both days inclusive), during which period no transfer of shares in the Company will be registered. The record date to attend and vote at the AGM will be Friday, 26 June 2026. In order to qualify for attending and voting at the AGM, all completed transfer forms, accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration, not later than 4:00 p.m. on Monday, 22 June 2026.

AUDITORS

Crowe (HK) CPA Limited (the "**Crowe (HK)**") will retire, being eligible and offer themselves for re-election. A resolution is to be proposed by the Company at the forthcoming AGM, to re-appoint Crowe (HK) as the auditor of the Company.

By order of the board

Mr. Zhu Yongjun

Chairman and executive Director

Hong Kong, 30 March 2026

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Purpose of the Report

China Water Industry Group Limited (“**China Water Industry**”, “the **Company**”, together with its subsidiaries collectively referred to as “**the Group**” or “**we**”) is pleased to release our 12th Environmental, Social and Governance (“**ESG**”) Report (the “**Report**”). The Report discloses and highlights our sustainability management approach, strategy, policies, initiatives, and data over the past year, covering the Group’s main businesses and areas of significance to stakeholders, with the aim to provide valuable information and the latest sustainability performance for stakeholders, and comprehensively respond to their demands. For information on our corporate governance in 2025, please refer to the section headed “Corporate Governance Report” in this annual report.

Reporting Year and Scope

This Report covers the reporting period from 1 January 2025 to 31 December 2025 (the “**Reporting Period**”). Unless otherwise stated, the scope of this Report covers the Group’s core business segments including (i) provision of sewage treatment and the related construction services and (ii) exploitation and sale of renewable energy in the People’s Republic of China (the “**PRC**”). The reporting boundary is determined by the materiality to our business and operations, as well as the impact on sustainability.

Reporting Standard

This Report adheres to the four reporting principles outlined in the Environmental, Social and Governance Reporting Code (the “**ESG Reporting Code**”) under Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**HKEX**”) and complies with the disclosure obligations contained in the ESG Reporting Code. A content index of the ESG Reporting Code is appended to this Report for the convenience of stakeholders.

Access to the Report

This Report is part of the Group’s annual report and is available in both Chinese and English. It is available for download and access on the Group’s website at <http://www.chinawaterind.com> and the website of HKEX at www.hkex.com.hk.

Contact Information

We welcome all stakeholders to provide their feedback and suggestions on the sustainable development performance and the Report of China Water Industry. Please share your feedback with us at info@chinawaterind.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HIGHLIGHTS OF THE YEAR 2025¹



Exploitation and sale of renewable energy business

249,530,885 kWh of green electricity generated

23 projects have been in operation

1,495,223 tonnes of CO₂e avoided*

* The amount of CO₂e emitted by the same amount of coal power generation



Sewage treatment business

23,508,458 tonnes of sewage treated

3 sewage treatment projects have been in operation

4,360 tonnes of Chemical Oxygen Demand (“COD”) reduced

Water hypoxia that hinders water eco-system was prevented by alleviating the amount of organic waste in water

¹ Covers the overall performance of the respective business segment, as at 31 December 2025.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OUR APPROACH TO SUSTAINABILITY

Our Tenet, Vision, Philosophy and Core Value

Company tenet

The Group is a professional investment and operation management service provider for sewage treatment service and environmental new energy which specialises in investment and operation of water and environmental protection projects

Corporate vision

Revitalize the confidence of the team, work hard, and build a good enterprise with employees' contentment and market respect

Business philosophy

We strive to provide services that embrace government's confidence, public satisfaction, shareholders' recognition and employees' dedication

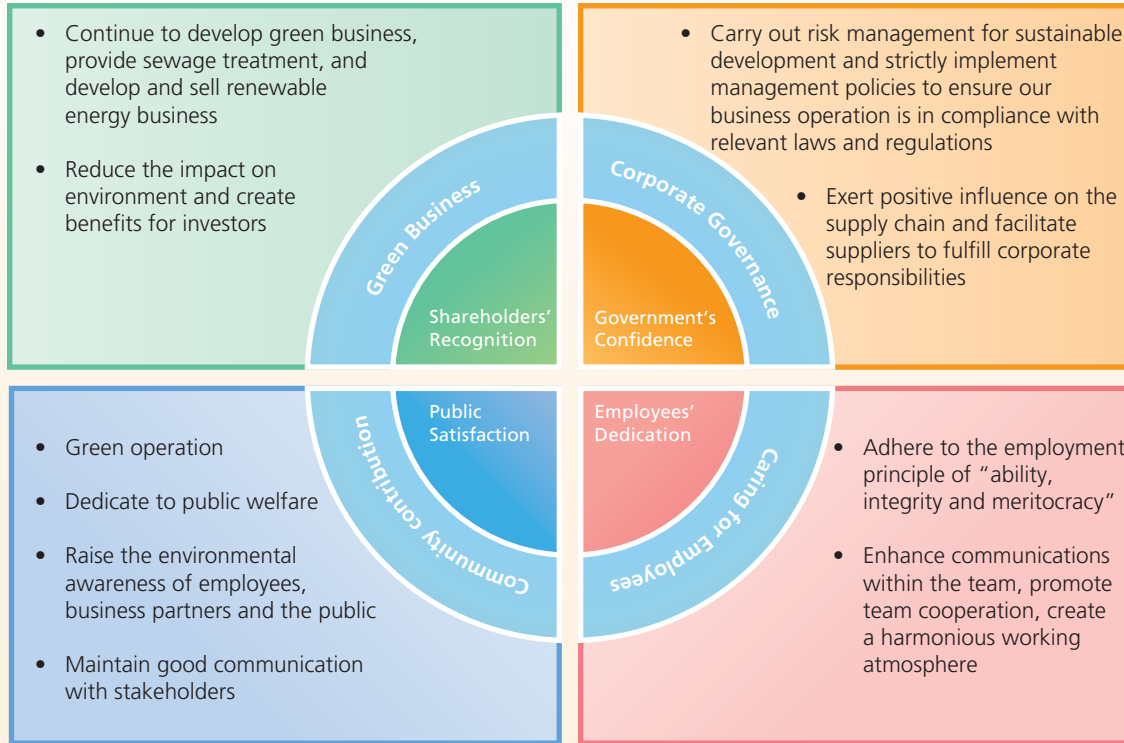
Core value

Take the company as home, pride in performance, taking unity as harmony and taking hard-working as the foundation

We strive to create mutual benefits for the corporate and the society to fulfil corporate social responsibility and bring long-term and positive impact on the environment and society. Our sustainability strategy covers four key areas, namely green business, corporate governance, caring for employees and community contributions, which comprehensively reflect our core corporate value. We will actively support national development by advancing environmental protection, caring for our employees and making contribution to the community, bringing long-term shared value to our stakeholders and society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key Sustainability Focus Areas



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUSTAINABILITY GOVERNANCE AND BOARD'S OVERSIGHT

The Board upholds the overall responsibilities on the Group's ESG (including but not limited to climate-related issues, risks and opportunities) strategy and reporting. The Board provides oversight of ESG issues, with a strong emphasis on supporting the Group's long-term development and strategic positioning. At the operation level, we have established an ESG Working Group ("ESG Working Group") and strive to integrate sustainability in our daily operations. Endorsed by the Board, the ESG Working Group is responsible for overseeing the ESG management approach and strategy, as well as driving and managing the planning and implementation of ESG matters related to the Group. The ESG Working Group regularly provides advice to the Board on the following issues:

- Formulate and review the Group's sustainability management approach, strategy, priorities, metrics and targets;
- Identify, prioritise and manage ESG-related material risks and opportunities (including climate-related risks and opportunities, and environmental and social risks along the supply chain) and formulate corresponding response measures;
- Evaluate and prioritise sustainability issues for identifying material issues to the Group, and establish long-term ESG strategic direction;
- Review and monitor the implementation of ESG-related policies and measures, to ensure compliance with the relevant regulations and legislation;
- Formulate ESG-related metrics and targets based on material sustainability issues related to the Group's business nature, and monitor and review the Group's ESG performance and progress;
- Coordinate with the management and employees of core businesses to integrate and implement ESG-related initiatives in daily operations;
- Review and monitor the Group's stakeholder engagement channels to ensure effective communication with key stakeholders; and
- Compile the annual ESG report for Board's approval.

THE BOARD

Providing leadership and overall accountability for the sustainable strategy and ESG- and climate-related matters

ESG WORKING GROUP

Formulating and reviewing the sustainability management approach, strategy, priorities, metrics and targets

For further details on climate-related governance, please refer to the "Climate Change" section.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG-RELATED RISK AND OPPORTUNITY MANAGEMENT





To effectively cope with the ESG-related (including climate-related) risks and opportunities in our operation, we have adopted a set of risk and opportunity management mechanism and formulated an ESG risk and opportunity policy to provide clearer guidance and standards. The Board is responsible for determining the Group's business strategy and risk and opportunity tolerance, and establishing, maintaining, and assessing the risk and opportunity management and internal control system. The management is responsible for risk and opportunity management of business operation and collects internal and external data and opinions of stakeholders through different channels, historical data, forecast, and information about other relevant domestic and overseas companies, so as to identify, evaluate, prioritise, manage and respond to the Group's risks and opportunities, including ESG-related risks and opportunities.

ESG Risk and Opportunity Policy

Objective Setting	Identify the importance of ESG material issues, including climate and supply chain risks and opportunities, under the Board's oversight.
Risk and Opportunity Assessment	Identify ESG-related risks and opportunities and evaluate their significance and likelihood to the Group
Integration of Policies and Measures	Establish strategic policies and measures, and integrate them into the business processes to achieve different objectives.
Stakeholder Communication	Communicate and engage stakeholders in ESG reporting process, collect their opinions to enhance the Group's ESG strategy and long-term value creation.
Board Oversight	The Board (or a committee delegated) should include competent personnel with delegation of proper authority and responsibility, and establish proper procedures to oversee long-term ESG strategy and its execution.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We have conducted ESG-related risk and opportunity assessment. Our ESG risk and opportunity management process primarily consists of the following four steps:

Step	Process
	<p>1. Identification</p> <p>We identify ESG-related risks relevant to the Group’s business based on the latest market developments, international ESG disclosure standards, and materiality maps developed by leading ESG rating agencies, including the Sustainability Accounting Standards Board (“SASB”) Standards, IFRS S1 — General Requirements for Disclosure of Sustainability-related Financial Information (“IFRS S1”), IFRS S2 — Climate-related Disclosures (“IFRS S2”), and MSCI’s ESG Industry Materiality Map. This process has incorporated climate-related risks and opportunities, as well as environmental and social risks along the supply chain.</p> <p>In response to the increasing concerns of stakeholders, we have identified and disclosed climate-related risks and opportunities in this Report. For further details, please refer to the “Climate Scenario Analysis” section.</p>
	<p>2. Evaluation</p> <p>We evaluate the potential impact and likelihood of ESG risks and opportunities by considering both quantitative and qualitative factors. Quantitative inputs are informed by historical data, while qualitative considerations include industry trends, economic conditions, and recent major events and disasters.</p>
	<p>3. Prioritisation</p> <p>We prioritise significant ESG risks and opportunities by considering their risk and opportunity levels in terms of potential impact and likelihood, ranking climate-related risks and opportunities together with other types of risks and opportunities to ensure they are assessed on a comparable basis within the Group’s overall risk and opportunity management framework.</p>
	<p>4. Management</p> <p>Our ESG Working Group assists the Board in managing and monitoring identified ESG risks and opportunities, formulating corresponding response measures, and regularly submitting ESG risk and opportunity reports to the Board for discussion. As part of its oversight responsibility, the Board regularly reviews the effectiveness of the response measures and provides recommendations for improvement when necessary.</p>

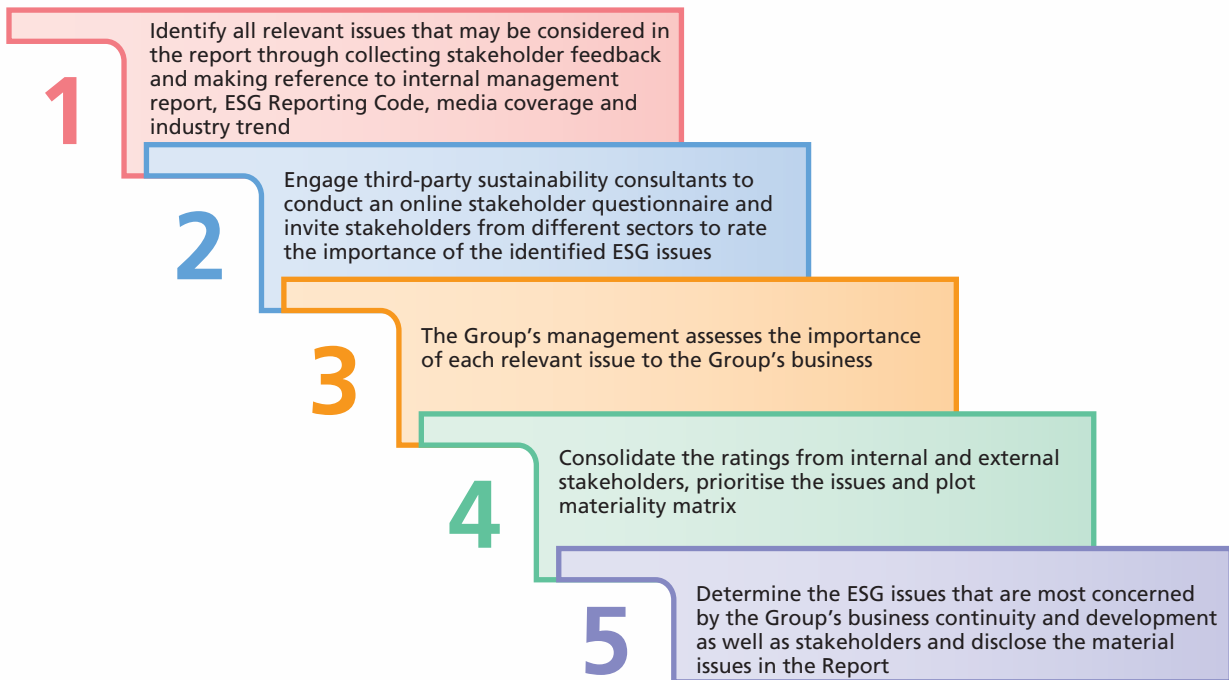
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement

The Group deeply understands the importance of having regular communication with stakeholders. Therefore, we maintain close communication with different stakeholders to understand their opinions and expectations about the Group. Our key stakeholders include employees, governments, shareholders, business partners, non-governmental organisations, customers, suppliers, communities, etc. We will continue to listen to different voices by setting up diverse channels, to enhance the Group's sustainability strategies and policies and get prepared for future challenges.

Materiality Assessment

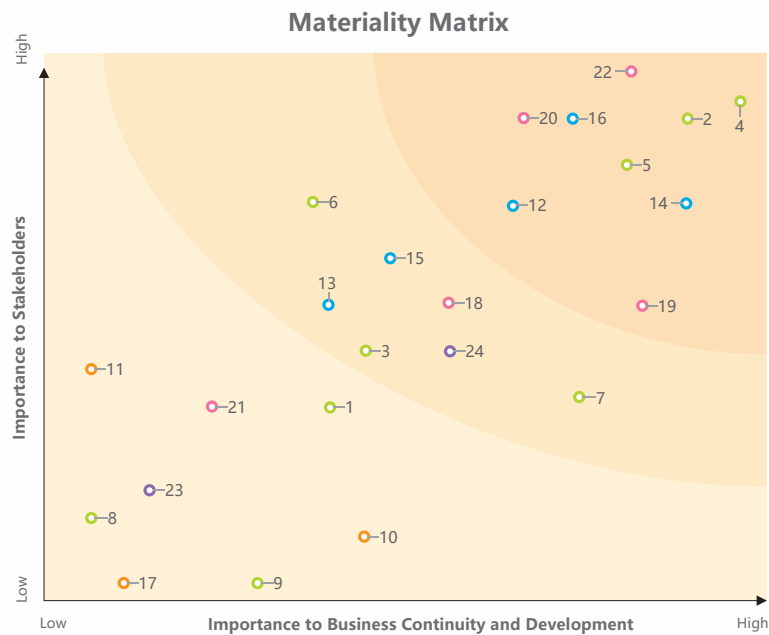
To determine the most relevant ESG issues to the Group and stakeholders, during the Reporting Period, the Group conducted materiality assessment based on the materiality reporting principle set out in the ESG Reporting Code. The procedures of our materiality analysis are summarised as below:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the results of our materiality assessment are set out in the materiality matrix below, with 9 issues in the top-right section being the most important ones for our business and stakeholders which will be highlighted in this report.

Material Issues	Relevant Chapter/Section
4. Water Consumption	➤ Water Management
22. Anti-corruption	➤ Business Integrity
2. Waste	➤ Solid Waste Management
16. Employment Compliance	➤ Talent Recruitment
14. Occupational Health and Safety	➤ Occupational Health and Safety
5. Sewage Discharge	➤ Sewage Treatment
20. Intellectual Property Rights Management	➤ Information Protection
12. Staff Welfare	➤ Employee Benefits
19. Customer Service	➤ Optimizing Customer Service



Key Issues Identified

1	Air emissions
2	Waste
3	Carbon Emission and Energy
4	Water Consumption
5	Sewage Discharge
6	Biodiversity and Land Use
7	Climate Change Risk
8	Green Procurement
9	Environmental Risk in Supply Chain
10	Access and Affordability
11	Business Model Resilience
12	Staff Welfare
13	Equal Opportunity, Diversity and Anti-discrimination
14	Occupational Health and Safety
15	Staff Development and Training
16	Employment Compliance
17	Social Risk in Supply Chain
18	Product Assurance, Quality and Safety
19	Customer Service
20	Intellectual Property Rights Management
21	Marketing and Advertising
22	Anti-corruption
23	Community Investment
24	Technological Development and Innovation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CORPORATE GOVERNANCE AND BUSINESS ETHICS

Business Integrity

The Group is committed to maintaining high level of business ethics and corporate governance standards. During the Reporting Period, we were not aware of any material non-compliance with relevant anti-corruption laws and regulations by the Group, including but not limited to the “Provisions of the Criminal Law of the PRC” (《中華人民共和國刑法》), “Company Law of the PRC” (《中華人民共和國公司法》), “Anti-unfair Competition Law of the PRC” (《中華人民共和國反不正當競爭法》) and other relevant laws and regulations. We have formulated and implemented a set of internal procedures and guidelines. Some project companies also established “Procurement and Reimbursement Management Measures”, “Financial Management System” and internal audit system, and conducted comprehensive audits on management, finance, and operations to prevent illegal acts, such as bribery, extortion, fraud, and money laundering, etc.

Besides, we require our employees to follow our ethical and professional conduct as set out in our employee handbook to ensure they perform job duties based on ethical standards of honesty and integrity and establish long-term and reliable relationship with all business partners. During the Reporting Period, the Group also provided directors and employees with anti-corruption training to raise their awareness on relevant matters, building a business environment with integrity.

If our employees discover any illegal act at workplace, we encourage them to report to us at once. They are required to reject any dishonest offer of money or gift. We ensure the identity of the whistleblower and the information provided remain confidential, ensuring that they will not be subject to unfair dismissal, persecution, or inappropriate disciplinary action. Any misconduct will be taken seriously, and the reported incident will be immediately and thoroughly investigated. Violators will face disciplinary action.

In 2025, the Group was not aware of any significant cases of non-compliance with relevant laws and regulations related to bribery, extortion, fraud, and money laundering involving its business and employees, nor any concluded legal cases regarding corrupt practices brought against the Group or our employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Information Protection

We highly value the protection of customer privacy and personal information. As the Group's operations may involve the collection of user information, when signing employment contract, employees are required to sign relevant non-disclosure agreement in respect of customers' information and shall commit to handle confidential documents that contain customers' information with due care and diligence. We have also established information safety management policy as well as relevant data protection and privacy policies to ensure the relevant information are maintained in such office under strict surveillance where its access keys are kept by designated staff. Important computers and files are encrypted with passwords being managed by relevant personnel to ensure protection of customer data. During the Reporting Period, we did not receive any cases of customer privacy infringement or loss of customers' information or relevant confirmed complaints.

During the Reporting Period, we were not aware of any material non-compliance with relevant intellectual property rights laws and regulations by the Group, including but not limited to the "Patent Law of the PRC" (《中華人民共和國專利法》). Some of our project company's employee handbook detailed the rules related to protecting commercially confidential information, which included providing legal protection for patent applications, trademark registrations and copyright procedures. Our employees are required to comply with laws and regulations related to intellectual property rights. If any violation against the patent rights of the Group is found, we will carry out thorough investigations immediately and the relevant employees may be subject to disciplinary action or dismissal depending on the seriousness of the case.

Supplier Management

The Group has established supplier management standards, clearly outlining our requirements on company qualifications, technology, quality, reputation, business performance, delivery capacity, and after-sale services, to ensure our project companies can analyze and select suppliers objectively. By visiting the operational locations of suppliers, we regularly evaluate their compliance, and select long-term stable suppliers through continuous investigation, analysis, and screening to establish a List of Qualified Suppliers. Suppliers who repeatedly fail to meet supply requirements will be removed from the list to ensure the quality of raw material and maintain a high-quality supplier management system.

We actively communicate with our business partners in the supply chain and are committed to promoting sustainable development to them. The Group has zero tolerance for child labour and forced labour, and upholds human rights and labour rights. We expect to work with suppliers who shares the same principles to jointly create a harmonious, fair, and sustainable society. On top of that, the Group has conducted an ESG-related risk assessment to identify potential ESG-related risks in our supply chain. We have not identified any ESG-related risks in our supply chain that have been rated as "high risk". The Board will closely monitor the ESG-related risks in our supply chain, regularly evaluate the effectiveness of control measures, and further enhance our ESG practices in terms of supplier management.

To actively support green procurement, the Group gives priority to recruit local suppliers to reduce pollutants and greenhouse gas ("GHG") emissions during transportation process. During the Reporting Period, we cooperated with a total of 556 suppliers (2024: 384), all of which are based in the Mainland China and implemented practices relating to engaging suppliers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GREEN BUSINESS

As a well-known investment and integrated service provider in the environmental protection industry in Mainland China, the Group actively expands its business to other areas such as the new energy development. Our business covers multiple cities and provinces including Guangdong, Chengdu, and Foshan. We provide comprehensive solutions from multiple dimensions, such as water-related services and environmental new energy resources, and focus our resources on the environmental protection industry development to explore green business opportunities.

Exploitation and Sale of Renewable Energy

The Group is committed to supporting national environmental protection policies, including the “Guidance on Establishment of Target Oriented System for Development and Utilisation of Renewable Energy of National Energy Administration” (《國家能源局關於建立可再生能源開發利用目標引導制度的指導意見》). The Guidance clearly defines the responsibilities and obligations for development and utilisation of renewable energy in different areas to ensure the realization of energy conservation, emission reduction, increasing the proportion of non-fossil energy, and sustainable development goals. It also set out the targets for the proportion of renewable energy in total energy consumption of each province and the proportion of non-hydropower renewable energy in total electricity consumption in China, encouraging the use of renewable energy. The Group will continue to pursue the vision of “Creating an Environment of Blue Sky, Green Land and Clear Water”, strive for economic and social development while maintaining the harmony between human and nature, and practice the idea of “lucid waters and lush mountains are invaluable assets”.

Organic matter is a clean and renewable energy source, as it decomposes into flammable biogas in anaerobic environments, which can be converted into energy by using different technologies. The Group’s renewable energy projects has installed biogas collection systems to generate electricity which enable the landfill sites to achieve self-sufficiency in electricity and reduce the reliance on fossil fuels for power generation. In addition, the biogas from the landfill site will migrate to the outside through underground pathways, and our biogas collection system can reduce the amount of biogas escaping from the landfill. Collecting and using biogas for power generation can reduce the odour problems caused by landfill gas emissions, thereby reducing the impact on surrounding residents. During the Reporting Period, a total of 161,550,129 m³ of landfill gas was collected and equivalent to 1,495,223 tonnes of carbon dioxide emission was avoided because of our projects².

To ensure safe landfill gas power generation and grid connection, in addition to our internal policies, we install voltage stabilisers in the generator sets and promptly contact the responsible power grid dispatchers. During the Reporting Period, we were not aware of any material non-compliance with the regulations on Electricity regulation (《電力監管條例》) and the Regulations on the Administration of Power Business Licenses (《電力業務許可證管理規定》) and relevant laws and regulations.

² Covers the overall performance of the respective business segment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following is the accumulated achievement of our renewable energy business since our first waste utilisation project operation commenced in 2014³:



Generated
5,289,600,155 kWh
of green electricity



Generated
109,820,548 m³
of compressed natural gas



Equivalent to
34,927,011 tonnes
of CO₂e avoided



Collected
3,454,081,507 m³
of landfill gas

The Engineering & Construction Segment Strategically Bolsters the Group's Core Operations, Leveraging Its Technological Foundation for Overseas Expansion

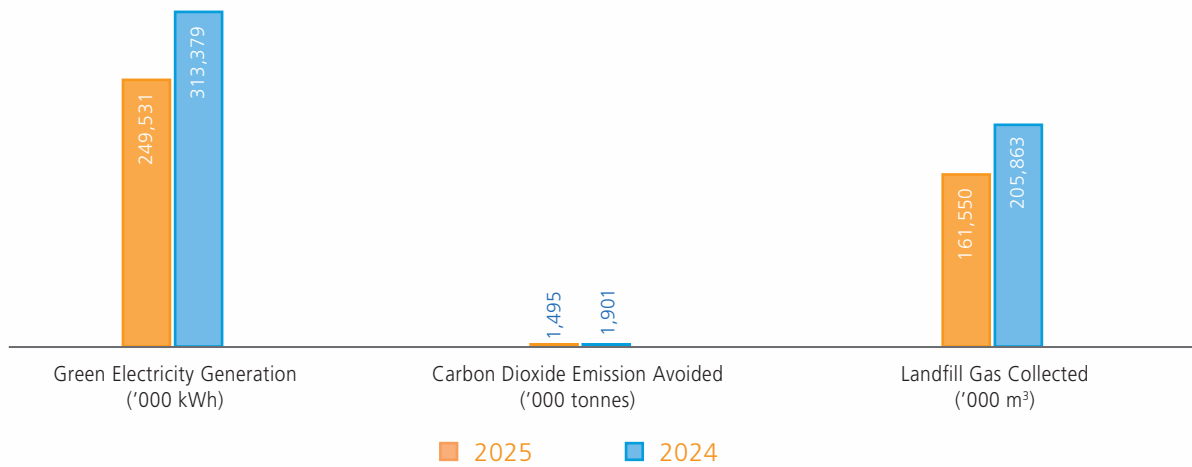
During the Reporting Period, our subsidiary, Shenzhen City Li Sai Industrial Development Limited executed all support tasks efficiently in strict alignment with its strategic focus and project imperatives. This had delivered technological and implementation support underpinning the stable operation of core businesses. It also provided engineering capacity reserves for the Group's overseas strategy. In synergistic alignment with the Group's overseas strategic layout, this supports our Overseas by providing engineering expertise and execution experience for the planning and pre-implementation phases of key overseas projects in Indonesia, the Philippines, and the UAE, thereby supporting the implementation of the Group's "technology export strategy".

³ Covers the overall performance of the respective business segment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As of 31 December 2025, the Group has been operating 23 landfill gas power generation projects in various provinces and municipalities in the PRC to deliver power to urban power grid, and generated a total of 249,530,885 kWh of green electricity throughout the year which increased the proportion of clean energy. In addition, we have been operating 1 compressed natural gas projects which generated a total of 2,796,663 m³ of compressed natural gas throughout the year.

Exploitation and sale of renewable energy



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sewage Treatment

Effluent treatment is one of the key aspects of our sewage treatment business. To lay a solid foundation for the fight against pollution and improve the requirements for national sewage treatment and disposal, the government has formulated the “14th Five-Year Plan for the Development of Urban Sewage Treatment and Resource Utilization” (《「十四五」城鎮污水處理及資源化利用發展規劃》), aimed at comprehensively improving the efficiency of sewage collection and treatment, accelerating the promotion of sewage resource utilization, improving facility operation and maintenance levels, and enhancing residents’ quality of life. The Group has 3 sewage treatment projects located in Shandong’s Jining and Guangdong’s Foshan, committed to serving communities through a sound sewage treatment system.

Here is our performance in the sewage treatment business in 2025⁴:

Daily aggregate sewage disposal capacity is approximately **80,000** tonnes
In 2025, **23,508,458** tonnes of sewage treated
4,360 tonnes of COD reduced

Accumulated achievement since the commissioning of the first sewage treatment project in 2007:

778,247,775 tonnes of sewage treated
129,913 tonnes of COD reduced

During the Reporting period, we were not aware of any material non-compliance with the Law of the People’s Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Criminal Law of the People’s Republic of China (《中華人民共和國刑法》) and other relevant laws and regulations by the Group’s sewage treatment business. All projects have obtained Pollutant Discharge Permit to operate legally.

With our internal policies in place, we adopt facilities and treatment technologies based on the sewage properties, including Biolak technology of Germany, Cyclic Activated Sludge System (CASS) technology, and Anaerobic-Anoxic-Oxic (A2/O) technology, combining with biological oxidation tank, magnetic-coagulation separation, ultraviolet irradiation disinfection. The treated domestic sewage from the Gaoming Sewage Treatment Plant in Foshan, Guangdong Province has reached the national class IB standard, and the sewage treated at the remaining sewage treatment plants is discharged in accordance with the national class IA standard of Discharge standard of pollutants for municipal wastewater treatment plant (《城鎮污水處理廠污染物排放標準》) (GB18918-2002). The effluent water quality of Jining City Haisheng Water Treatment Company Limited has been upgraded from national class IA standard to quasi Grade IV standard, to ensure no negative impact on the natural ecology and human health, and only discharge at designated locations specified in the agreement signed with the government.

⁴ Covers the overall performance of the respective business segment.

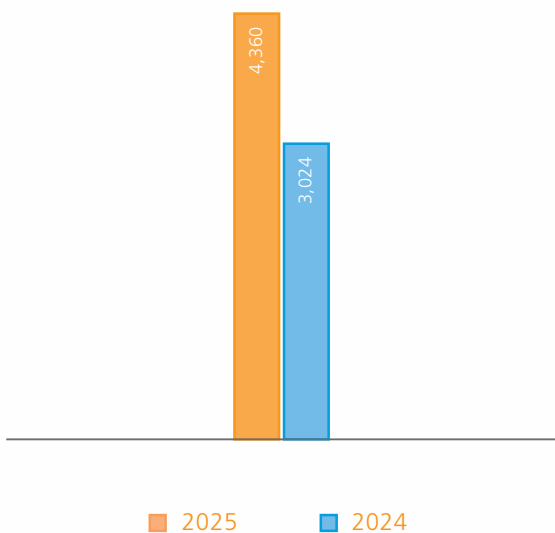
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our sewage treatment plants have obtained the approval of the “Environmental Assessment of Construction Projects” (《建設項目環境評價》) and the “Environmental Protection Acceptance of Construction Projects” (《建設項目環境保護驗收》), and have met all national environmental protection standards during the construction phase. We do not directly discharge the pollutants specified in the “Environmental Protection Tax Law of the People’s Republic of China” (《中華人民共和國環境保護稅法》) and receive tax exemptions and reductions in accordance with the regulations. During the Reporting Period, all treated wastewater was discharged to rivers, oceans or used for landscaping, amounting to 23,508,458 tonnes in total.

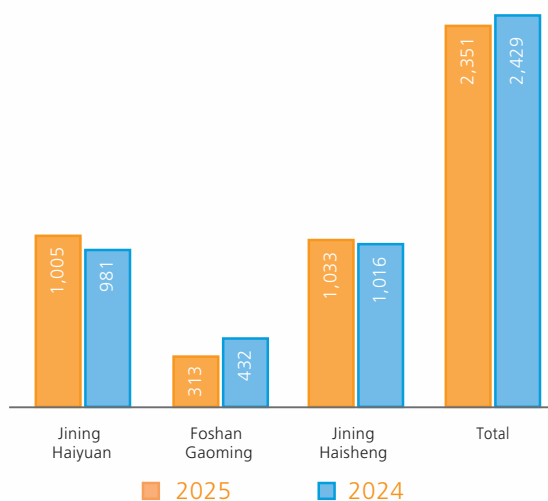
Total volume (tonnes) of treated sludge discharged by various disposal methods as of 31 December 2025:

Incineration	Brick-making	Vermicompost	Total
973	328	8,144	9,445

Reduction in COD (tonnes)



Volume of Sewage Treated by Projects (10,000 tonnes)



Optimizing Customer Service

We strive to provide customers with effective and quality service. We adhere to the people-oriented spirit and continuously enhance our service quality. We also set up relevant contingency plans for emergencies, such as natural disasters, to give employees clear instructions on how to deal with the issues and to cope with dangerous situation in a calm manner.

During the Reporting Period, we did not receive any material complaint (2024: nil).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OUR ENVIRONMENT

The Group's water related services and renewable energy business are closely related to nature. Therefore, we are committed to reducing environmental impact and managing waste, wastewater, air emissions and noise produced during our operations and achieving green office through information technology. To effectively monitor and manage the impact on environment, our project companies have formulated comprehensive environmental management systems and adopted stringent emission standards. In addition, we have also set a series of additional green targets to enable us to reduce our environmental impact during daily operation.

During the Reporting Period, we were not aware of any material non-compliance with relevant environmental protection laws and regulations by the Group, including but not limited to the "Environmental Protection Law of the People's Republic of China" (《中華人民共和國環境保護法》), the "Environmental Protection Tax Law of the People's Republic of China" (《中華人民共和國環境保護稅法》), the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste" (《中華人民共和國固體廢棄物污染環境防治法》), the "Law of the People's Republic of China on the Prevention and Control of Water Pollution" (《中華人民共和國水污染防治法》), the "Water Law of the People's Republic of China" (《中華人民共和國水法》), the "Environmental Impact Assessment Law of the People's Republic of China" (《中華人民共和國環境影響評價法》), the "Regulation on the Administration of Construction Project Environmental Protection" (《建設項目環境保護管理條例》) and the "Interim Measures for Environmental Protection Acceptance of Completed Construction Project" (《建設項目竣工環境保護驗收暫行辦法》).

Climate Change

In recent years, more frequent extreme weather events have increased threats and risks faced by humanity, and climate change has become a global issue of concern. We are committed to shouldering the responsibility of addressing climate change. The Group conducted ESG and climate-related risk and opportunity assessments to identify potential climate-related risks and opportunities, and will regularly evaluate the effectiveness of existing countermeasures to enhance our resilience to climate risks. We implement relevant risk mitigation measures to address these challenges. We regularly assess the effectiveness of current mitigation measures and actively seek improvement opportunities to enhance the climate resilience of our operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Governance

Board Oversight

The Board takes ultimate responsibility for the oversight of climate-related risks and opportunities. The Board, with the assistance of the ESG Working Group, is responsible for overseeing the Group's climate-related matters, including climate change policies, management of climate-related risks and opportunities, and the progress of "2030 Climate Targets". The ESG Working Group reports to the Board on sustainability-related matters through meetings at least once a year, and climate-related issues, risks and opportunities are considered as part of the Board's ongoing oversight of the Group's strategy and risk management. The scope of reporting covers climate-related issues, climate-related risks and opportunities. The Board considers trade-offs between climate factors in strategy formulation, major transaction decisions, and risk management processes, balancing them against other business, financial and operational priorities, as well as progress on the implementation of climate targets, thereby integrating climate considerations into the Board's overall decision making.

Both the Board and the ESG Working Group have sufficient knowledge of climate-related issues and the impacts of such issues on the Company's business and operations. To ensure that our Board and the ESG Working Group remain informed and that their knowledge is up to date, we provide regular training and materials on climate-related topics.

Management's Role

Under the supervision of the ESG Working Group and delegated by the Board, the management of the Group is responsible for assessing and managing climate-related risks and opportunities, the design and implementation of climate-related measures, as well as reviewing climate-related policies. Management implements the strategic direction set by the Board by incorporating climate considerations into our daily operations.

Please refer to "Sustainability Governance and Board's Oversight" section for details.

Strategy

In response to the long-term challenges posed by climate change, the Group continues to strengthen its capabilities in identifying and managing climate-related risks and opportunities and integrates such considerations into its sustainability risk management mechanism. The Group identifies and manages physical and transition climate risks as well as climate-related opportunities through our sustainability risk management mechanism. Through the established ESG Working Group, the Group maintains adequate resources to support relevant transition measures. During the Reporting Period, we enhanced the breadth and depth of our climate strategy planning by assessing the financial and non-financial impacts of climate change on the Group across multiple dimensions, including business operations, the supply chain and the market environment, thereby strengthening our climate resilience. A summary of the key identified climate-related risks and opportunities, their effects to our business and value chain, and our response actions and transition measures are presented in the table below over three distinct time horizons. We continue to apply time horizons that are aligned with our strategic decision-making and planning, and global and/or national best practices. However, since data availability and quantification methods continue to develop or evolve, we will continue to monitor and, where feasible, describe the concentration of climate-related risks and opportunities across our business model and value chain. As research in this area continues to evolve, we expect to strengthen our understanding and further identify relevant risks and opportunities across our core operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key Climate-related Risks and Their Impacts

Climate-related Risks	Financial Impacts	Non-Financial Impacts (for business models and value chains)	Response Actions and Transition Measures
Physical Risk			
<p>ⓈⓂⓁ Acute Risk</p> <p>The increasing frequency and intensity of extreme weather events (e.g., typhoons, flooding due to heavy rainfall, extreme high temperatures) may damage sewage treatment facilities and plant equipment, and require more energy consumption to cope with rising temperatures.</p>	<p>Current Financial Impact</p> <ul style="list-style-type: none"> ➤ Increase maintenance or replacement costs <p>Anticipated Financial Impact</p> <ul style="list-style-type: none"> ➤ Increase in the costs of preventive measures in the short and medium term (e.g., Reinforcing and maintaining infrastructures); ➤ Increase in property insurance premiums in the long term 	<p>Current and Anticipated Non-Financial Impacts</p> <ul style="list-style-type: none"> ➤ Operational and service disruptions caused by power outages and network interruptions during extreme weather, resulting in loss of production capacity and potentially adversely affecting public experience, corporate reputation and customer satisfaction; ➤ Potential threats to employee health and safety 	<ul style="list-style-type: none"> ➤ Establishment of emergency management mechanisms for climate-related incidents; ➤ Ongoing strengthening of communication with meteorological, water and other relevant authorities to obtain timely weather warnings, ensure sufficient disaster prevention resources, and facilitate effective and prompt emergency response
<p>ⓂⓁ Chronic Risk</p> <p>Long-term changes in climate patterns (e.g., rising sea levels, persistent high temperatures, droughts) may adversely affect operating environments.</p>	<p>Current Financial Impact</p> <ul style="list-style-type: none"> ➤ No significant financial impact at this stage <p>Anticipated Financial Impact</p> <ul style="list-style-type: none"> ➤ Increase in maintenance costs in the medium and long term as cooling equipment may age more rapidly under high-load operation; ➤ Increase in capital expenditure in the medium and long term due to potential investment in more energy-efficient or heat-resilient cooling systems 	<p>Current and Anticipated Non-Financial Impacts</p> <ul style="list-style-type: none"> ➤ Increased risk of operational and production equipment failures and reduced labour productivity due to prolonged high temperatures, thereby affecting the stability and reliability of business operations; ➤ Elevated risks of heatstroke, heat exhaustion and related occupational illnesses under high-temperature working conditions, potentially resulting in lost working hours, increased medical insurance costs, reduced labour productivity, and impacts on business stability 	<ul style="list-style-type: none"> ➤ Provision of relevant awareness and training to employees; ➤ Provision of heat relief supplies to frontline employees working under high-temperature conditions, and placement of emergency and heatstroke prevention medications and cooling beverages at appropriate locations to enhance employees' self-protection capabilities; ➤ Establishment of a systematic mechanism for climate-related hazard identification and risk assessment

Ⓢ Short Term (2030) Ⓜ Medium Term (2040) Ⓛ Long Term (2050)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate-related Risks	Financial Impacts	Non-Financial Impacts (for business models and value chains)	Response Actions and Transition Measures
Transition Risk			
<p>ⓂⓁ Policy and Legal Risk</p> <p>As global regulators intensify decarbonisation efforts, including China’s “dual carbon” strategy, carbon pricing, and the expansion of carbon markets, climate policies are becoming increasingly stringent, imposing higher requirements on corporate transparency and emissions reduction.</p>	<p>Current Financial Impact</p> <ul style="list-style-type: none"> ➤ Additional compliance costs arising from new climate-related disclosure requirements <p>Anticipated Financial Impact</p> <ul style="list-style-type: none"> ➤ Additional capital expenditure in the short and medium term in response to climate-related policy developments; ➤ Potential increase in operating costs in the medium and long term due to carbon pricing and other related regulatory changes 	<p>Current and Anticipated Non-Financial Impacts</p> <ul style="list-style-type: none"> ➤ Non-compliance with climate-related regulatory and disclosure requirements may adversely affect brand reputation and stakeholder trust; ➤ Potential weakening of long-term development and market competitiveness 	<ul style="list-style-type: none"> ➤ Promotion of carbon credit trading; ➤ Prioritisation of landfill gas-to-energy generation at project sites to reduce reliance on fossil fuels, and substitution of conventional fuels with renewable energy; ➤ Ongoing monitoring of regulatory and policy developments to ensure compliance with the latest requirements; ➤ Provision of training to employees
<p>ⓂⓁ Market (Changes in Customer Behaviour):</p> <p>Growing societal focus on ESG has made it a key performance factor for stakeholders. Failure to meet ESG expectations may expose the Group to reputational risks and potential loss of customers.</p>	<p>Current Financial Impact</p> <ul style="list-style-type: none"> ➤ No significant financial impact at this stage <p>Anticipated Financial Impact</p> <ul style="list-style-type: none"> ➤ Potential decrease in revenue in the medium and long term due to reputational damage or public acceptance 	<p>Current and Anticipated Non-Financial Impacts</p> <ul style="list-style-type: none"> ➤ Continued high carbon emissions may damage corporate reputation, weaken the brand’s attractiveness to consumers and investors, and potentially reduce market competitiveness 	<ul style="list-style-type: none"> ➤ Exploration of climate change-related business opportunities, including opportunities in carbon markets; ➤ Implementation of energy efficiency measures, such as optimisation of power systems, adoption of energy-efficient equipment, and adjustment of wastewater treatment processes based on water quality, to reduce energy consumption in daily operations; ➤ Monitoring of customer satisfaction and the Group’s reputation; ➤ Communication of the Group’s implemented low-carbon measures to stakeholders

Ⓢ Short Term (2030) Ⓜ Medium Term (2040) Ⓛ Long Term (2050)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key Climate-related Opportunities and Their Impacts

Climate-related Opportunities	Financial Impacts	Non-Financial Impacts (for business models and value chains)	Response Actions and Transition Measures
Transition Risk			
<p>ⓈⓂⓁ Resource Efficiency Investment in high-efficiency equipment and optimisation of operational management may help reduce energy consumption in the sewage treatment process, thereby lowering long-term operating costs.</p>	<p>Current Financial Impact</p> <ul style="list-style-type: none"> ➤ Reduced energy and operating costs through the adoption of energy-efficient equipment and enhanced operational management <p>Anticipated Financial Impact</p> <ul style="list-style-type: none"> ➤ Potential reduction in regulatory-related expenditures, such as carbon taxes and carbon allowance procurement, over the medium to long term 	<p>Current and Anticipated Non-Financial Impacts</p> <ul style="list-style-type: none"> ➤ Reduced operational carbon emissions to meet increasingly stringent carbon regulations and disclosure requirements ➤ Enhanced brand reputation and strengthened market competitiveness through tangible climate actions 	<ul style="list-style-type: none"> ➤ Development and implementation of energy-efficiency retrofit plans for key equipment; ➤ Exploration of participation in green electricity trading or procurement opportunities.
<p>ⓂⓁ Products and Services Growing market demand for green and low-carbon products and services may drive the expansion of sustainable products and services, thereby creating growth opportunities.</p>	<p>Current Financial Impact</p> <ul style="list-style-type: none"> ➤ Lower operating costs arising from enhanced resource efficiency through recycling and reuse <p>Anticipated Financial Impact</p> <ul style="list-style-type: none"> ➤ Potential revenue growth from the expansion of sustainable products and services over the medium to long term 	<p>Current and Anticipated Non-Financial Impacts</p> <ul style="list-style-type: none"> ➤ Enhanced resource efficiency and strengthened corporate image ➤ Strengthened market and technological competitiveness 	<ul style="list-style-type: none"> ➤ Active exploration of new market opportunities and development of low-carbon and sustainable products and services aligned with market demand

Ⓢ Short Term (2030) Ⓜ Medium Term (2040) Ⓛ Long Term (2050)

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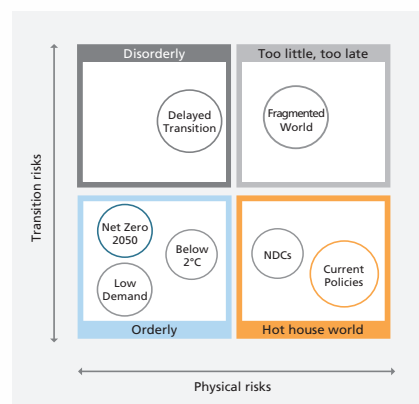
Climate Scenario Analysis

During the Reporting Period, the Group conducted climate scenario analysis for the first time to assess the resilience of its strategy and business model against a range of potential climate risks.

The analysis covered the Group's core operations in the PRC at the corporate level, aiming to provide a basis for strategic planning and risk management. The results of the analysis have informed our strategic planning, risk management and resource allocation across different time horizons.

Scenario and Model Application

We used the Network for Greening the Financial System⁵ ("NGFS") as the primary data source, and selected a low-carbon scenario (namely the "Net Zero 2050 scenario") and a high-carbon scenario (namely the "Current Policies scenario") respectively as they are the internationally recognized, are among the publicly available scenario sources, and are directly relevant to the Group. This scenario analysis is not intended to predict the future, but to stress test the Group's business through several plausible future scenarios. This analysis is subject to uncertainties, including the current limitations in available literature and data in quantifying the influence of climate with a high degree of certainty. Our current approach was based on a snapshot of our current situation and assumed no change in our major business operations, operating locations or carbon mitigation measures, and no correlation between different climate risk variables. Going forward, we will continue to refine our approach to climate scenario analysis as new credible data and methodologies become available.



In terms of analysis indicators, we integrated global climate models, regional climate data and industry projections to assess the physical risk and transition risk highly relevant to the Group's operations. The scope covers physical risk indicators such as tropical cyclones, floods and heatwaves, as well as carbon pricing levels that may affect operating costs and transition pressure. The analysis indicates that all risks assessed are low risks under all evaluated climate scenarios. Please refer to the table below for an overview of the selected time horizons, climate scenarios and analysis results.

⁵ NGFS is a group of central banks and supervisors who share best practices, contribute to developing climate and environment risk management in the financial sector, and mobilise mainstream finance to support the transition to a sustainable economy.

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Time Horizon and Climate Scenario Selection

Risk Indicator		Time Horizon	NGFS Scenario Selection
Physical Risk	Acute Risks:	2030 (short-term)	Net Zero 2050 (Orderly) <ul style="list-style-type: none"> Assumes rapid climate policy and technological transition, achieving net zero CO₂ emissions by around 2050, limiting global warming to 1.5°C⁶ with minimal overshoot. Physical risk is limited, while transition risk is high. Current Policies (Hot House World) <ul style="list-style-type: none"> Assumes only existing policies are maintained, leading to continued emission growth until 2080 and warming of approximately 3°C, triggering multiple severe physical risks including irreversible impacts such as sea level rise.
	<ul style="list-style-type: none"> Tropical cyclones Floods 	2040 (medium term)	
Chronic Risks:	2050 (long-term)		
<ul style="list-style-type: none"> Heatwaves 			
Transition Risk	Policy and Legal Risks:		
	<ul style="list-style-type: none"> Carbon pricing 		

Scenario Analysis Results

Risk level: ● High ● Moderate ● Low

Risk Indicators/Variables	The PRC	Impact Level						
		Net-Zero 2050 Scenario			Current Policies Scenario			
		2030	2040	2050	2030	2040	2050	
Physical Risk	Cyclones	✓	●	●	●	●	●	●
	Floods	✓	●	●	●	●	●	●
	Heatwaves	✓	●	●	●	●	●	●
Transition Risk	Carbon Pricing	✓	●	●	●	●	●	●

Climate Resilience and Adaptability

The results of climate-related scenario analysis inform the Group's assessment of the resilience of its strategies and operating models under different scenarios and time horizons. The analysis deepens the understanding of the potential impacts of climate change on the Group's operations and strategic positioning, and provides a basis for identifying priority areas for strengthening risk management, strategic adjustment or resource allocation.

The Group maintains the capacity to adapt its strategies and operating models in the short, medium and long term through existing risk management and strategic planning processes. The scenario analysis results have been integrated into relevant processes to support the Group in making timely and prudent decisions, effectively responding to evolving climate-related risks and opportunities, thereby strengthening long-term operational resilience and driving sustainable value creation.

⁶ Aligned with the Paris Agreement's goal in limiting warming to 1.5°C above pre-industrial level.

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Risk Management

The Board holds overall responsibility for overseeing climate-related risks and opportunities, which are fully embedded within the Group's ESG risk and opportunity management framework to support the identification, assessment, management, and reporting of risks across different areas. With support from the ESG Working Group, the Group conducts regular sustainability risk and opportunity assessments, including those related to climate.

Climate-related risks and opportunities are evaluated based on their potential impact and likelihood, and are prioritised accordingly. Based on the assessment results, the Group develops and implements appropriate mitigation measures to strengthen its ability to manage risks and respond effectively to emerging challenges and opportunities.

For further details, please refer to the section "ESG-Related Risk and Opportunity Management".

Metrics and Targets







In support of China's 3060 goal, namely peaking carbon emissions by 2030 and achieving carbon neutrality by 2060, and taking into account the Paris Agreement, an international climate agreement aimed at limiting global warming to 1.5°C above pre-industrial levels, the Group has formulated a clear carbon reduction pathway based on its business characteristics and is steadily advancing its low-carbon transition. Within this framework, we disclose key climate-related metrics in our annual ESG Report, including Scopes 1, 2 and 3 GHG emissions and energy consumption, etc., and established the meaningful target below⁷:



⁷ Our climate reduction target applies to our core businesses and covers three greenhouse gases as defined under the Kyoto Protocol: carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O), details of the scope are set out in the section headed "Reporting Year and Scope". We will consider the potential use of quality Renewable Energy Certificates ("RECs") and carbon credits as part of our decarbonisation pathway and continue to monitor relevant guidance on carbon credits and offsets in relation to offsetting GHG emissions in achieving our climate targets.

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Furthermore, to make our operations more climate-resilient, we have established the following green targets:

Green Targets	Progress
 <p>Waste</p> <ul style="list-style-type: none"> Minimize waste generation intensity and avoid unnecessary consumption 	 <p>In progress</p>
 <p>Energy</p> <ul style="list-style-type: none"> Reduce energy consumption intensity by implementing energy saving measures 	 <p>In progress</p>
 <p>Water</p> <ul style="list-style-type: none"> Reduce water consumption intensity and improve water efficiency by implementing water-saving measures 	 <p>In progress</p>

During the Reporting Period, we also began disclosing Scope 3 emissions and will continue to refine the scope, methodology and quality of Scope 3 disclosures over time, in line with evolving regulatory expectations, data availability and industry best practices. For further details, please refer to the “Performance Data Summary” section.

Case Study: Embracing the Low-carbon Era through Active Carbon Trading

To support the achievement of the national carbon peak and carbon neutrality goals, the Group actively promotes carbon credit trading in response to the “dual carbon” targets. The Group’s renewable energy segment companies have actively pursued carbon reduction efforts by investing in renewable energy projects, which not only avoids GHG emissions from landfill waste but also replaces the use of fossil fuels, reducing GHG emissions.

In addition, the dedicated carbon reduction team worked diligently, successfully selling 738,600 tonnes of carbon emission reductions from Verra Verified Carbon Standard (“VCS”) projects during the reporting period, which not only cultivated a new revenue channel for the Group but also seized a strategic advantage in the wave of green development transformation.

Active VCS registered Projects

Shiling Landfill Gas Power Generation Grid-connected Project, Huadu District, Guangzhou City
(廣州市花都區獅嶺垃圾填埋場沼氣發電上網項目)

Liling Landfill Gas Power Generation Project (醴陵市垃圾填埋場發電項目)

Gaizhou Landfill Gas Power Generation Project (蓋州市垃圾場填埋氣發電項目)

Shibaoshan Landfill Gas Power Generation Project, Zhijiang City (枝江石寶山垃圾填埋場沼氣發電項目)

Lianyuan Landfill Gas Power Generation Project (漣源市垃圾填埋場發電項目)

Nanning Landfill Gas Power Generation Project (南寧市垃圾填埋場沼氣發電項目)

Haicheng Landfill Gas Power Generation Project (海城垃圾填埋場填埋氣發電項目)

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GHG Emissions and Energy Management

The Group is committed to reducing GHG emission and electricity consumption through implementing energy saving measures and making good use of renewal resources. Our major source of GHG is electricity consumption. In addition, the Group's self-owned vehicles, equipment, backup power generation and canteens will also use diesel, gasoline, and natural gas for energy consumption. To reduce our reliance on fossil fuel, we replace traditional fuel use with renewable energy generation, and landfill gas power generation is given priority in landfill gas power generation projects. We will first cover the landfill for deodourisation. The landfill gas collected via gas wells and pipes is purified and utilised to effectively improve the environmental sanitation of the entire landfill, reduce the landfill safety hazards, solve the problem of landfill odour pollution and make good use of renewable resources.

Besides, we implemented a number of energy saving measures to reduce energy consumption in our daily operation, such as optimizing the power system and building design, purchasing imported energy saving production equipment and electrical appliances, and adjusting the sewage treatment equipment according to the quality of inflow water. We encourage our employees to develop the habit of saving electricity, such as turning off lights and controlling air-conditioning temperature. In future, we will explore ways to achieve energy saving and emission reduction in every operational stage.

The Group's air emission directly generated from our operations mainly comes from electricity generators, landfill gas flares, different types of vehicles and canteen stoves. Air emission emitted from generators is treated by denitrification equipment devices and will be emitted only if it meets the emission limits in the "Emission Standard of Air Pollutants for Boiler" (《鍋爐大氣污染物排放標準》) (GB13271-2014). In the event of poor biogas quality, shutdown of landfill gas recycling device or when the gas supply is in excess, we will use the flare system of the landfill gas electricity generation project to incinerate the biogas in high temperature, burn down or treat the hazardous substances in a harmless manner. Air emission that meets the "Integrated Emission Standard for Air Pollutants" (《大氣污染物綜合排放標準》) (GB16297-1996) will be discharged through a specific exhaust pipe. Relevant project companies have also obtained the discharge permits issued by the government. To ensure compliance, we conduct regular check-ups for prevention and control of air pollution in daily operation. We also entrust third-party environmental monitoring institutions to conduct on-site monitoring of atmospheric pollution. In case of any non-compliance, corrective actions will be taken based on the "Procedure of Non-compliance, Corrective and Preventive Action". To reduce fume emission from cooking, we installed fume purifying devices in the canteen.

Wastewater Management in Renewable Energy Projects

The Group is responsible for landfill gas collection through the gas wells and pipes in the landfills in the landfill power generation project. Landfill operators are responsible for the sanitation of the landfills and the treatment of leachate. The leachate inside the gas well will flow to the waste through the wall of the well, and finally be drawn out through the drainage pipe, and sent directly to the leachate treatment facility of the landfill together with the condensate inside the gas pipe for treatment. In addition, our drainage and sewage pipes are constructed based on the principle of "rain and sewage diversion". The rainwater collected separately is discharged directly. The purpose of separating the collection of sewage and rainwater is to reduce sewage production. The condensate generated by the cooling tower will be recycled for our internal use. The domestic sewage treated by septic or leachate tanks will be transported to sewage treatment station of landfill or used for greening and fertilisation.

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Water Management

The Group is committed to constantly reviewing various water conservation measures, and focuses on reducing water use and recycling wastewater. We have implemented water conservation policies, installed low-flow water-saving devices, and eliminated outdated equipment with high water consumption. During the Reporting Period, we did not have any problems in sourcing water that was fit for purpose.

Noise Management

In our daily operations, the noise we generate mainly comes from the use of large machines such as generators, water pumps, and induction fans. To mitigate the impact of noise on the surrounding residents and ensure that the noise level in the factory area meets the Class II standard of the Emission Standard for Industrial Enterprises Noise at Boundary” (《工業企業廠界環境噪聲排放標準》) (GB12348-2008), we regularly maintain and repair equipment to ensure proper operation, and install mufflers on high-noise equipment. In addition, to reduce the noise generated by mechanical vibration, we install shock-absorbing pads between the equipment and the ground where possible.

Solid Waste Management

We are committed to promoting the concept of waste separation and recycling to reduce waste production. Our solid waste is mainly general domestic refuse, food waste and hazardous waste generated in the production process. We identify hazardous waste, including waste oil, waste desulphurisation agent and sludge according to the “National Catalogue of Hazardous Wastes” (《國家危險廢物名錄》). To prevent hazardous waste from causing any unnecessary environmental pollution, we collect and store different categories of hazardous wastes in accordance with the “Standard for Pollution Control on Hazardous Waste Storage” (《危險廢物貯存污染控制標準》) (GB18597-2001), set up temporary liquid waste storage area and collection facilities that meet environmental requirements in the factory area, and entrust qualified hazardous waste collectors to dispose wastes to comply with the “Law of the People’s Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Waste” (《中華人民共和國固體廢物污染環境防治法》) and other relevant laws and regulations. In addition, we conduct spot checks and supervise waste recyclers regularly to ensure recyclers properly recycle and dispose of waste.

For general solid waste, we store and dispose of recyclable and non-recyclable general waste according to the “Standard for Pollution Control on the Non-Hazardous Industrial Solid Waste Storage and Landfill” (《一般工業固體廢物儲存、處置場污染控制標準》) (GB18599-2001). Recyclable general waste such as metal, plastic, food waste, waste paper, etc., are sorted and then handed over to qualified recyclers to reduce waste generation. To continuously enhance management policy, our Environmental Management Team will review the waste management semi-annually to ensure proper waste handling.

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CARING FOR EMPLOYEES

Employees are a critical pillar in driving our pursuit of excellence in business. To foster mutual growth, we actively cultivate a comfortable and empowering work environment that enables our staff to continuously develop and realize their potential. During the Reporting Period, we were not aware of any violations of laws and regulations related to employment by the Group, including but not limited to the “Labour Law of the People’s Republic of China” (《中華人民共和國勞動法》), the “Labour Contract Law of the People’s Republic of China” (《中華人民共和國勞動合同法》), the “Social Insurance Law of the People’s Republic of China” (《中華人民共和國社會保險法》) and the “Provisions on the Prohibition of Using Child Labour” (《禁止使用童工規定》).

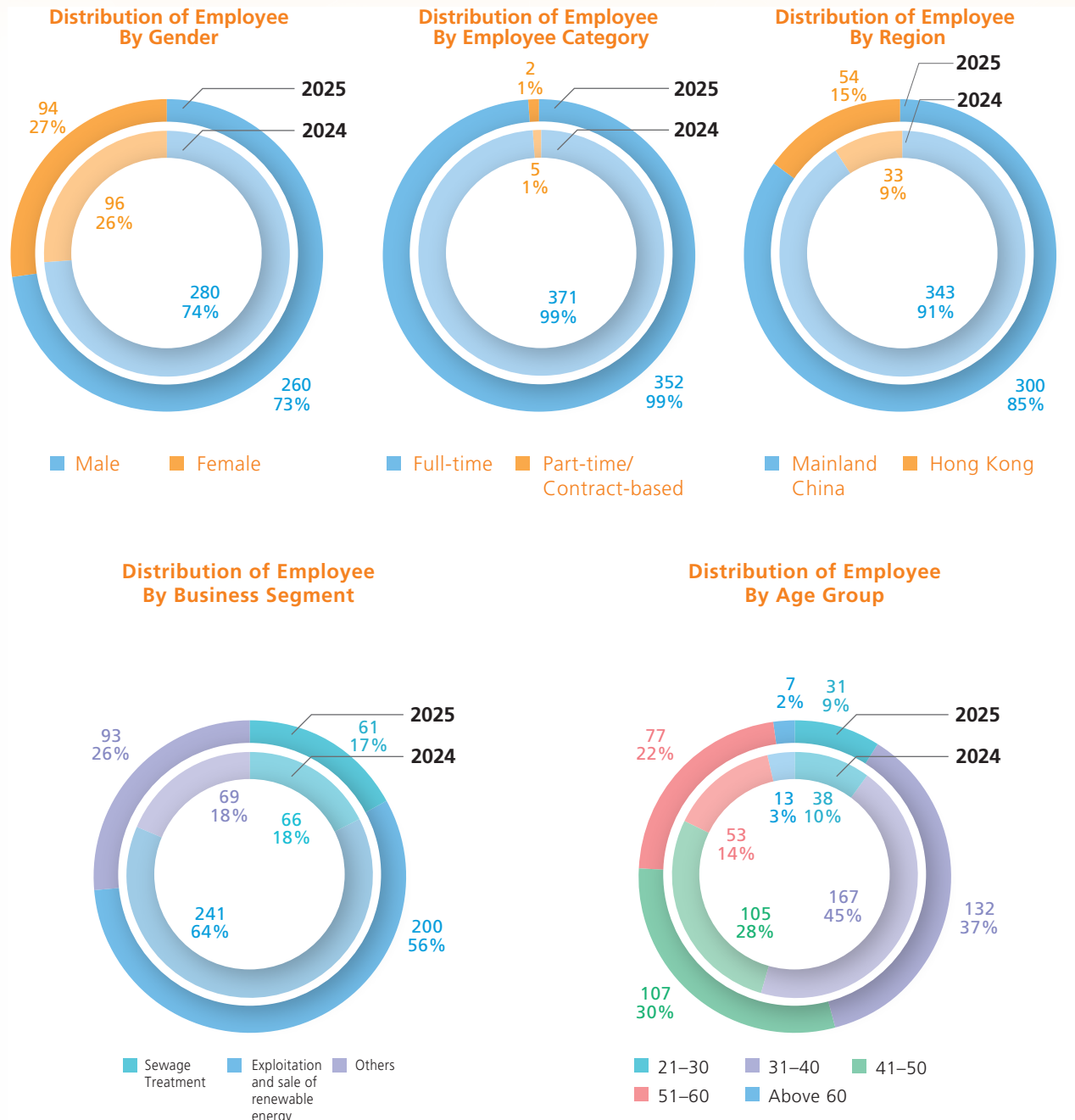
Talent Recruitment

The Group is committed to protecting the rights and interests of employees, and have developed relevant personnel management policy for each project company according to the “Labour Law of the People’s Republic of China” (《中華人民共和國勞動法》), which clearly stipulate the operation procedures and regulations related to employee recruitment, dismissal, promotion, compensation, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, etc. Also, we adopt a zero-tolerance attitude towards child labour and forced labour, and strictly implement the “Provisions on the Prohibition of Using Child Labour” (《禁止使用童工規定》) of the State Council. During recruitment, candidates are required to provide their identity documents, and if necessary, their residence registration and photos are required to be verified before further registration. Those candidates who have not obtained ID cards shall hold a certificate of over 16 years old approved by the police station where their residence is registered. Employees shall guarantee the authenticity, legality, and validity of the submitted documents, and shall not borrow or falsify the documents to deceive the Company. Otherwise, they will not be qualified for employment or their labour relationship with the Company will be terminated immediately. If any cases of child labour or forced labour are found, we will claim all the legal responsibilities to those who cause serious consequences. A special team will be set up to ensure the victims are adequately protected, and all their salaries are immediately settled. We will escort the child to his/her original place of residence and obtain the signature of the parent or guardian for confirmation. Our human resources department reviews the recruitment practices regularly to ensure the effectiveness of our existing measures against child and forced labour. During the Reporting Period, we were not aware of any cases of child labour or forced labour within our operations.

In order to attract talents, the Group recruits talents by various channels, including posting advertisements on newspapers, job boards, job markets, recruitment agencies, talent websites, internal promotions or referrals from co-workers. We hire talents in a fair, open, and transparent manner according to the capability and work experience of candidates, and ensure they are not discriminated in terms of race, religion, gender, marital status, sexual orientation, age, disability, etc. In addition, we sign “Labour Contracts” with all new employees within one month after they join the Company on a willing basis and have their social security paid. We will never recruit employees by forced or deceptive means such as seizing their ID cards or other valid documents. If necessary, the Supplement Agreement to Labour Contract and the “Confidentiality Agreement” will be signed at the same time. The Group’s Employee Handbook detailedly stated the corporate management policies, employee compensation, leaves, benefits, etc. If an employee is involved in a serious violation of the regulations, the Company is entitled to terminate the labour relationship with the employee in accordance with the Labour Law of the People’s Republic of China (《中華人民共和國勞動法》) and relevant regulations. The employee dismissed by the Company will not be given financial compensation other than wages.

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As of 31 December 2025, the Group had 354 employees⁸; 94 are female employees which accounted for 27% of the total number of employees. All our employees are located in China (including Hong Kong).

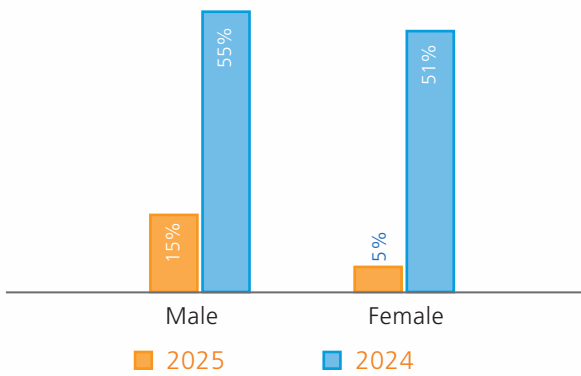


⁸ The data related to employees covers all employees of the Group and the scope of disclosure is consistent with that of the financial report.

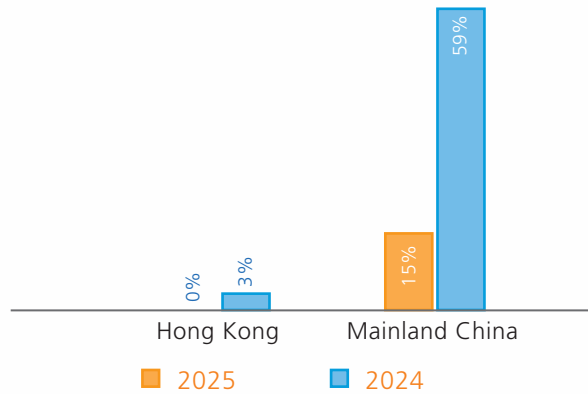
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the staff turnover rate was 13% (2024: 54%).

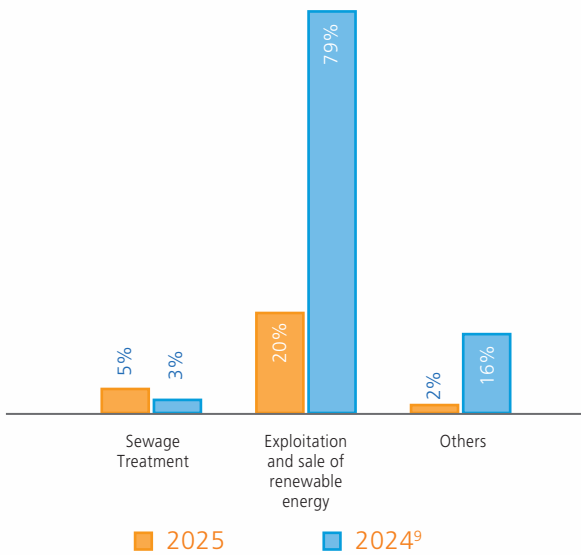
**Staff Turnover
By Gender**



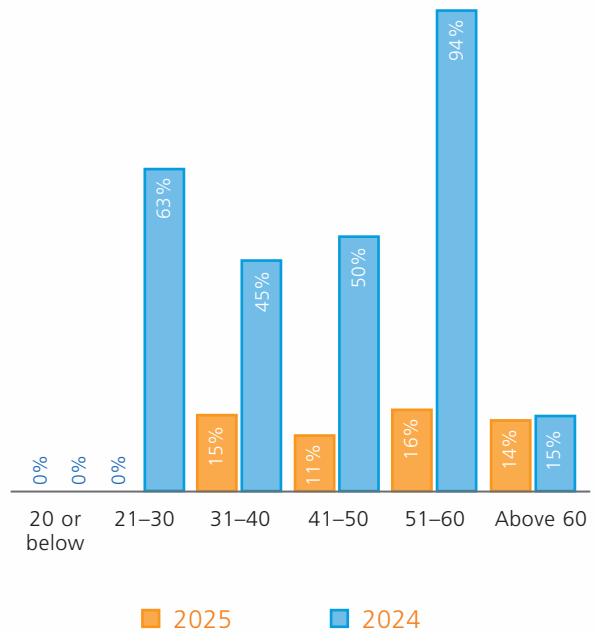
**Staff Turnover
By Region**



**Staff Turnover
By Business Segment**



**Staff Turnover
By Age Group**



⁹ Figures have been adjusted to reflect the actual situation.

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Protection for Our Female Employees

The Group is committed to promoting a female-friendly workplace. We have a female employee protection policy to ensure that female employees will not be unreasonably dismissed due to pregnancy, maternity leave, breastfeeding, etc. and be able to get a basic salary on the basis of fair treatment. They will have equal opportunities in salary reviews, promotion, and work arrangements to protect their rights and interests. We will also make the necessary job transfers for pregnant employees to ensure their health and safety are well protected.

Occupational Health and Safety

To strengthen the management of occupational health and safety, we have developed a system for safety production and education, emergency response plans and safe operating procedures to comply with the “Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases” (《中華人民共和國職業病防治法》) and the “Law of the People’s Republic of China on Work Safety” (《中華人民共和國安全生產法》). We provide employees with work-related injury insurance, and equip personnel in special positions with masks, gloves, safety shoes, cotton coats and other protective equipment. The Group has designated personnel to conduct 24-hour patrolling. The production personnel of factory area inspect and organize fire drills regularly to prevent and eliminate hidden threats to safety in time. Each project company has an operation safety team in place, which is responsible for educating employees on safety production, formulating safety production and operation procedures, and supervising the implementation of safety procedures, to ensure protection of employee health.

During the Reporting Period, we were not aware of any material non-compliance with relevant occupational health and safety laws and regulations by the Group, including but not limited to the “Fire Control Law of the People’s Republic of China” (《中華人民共和國消防法》), the “Regulations on the Safety Administration of Dangerous Chemicals” (《危險化學品安全管理條例》) and the “Provisions on the Administration of Occupational Health at Workplaces” (《工作場所職業衛生管理規定》). Also, there was 1 work-related fatalities occurred and the lost days due to work injury was 1 day during the Reporting Period (2024: 0 day).

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Our project companies have also implemented the following occupational health and safety measures:

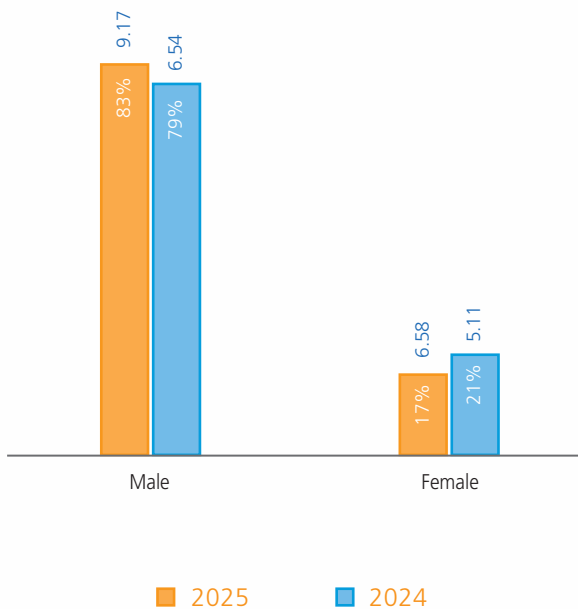
- Regularly inspect fire safety equipment to reduce the risk of fire
- Appoint a dedicated person to monitor the use of open flames, welding, and other procedures
- Provide sufficient training to employees, for example, in some project companies, new employees must complete three levels of safety education courses, pass relevant tests, and obtain safety certificates before formal employment
- Require employees in special job categories to obtain special operation certificates
- Install safety warning signs in work areas
- Conduct health check-ups and occupational health examinations for employees at least every two years
- Regularly conduct various safety drills to enhance employees' emergency response capabilities
- Conduct weekly safety inspections to promptly improve problems
- Develop emergency response plans to handle various emergency situations such as chemical spills, electric shocks, gas accidents, equipment operation accidents, natural disasters, major casualties, power supply interruptions, fires, and serious accidents involving employees
- Send employees to external professional training programs in fire safety, hospitals, and other departments to ensure that they can evacuate and handle emergencies in an orderly manner
- Regularly inspect the food and health of the cafeteria, and regularly clean the cafeteria and dormitories to ensure the health of chefs and the freshness of food
- Prevent infectious diseases and control pests to ensure the health and safety of employees' food and drinks

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

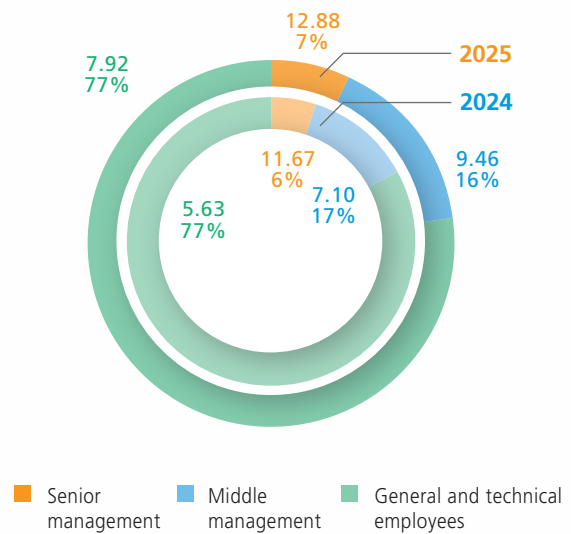
Talent Training

The Group believes that talents are the most important asset of an enterprise. To cultivate and develop a high-level talent team, we hold a diversified training program every year to meet the professional knowledge and skills needs of our employees. Some of our project companies even have online schools, allowing employees to watch training videos anytime and anywhere to learn and review professional knowledge. In addition, we also appoint outstanding talents to participate in professional training institutions and regularly invite external professional trainers to impart different knowledge and skills to our employees. Some of our project companies also encourage employees to participate in external training related to the company's business needs and job nature through funding, promoting employees' self-learning.

Average Training Hours and Percentage of Employees Trained By Gender¹⁰



Average Training Hours and Percentage of Employees Trained By Employment Category¹⁰



Mutual Communication

The Group places a high value on communication with its employees. To this end, we have established open channels of communication and regularly conduct employee interviews and surveys to better understand their opinions and views, and enhance their sense of belonging. We also disseminate the latest management policies and operational strategies to all employees via email, meetings, and message releases. In addition, some of our subsidiary companies use WeChat Official Accounts to share the latest updates and industry news on a regular basis, enabling employees to stay up to date with the Group's latest developments.

¹⁰ The disclosed data includes training figures related to employees who left the Group during the Reporting Period, in order to reflect the scale and extent of resources invested in employee training by the Group.

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Employee Benefits

The Group is committed to creating a healthy and safe work environment for our employees. In addition to providing paid annual and statutory leave, we offer full-time employees benefits such as social security plans, maternity leave, bereavement leave, and sick leave, in accordance with legal requirements. Some of our subsidiaries also provide additional benefits such as employee dormitories, holiday allowances, travel allowances, communication allowances, and work meals based on their operations. In terms of salary, we follow the principle of fairness and determine or adjust salary based on factors such as the employee's education, work experience, abilities, qualifications, position, and actual performance. We also purchase commercial insurance for employees and their families, and regularly arrange for employees to undergo health check-ups and special job-related medical examinations to protect their health as the first line of defence.

To promote work-life balance, we do not encourage overtime work. If a department requires employees to work overtime to meet production demands, we have established written regulations specifying that employees must not work more than 60 hours per week, and no more than 36 hours of overtime per month. We also ensure that employees receive at least 24 consecutive hours of rest after working for 6 consecutive days, and are paid overtime compensation in accordance with labour laws. Employees who wish to express their opinions can do so through our suggestion box, phone, or face-to-face meetings, and file complaints or suggestions. To protect the privacy and rights of complainants, all complaints will be kept strictly confidential without the complainant's consent.

Work Life Balance

We take a holistic approach to our employees' physical and mental health, and actively organize various recreational activities to relieve their daily work pressure. We hold an annual meeting and regularly host various recreational activities such as sports events, museum visits, and outdoor activities to strengthen the connection among our employees.

COMMUNITY CONTRIBUTION

We are committed to fulfilling our social and environmental responsibilities as a corporate citizen by utilizing our professional knowledge to serve the community and promote the importance of caring for society. Our contributions mainly focus on volunteer activities, environmental promotion, and community service, with the hope of leading our employees to give back to society through action and creating a harmonious and inclusive community.

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PERFORMANCE DATA SUMMARY

Environmental¹¹

To further monitor our emission reduction efforts, we will continuously evaluate, record, and disclose GHG emissions and other environmental data related to our main carbon emission sources in our business operations. Using 2024 data as a benchmark, we will appropriately compare it with this year's data to effectively identify areas for improvement.

Indicator ^{12, 13}	Unit	2025	2024
GHG Emissions^{14, 15}			
Total GHG Emissions (Scope 1 & 2)	tCO ₂ e	4,679.14	4,399.83
Total GHG Emissions (Scope 1, 2 & 3)	tCO ₂ e	4,777.85	N/A
• Direct Emissions (Scope 1)	tCO ₂ e	73.58	98.44
• Energy Indirect Emissions (Scope 2) — location-based	tCO ₂ e	4,605.56	4,301.38
• Other Indirect Emissions (Scope 3) ¹⁶	tCO ₂ e	98.71	N/A
• GHG Emissions (Biogenic) ^{17, 18}	tCO ₂ e	79,469.35	85,095.53
Total GHG Emissions Intensity (Scope 1, 2 & 3) ¹⁹	tCO ₂ e/thousand HKD revenue	0.02	N/A
Air Emissions			
Nitrogen Oxides (NO _x)	Kg	108,995.47	116,734.02
Sulphur Oxides (SO _x)	Kg	38,526.33	41,254.07
Particulate Matter (PM)	Kg	9,214.90	9,869.02
Energy			
Total Energy Consumption ²⁰	MWh	1,125,485.27	1,203,733.17
• Purchased Electricity	MWh	7,972.24	7,050.29
• Petrol	MWh	156.69	271.47
• Diesel	MWh	89.87	43.56
• Liquefied Petroleum Gas	MWh	13.93	17.16
• Natural Gas	MWh	7.66	8.47
• Landfill Gas	MWh	1,117,244.89	1,196,342.21
Total Energy Consumption Intensity	MWh/thousand HKD revenue	4.81	2.24

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Indicator ^{12, 13}	Unit	2025	2024
Water			
Total Water Consumption	m ³	9,670.77	11,887.00
Total Water Consumption Intensity	m ³ /thousand HKD revenue	0.04	0.02
Hazardous Waste			
Total Hazardous Waste	Tonnes	85.82	119.10
• Waste Oil and Waste Containing Oil	Tonnes	79.67	78.59
• Waste Activated Carbon	Tonnes	–	7.59
• Waste Mineral Oil	Tonnes	0.78	23.36
• Waste Denitration Catalyst	Tonnes	5.37	9.57
Total Hazardous Waste Intensity	Kg/thousand HKD revenue	0.37	0.22
Non-Hazardous Waste			
Total Non-Hazardous Waste	Tonnes	14.44	14.18
<i>Recycled</i>			
• Food Waste	Tonnes	0.90	0.57
• Paper	Tonnes	0.02	0.02
• Other General Refuse	Tonnes	1.30	1.40
<i>Disposed</i>			
• Food Waste	Tonnes	1.01	0.08
• Paper	Tonnes	–	0.01
• Other General Refuse	Tonnes	11.22	12.10
Total Non-Hazardous Waste Intensity	Kg/thousand HKD revenue	0.06	0.03

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Note :

11. Reporting scope of environmental data in this Report includes 3 sewage treatment companies (2024: 3) and 9 renewable energy companies (2024: 9).
12. Totals may not be the exact sum of numbers shown here due to rounding.
13. Due to our business nature, no packaging materials have been used.
14. Carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O) are included in GHG calculations.
15. Our reporting on air and GHG emissions are mainly based on the requirements in “How to prepare an ESG report” published by HKEX and “GHG Protocol Corporate Accounting and Reporting Standard (revised edition)” published by the World Business Council for Sustainable Development and World Resources Institute. GHG emissions is presented in carbon dioxide equivalent (CO₂ equivalent). Our scope 1 direct emissions cover GHG emissions directly produced by businesses owned or controlled by the Group, while scope 2 energy indirect emissions cover GHG emissions of indirect energy resulted from electricity (purchased or acquired) and refrigeration internally consumed by the Group while Scope 3 other indirect GHG emissions occurs in the Group’s value chain.
16. The Scope 3 emissions include available data arising from Category 6: Business Travel and Category 7: Employee Commuting.
17. Included landfill gas consumption for the generation of sold electricity.
18. Biogenic emission represents GHG emission from landfill gas electricity generation.
19. Total GHG emission intensity (Scope 1 and 2) excludes biogenic emission. In accordance with The Greenhouse Gas Protocol — A Corporate Accounting and Reporting Standard (Revised Edition), published by World Business Council for Sustainable Development and World Resources Institute, emissions data for direct GHG emissions from combustion of biomass or biofuels should be reported separately.
20. Our total energy consumption includes purchased electricity and fuels (non-renewable and renewable) consumed and the relevant conversion factors reference from “Technical Note: Conversion of fuel data to MWh” published by CDP.

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Social

Indicator	Unit	2025	2024
Workforce²¹			
Total workforce	Number of People	354	376
By Gender			
Male	Number of People	260	280
Female		94	96
By Employee Category			
Full-time	Number of People	352	371
Part-time/Contract-based		2	5
By Business Segment			
Sewage treatment and the related construction services	Number of People	61	66
Exploitation and sale of renewable energy		200	241
Others		93	64
By Age Group			
20 or below		0	0
21–30		31	38
31–40	Number of People	132	167
41–50		107	105
51–60		77	53
Above 60		7	13
By Geographical Region			
Mainland China	Number of People	300	343
Hong Kong		54	33
Employee Turnover			
Total turnover rate	%	13	54
By Gender			
Male	%	15	55
Female		5	51
By Business Segment²²			
Sewage treatment and the related construction services	%	5	3
Exploitation and sale of renewable energy		20	79
Others		2	16

²¹ The data related to workforce covers all employees of the Group and the scope of disclosure is consistent with that of the financial report.

²² Figures have been adjusted to reflect the actual situation.

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Indicator	Unit	2025	2024
By Age Group			
20 or below		0	0
21–30		0	63
31–40		15	45
41–50	%	11	50
51–60		16	94
Above 60		14	15
By Geographical Region			
Mainland China		15	59
Hong Kong	%	0	3
Health and Safety			
Work-related injuries	Case(s)	2	–
Lost days due to work injury	Day(s)	1	–
Work-related fatality ²³	Number	1	–
Rate of work-related fatalities ²⁴	Number of fatalities/ 200,000 working hours	0.28	–
Employee Training²⁵			
Total Training Hours			
Total	Hour(s)	3,401	3,580
Percentage of Employees Trained			
Total	%	52	52
By Gender			
Male		83	79
Female	%	17	21
By Employee Category			
Senior management		7	6
Middle management	%	16	17
General and technical employees		77	77
Average Training Hours			
Total	Hour(s)	8.52	6.18
By Gender			
Male		9.17	6.54
Female	Hour(s)	6.58	5.11
By Employee Category			
Senior management		12.88	11.67
Middle management	Hour(s)	9.46	7.10
General and technical employees		7.92	5.63
Supply Chain			
Number of suppliers by geographical region			
Mainland China	Number of Supplier	556	384

²³ During the Reporting Period, one of our employees unfortunately died of illness due to health issue during working hours and at his post. According to the “Regulations on Work related Injury Insurance” (《工傷保險條例》), it was deemed as work-related fatality. We promptly processed, investigated, and reported to authorities, as well as paid medical reimbursement for work-related injury. No work-related fatalities were recorded by the Group in 2023.

²⁴ Rate of fatalities represents the number of fatalities per 100 employees per year. It is calculated as “total number of fatalities multiplied by 200,000 and then divided by total hours worked”. The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.

²⁵ The reported data includes figures derived from the relevant training data of employees who left the Group during the Reporting Period, reflecting the scale and the resources invested in training by the Group.

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HKEX ESG REPORTING CODE CONTENT INDEX

Indicator		Chapter/Disclosure
A. Environmental		
Aspect A1: Emissions		
<p>General Disclosure Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p>relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p><i>Note: Air emissions include NO_x, SO_x and other pollutants regulated under national laws and regulations. Hazardous wastes are those defined by national regulations.</i></p>		<p>Green business</p> <p>Our environment</p>
KPI A1.1	The types of emissions and respective emissions data.	Performance data summary
KPI A1.2	Repealed 1 January 2025.	N/A
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Performance data summary
KPI A1.4	Total non-hazardous waste produced (in tonnes), where appropriate, and intensity (e.g. per unit of production volume, per facility).	Performance data summary
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Green business Our environment
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Solid waste management
Aspect A2: Use of Resources		
<p>General Disclosure</p> <p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p><i>Note: Resources may be used in production, storage, transportation, construction, electronic equipment, etc.</i></p>		<p>Green business</p> <p>Our environment</p>
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	Performance data summary
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Performance data summary
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Green business Our environment
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Our environment — Water management
KPI A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	Our business operations do not involve any packaging materials.

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Indicator		Chapter/Disclosure
Aspect A3: The Environment and Natural Resources		
General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources		Green business Our environment
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green business Our environment
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Caring for employees
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Talent Recruitment Performance data summary
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Talent Recruitment Performance data summary
Aspect B2: Health and Safety		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Occupational health and safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Performance data summary
KPI B2.2	Lost days due to work injury.	Performance data summary
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Occupational health and safety

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Indicator		Chapter/Disclosure
Aspect B3: Development and Training		
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities <i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i>		Talent training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Talent training Performance data summary
KPI B3.2	The average training hours completed per employee by gender and employee category.	Talent training Performance data summary
Aspect B4: Labour Standards		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		Talent recruitment
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Talent recruitment
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Talent recruitment
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure Policies on managing environmental and social risks of the supply chain.		Supplier management
KPI B5.1	Number of suppliers by geographical region.	Supplier management Performance data summary
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supplier management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supplier management
KPI B5.4	Description of practices used to promote environmentally preferable products and service when selecting suppliers, and how they are implemented and monitored.	Supplier management

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Indicator		Chapter/Disclosure
Aspect B6: Product Responsibility		
<p>General Disclosure Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>		<p>Corporate governance and business ethics</p> <p>Green business</p> <p>Our business does not involve advertising or labeling.</p>
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Our business operations do not involve product recalls.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Optimizing customer service
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Information protection
KPI B6.4	Description of quality assurance process and recall procedures.	Green business Our business operations do not involve product recalls.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Information protection
Aspect B7: Anti-corruption		
<p>General Disclosure Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to bribery, extortion, fraud and money laundering.</p>		Business integrity
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Business integrity
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Business integrity
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Business integrity

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Indicator		Chapter/Disclosure
Community		
Aspect B8: Community Investment		
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Community contribution
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community contribution
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community contribution

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate-Related Disclosures	Chapter/Disclosure
(I) Governance	
19. An issuer shall disclose information about:	
<p>(a) the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the issuer shall identify that body(s) or individual(s) and disclose information about:</p>	<p>Sustainability Governance and Board's Oversight</p>
<p>(i) how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities;</p>	<p>Climate Change — Governance</p>
<p>(ii) how and how often the body(s) or individual(s) is informed about climate-related risks and opportunities;</p>	<p>The Group has not yet incorporated climate-related performance indicators into its remuneration policy. We will explore the feasibility of enhancing our remuneration policies.</p>
<p>(iii) how the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the issuer's strategy, its decisions on major transactions, and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities;</p>	<p>The Group has not yet incorporated climate-related performance indicators into its remuneration policy. We will explore the feasibility of enhancing our remuneration policies.</p>
<p>(iv) how the body(s) or individual(s) oversees the setting of, and monitors progress towards, targets related to climate-related risks and opportunities (see paragraphs 37 to 40), including whether and how related performance metrics are included in remuneration policies (see paragraph 35); and</p>	<p>The Group has not yet incorporated climate-related performance indicators into its remuneration policy. We will explore the feasibility of enhancing our remuneration policies.</p>
<p>(b) management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about:</p>	
<p>(i) whether the role is delegated to a specific management level position or management-level committee and how oversight is exercised over that position or committee; and</p>	<p>The Group has not yet incorporated climate-related performance indicators into its remuneration policy. We will explore the feasibility of enhancing our remuneration policies.</p>
<p>(ii) whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.</p>	<p>The Group has not yet incorporated climate-related performance indicators into its remuneration policy. We will explore the feasibility of enhancing our remuneration policies.</p>

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Climate-Related Disclosures	Chapter/Disclosure
(II) Strategy	
Climate-related risks and opportunities	
20. An issuer shall disclose information to enable an understanding of climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term. Specifically, the issuer shall:	
(a) describe climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term;	Climate Change — Strategy
(b) explain, for each climate-related risk the issuer has identified, whether the issuer considers the risk to be a climate-related physical risk or climate-related transition risk;	
(c) specify, for each climate-related risk and opportunity the issuer has identified, over which time horizons — short, medium or long term — the effects of each climate-related risk and opportunity could reasonably be expected to occur; and	
(d) explain how the issuer defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the issuer for strategic decision-making.	
Business model and value chain	
21. An issuer shall disclose information that enables an understanding of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain. Specifically, the issuer shall disclose:	
(a) a description of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain; and	Climate Change — Strategy
(b) a description of where in the issuer's business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets).	
	Since data availability and quantification methods continue to develop or evolve, we will continue to monitor and, where feasible, describe the concentration of climate-related risks and opportunities across our business model and value chain.

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Climate-Related Disclosures	Chapter/Disclosure
Strategy and decision-making	
22. An issuer shall disclose information that enables an understanding of the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the issuer shall disclose:	
(a) information about how the issuer has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the issuer plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the issuer shall disclose information about:	Climate Change — Strategy Climate Change — Metrics and Targets
(i) current and anticipated changes to the issuer’s business model, including its resource allocation, to address climate-related risks and opportunities;	
(ii) current and anticipated adaptation and mitigation efforts (whether direct or indirect);	
(iii) any climate-related transition plan the issuer has (including information about key assumptions used in developing its transition plan, and dependencies on which the issuer’s transition plan relies), or an appropriate negative statement where the issuer does not have a climate-related transition plan;	
(iv) how the issuer plans to achieve any climate-related targets (including any greenhouse gas emissions targets (if any)), described in accordance with paragraphs 37 to 40; and	
(b) information about how the issuer is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 22(a).	
23. An issuer shall disclose information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 22(a).	Climate Change — Strategy Climate Change — Metrics and Targets

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Climate-Related Disclosures	Chapter/Disclosure
Financial position, financial performance and cash flows	
<i>Current financial effect</i>	
24. An issuer shall disclose qualitative and quantitative information about:	
<p>(a) how climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period; and</p>	<p>Climate Change — Strategy</p> <p>We have identified major climate-related risks and opportunities and disclosed their current and/or anticipated qualitative financial effects. Given the high level of measurement uncertainty arising from data limitations and evolving climate science and methodologies, the resulting quantitative financial effects may not provide meaningful insights. We will continue to review the feasibility of disclosing such data as our business operations evolve.</p>
<p>(b) the climate-related risks and opportunities identified in paragraph 24(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.</p>	<p>No significant risk of a material adjustment within the next annual reporting period.</p>

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Climate-Related Disclosures	Chapter/Disclosure
Anticipated financial effect	
25. The issuer shall provide qualitative and quantitative disclosures about:	
(a) how the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration:	Climate Change — Strategy We have identified major climate-related risks and opportunities and disclosed their current and/or anticipated qualitative financial effects. Given the high level of measurement uncertainty arising from data limitations and evolving climate science and methodologies, the resulting quantitative financial effects may not provide meaningful insights. We will continue to review the feasibility of disclosing such data as our business operations evolve.
(i) its investment and disposal plans; and	
(ii) its planned sources of funding to implement its strategy; and	
(b) how the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities.	

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Climate-Related Disclosures	Chapter/Disclosure
Climate resilience	
26. An issuer shall disclose information that enables an understanding of the resilience of the issuer’s strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the issuer’s identified climate-related risks and opportunities. An issuer shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with an issuer’s circumstances. In providing quantitative information, the issuer may disclose a single amount or a range. Specifically, the issuer shall disclose:	
(a) the issuer’s assessment of its climate resilience as at the reporting date, which shall enable an understanding of:	Climate Change — Strategy
(i) the implications, if any, of the issuer’s assessment for its strategy and business model, including how the issuer would need to respond to the effects identified in the climate-related scenario analysis;	
(ii) the significant areas of uncertainty considered in the issuer’s assessment of its climate resilience; and	
(iii) the issuer’s capacity to adjust, or adapt its strategy and business model to climate change over the short, medium or long term;	
(b) how and when the climate-related scenario analysis was carried out, including:	
(i) information about the inputs used, including:	
(1) which climate-related scenarios the issuer used for the analysis and the sources of such scenarios;	
(2) whether the analysis included a diverse range of climate-related scenarios;	
(3) whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks;	
(4) whether the issuer used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change;	
(5) why the issuer decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate related changes, developments or uncertainties;	
(6) time horizons the issuer used in the analysis; and	
(7) what scope of operations the issuer used in the analysis (for example, the operation, locations and business units used in the analysis);	
(ii) the key assumptions the issuer made in the analysis; and	
(iii) the reporting period in which the climate-related scenario analysis was carried out.	

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Climate-Related Disclosures	Chapter/Disclosure
(III) Risk Management	
27. An issuer shall disclose information about:	
(a) the processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks, including information about:	ESG-Related Risk and Opportunity Management Climate Change — Risk Management
(i) the inputs and parameters the issuer uses (for example, information about data sources and the scope of operations covered in the processes);	
(ii) whether and how the issuer uses climate-related scenario analysis to inform its identification of climate related risks;	
(iii) how the issuer assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the issuer considers qualitative factors, quantitative thresholds or other criteria);	
(iv) whether and how the issuer prioritises climate-related risks relative to other types of risks;	
(v) how the issuer monitors climate-related risks; and	
(vi) whether and how the issuer has changed the processes it uses compared with the previous reporting period;	
(b) the processes the issuer uses to identify, assess, prioritise and monitor climate-related opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities); and	
(c) the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the issuer’s overall risk management process.	

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Climate-Related Disclosures	Chapter/Disclosure
(IV) Metrics and Targets	
Greenhouse gas emissions	
28. An issuer shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO ₂ equivalent, classified as:	
(a) Scope 1 greenhouse gas emissions;	Climate Change — Metrics and Targets
(b) Scope 2 greenhouse gas emissions; and	
(c) Scope 3 greenhouse gas emissions.	
29. An issuer shall:	
(a) measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring greenhouse gas emissions;	Reporting Standard
(b) disclose the approach it uses to measure its greenhouse gas emissions including:	Climate Change — Metrics and Targets
(i) the measurement approach, inputs and assumptions the issuer uses to measure its greenhouse gas emissions;	Performance data summary — Environmental
(ii) the reason why the issuer has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and	We will explore the feasibility of purchasing quality RECs and carbon credits to offset GHG emissions in our operations.
(iii) any changes the issuer made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes;	
(c) for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 28(b), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer's Scope 2 greenhouse gas emissions; and	
(d) for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 28(c), disclose the categories included within the issuer's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).	

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Climate-Related Disclosures	Chapter/Disclosure
Climate-related transition risks	
<p>30. An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related transition risks.</p>	<p>Reasonable and supportable information was not available at the reporting date without undue cost or effort. We will explore the feasibility of disclosing such metrics in the future.</p>
Climate-related physical risks	
<p>31. An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related physical risks.</p>	<p>Reasonable and supportable information was not available at the reporting date without undue cost or effort. We will explore the feasibility of disclosing such metrics in the future.</p>
Climate-related opportunities	
<p>32. An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities.</p>	<p>Reasonable and supportable information was not available at the reporting date without undue cost or effort. We will explore the feasibility of disclosing such metrics in the future.</p>
Capital deployment	
<p>33. An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.</p>	<p>Reasonable and supportable information was not available at the reporting date without undue cost or effort. We will explore the feasibility of disclosing such metrics in the future.</p>
Internal carbon prices	
<p>34. An issuer shall disclose:</p> <p>(a) an explanation of whether and how the issuer is applying a carbon price in decision-making (for example, investment decisions, transfer pricing, and scenario analysis); and</p> <p>(b) the price of each metric tonne of greenhouse gas emissions the issuer uses to assess the costs of its greenhouse gas emissions.</p>	<p>Internal carbon pricing is currently not a part of our decision-making. We will explore the use of internal carbon pricing in the future.</p>
Remuneration	
<p>35. An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement. This may form part of the disclosure under paragraph 19(a)(iv).</p>	<p>The Group has not yet incorporated climate-related performance indicators into its remuneration policy. We will explore the feasibility of enhancing our remuneration policies.</p>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate-Related Disclosures	Chapter/Disclosure
Industry-based metrics	
36. An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures and other industry-based disclosure requirements prescribed under other international ESG reporting frameworks.	N/A
Climate-related targets	
37. An issuer shall disclose (a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and (b) any targets the issuer is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the issuer shall disclose:	Climate Change — Metrics and Targets
(a) the metric used to set the target;	
(b) the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives);	
(c) the part of the issuer to which the target applies (for example, whether the target applies to the issuer in its entirety or only a part of the issuer, such as a specific business unit or geographic region);	
(d) the period over which the target applies;	
(e) the base period from which progress is measured;	
(f) milestones or interim targets (if any);	
(g) if the target is quantitative, whether the target is an absolute target or an intensity target; and	
(h) how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.	
38. An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:	Climate Change — Metrics and Targets
(a) whether the target and the methodology for setting the target has been validated by a third party;	We will explore the feasibility of having our targets validated by a third party.
(b) the issuer's processes for reviewing the target;	
(c) the metrics used to monitor progress towards reaching the target; and	
(d) any revisions to the target and an explanation for those revisions.	No revisions have been made during the reporting period.
39. An issuer shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the issuer's performance.	Climate Change — Metrics and Targets

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate-Related Disclosures	Chapter/Disclosure
40. For each greenhouse gas emissions target disclosed in accordance with paragraphs 37 to 39, an issuer shall disclose:	Climate Change — Metrics and Targets
(a) which greenhouse gases are covered by the target;	
(b) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target;	
(c) whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. If the issuer discloses a net greenhouse gas emissions target, the issuer is also required to separately disclose its associated gross greenhouse gas emissions target;	
(d) whether the target was derived using a sectoral decarbonisation approach; and	
(e) the issuer's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits, the issuer shall disclose:	At present, the targets were not derived using a sectoral decarbonisation approach for target setting.
(i) the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits;	We are evaluating the potential need to purchase carbon credits in the future to meet our carbon reduction target. Disclosure will be considered following this assessment.
(ii) which third-party scheme(s) will verify or certify the carbon credits;	
(iii) the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and	
(iv) any other factors necessary to enable an understanding of the credibility and integrity of the carbon credits the issuer plans to use (for example, assumptions regarding the permanence of the carbon offset).	
Applicability of cross-industry metrics and industry-based metrics	
41. In preparing disclosures to meet the requirements in paragraphs 21 to 26 and 37 to 38, an issuer shall refer to and consider the applicability of (i) cross-industry metrics (see paragraphs 28 to 35) and (ii) industry-based metrics (see paragraph 36).	Climate Change — Metrics and Targets Performance data summary — Environmental

INDEPENDENT AUDITOR'S REPORT



國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA WATER INDUSTRY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Water Industry Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 149 to 296, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Scope Limitation Relating to Appropriateness of the Going Concern Assumption

As set out in note 3(b) to the consolidated financial statements, the Group incurred a loss of HK\$300,511,000 for the year ended 31 December 2025, and as of that date, the Group had net current liabilities of HK\$74,870,000. During the year ended 31 December 2025, a winding-up petition (the "Petition") was filed against the Company on 17 November 2025 at the High Court of the Hong Kong Special Administrative Region (the "Court") by International Finance Corporation (the "Petitioner") in relation to the outstanding principal amount of a sum of RMB216,602,900 together with interest accrued thereon (the "IFC Indebtedness") under a loan agreement dated 20 May 2022 between New China Water (Nanjing) Renewable Resources Investment Company Limited (新中水(南京)再生資源投資有限公司) ("NCW"), an indirect non-wholly-owned subsidiary of the Company, as amended and supplemented by a deed of amendment and accession dated 12 July 2023 between NCW and the Petitioner and a guarantee dated 20 May 2022 made by the Company in favour of the Petitioner. During the period from 19 November 2025 up to the date of this report, the Company has received Notices of Intention to Appear on Petition by certain individual creditors (the "Supporting Creditors") for outstanding indebtedness owed by the Company to them, indicating their intention to appear on the hearing of the Petition for supporting the Petition against the Company. The hearing of the Petition, originally scheduled on 21 January 2026 but adjourned to 11 February 2026 and 25 March 2026, was further adjourned to 29 April 2026.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Scope Limitation Relating to Appropriateness of the Going Concern Assumption *(Continued)*

When assessing the appropriateness of the use of the going concern basis for the preparation of the consolidated financial statements, the directors of the Company have prepared a cash flow forecast covering a period of 18 months from the end of the reporting period. Certain plans and measures have been taken by the Group to improve its liquidity and financial position, as detailed in Note 3(b) to the consolidated financial statements. Based on the directors' assessment, the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

The appropriateness of the consolidated financial statements prepared on a going concern basis largely depends on whether the plans and measures as detailed in Note 3(b) can be successfully implemented, including: (i) successfully rescheduling the IFC Indebtedness for extension of repayment schedule; (ii) successfully obtaining additional new sources of financing, as and when needed, from the lender of a bridging loan, from various subscribers of the convertible bonds proposed to be issued, and from the substantial shareholder of the Company which has agreed to provide a standby loan facility to the Company, and (iii) successfully negotiating with the existing banks on the renewal of existing bank loans and refinancing arrangements. We have not been able to obtain sufficient appropriate evidence that enable us to evaluate whether these plans and measures are reasonable and supportable.

There are no alternative audit procedures that we can perform to obtain sufficient appropriate audit evidence to support the above plans and measures can be successfully implemented, as a result, we were unable to obtain sufficient appropriate evidence to conclude whether the directors' use of going concern basis of accounting to prepare the consolidated financial statements is appropriate.

Should the Group fail to achieve the plans and measures as abovementioned, it might not be able to meet its financial obligations as and when they fall due and to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 Hong Kong Institute of Certified Public Accountants ("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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements. 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.

Crowe (HK) CPA Limited

Certified Public Accountants

Hong Kong, 30 March 2026

Leung Pak Ki

Practising Certificate Number P08014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 HK\$'000	2024 HK\$'000
Revenue	7	233,835	536,631
Cost of sales and services rendered		(229,368)	(449,506)
Gross profit		4,467	87,125
Other operating income/(expenses), net	9	15,812	(4,780)
Gain on disposal of subsidiaries	37	–	43,143
Selling and distribution expenses		(3,039)	(29,061)
Administrative expenses		(121,153)	(173,144)
Finance costs	10	(47,998)	(53,606)
Fair value loss on investment properties	18	(18,535)	(14,490)
Net (loss)/gain on financial assets at fair value through profit or loss		(1,332)	382
(Impairment loss)/reversal of impairment loss recognised on:			
property, plant and equipment	16	(42,878)	(62,599)
goodwill	19	(6,067)	(21,737)
concession intangible assets	17	(297)	(1,333)
other intangible assets	19	(5,181)	(9,862)
trade and other receivables, net	6(a)	718	(14,210)
right-of-use assets	16	(31,637)	(50,760)
deposits paid	27	(50,572)	–
Share of profit/(loss) of associates, net	22	1,133	(47)
Share of profit of joint ventures	23	–	131
Loss before taxation		(306,559)	(304,848)
Income tax credit/(expense)	11	6,048	(29,177)
Loss for the year	12	(300,511)	(334,025)
Attributable to:			
Owners of the Company		(276,023)	(322,282)
Non-controlling interests		(24,488)	(11,743)
		(300,511)	(334,025)
		HK cents	HK cents (restated)
Loss per share:	15		
Basic and diluted		(47.56)	(110.99)

The notes on pages 158 to 296 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 HK\$'000	2024 HK\$'000
Loss for the year		(300,511)	(334,025)
Other comprehensive loss for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations			
Exchange differences arising during the year		18,988	(20,764)
Share of other comprehensive income/(loss) of associates	22	51	(5)
Share of other comprehensive income of joint ventures	23	–	111
Reclassification adjustment of cumulative translation reserve upon disposal of subsidiaries	37	–	5,204
Reclassification adjustment of cumulative translation reserve upon disposal of an associate		–	(8)
Reclassification adjustment of cumulative translation reserve upon disposal of a joint venture		–	223
		19,039	(15,239)
Item that will not be reclassified to profit or loss:			
Fair value gain on financial assets at fair value through other comprehensive income		5,163	763
Other comprehensive income/(loss) for the year, net of income tax		24,202	(14,476)
Total comprehensive loss for the year		(276,309)	(348,501)
Attributable to:			
Owners of the Company		(253,135)	(333,183)
Non-controlling interests		(23,174)	(15,318)
		(276,309)	(348,501)

The notes on pages 158 to 296 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025

	Note	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Property, plant and equipment	16	385,381	446,588
Deposits paid for acquisition of property, plant and equipment		76,910	130,236
Deposits paid for acquisition of additional interests in a subsidiary	27	38,763	55,878
Right-of-use assets	16	116,572	193,057
Operating concessions	17	191,005	210,403
Receivables under service concession arrangements	17	5,209	6,587
Investment properties	18	160,662	175,052
Other intangible assets	19	55,158	81,643
Financial assets at fair value through other comprehensive income	20	538	2,633
Interests in an associate	22	2,564	1,380
Refundable rental deposits	26	5,134	9,915
Deferred tax assets	36	5,655	5,612
		1,043,551	1,318,984
Current assets			
Inventories	24	48,037	57,589
Receivables under service concession arrangements	17	1,544	1,769
Financial assets at fair value through profit or loss	20	10,207	11,274
Trade and other receivables	26	869,509	883,809
Contract assets	25(a)	1,690	590
Cash held by financial institutions	28	174	162
Pledged bank deposits	28	20,334	20,334
Restricted bank deposits	28	2,344	3,236
Cash and cash equivalents	28	19,316	21,424
		973,155	1,000,187
Current liabilities			
Trade and other payables	29	390,320	359,523
Contract liabilities	25(b)	26,393	22,374
Bank borrowings	30	342,445	107,755
Other loans	31	121,035	137,153
Lease liabilities	32	149,900	157,166
Amounts due to non-controlling interests of subsidiaries	33	812	1,598
Amount due to an associate	33	478	233
Income tax payables		16,642	16,459
		1,048,025	802,261

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2025

	Note	2025 HK\$'000	2024 HK\$'000
Net current (liabilities)/assets		(74,870)	197,926
Total assets less current liabilities		968,681	1,516,910
Capital and reserves			
Share capital	34(b)	63,219	28,736
Share premium and reserves		583,667	767,468
Equity attributable to owners of the Company		646,886	796,204
Non-controlling interests		229,235	258,828
TOTAL EQUITY		876,121	1,055,032
Non-current liabilities			
Trade and other payables	29	25,945	26,226
Bank borrowings	30	–	257,058
Other loans	31	–	61,084
Lease liabilities	32	47,629	86,885
Government grants	35	403	1,179
Deferred tax liabilities	36	18,583	29,446
		92,560	461,878
		968,681	1,516,910

Approved and authorised for issue by the board of directors on 30 March 2026.

Mr. Zhu Yongjun
Director

Ms. Chu Yin Yin Georgiana
Director

The notes on pages 158 to 296 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Attributable to owners of the Company									
	Share capital HK\$'000 (note 34(b))	Share premium HK\$'000 (note 34(c))	Revaluation reserve HK\$'000 (note 34(c))	Translation reserve HK\$'000 (note 34(c))	Reserve fund HK\$'000 (note 34(c))	Fair value reserve (non-recycling) HK\$'000 (note 34(c))	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2024	28,736	1,312,810	1,780	(130,968)	153,264	(5,084)	(231,151)	1,129,387	511,857	1,641,244
Changes in equity for 2024:										
Loss for the year	-	-	-	-	-	-	(322,282)	(322,282)	(11,743)	(334,025)
Release of reserve upon disposal of subsidiaries	-	-	(879)	5,204	-	-	879	5,204	-	5,204
Release of reserve upon disposal of an associate	-	-	-	(8)	-	-	-	(8)	-	(8)
Release of reserve upon disposal of a joint venture	-	-	-	223	-	-	-	223	-	223
Exchange differences arising on translation of foreign operations	-	-	-	(17,189)	-	-	-	(17,189)	(3,575)	(20,764)
Share of other comprehensive loss of associates	-	-	-	(5)	-	-	-	(5)	-	(5)
Share of other comprehensive income of a joint venture	-	-	-	111	-	-	-	111	-	111
Fair value gain on financial assets at fair value through other comprehensive income	-	-	-	-	-	763	-	763	-	763
Total comprehensive loss for the year	-	-	(879)	(11,664)	-	763	(321,403)	(333,183)	(15,318)	(348,501)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	1,315	1,315
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(2,503)	(2,503)
Disposal of subsidiaries	-	-	-	-	(43,869)	-	43,869	-	(236,523)	(236,523)
Transfers to reserve fund	-	-	-	-	3,508	-	(3,508)	-	-	-
At 31 December 2024	28,736	1,312,810	901	(142,632)	112,903	(4,321)	(512,193)	796,204	258,828	1,055,032

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Attributable to owners of the Company									
	Share capital HK\$'000 (note 34(b))	Share premium HK\$'000 (note 34(c))	Revaluation reserve HK\$'000 (note 34(c))	Translation reserve HK\$'000 (note 34(c))	Reserve fund HK\$'000 (note 34(c))	Fair value reserve (non-recycling) HK\$'000 (note 34(c))	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2025	28,736	1,312,810	901	(142,632)	112,903	(4,321)	(512,193)	796,204	258,828	1,055,032
Changes in equity for 2025:										
Loss for the year	-	-	-	-	-	-	(276,023)	(276,023)	(24,488)	(300,511)
Exchange differences arising on translation of foreign operations	-	-	-	17,674	-	-	-	17,674	1,314	18,988
Share of other comprehensive income of associates	-	-	-	51	-	-	-	51	-	51
Fair value gain on financial assets at fair value through other comprehensive income	-	-	-	-	-	5,163	-	5,163	-	5,163
Total comprehensive loss for the year	-	-	-	17,725	-	5,163	(276,023)	(253,135)	(23,174)	(276,309)
Issue of ordinary shares	34,483	72,300	-	-	-	-	-	106,783	-	106,783
Transactions costs attributable to issue of ordinary shares	-	(2,966)	-	-	-	-	-	(2,966)	-	(2,966)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(6,419)	(6,419)
Transfers to reserve fund	-	-	-	-	1,067	-	(1,067)	-	-	-
Disposal of equity investment at fair value through other comprehensive income	-	-	-	-	-	(2,200)	2,200	-	-	-
At 31 December 2025	63,219	1,382,144	901	(124,907)	113,970	(1,358)	(787,083)	646,886	229,235	876,121

The notes on pages 158 to 296 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 HK\$'000	2024 HK\$'000
Operating activities			
Loss before taxation		(306,559)	(304,848)
Adjustments for:			
Depreciation of property, plant and equipment	16	53,104	63,236
Depreciation of right-of-use assets	16	25,624	41,994
Amortisation of concession intangible assets	17	23,341	45,328
Amortisation of other intangible assets	19	17,078	20,540
Impairment loss/(reversal) recognised on:			
— property, plant and equipment	16	42,878	62,599
— goodwill	19	6,067	21,737
— concession intangible assets	17	297	1,333
— other intangible assets	19	5,181	9,862
— trade and other receivables, net	6(a)	(718)	14,210
— right-of-use assets	16	31,637	50,760
— deposit paid	27	50,572	–
Fair value loss on investment properties	18	18,535	14,490
Finance costs	10	47,998	53,606
Interest income	9	(615)	(1,901)
Gain on loan settlement	9	(6,819)	–
Release of deferred government grant	35	(1,494)	(2,098)
Loss on disposal of property, plant and equipment, net	9	5,788	11,905
Net fair value loss/(gain) on financial assets at fair value through profit or loss		1,332	(382)
(Gain)/loss on disposal of concession intangible assets	9	(28)	9
Share of (profit)/loss of associates, net		(1,133)	47
Share of profit of joint ventures	23	–	(131)
Net gain on disposal of subsidiaries	37	–	(43,143)
Changes in working capital:			
Decrease/(increase) in inventories		8,256	(8,933)
Decrease/(increase) in trade and other receivables		36,143	(57,326)
Decrease in receivables under service concession arrangements		1,393	2,057
(Increase)/decrease in contract assets		(1,070)	3,160
(Decrease)/increase in trade and other payables		(22,438)	42,494
Increase/(decrease) in contract liabilities		3,407	(523)
Cash generated from operations		37,757	40,082
Income taxes paid		(4,991)	(36,662)
Net cash generated from operating activities		32,766	3,420

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 HK\$'000	2024 HK\$'000
Investing activities			
Purchase of property, plant and equipment		(7,250)	(26,378)
Deposits paid for acquisition of property, plant and equipment		–	(391)
Proceeds from disposal of property, plant and equipment		3,688	5,289
Proceeds from disposal of concession intangible assets		47	828
Acquisition of operating concessions		(92)	(59,253)
Acquisition of other intangible asset		(232)	–
Proceeds from disposal of financial assets at fair value through profit or loss		–	960
Proceeds from disposal of financial assets at fair value through other comprehensive income		7,258	–
Net cash inflow from disposal of subsidiaries		–	179,387
Capital contribution to associates		–	(2,633)
Interest received		615	1,901
Placement of pledged bank deposits		–	(4,365)
Placement of restricted bank deposits		(147,831)	(3,236)
Withdrawal of restricted bank deposits		149,884	–
Payment from an associate		245	6,100
Government grants received related to property, plant and equipment		699	752
Net cash from investing activities		7,031	98,961

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 HK\$'000	2024 HK\$'000
Financing activities			
Proceeds from issue of shares		106,783	–
Transaction costs attributable to issue of shares		(2,966)	–
Proceeds from new bank borrowings and other loans		1,692	13,846
Repayment of bank borrowings and other loans		(32,807)	(83,721)
Repayment of loans from third parties		(7,898)	(55,663)
Repayment of loans from related parties		(30,500)	(8,217)
Fund advanced by non-controlling interests in subsidiaries			
Advances from/(Repayment to) non-controlling interests in subsidiaries		12	(1,184)
Capital contribution from non-controlling interests		–	1,315
Increase in lease liabilities		–	21,513
Increase in amount due to a joint venture		–	(1,284)
Capital element of lease liabilities paid		(60,425)	(126,381)
Interest element of lease liabilities paid		(8,757)	(20,652)
Loans from third parties		13,031	45,232
Loans from related parties		–	35,000
Interest paid		(14,576)	(30,148)
Dividend paid to non-controlling interests in subsidiaries		(6,419)	(2,503)
Net cash used in financing activities		(42,830)	(212,847)
Net decrease in cash and cash equivalents		(3,033)	(110,466)
Cash and cash equivalents at 1 January		21,586	132,816
Effect of foreign exchange rates changes		937	(764)
Cash and cash equivalents at 31 December	28	19,490	21,586
Analysis of the balance of cash and cash equivalents			
Cash held by financial institutions	28	174	162
Bank balances and cash	28	19,316	21,424
Cash and cash equivalents at 31 December	28	19,490	21,586

The notes on pages 158 to 296 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

1. GENERAL

China Water Industry Group Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section of the annual report.

The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries (together referred to as the “Group”). Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). These consolidated financial statements are presented in Hong Kong dollars (“HK\$”). Other than those subsidiaries established in the People’s Republic of China (the “PRC”) and Indonesia whose functional currency is Renminbi (“RMB”) and Rupiah respectively, the functional currency of the Company and its subsidiaries is HK\$.

The Company is an investment holding company. The Group is principally engaged in (i) provision of sewage treatment and related construction services; (ii) exploitation and sales of renewable energy; (iii) property investment and development; and (iv) waste management and recycling.

2. APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

The Group has applied the following amendments to HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s financial annual period beginning on or after 1 January 2025, to the consolidated financial statements for the current accounting year:

Amendments to HKAS 21	Lack of Exchangeability
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The Group has not applied any new standards and amendments to HKFRS Accounting Standards that are not yet mandatorily effective for the current accounting period. The application of the Amendments to HKAS 21 in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all HKFRS Accounting Standards, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations as issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Material accounting policy information adopted by the Group are disclosed below.

The HKICPA has issued certain new and amendments to HKFRS Accounting Standards which are mandatorily effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared on the historical cost basis, except for the following assets that are measured at fair value, as explained in the accounting policies set out below:

- investment properties, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest (see note 3(g));
- investments in equity securities (see note 3(k)).

Going concern basis

During the year ended 31 December 2025, the Group incurred a net loss of HK\$300,511,000. As at 31 December 2025, the Group had net current liabilities of HK\$74,870,000. The current liabilities of the Group included bank borrowings of approximately HK\$278,641,000, other loans of approximately HK\$72,940,000 and lease liabilities of approximately HK\$125,570,000 which had been past due or at default at 31 December 2025. In addition, other loans of approximately HK\$3,878,000 fell due in February 2026.

During the year ended 31 December 2025, a winding-up petition (the "Petition") was filed against the Company on 17 November 2025 at the High Court of the Hong Kong Special Administrative Region (the "Court") by International Finance Corporation (the "Petitioner") in relation to the outstanding principal amount of a sum of RMB216,602,900 together with interest accrued thereon (the "IFC Indebtedness") under a loan agreement dated 20 May 2022 between New China Water (Nanjing) Renewable Resources Investment Company Limited* (新中水(南京)再生資源投資有限公司) ("NCW"), an indirect non-wholly-owned subsidiary of the Company, as amended and supplemented by a deed of amendment and accession dated 12 July 2023 between NCW and the Petitioner and a guarantee dated 20 May 2022 made by the Company in favour of the Petitioner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Basis of preparation of the consolidated financial statements (Continued)

Going concern basis (Continued)

On 19 November 2025, 25 November 2025, 6 March 2026 and 13 March 2026, the Company has received Notices of Intention to Appear on Petition by four individual creditors (the "Supporting Creditors"), respectively, for aggregate outstanding indebtedness of HK\$9,012,000 together with interest accrued thereon owed by the Company to them, indicating their intention to appear on the hearing of the Petition for supporting the Petition of the Company. On 26 March 2026, 2 of the Supporting Creditors had transferred their interests in the indebtedness to a third party, and thus, ceased to be creditors of the Company.

As the Company is currently in amicable negotiations with the Petitioner in relation to the settlement of the IFC Indebtedness due to the Petitioner and is actively pursuing any possible settlement plans with the Supporting Creditors, the hearing of the Petition, originally scheduled on 21 January 2026 but adjourned to 11 February 2026 and 25 March 2026, was further adjourned to 29 April 2026.

The directors have given careful consideration of the future liquidity and operating performance of the Group and its available source of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The directors of the Company are undertaking a number of plans and measures to improve the Group's liquidity and financial position, including, inter alia:

- (i) engaging in ongoing negotiations with the Petitioner and the Supporting Creditors and will enter into a rescheduling deed (the "Rescheduling Deed") to extend the repayment schedule for the IFC Indebtedness. On 16 February 2026, NCW, as borrower, entered into a loan agreement (the "Bridging Loan Agreement") with an independent third party, as lender, pursuant to which the lender conditionally agreed to advance a loan in the principal amount of RMB118.0 million (equivalent to approximately HK\$131.33 million) to NCW (the "Bridging Loan") at the interest rate of 10% per annum for the purpose of partial settlement of the IFC Indebtedness. NCW shall repay principal amount and the interest accrued within 90 days from the date of drawdown of the Bridging Loan.
- (ii) on 16 February 2026, the Company as issuer entered into a conditional subscription agreement (the "Subscription Agreement") with five subscribers (the "Subscribers") in relation to the subscription of the convertible bonds (the "Convertible Bonds") in the aggregate principal amount of up to HK\$278.25 million (equivalent to approximately RMB250.0 million), which will be issued in five tranches with the subscription timetable of the Convertible Bonds to be aligned with the proposed repayment schedule of the IFC Indebtedness under the Rescheduling Deed. Each tranche of the Convertible Bonds will have the maturity on second anniversary of issue of respective tranche and will bear interest at rate of 10% per annum. The Convertible Bonds can be converted into the Company's ordinary shares at HK\$0.308 per conversion share from the date of issue of the Convertible Bonds up to and including the date which is three days prior to the respective maturity date. An extraordinary general meeting of the Company will be held on 14 April 2026 for the Shareholders of the Company to consider and, if thought fit, approve the issue of the Convertible Bonds by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Basis of preparation of the consolidated financial statements (Continued)

Going concern basis (Continued)

- (iii) after the end of the reporting period, the Group obtained a standby loan facility of up to HK\$400,000,000 from the substantial shareholder of the Company, covering a period up to 31 December 2029.
- (iv) actively negotiating with the existing banks on the terms and financial covenants of loan agreements and communicating with banks on the renewal of existing bank loans and refinancing arrangements; and
- (v) implementing measures to speed up the collection of outstanding receivables and implementing various strategies to enhance the Group's revenue and financial performance.

The directors have reviewed the cash flow projection of the Group prepared by management covering a period of not less than twelve months from 31 December 2025. The directors of the Company are confident that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next twelve months from 31 December 2025. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the plans and measures taken by management, material uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the followings:

- successfully rescheduling the IFC Indebtedness for extension of repayment schedule;
- successfully obtaining additional new sources of financing, as and when needed, from the lender of the Bridging Loan, from various subscribers of the Convertible Bonds proposed to be issued, and from the substantial shareholder of the Company which has agreed to provide a standby loan facility to the Company; and
- successfully negotiating with the existing banks on the renewal of existing bank loans and refinancing arrangements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Basis of preparation of the consolidated financial statements (Continued)

The preparation of financial statements in conformity with HKFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to an accounting estimate is recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses (note 3(l)(ii)), if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represents the lowest level at which the goodwill is monitored for internal management purposes and not larger than on operating segment before aggregation.

A cash-generating unit ("CGU") (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit (or group of CGUs) may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs) except that the carrying value of an asset will not be reduced below the highest of its individual fair value less costs of disposal (if measurable), value in use (if determinable) and zero.

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained, unless the Group can demonstrate that some other method better reflects the goodwill associated with the operation disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it has power over the entity, it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment. Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Investments in subsidiaries are included in the Company's statement of financial position at cost less impairment losses (note 3(l)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(e) Associates and joint ventures

The Group is a party of joint arrangement when it exercises joint control over arrangement by acting collectively with other parties and decisions about the relevant activities require unanimous consent of the parties sharing control. The joint arrangement is either a joint operation or a joint venture depending on the rights and obligations of the parties to the arrangement.

In relation to interest in joint operations, the Group recognises: (i) its assets, including its share of any assets held jointly, (ii) its liabilities, including its share of any liabilities incurred jointly, (iii) its revenue from the sale of its share of the output arising from the joint operation, (iv) its share of the revenue from the sale of the output by the joint operations, and (v) its expenses, including its share of any expenses incurred jointly.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The financial statements of an associate and a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price and other costs directly attributable to the acquisition of the investment. Thereafter, the investment is adjusted to recognise the Group's post-acquisition share of the profit or loss and other comprehensive income of the associate or joint venture and any impairment loss relating to the investment. Any acquisition date excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment (after reassessment), the Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(e) Associates and joint ventures (Continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture after applying the expected credit loss model to such other long-term interests where applicable.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

The Group assesses whether there is any objective evidence that its net investment in the associate or joint venture is impaired. When there is objective evidence of impairment, the entire carrying amount (including goodwill) of the investment is tested for impairment in accordance with HKAS 36 Impairment of Assets ("HKAS 36") as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. An impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the net investment in the associate or joint venture. Accordingly, any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the net investment subsequently increases.

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 cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Property, plant and equipment

The following items of property, plant and equipment for own use, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see note 3(l)(ii)):

- interests in leasehold land and buildings where the Group is the registered owner of the property interest;
- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 3(aa)).

When the Group makes payments for ownership interest of a property which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payment can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire property is classified as property, plant and equipment.

Depreciation is calculated to write off the cost of items of property, plant and equipment (other than construction in progress) less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	Over the shorter of the term of the lease, or 30 years
Plant and machinery	3 to 10 years
Leasehold improvements	Over the shorter of the term of the lease, or 5 to 10 years
Motor vehicles	5 to 8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of an item of property, plant and equipment.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are recognised in profit or loss during the reporting period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Property, plant and equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When buildings are in the course of development for production or for administrative purposes, the depreciation of right-of-use assets provided during the construction period is included as part of costs of buildings under construction. Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss. The cost of those items is measured in accordance with the measurement requirements of HKAS 2 Inventories ("HKAS 2"). Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 3(y)) to earn rental income and/or for capital appreciation. These includes land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property and leased properties which are recognised as right-of-use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, and subsequently at fair value. Gains or losses arising from changes in the fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(h) Concession intangible assets

When the Group has a right to charge for usage of concession infrastructure, it recognises concession intangible assets at fair value upon initial recognition. The concession intangible assets representing water supply and sewage treatment operating rights are carried at cost less accumulated amortisation and any accumulated impairment losses (note 3(l)(ii)). At the end of the concession period, the Group either needs to dispose of the water supply and sewage treatment infrastructure or transfer these assets to the local government.

The concession intangible assets are amortised to write off their cost over their expected useful lives or the remaining concession period, whichever is shorter, using an amortisation method which reflects the pattern in which their future economic benefits are expected to be consumed. Concession intangible assets is amortised on a straight-line basis.

Costs in relation to the day-to-day servicing, repair and maintenance of the water supply and sewage treatment infrastructures are recognised as expenses in the periods in which they are incurred.

Consideration given by the grantor

A financial asset (receivable under a service concession arrangement) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash or another financial asset if nothing other than the passage of time is required before payment of the consideration is due and the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out in note 3(k) below.

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" below.

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) 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 as 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 estimated useful life and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end, which the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

Operating concessions

Operating concessions representing the rights to operate sewage and reclaimed water treatment and water distribution plants are stated at cost less accumulated amortization and any accumulated impairment losses (note 3(l)(ii)). Amortisation is provided on the straight-line basis over the respective periods of the operating concessions grants to the Group of 25 to 30 years.

Exclusive rights

The Group acquired the exclusive rights of collection and utilisation of landfill gas in connection with the acquisition of the companies.

The exclusive rights were initially recognised at fair value at the acquisition date. The rights have an original period ranging from 10 to 25 years, respectively. These rights, together with exclusive rights acquired separately with finite period (note 19), are carried at cost less accumulated amortisation and any accumulated impairment losses (note 3(l)(ii)).

The exclusive rights of collection and utilisation of landfill gas are amortised to write off their cost over the above terms of the operating rights on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(j) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on construction or upgrade services of infrastructure under a service concession arrangement under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised.

(k) Classification and subsequent measurement of financial assets

Investments in equity securities are recognised/derecognised on the dates the Group commits to purchase/sell the investments. All regular way purchases or sales of equity securities are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of equity securities that require delivery of assets within the time frame established by regulation or convention in the market place. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 6(d). These investments are subsequently accounted for as follows, depending on their classification.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(k) Classification and subsequent measurement of financial assets (Continued)

Financial assets that meet the following conditions are subsequently measured at FVOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVPL.

Amortised cost and interest income

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (that is, assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(k) Classification and subsequent measurement of financial assets (Continued)

Equity investments

An investment in equity securities is classified as financial asset at FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at fair value through other comprehensive income (FVOCI) (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities classified at FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 3(y), unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes dividend.

(l) Credit losses and impairment of assets

(i) *Credit losses from financial instruments and contract assets*

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, bank deposits, trade receivables and other receivables, receivables under service concession arrangements and loans to third parties, which are held within a business model for the collection of contractual cash flows which represented solely payment of principal and interest ("SPPI"));
- contract assets as defined in HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15");
- operating lease receivables; and
- financial guarantee contracts, which are not measured at FVPL.

Other financial assets measured at fair value, including financial assets measured at FVPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

ECLs are measured on either of the following bases:

- 12-month ECLs ("12-m ECL"): these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected life of a financial instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(I) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Loss allowances for trade receivables and contract assets without significant financing component and lease receivables are always measured at an amount equal to lifetime ECLs.

For all other financial instruments, the Group recognises a loss allowance equal to 12-m ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in a financial instrument's external credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor;
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group;
- an actual or expected internal credit rating downgrade for the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring; and
- significant adverse changes in the expected performance and behaviour of the borrower.

The Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(I) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Significant increases in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations. The Group considers a financial instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

For a financial guarantee contract, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Definition of default

For internal credit risk management, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(I) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Credit-impaired financial assets (Continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or past due event;
- the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concessions that the lenders would not otherwise consider;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses; or
- the disappearance of an active market for that financial asset because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Measurement and recognition of ECLs

ECLs are a probability-weighted estimate of credit losses over the expected life of the financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(I) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement and recognition of ECLs (Continued)

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECLs reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. As for the exposure at default, for financial asset and contract asset, it is represented by the asset's gross carrying amount at the reporting date; for financial guarantee contract, the exposure includes the amount of guaranteed debt that has been drawn down at the reporting date, together with any additional guaranteed amount expected to be drawn down by the borrower in the future determined based on historical trend, the Group's understanding of the specific future financing needs of the debtor, and other relevant forward-looking information. For financial guarantee contract, this is the maximum contractual period over which the Group has a present contractual obligation to extend credit.

The Group uses a practical expedient in estimating ECLs on trade receivables and contract assets (other than individually significant balances) and lease receivables using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort. ECLs on individually significant trade receivables and contract assets, loans to third parties and financial guarantees are estimated individually based on all reasonable and supportable information, including that which is forward-looking, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic products and unemployment rates of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical rates based on the expected changes in these factors.

Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). For a lease receivable, the cash flows used for determining the ECL are consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Financial guarantee is a contract that requires the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The Group, as the guarantor, is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, ECL are estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(I) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement and recognition of ECLs (Continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- lease receivables: discount rate used in the measurement of the lease receivable; and
- financial guarantee contracts: current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account. For investments in financial assets (other than equity securities) that are measured at FVOCI (recycling), the loss allowance is recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

(ii) Impairment of non-financial assets

Goodwill, non-current intangible assets that are not yet available for use and intangible assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Internal and external sources of information is reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- goodwill;
- concession intangible assets;
- other intangible assets;
- interests in an associate; and
- investments in subsidiaries in the Company's statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Credit losses and impairment of assets (Continued)

(ii) Impairment of non-financial assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs of disposal and value-in-use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (that is, a CGU). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual CGU if the allocation can be done on a reasonable and consistent basis or to the smallest group of CGUs if otherwise.

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs) and then, to reduce the carrying amount of the other assets in the CGU (or group of CGUs) on a pro rata basis, except that the carrying value of an asset will not be reduced below the highest of its individual fair value less costs of disposal (if measurable) or value-in-use (if determinable) and zero.

— Reversal of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would apply at the end of the financial year (see notes 3(o)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(m) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

(i) *Properties held for/under development for sale*

The cost of properties held for/under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads and borrowing costs capitalised. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

(ii) *Trading goods*

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 3(y)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 3(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 3(o)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 3(y)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 3(o)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(n) Contract assets and contract liabilities (Continued)

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 3(y)).

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 3(n)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost.

(p) Loan receivables

Loan receivable is initially measured at fair value plus, in the case of a financial asset not at FVPL, direct transaction costs. Loan receivable is subsequently measured at amortised cost if both of the following conditions are met:

- (a) it is held within a business model whose objective is to hold it in order to collect contractual cash flows and
- (b) the contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 3(l)(i). Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Such overdrafts are included in short-term bank loans and overdrafts in the consolidated statement of financial position.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(r) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(s) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(t) Borrowings

Borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 3(ab)). Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity service and amortised over the period of the facility to which it relates.

These borrowings are classified as current liabilities unless the Group has the right, at the end of the reporting period, to defer settlement of the liability for at least twelve months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

(u) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(u) Trade and other payables (Continued)

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where guarantees in relation to loans of associates or joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the costs of the investments. Where no such consideration is received or receivable in other cases, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the financial guarantee, if not designated as at FVPL and it does not arise from a transfer of a financial asset, is measured at the higher of the amount of ECLs determined and the amount initially recognised as deferred income less the cumulative amount of income recognised in accordance with the principles of HKFRS 15 in profit or loss over the term of the guarantee issued.

(v) Equity-settled share-based payment arrangements

(i) Share options granted to employees

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in equity (share options reserve). The fair value is measured at grant date, without taking into consideration of all non-market vesting conditions taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged or credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share options reserve. At the end of the vesting period, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share options reserve) except where forfeiture is only due to not achieving market vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share options reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

(ii) Share options granted to eligible persons

Share options issued in exchange for services are measured at fair values of services received. The fair values of services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(w) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. All short-term employee benefits are recognised as an expense unless another HKFRS Accounting Standards requires or permits the inclusion of the benefit in the cost of an asset.

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

The subsidiaries in the PRC participate in the Central Pension Scheme (the "CPS") operated by the PRC government for all of their staff. The subsidiaries are required to contribute a certain percentage of their covered payroll to the CPS to fund the benefits. The only obligation of the Group with respect to the CPS is to pay the ongoing required contributions under the CPS. Payments to the CPS are recognised as expenses as they fall due in accordance with the rules of the CPS.

(ii) Termination benefits

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

(x) Income tax

Income tax for the year comprises current tax and deferred tax expenses. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(x) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include taxable temporary difference relating to the same taxation authority and the same taxable entity which are expected to reverse in the same period as the expected reversal of the deductible temporary difference; or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilised before they expire.

The limited exceptions to recognition of deferred tax assets and liabilities are:

- temporary differences arising from goodwill not deductible for tax purposes,
- temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and do not give rise to equal taxable and deductible temporary differences, and
- temporary differences relating to investments in subsidiaries, associates and joint ventures to the extent that the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future and taxable profits will be available.

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the properties are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the properties over time, rather than through sale.

In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(x) Income tax (Continued)

Current tax balances and deferred tax balances are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if a group entity has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the group entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(y) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services in the ordinary course of the Group's business.

In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products or services before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products or services. When the Group acts as a principal, the Group recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Control is transferred over time and revenue is recognised over time if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(y) Revenue and other income (Continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, 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 with the customer at contract inception and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

Revenue arising from water supply is recognised based on water supplied as recorded by meter readings during the year.

Revenue from sewage treatment is recognised based on actual sewage treated from meter readings during the year.

Water supply related installation and construction income is recognised when services are rendered and income can be measured reliably.

Revenue from long-term construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (note 3(j)).

Revenue from the construction of water supply and sewage treatment plants under service concession agreements is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the date of the agreement applicable to similar construction services rendered in similar location, and is recognised on the percentage-of-completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from sales of electricity and tariff adjustment from the biogas power plant are recognised when electricity is generated and transmitted. Tariff adjustment represents subsidy received and receivable from the local government authorities in respect of the Group's power generation business. Tariff adjustment is recognised at its fair value where there is reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(y) Revenue and other income (Continued)

Sales and distribution of natural gas and solid organic fertilizer are recognised when goods are delivered to the customers.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under contract liabilities (see note 3(n)).

Service income, consultancy fee, handling charges and cleaning income are recognised when services are rendered.

Dividend income from unlisted equity investments is recognised when the Group's right as shareholder to receive payment is established. Dividend income from listed equity investments is recognised when the share price of the investment goes ex-dividend.

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the gross carrying amount of the financial assets. For financial assets (other than purchased or originated credit-impaired financial assets) measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the amortised cost (i.e. gross carrying amount net of loss allowance) of the financial asset (see note 3(l)(i)).

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as other income in profit or loss of the period in which it becomes receivable. Grants that compensate the Group for the cost of an asset are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful life of the related asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(z) Foreign currencies

Foreign currency transactions during the year are translated into the functional currency of a group entity at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of a group entity at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's net investment in the foreign operation.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated into the functional currency of a group entity using the foreign exchange rates ruling at the transaction dates and are not re-translated. The transaction date is the date on which a group entity initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the foreign operations are translated into Hong Kong dollars ("HK\$") at exchange rates prevailing on the reporting date. The results of foreign operations are translated into HK\$ at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the foreign exchange rates ruling at the dates of the transactions are used. Goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of foreign operations on or after 1 January 2005, are treated as assets and liabilities of the foreign operation and translated at the closing rates at the end of the reporting period. Goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition of a foreign operation acquired before 1 January 2005 are translated at the foreign exchange rate at the date of acquisition of the foreign operation. The resulting exchange difference is recognised in other comprehensive income and accumulated separately in equity in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate or a joint venture that includes a foreign operation of which the retained interest becomes a financial asset), all the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control respectively), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(aa) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. The Group will reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are subsequently changed. 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Non-lease components are separated from lease component(s) and are accounted for by applying other applicable standards.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and do not have a purchase option and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalized at the commencement date of the lease, the lease liability is initially recognised at the present value of the lease payments (less any lease incentives receivables) payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred. Lease payments also include amounts expected to be payable by the Group under residual value guarantees; the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date less any lease incentives received, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, a provision is recognized and measured under HKAS 37. Except for that which is classified as investment property and measured at fair value, right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(aa) Leases (Continued)

(i) As a lessee (Continued)

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

When the Group obtains ownership of the underlying leased asset at the end of the lease term, upon exercising purchase option, the cost of the relevant right-of-use asset and the related accumulated depreciation and impairment loss are transferred to the appropriate category of property, plant and equipment.

The initial fair value of refundable rental deposits paid is accounted for separately from the right-of-use asset in accordance with the accounting policy applicable to financial asset measured at amortised cost. Any difference between the initial fair value and the nominal value of the deposit is accounted for as additional lease payment made and is included in the cost of right-of-use asset.

The Group presents right-of-use assets, that do not meet the definition of investment property, as a separate line item in the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within “investment properties”.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate used to determine those payments, or there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, by discounting the revised lease payments using an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, the lessee shall use a revised discount rate that reflects changes in the interest rate. When there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate, being the interest rate implicit in the lease for the remainder of the lease term, or the relevant group entity’s incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. When the lease liability is remeasured in either of these ways, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract (“lease modification”) and that is not accounted for as a separate lease. In this case, the consideration in the modified contract is allocated to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(aa) Leases (Continued)

(i) As a lessee (Continued)

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position. In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease. Initial direct costs attributable to finance lease are included in the initial measurement of the net investment in the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

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. The rental income from operating leases is recognised in accordance with note 3(y).

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

When the Group is an intermediate lessor, the sub-lease is classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 3(aa)(i), the Group classifies the sub-lease as an operating lease.

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payments, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the ECL model and derecognition requirements under HKFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(ab) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(ac) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The cost of fulfilling a contract comprises the costs that relate directly to the contract, which consist of both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. Before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets used in fulfilling the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(ad) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both 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).
 - (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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(ae) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the discrete financial information provided regularly to the Company's board of directors, the chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(ae) Segment reporting (Continued)

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(af) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds. Consideration paid, including any directly attributable incremental costs, for purchase of the Company's ordinary shares is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's ordinary shares.

4. ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Significant accounting judgements

(i) Classification of interests in leasehold land and buildings held for own use

In accordance with HKAS 16, Property, plant and equipment, the Group chooses to apply either the cost model or the revaluation model as its accounting policy for items of property, plant and equipment held for own use on a class-by-class basis. In applying this policy, the Group has concluded that its registered ownership interests in leasehold properties and the right to use other properties leased under tenancy agreements are two separate groupings of assets which differ significantly in their nature and use. Accordingly, they are regarded by the Group as separate classes of asset for subsequent measurement policies in accordance with notes 3(g) and (af).

In making this judgment, the Group has taken into account that, as the registered owner of a leasehold property, the Group is able to benefit fully from any changes in the valuation of these properties whether as holding gains or by selling the property interest to others, as well as being able to use the properties in its operation free of paying market rents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES *(Continued)*

(b) Key sources of estimation uncertainties

The following are 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.

(i) *Useful lives and impairment assessment of property, plant and equipment, right-of-use assets, operating concessions and other intangible assets (other than goodwill)*

Property, plant and equipment and right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Operating concessions and other intangible assets (other than goodwill) are stated at cost less accumulated amortization and impairment losses. The estimation of useful lives impacts the level of annual depreciation and amortization expenses recorded. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicator that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amount including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise the recoverable amount is determined at the smallest group of CGUs, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rates in the cash flow projections, could materially affect the recoverable amount.

(ii) *Provision of ECLs for trade receivables and contract assets*

Trade receivables and contract assets with significant balances are assessed for ECLs individually. The Group uses provision matrix to calculate ECLs for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

(iii) *Estimated impairment loss recognised in respect of other receivables and loan receivables*

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES *(Continued)*

(b) Key sources of estimation uncertainties *(Continued)*

(iv) *Fair value measurement of investment properties*

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in note 18.

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. The Group's property manager and the chief financial officer have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date. Changes to these assumptions would result in changes in the fair value of these investment properties and the corresponding fair value gain or loss recognised in profit or loss.

(v) *Estimated impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs) to which goodwill has been allocated, which is the higher of the value-in-use or fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or a group of CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

(vi) *Revenue from construction contracts*

Revenue from construction contracts of certain water supply and sewage treatment of the Group are recognised by reference to the percentage of completion of the contract activity at the end of the reporting period. In recognition of profit and loss on the construction contracts, the management makes their best estimation of the future expected revenue from the contracts and future expected cost to complete the contracts. The estimates are determined by the management based on the current market conditions and expected time cost, material cost, other overhead expense to be incurred, expectations of future changes in the market and experience of similar transactions. Any change in these estimates will have an impact on the amount of contract revenue or contract loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

4. ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES *(Continued)*

(b) Key sources of estimation uncertainties *(Continued)*

(vii) Classification between operating concessions and receivables under service concession arrangements

As explained in note 3(h) to the consolidated financial statements, if the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognised initially at the fair values of the consideration received or receivables.

The segregation of the consideration for a service concession arrangement between the financial asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, fair value of the construction services, future guaranteed receipts and non-guaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The fair value of the construction and upgrade services under the service concession arrangements is calculated as the estimated total construction cost plus a profit margin. The profit margins are assessed by the Group, based on prevailing market rate applicable to similar construction services rendered. Revenue and costs relating to construction or upgrade services are accounted for in accordance with the accounting policy in note 3(h) to the consolidated financial statements.

(viii) Fair value measurement of financial instruments

At 31 December 2025, the Group's investments in unquoted equity instruments amounting to approximately HK\$10,207,000 (2024: HK\$11,274,000), are measured at fair value determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs. Whilst the Group considers these valuations are the best estimates, inflationary environment and interest rates hike have resulted in greater market volatility and may affect the investees' businesses, which have led to higher degree of uncertainties in respect of the valuations in the current year. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 6(d) for further disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

5. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes various types of borrowings, such as bank borrowings, other loans and amounts due to non-controlling interests of subsidiaries, less cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the raise of various types of borrowings, issuance of convertible bonds and new shares.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group monitors its capital structure on the basis of a gearing ratio. This ratio is calculated as net debt divided by equity attributable to owners of the Company. Net debt is calculated as total borrowings less cash and cash equivalents.

The gearing ratios as at 31 December 2025 and 2024 are as follows:

	2025 HK\$'000	2024 HK\$'000
Total liabilities	(1,140,585)	(1,264,139)
Divided by:		
Total assets	2,016,706	2,319,171
Gearing ratio	56.56%	54.51%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The main risks arising from Group's financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's exposure of these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group's credit risk is primarily attributable to trade and other receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are reputable banks with high credit rating assigned by international credit rating agencies, for which the Group considers to have low credit risk. The Group assessed 12-month ECLs for cash and cash equivalents by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12-month ECLs on cash and cash equivalents is to be insignificant and therefore no loss allowance was recognised. The Group does not obtain collateral from counterparties.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 0-180 days (2024: 0-180 days) from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 97% (2024: 98%) of the total trade receivables at 31 December 2025. The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The Group used average loss rate of 1.6% (2024: 1.7%). Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's of economic conditions over the expected lives of the receivables and were adjusted for any forward-looking information that was available without undue cost or effort.

The movements in the loss allowances on trade receivables are as follows:

	2025 HK\$'000	2024 HK\$'000
At 1 January	14,920	8,628
Allowance/expected credit loss recognised, net	–	8,603
Disposal of subsidiaries	–	(2,139)
Exchange realignment	251	(172)
At 31 December	15,171	14,920

For the year ended 31 December 2025, there is no significant change in the gross carrying amounts of trade receivables and the loss allowances on trade receivables. The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during 2024:

- origination of new trade receivables net of those settled resulted in an increase in loss allowance;
- increase in days past due of trade receivables resulted in an increase in loss allowance.

At 31 December 2025, included in trade receivables were the government on-grid tariff subsidies of approximately HK\$672,069,000 (2024: HK\$686,034,000) and electricity sales receivables of approximately HK\$6,854,000 (2024: HK\$14,073,000) from local grid companies. The tariff subsidies receivables are settled in accordance with prevailing government policies and prevalent payment trends of Ministry of Finance of the PRC. There is no due date for settlement. Trade receivables from renewable energy business are fully recoverable considering that the background of customers are mainly state-owned enterprises and there were no bad debt experiences in the past. Such tariff subsidies are funded by the PRC government and is only subject to timing of allocation of funds by the PRC government. As the Group considers credit risk for such balances to be insignificant, the expected credit loss is minimal, and included in allowance/expected credit loss recognised for the year amounted to approximately HK\$Nil (2024: HK\$8,603,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Other receivables

For other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECLs.

The movement in the loss allowances on other receivables are as follows:

	2025 HK\$'000	2024 HK\$'000
At 1 January	42,895	43,898
Allowance/expected credit loss recognised	–	–
Reversal of impairment loss	–	–
Disposal of subsidiaries	–	(371)
Exchange realignment	962	(632)
At 31 December	43,857	42,895

Included in the impairment loss are individually impaired other receivables with an aggregate balance of HK\$43,857,000 (2024: HK\$42,895,000) which are long outstanding. For the year ended 31 December 2025 and 2024, there is no significant change in the gross carrying amounts of other receivables and the loss allowances on other receivables.

Loan receivables

Loss allowance in respect of loan receivables are measured as either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available, reasonable and supportive forwarding-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Loan receivables (Continued)

The movements in the loss allowances on loan receivables are as follows:

	2025 HK\$'000	2024 HK\$'000
At 1 January	243,295	253,162
Allowance/expected credit loss recognised	991	4,832
Reversal of impairment loss	(3,215)	–
Disposal of subsidiaries	–	(11,504)
Exchange realignment	3,601	(3,195)
At 31 December	244,672	243,295

Included in the impairment loss are individually impaired loan receivables with an aggregate balance of HK\$244,672,000 (2024: HK\$243,295,000) which are long outstanding. The Group does not hold any collateral over these balances.

For the year ended 31 December 2025, there is no significant change in the gross carrying amounts of loan receivables and the loss allowances on loan receivables.

For the year ended 31 December 2024, the disposal of subsidiaries resulted in the decrease in gross carrying amounts of loan receivables which contributed to the decrease in the loss allowance.

Net impairment losses on financial assets for the year (reversed)/recognised in the consolidated statement of profit or loss as follows:

	2025 HK\$'000	2024 HK\$'000
Impairment losses recognised/(reversed) on:		
Trade receivables	–	8,603
Other receivables	–	–
Loan receivables	(2,224)	4,832
Prepayment	1,506	775
	(718)	14,210

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table set out the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on rates at the end of the reporting period) and the earliest date the Group can be required to pay.

	2025					Carrying amount HK\$'000
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	
Non-derivative financial liabilities						
Trade and other payables	370,781	4,871	-	-	375,652	375,652
Lease liabilities	154,322	35,942	23,182	1,079	214,525	197,529
Bank borrowings and other loans	517,697	-	-	-	517,697	463,480
Amounts due to non-controlling interests of subsidiaries	812	-	-	-	812	812
Amount due to an associate	478	-	-	-	478	478
	1,063,629	61,887	23,182	1,079	1,149,777	1,037,951

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

	2024					Carrying amount HK\$'000
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	
Non-derivative financial liabilities						
Trade and other payables	339,962	4,752	–	–	344,714	344,714
Lease liabilities	165,828	54,405	41,403	1,053	262,689	244,051
Bank borrowings and other loans	342,255	91,845	174,659	27,148	635,907	563,050
Amounts due to non-controlling interests of subsidiaries						
	1,598	–	–	–	1,598	1,598
Amount due to an associate						
	233	–	–	–	233	233
	849,876	151,002	216,062	28,201	1,245,141	1,153,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk

(i) Currency risk

Exposure to currency risk

Other than the subsidiaries established in the PRC and Indonesia whose functional currency is RMB and Rupiah, the Company and its subsidiaries' functional currency is HK\$. However, certain bank balances and other receivables are denominated in currencies other than HK\$ held by the Company and its subsidiaries established in Hong Kong. Foreign currencies are also used to settle expenses for overseas operations.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollar, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in HK\$'000)			
	2025		2024	
	USD	RMB	USD	RMB
Assets	211	200	211	98

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the needs arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The following table indicates the impact on the Group's loss after tax (and accumulated losses) and other comprehensive income/loss that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in exchange rates of the United States dollar against other currencies.

	2025		2024	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in loss after tax and accumulated losses HK\$'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in loss after tax and accumulated losses HK\$'000
Renminbi	5% (5%)	(8) 8	5% (5%)	(4) 4

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit loss after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates.

The Group is primarily exposed to fair value interest rate risk in relation to fixed rate loan receivables, bank deposits, bank borrowings, other loans and lease liabilities for the years ended 31 December 2025 and 2024. The Group is exposed to cash flow interest rate risk in relation to variable rate bank balances and bank borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's interest-bearing financial liabilities at the end of the reporting period:

	2025		2024	
	Effective interest rate %	HK\$'000	Effective interest rate %	HK\$'000
Fixed rate borrowings:				
Bank borrowings	2.8%–5.80%	295,156	3.15%–5.80%	291,833
Other loans	0%–18%	121,035	0%–18%	198,237
Lease liabilities	4.75%–8.64%	197,529	4.75%–8.64%	244,051
		613,720		734,121
Variable rate borrowings:				
Bank borrowings	3.71%–6.32%	47,289	3.35%–6.61%	72,980
		47,289		72,980
Total borrowings		661,009		807,101
Fixed rate borrowings as a percentage of total borrowings		93%		91%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

As 31 December 2025, it is estimated that a general increase/decrease of 50 basis points in interest rates, (2024: 50 basis points) with all other variables held constant, would have increase/decrease the Group's loss after tax and the accumulated losses by approximately HK\$177,000 (2024: HK\$274,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

The sensitivity analysis above has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2024: 50 basis points) increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis as 2024. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk is insignificant.

(iii) Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities and unlisted fund investments. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange. In addition, the Group has a team to monitor the price risk and will consider hedging the risk exposure should the needs arise.

The Group's unlisted fund investments comprised mainly investments in private equity funds. The Group managed the equity price risk through diversification of investment portfolio. The underlying investments held by these funds include unlisted equity instruments, structured financing products and venture capital deals in various regions in the PRC. The fair values of these investments are affected by the market conditions in the abovementioned sectors, the overall capital market conditions, as well as the performance of individual investees of each of these funds. The investments held in the portfolio may be realised only after several years and their fair values may change significantly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(iii) Equity price risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

At 31 December 2025, it is estimated that a general increase/decrease of 1% (2024: 1%) in the fair value of the Group's listed and unlisted equity securities, with all other variables held constant, would have decrease/increase the Group's loss after tax (and accumulated losses) and increase/decrease the Group's other comprehensive income by approximately HK\$77,000 (2024: HK\$85,000) and HK\$5,000 (2024: decrease/increase the Group's other comprehensive loss by HK\$26,000), respectively.

The sensitivity analysis indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the changes in fair value had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that all other variables remain constant. The analysis is performed on the same basis for 2024.

(d) Fair value measurements recognised in the consolidated statement of financial position

(i) Financial instruments carried at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Company's directors are responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group takes reference to the fair value of the financial assets based on the net asset value of the financial assets calculated on the last day of each calendar month and reported by the fund manager or engaged third party qualified valuers to perform the valuation. The Company's directors work closely with independent qualified valuers to establish the appropriate valuation techniques and inputs to the model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(d) Fair value measurements recognised in the consolidated statement of financial position (Continued)

(i) Financial instruments carried at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value at 31 December				
	2025 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurement					
Assets					
Financial assets at FVPL					
— unlisted fund investments	10,207	–	–	10,207	10,207
Listed equity investments at FVOCI	538	538	–	–	538

	Fair value at 31 December				
	2024 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurement					
Assets					
Financial assets at FVPL					
— unlisted fund investments	11,274	–	–	11,274	11,274
Listed equity investments at FVOCI	2,633	2,633	–	–	2,633

During the years ended 31 December 2025 and 2024, there were no significant transfers between instruments levels.

Valuation techniques and inputs used in Level 3 fair value measurements

The Group's unlisted financial assets measured at FVPL categorised in Level 3 comprise private equity funds. These private equity funds were managed by unrelated asset managers who applied various investment strategies to accomplish their respective investment objectives. The fair value of these funds is recorded based on valuations supplied by the fund managers. These valuations are measured by the percentage of ownership of the private equity's net asset value, which is an unobservable input.

At 31 December 2025, it is estimated that an increase/decrease of 1% (2024: 1%) in the net asset value of the private equity, with all other variables held constant, would have decreased/increased the Group's loss after tax by HK\$77,000 (2024: HK\$85,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(d) Fair value measurements recognised in the consolidated statement of financial position (Continued)

(i) Financial instruments carried at fair value (Continued)

Fair value hierarchy (Continued)

Valuation techniques and inputs used in Level 3 fair value measurements (Continued)

The movements during both years in the balances of fair value measurements under Level 3 of the fair value hierarchy are as follows:

	Unlisted fund investments
	HK\$'000
At 1 January 2024	12,103
Total gain included in net (loss)/gain on financial assets at fair value through profit or loss* in the consolidated statement of profit or loss	382
Exchange differences included in translation reserve in other comprehensive income	(251)
Disposals	(960)
At 31 December 2024	11,274
Total loss included in net (loss)/gain on financial assets at fair value through profit or loss* in the consolidated statement of profit or loss	(1,332)
Exchange differences included in translation reserve in other comprehensive income	265
At 31 December 2025	10,207
* Includes unrealised gains (losses) recognised in profit or loss attributable to assets held at the end of the reporting period:	
	HK\$'000
2025	(1,332)
2024	225

(ii) Financial instruments carried at other than fair value

The carrying amounts of the Group's other financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

7. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or services lines is as follows:

	2025 HK\$'000	2024 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Disaggregated by major products or service lines:		
Water supply services	–	83,091
Sewage treatment services	57,275	83,413
Water supply related installation and construction income	–	68,398
Water supply and sewage treatment infrastructure construction income	92	56,758
Sale of electricity	95,675	170,958
Sale of compressed natural gas	7,090	13,343
Service income from collection of landfill gas	2,000	1,679
Sale of solid organic fertilizer	–	5,206
Service income from collection and recycling of glass bottles	42,494	34,600
Service income from collection of food waste	29,209	19,185
	233,835	536,631

Sales of electricity to provincial power grid companies included tariff adjustment received and receivable from the relevant government authorities.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in note 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

8. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the board of directors of the Company being the chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group has identified the following reportable segments:

- (i) "Provision of sewage treatment and related construction services" segment, which derives revenues primarily from the provision of sewage treatment operations and related construction services;
- (ii) "Exploitation and sale of renewable energy" segment, which derives revenues primarily from sales of electricity and compressed natural gas from biogas power plants and solid organic fertilizer from comprehensive utilisation of straw and livestock and poultry waste;
- (iii) "Property investment and development" segment, which derives revenues primarily from sale of commercial and residential units; and
- (iv) "Waste management and recycling" segment, which derives revenue primarily from services income from collection and recycling of glass bottles and service income from collection of food waste.

For the year ended 31 December 2024, the "Provision of sewage treatment and related construction services" segment included the water supply business which derived revenue from the provision of water supply services and related installation and construction income. The Group ceased the water supply business since September 2024.

Information regarding the Group's reportable segments as provided to the board of directors of the Company for the purposes of resource allocation and assessment of segment performance is set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

8. SEGMENT REPORTING (Continued)

Segment revenue and results

Disaggregation of revenue from contracts with customers by the timing of revenue recognition as well as information regarding the Group's reportable and operating segments, are set out below.

For the year ended 31 December 2025

	Provision of sewage treatment and related construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Property investment and development HK\$'000	Waste management and recycling HK\$'000	Total HK\$'000
Reportable segment revenue					
Disaggregated by timing of revenue recognition:					
Point in time	57,275	104,765	-	71,703	233,743
Over time	92	-	-	-	92
Reportable segment revenue	57,367	104,765	-	71,703	233,835
Reportable segment profit/(loss)	14,959	(209,543)	(20,784)	(965)	(216,333)
Unallocated corporate expenses					(35,069)
Impairment loss on deposits paid					(50,572)
Interest income					7
Interest on fixed coupon bonds					(3,260)
Net loss on financial assets at fair value through profit or loss					(1,332)
Loss before taxation					(306,559)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

8. SEGMENT REPORTING (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2024

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Property investment and development HK\$'000	Waste management and recycling HK\$'000	Total HK\$'000
Reportable segment revenue					
Disaggregated by timing of revenue recognition:					
Point in time	166,504	191,186	–	53,785	411,475
Over time	125,156	–	–	–	125,156
Reportable segment revenue	291,660	191,186	–	53,785	536,631
Reportable segment profit/(loss)	22,371	(269,533)	(21,720)	485	(268,397)
Unallocated corporate expenses					(77,852)
Interest income					34
Interest on fixed coupon bonds					(2,158)
Net gain on financial assets at fair value through profit or loss					382
Gain on disposal of subsidiaries					43,143
Loss before taxation					(304,848)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

8. SEGMENT REPORTING (Continued)

Other segment information

For the year ended 31 December 2025

	Provision of sewage treatment and related construction services HK\$'000	Exploitation and sale of renewable energy HK\$'000	Property investment and development HK\$'000	Waste management and recycling HK\$'000	Corporate HK\$'000	Unallocated HK\$'000	Total HK\$'000
Interest income	1	100	1	506	7	-	615
Interest expenses	(3,910)	(27,154)	(2,862)	(1,263)	(12,809)	-	(47,998)
Share of profit of associates	-	1,133	-	-	-	-	1,133
Depreciation of:							
— Property, plant and equipment	(256)	(50,762)	(18)	(723)	(1,345)	-	(53,104)
— Right-of-use assets	(290)	(20,135)	(583)	(3,039)	(1,577)	-	(25,624)
Amortisation of:							
— Concession intangible assets	(12,533)	(10,808)	-	-	-	-	(23,341)
— Other intangible assets	-	(17,078)	-	-	-	-	(17,078)
Loss on disposal and written off of property, plant and equipment, net	(145)	(5,642)	-	-	(1)	-	(5,788)
Gain on disposal of concession intangible assets	-	28	-	-	-	-	28
Fair value loss on investment properties	-	-	(18,535)	-	-	-	(18,535)
Impairment loss (recognised)/reversal on:							
— Property, plant and equipment	-	(42,878)	-	-	-	-	(42,878)
— Trade and other receivables, net	-	(2,465)	-	-	3,183	-	718
— Right-of-use assets	-	(31,637)	-	-	-	-	(31,637)
— Concession intangible assets	-	(297)	-	-	-	-	(297)
— Other intangible assets	-	(5,181)	-	-	-	-	(5,181)
— Goodwill	-	(3,708)	-	-	(2,359)	-	(6,067)
— Deposits paid	-	-	-	-	-	(50,572)	(50,572)
Reportable segment assets	255,914	1,207,030	387,366	61,101	105,295	-	2,016,706
Additions to non-current assets	110	6,682	2,060	572	3,592	-	13,016
Reportable segment liabilities	(100,015)	(559,589)	(261,935)	(33,253)	(164,317)	(21,476)	(1,140,585)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

8. SEGMENT REPORTING (Continued)

Other segment information (Continued)

For the year ended 31 December 2024

	Provision of water supply, sewage treatment and construction services HK\$'000	Exploitation and sales of renewable energy HK\$'000	Property investment and development HK\$'000	Waste management and recycling HK\$'000	Corporate HK\$'000	Unallocated HK\$'000	Total HK\$'000
Interest income	868	231	2	766	34	-	1,901
Interest expenses	(7,086)	(32,630)	(2)	(1,474)	(12,414)	-	(53,606)
Share of profit/(loss) of associates, net	64	(111)	-	-	-	-	(47)
Share of profit of a joint venture	131	-	-	-	-	-	131
Depreciation of:							
— Property, plant and equipment	(3,243)	(57,849)	(3)	(693)	(1,448)	-	(63,236)
— Right-of-use assets	(1,115)	(35,960)	(585)	(3,124)	(1,210)	-	(41,994)
Amortisation of:							
— Concession intangible assets	(33,162)	(12,166)	-	-	-	-	(45,328)
— Other intangible assets	(5)	(20,535)	-	-	-	-	(20,540)
Gain/(loss) on disposal of property, plant and equipment, net	(15)	(11,892)	-	-	2	-	(11,905)
Gain/(loss) on disposal of:							
— subsidiaries, net	-	(350)	-	-	-	43,493	43,143
Loss on disposal of concession intangible assets	(9)	-	-	-	-	-	(9)
Fair value loss on investment properties	-	-	(14,490)	-	-	-	(14,490)
Impairment loss recognised on:							
— Property, plant and equipment	-	(62,599)	-	-	-	-	(62,599)
— Trade and other receivables, net	-	(9,378)	-	-	(4,832)	-	(14,210)
— Right-of-use assets	-	(50,760)	-	-	-	-	(50,760)
— Concession intangible assets	-	(1,333)	-	-	-	-	(1,333)
— Other intangible assets	-	(9,862)	-	-	-	-	(9,862)
— Goodwill	-	(16,949)	-	-	(4,788)	-	(21,737)
Reportable segment assets	255,480	1,487,216	397,439	56,784	122,252	-	2,319,171
Additions to non-current assets	61,292	25,737	-	2,320	643	-	89,992
Reportable segment liabilities	(104,325)	(622,736)	(261,972)	(34,751)	(216,212)	(24,143)	(1,264,139)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

8. SEGMENT REPORTING (Continued)

Other segment information (Continued)

Segment assets include all tangible, intangible assets and current assets with the exception of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, deposits paid for acquisition of additional interests in a subsidiary and other unallocated corporate assets. Segment liabilities include all current liabilities and non-current liabilities with the exception of unallocated corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segments sales in the current year (2024: Nil).

The measure used for reporting segment profit/loss is "adjusted profit/loss before tax". To arrive at adjusted profit/loss before tax, the Group's earnings/loss are further adjusted for items not specifically attributed to individual segments, such as gain on disposal of subsidiaries, change in fair value of financial assets at fair value through profit or loss, impairment loss on corporate assets, directors' and auditors' remuneration and other head office or corporate income, finance costs and administration costs.

Geographical information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical locations of customers refer to the locations at which the customers reside. Non-current assets are based on the locations of the property, plant and equipment, right-of-use assets and investment properties, the locations of the operations in the case of deposits paid for acquisition of property, plant and equipment and acquisition of additional interests in a subsidiary, operating concessions, other intangible assets and interests in an associate, and exclude financial instruments and deferred tax assets.

	Revenue from external customers		Non-current assets	
	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC (country of domicile)	162,132	482,846	973,846	1,221,755
Hong Kong	71,703	53,785	52,984	72,482
	233,835	536,631	1,026,830	1,294,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

8. SEGMENT REPORTING (Continued)

Information about major customers

Revenue from customers contributing 10% or more of the total revenue of the Group are as follows:

	2025 HK\$'000	2024 HK\$'000
Customer A — revenue from exploitation and sale of renewable energy	40,629	64,501
Customer B — revenue from waste management and recycling	71,703	53,666
Customer C — revenue from sewage treatment services	46,916	—*

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the relevant year.

9. OTHER OPERATING INCOME/(EXPENSES), NET

	2025 HK\$'000	2024 HK\$'000
Interest income on:		
— bank deposits	576	993
— loans receivables	39	908
Total interest income on financial assets measured at amortized cost	615	1,901
Release of deferred government grants (note 35)	1,494	2,098
Consultancy fee income	—	320
Handling charges	—	1,403
Repair services income	—	3,822
Gross rentals from investment properties — lease payments that are fixed	4,578	4,499
Loss on disposal of property, plant and equipment, net	(5,788)	(11,905)
Gain/(loss) on disposal of concession intangible assets	28	(9)
VAT refund	9,843	13,423
Revenue from sale of equipment, net	2,117	1,480
Revenue from guaranteed project, net	293	1,346
Sale of carbon emission target income	3,819	2,157
Loss on litigation claim	(8,180)	(22,321)
Gain on loan settlement	6,819	—
Others	174	(2,994)
	15,812	(4,780)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

10. FINANCE COSTS

	2025 HK\$'000	2024 HK\$'000
Interest on:		
— bank borrowings	16,526	20,282
— other loans	14,300	16,682
— lease liabilities	17,172	21,527
Total interest expense on financial liabilities not at FVPL	47,998	58,491
Less: interest capitalised included in construction in progress and operating concessions	—	(4,885)
	47,998	53,606

Included in construction in progress under concession intangible assets and property, plant and equipment are interest capitalised during the year of approximately HK\$Nil (2024: HK\$4,885,000) at the capitalisation rate of Nil (2024: 6.52%) per annum.

11. INCOME TAX (CREDIT)/EXPENSE

Amounts recognised in profit or loss

	2025 HK\$'000	2024 HK\$'000
Current tax — Hong Kong Profits Tax		
— Provision for the year	—	—
Current tax — PRC Enterprise Income Tax (“EIT”)		
— Provision for the year	4,584	35,744
— Under-provision in respect of prior years	379	50
Deferred tax — origination and reversal of temporary differences (note 36)	(11,011)	(6,617)
Tax (credit)/expense	(6,048)	29,177

No provision for Hong Kong profits tax has been made for the years ended 31 December 2025 and 2024 as the Company and its subsidiaries did not have assessable profit subject to Hong Kong profits tax for these years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

11. INCOME TAX (CREDIT)/EXPENSE (Continued)

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT tax rate of the PRC subsidiaries is 25% for both years. Accordingly, provision for PRC EIT for the PRC subsidiaries is calculated at 25% on the estimated assessable profits for both years, except disclosed as follows.

Certain subsidiaries of the Group, being engaged in provision of electricity supply and sales of renewable energy in the PRC, under the EIT Law and its relevant regulations, are entitled to tax concession of 3-year full exemption and subsequent 3-year 50% exemption commencing from their respective years in which their first operating income were derived.

The income tax (credit)/expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2025 HK\$'000	2024 HK\$'000
Loss before taxation	(306,559)	(304,848)
Notional tax credit at domestic tax rates applicable to profits and losses in the countries concerned	(69,655)	(79,158)
Tax effect of share of results of associates	(283)	12
Tax effect of share of results of joint ventures	–	(33)
Tax effect of expenses not deductible for tax purposes	55,369	84,710
Tax effect of income not taxable for tax purposes	(15,183)	(15,879)
Effect of tax exemption granted to PRC subsidiaries	(1,587)	(2,153)
Tax effect of tax losses and deductible temporary differences not recognised	24,912	41,628
Under provision in respect of prior years	379	50
Income tax (credit)/expense	(6,048)	29,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	2025 HK\$'000	2024 HK\$'000
Staff costs excluding directors' and chief executive's emoluments		
— Salaries, wages and other benefits	64,185	126,071
— Retirement benefits scheme contributions	7,950	13,492
Total staff costs	72,135	139,563
Amortisation of:		
— concession intangible assets	23,341	45,328
— other intangible assets	17,078	20,540
Depreciation of: (note 16)		
— owned property, plant and equipment	53,104	63,236
— right-of-use assets	25,624	41,994
Lease payments not included in the measurement of lease liabilities	1,815	2,149
Write off of:		
— property, plant and equipment	5,927	—
— right-of-use assets	187	—
(Gain)/Loss on disposal of property, plant and equipment, net	(139)	11,905
(Gain)/Loss on disposal of concession intangible assets	(28)	9
Auditor's remuneration		
— audit services	2,295	2,800
— other services	10	1,650
Cost of inventories (note 24)	56,866	104,594
Gross rental income from investment properties less direct outgoings of approximately HK\$140,000 (2024: HK\$126,000)	(4,438)	(4,373)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

13. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, two (2024: two) were directors and chief executive whose emoluments are set out in note 43. The aggregate of the emoluments in respect of the other three (2024: three) individual are as follows:

	2025 HK\$'000	2024 HK\$'000
Salaries and other emoluments	2,130	2,179
Retirement scheme contributions	237	234
	2,367	2,413

The emoluments of the three (2024: three) individuals (who are not directors of the Company) with the highest emoluments are within the following bands.

	2025	2024
Nil – HK\$1,000,000	2	2
HK\$1,000,001 – HK\$1,500,000	1	1

14. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2025, nor has any dividend been proposed since the end of the reporting period (2024: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

15. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2025 HK\$'000	2024 HK\$'000
Loss attributable to the owners of the Company, used in the basic and diluted loss per share	(276,023)	(322,282)
	No. of shares	No. of shares (restated)
Weighted average number of ordinary shares — basic and diluted	580,348,187	290,378,187
	HK cents	HK cents (restated)
Loss per share: Basic and diluted	(47.56)	(110.99)

In accordance with HKAS 33, Earnings per Share, the Group adjusted the weighted average number of ordinary shares when calculating the adjusted basic and diluted loss per share in consideration of the factors relating to the rights issue.

For the years ended 31 December 2025 and 2024, diluted loss per share equals basic loss per share as there was no dilutive potential share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

16. PROPERTY, PLANT AND EQUIPMENT, AND RIGHT OF USE ASSETS

	Ownership interests in leasehold land and buildings held for own use HK\$'000	Other properties leased for own use HK\$'000	Plant and machinery leased for own use HK\$'000	Buildings HK\$'000	Plant and machinery HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost									
At 1 January 2024	68,196	30,150	473,495	78,320	440,018	20,479	16,643	375,211	1,502,512
Additions	–	739	319	41	4,375	1,016	475	20,381	27,346
Additions									
— interest capitalised	–	–	–	–	–	–	–	1,499	1,499
Transfer	–	–	(30,792)	11,924	55,807	–	–	(36,939)	–
Disposals	–	(1,577)	–	(455)	(14,564)	(337)	(1,807)	(14,793)	(33,533)
Disposal of subsidiaries	(27,262)	–	–	(13,311)	(28,244)	(2,610)	(5,295)	–	(76,722)
Exchange realignment	152	(293)	(9,492)	(1,728)	(12,129)	(358)	(204)	(5,071)	(29,123)
At 31 December 2024 and 1 January 2025	41,086	29,019	433,530	74,791	445,263	18,190	9,812	340,288	1,391,979
Additions	–	5,241	–	–	139	223	464	6,424	12,491
Transfer	–	–	(82,467)	–	83,045	–	–	(578)	–
Disposals	–	(1,156)	–	(1,994)	(30,302)	(611)	(1,081)	–	(35,144)
Exchange realignment	1,009	359	9,515	1,993	13,949	390	195	5,683	33,093
At 31 December 2025	42,095	33,463	360,578	74,790	512,094	18,192	9,390	351,817	1,402,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

16. PROPERTY, PLANT AND EQUIPMENT, AND RIGHT OF USE ASSETS (Continued)

	Ownership interests in leasehold land and buildings held for own use HK\$'000	Other properties leased for own use HK\$'000	Plant and machinery leased for own use HK\$'000	Buildings HK\$'000	Plant and machinery HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Accumulated depreciation and impairment:									
At 1 January 2024	5,762	8,346	240,458	32,007	207,508	12,040	12,412	69,021	587,554
Provided for the year	1,949	5,856	34,189	4,210	49,789	1,901	939	6,397	105,230
Eliminated on disposal	-	(861)	-	(110)	(13,542)	(295)	(1,531)	-	(16,339)
Disposal of subsidiaries	(3,719)	-	-	(3,822)	(8,568)	(1,909)	(4,210)	-	(22,228)
Transfer	-	-	(25,960)	-	25,960	-	-	-	-
Impairment	234	-	50,526	9,091	39,057	1,973	254	12,224	113,359
Exchange realignment	40	(218)	(6,024)	(922)	(7,346)	(248)	(150)	(374)	(15,242)
At 31 December 2024 and 1 January 2025	4,266	13,123	293,189	40,454	292,858	13,462	7,714	87,268	752,334
Provided for the year	1,116	5,663	18,845	3,648	40,436	1,650	757	6,613	78,728
Eliminated on disposal	-	(674)	-	-	(23,142)	(571)	(799)	-	(25,186)
Transfer	-	-	(55,225)	-	55,244	-	-	(19)	-
Impairment	1,474	-	30,163	7,138	34,448	540	383	369	74,515
Exchange realignment	12	276	7,336	1,306	10,145	315	148	537	20,075
At 31 December 2025	6,868	18,388	294,308	52,546	409,989	15,396	8,203	94,768	900,466
Carrying values									
At 31 December 2025	35,227	15,075	66,270	22,244	102,105	2,796	1,187	257,049	501,953
At 31 December 2024	36,820	15,896	140,341	34,337	152,405	4,728	2,098	253,020	639,645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

16. PROPERTY, PLANT AND EQUIPMENT, AND RIGHT OF USE ASSETS (Continued)

(a) Right-of-use assets

The analysis of the net carrying value of right-of-use assets by class of underlying asset is as follows:

	Notes	2025 HK\$'000	2024 HK\$'000
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost in PRC, with remaining lease term of:			
— between 10 and 50 years	(i)	35,227	36,820
		35,227	36,820
Other properties leased for own use, carried at depreciated cost	(ii)	15,075	15,896
Plant and machinery carried at depreciated cost	(iii)	66,270	140,341
		81,345	156,237

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2025 HK\$'000	2024 HK\$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	1,116	1,949
Other properties leased for own use	5,663	5,856
Plant and machinery	18,845	34,189
	25,624	41,994
Interest on lease liabilities (note 10)	17,172	21,527
Lease payments not included in the measurement of lease liabilities	1,815	2,149

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

16. PROPERTY, PLANT AND EQUIPMENT, AND RIGHT OF USE ASSETS *(Continued)*

(a) Right-of-use assets *(Continued)*

During the year, additions to right-of-use assets were approximately HK\$5,241,000 (2024: HK\$1,058,000). This amount included the lease of a leasehold property of approximately HK\$Nil (2024: Nil), and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for lease and the maturity analysis of lease liabilities are set out in note 28(b) and 32 respectively.

(i) *Ownership interests in leasehold land and buildings held for own use*

The Group holds land and buildings for its ordinary course of business. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) *Other properties leased for own use*

The Group has obtained the right to use other properties through tenancy agreements. The leases typically run for an initial period of 2 to 5 years.

(iii) *Other leases*

The Group leases production plant, machinery and office equipment under leases expiring from 1 to 5 years. Some leases include an option to renew the lease when all terms are renegotiated, while some include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

(b) The analysis of the classification of property, plant and equipment as follows:

	2025 HK\$'000	2024 HK\$'000
Property, plant and equipment	385,381	446,588
Right-of-use assets	116,572	193,057
	501,953	639,645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

16. PROPERTY, PLANT AND EQUIPMENT, AND RIGHT OF USE ASSETS *(Continued)*

(c) Impairment loss

The Group has been experiencing significant drop in revenue and gross loss in certain subsidiaries engaged in renewable energy projects as (i) the local incineration projects being developed caused less new garbage being delivered to landfill sites as a result of the volume of landfill gas collected and the electricity generated dropped; and (ii) the operating cost of these projects continued to increase.

The management of the Group therefore performed an impairment review of the recoverable amount related to these subsidiaries. For the purposes of impairment testing, the recoverable amount of property, plant and equipment, including right-of-use assets, of these subsidiaries were allocated to their respective cash-generating unit ("CGU") of collection and utilisation of landfill gas under the segment of "exploitation and sales of renewable energy".

In performing the impairment testing, the directors of the Company had also made reference to valuation performed by independent professional valuers.

The recoverable amount was determined on the basis of value-in-use calculations. Value-in-use calculations was based on the discount rate of 9.41%-16.43% (2024: 8.52%-16.21%) and cash flow projections prepared from financial forecasts approved by the management for the next five years. The key assumptions used in the value-in-use calculations included estimated annual revenue growth, operating costs, budgeted gross margin, estimated capital expenditure during the projection period and discount rates. Annual revenue growth is estimated based on the landfill gas production and budgeted gross margin were determined based on historical performance. Estimated capital expenditure was determined based on historical trends and the Group's future working capital management plans. The cash-generating unit cash flows beyond the 5-year period were extrapolated using a growth rate of 2% (2024: 0%-2%). Other key assumptions for the value-in-use calculation related to the estimation of cash inflows/outflows which included budgeted sales and expected gross margins during the budget period which had been determined based on past performance and management's expectations for the market development.

The directors of the Company engaged AVISTA Valuation Advisory Limited ("AVISTA") and Peak Vision Appraisals Limited ("Peak Vision"), to perform a valuation of these CGUs in order to provide them with the impairment assessment. Having regard to the future plan of the Group and the valuation performed by AVISTA and Peak Vision, impairment losses of approximately HK\$74,515,000 (equivalent to RMB68,262,000) (2024: HK\$113,359,000 (equivalent to RMB103,468,000)) was recognised during the years.

Impairment losses of approximately HK\$42,878,000 (equivalent to RMB39,280,000) (2024: HK\$62,599,000 (equivalent to RMB57,137,000)) and approximately HK\$31,637,000 (equivalent to RMB28,982,000) (2024: HK\$50,760,000 (equivalent to RMB46,331,000)) have been recognised in property, plant and equipment and right-of-use assets respectively.

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FOR THE YEAR ENDED 31 DECEMBER 2025

17. CONCESSION INTANGIBLE ASSETS

As further explained in the accounting policy for “service concession arrangements” set out in note 3(h) to the consolidated financial statements, the consideration paid by the Group for a service concession arrangement is accounted for as an intangible asset (operating concession) or a financial asset (receivable under a service concession arrangement) or a combination of both, as appropriate. The following is the summarised information of the intangible asset component (operating concessions) and the financial asset component (receivables under service concession arrangements) with respect to the Group’s service concession arrangements:

Operating concessions

	2025 HK\$'000	2024 HK\$'000
Cost		
At 1 January	326,340	1,005,726
Additions	92	59,253
Additions — interest capitalised	—	3,386
Disposals	(383)	(2,830)
Disposal of subsidiaries	—	(736,170)
Exchange realignment	7,343	(3,025)
At 31 December	333,392	326,340
Accumulated amortisation and impairment		
At 1 January	115,937	380,430
Provided for the year	23,341	45,328
Impairment loss	297	1,333
Disposal of subsidiaries	—	(308,149)
Eliminated on disposal	(364)	(1,993)
Exchange realignment	3,176	(1,012)
At 31 December	142,387	115,937
Carrying values		
At 31 December	191,005	210,403

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FOR THE YEAR ENDED 31 DECEMBER 2025

17. CONCESSION INTANGIBLE ASSETS (Continued)

Receivables under service concession arrangements

	2025 HK\$'000	2024 HK\$'000
Receivables under service concession arrangements	6,753	8,356
Impairment	–	–
	6,753	8,356
Portion classified as current assets	(1,544)	(1,769)
	5,209	6,587

The subsidiaries of the Group, Yichun Water Industry Group Co., Ltd* (“Yichun Water”) entered into service concession arrangements with the respective local government whereby the above subsidiaries are required to build the infrastructure of water supply plant and were granted with an exclusive operating right for provision of water supply services to the public users for a period of 30 years commencing from the operation of the respective water supply plant. In September 2024, the Group disposed its interests in Yichun Water and Yichun Water ceased to be a subsidiary of the Group (note 37).

The subsidiaries of the Group, Yichun Fangke Sewage Treatment Company Limited* (“Yichun Fangke”), Jining City Haiyuan Water Treatment Company Limited* (“Jining Haiyuan”), Jining City Haisheng Water Treatment Company Limited* (“Jining Haisheng”) and Foshan City Gaoming Huaxin Sewage Treatment Company Limited* (“Gaoming Huaxin”) entered into service concession arrangements with the respective local government whereby the above subsidiaries are required to build the infrastructure of sewage treatment plant and were granted with an exclusive operating right for provision of sewage treatment services to the public users for a period ranging from 25 years to 29 years, commencing from the operation of the respective waste treatment plant. In September 2024, the Group disposed its interests in Yichun Fangke and Yichun Fangke ceased to be a subsidiary of the Group (note 37).

The subsidiaries of the Group, Fushun Shifang Bioenergy Limited* (“Fushun Shifang”), Chengdu City Green State Renewable Energy Co., Limited* (“Chengdu City Green State”) and Chongqing Camda New Energy Equipment Company Limited* (“Chongqing Camda”) entered into the service concession arrangement with the respective local government whereby the above subsidiaries are required to build the infrastructure of electricity plant and were granted with an exclusive operating right for provision of electricity services to the respective local government for a period of 6 years, 10.5 years and 19.5 years respectively commencing from the operation of respective electricity plant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

17. CONCESSION INTANGIBLE ASSETS (Continued)

Amortisation for the above concession intangible assets has been provided on a straight-line basis over the remaining terms of the operating rights since commencement of operations. The receipt from these service concession arrangements, are contingent on the extent that public uses the services.

For the year ended 31 December 2025, the Group has recognised service concession construction revenue of approximately HK\$91,906,000 (2024: HK\$59,253,000) and profit of approximately HK\$10,036,000 (2024: HK\$7,088,000) during the construction periods of the service concession periods.

Impairment losses of approximately HK\$297,000 (equivalent to RMB272,000) (2024: HK\$1,333,000 (equivalent to RMB1,217,000)) have been recognised in concession intangible assets.

The recoverable amounts of the respective CGU is determined by using value-in-use calculation with reference to the valuation performed by AVISTA and Peak Vision. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rate of 11% (2024: 11%). The key assumptions used in the value-in-use calculations included estimated annual revenue growth, operating costs, budgeted gross margin, estimated capital expenditure during the projection period and discount rates. Annual revenue growth and budgeted gross margin were determined based on historical performance. Estimated capital expenditure was determined based on historical trends and the Group's future working capital management plans. Cash flows beyond the five-year period have been extrapolated using a steady 2% (2024: 2%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry.

* The English name is for identification purpose only.

18. INVESTMENT PROPERTIES

	2025 HK\$'000	2024 HK\$'000
At fair value		
At 1 January	175,052	201,389
Disposal of subsidiaries	–	(7,956)
Fair value loss recognised for the year	(18,535)	(14,490)
Exchange realignment	4,145	(3,891)
At 31 December	160,662	175,052

The Group leases out investments properties under operating leases. The leases typically run for initial periods of 1 to 20 years (2024: 1 to 20 years). None of the leases include variable lease payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

18. INVESTMENT PROPERTIES (Continued)

Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

2025	Fair value at 31 December HK\$'000	Fair value measurements 31 December categorised into			
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurement					
Investment properties:					
	— Commercial — PRC	160,662	—	—	160,662

2024	Fair value at 31 December HK\$'000	Fair value measurements 31 December categorised into			
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurement					
Investment properties:					
	— Commercial — PRC	175,052	—	—	175,052

During the year ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2025 and 2024. The valuations were carried out by AVISTA and Peak Vision who has recent experience in the location and category of properties being valued. The Company's directors have discussion with the valuer on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

The fair value of the investment properties has been arrived by adopting the income method by taking into account the net rental income of the property achievable in the existing market with due allowance for the reversionary income potential of the leases. Rental income achievable are analysed in order to arrive at fair capital values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

18. INVESTMENT PROPERTIES (Continued)

Fair value measurement of properties (Continued)

(ii) Information about Level 3 fair value measurements

	Valuation Techniques	Unobservable input	Range
2025			
Investment properties Commercial — PRC	Income approach (term and reversionary method)	Term and reversionary yield	3%–7%
2024			
Investment properties Commercial — PRC	Income approach (term and reversionary method)	Term and reversionary yield	2%–7%

The fair value of investment properties located in the PRC as at 31 December 2025 and 2024 is determined by using income approach (term and reversionary method) which largely used observable inputs (e.g. market rent, yield, etc.) and taking into account on term yield to account for the risk upon reversionary. The higher the term and reversionary yield, the lower the fair value.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2025 HK\$'000	2024 HK\$'000
Investment properties — Commercial — PRC		
At 1 January	175,052	201,389
Disposal of subsidiaries	–	(7,956)
Fair value loss recognised for the year	(18,535)	(14,490)
Exchange realignment	4,145	(3,891)
At 31 December	160,662	175,052

Exchange adjustment of investment properties are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

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FOR THE YEAR ENDED 31 DECEMBER 2025

19. OTHER INTANGIBLE ASSETS

	Goodwill HK\$'000	Exclusive rights of collection and utilisation of landfill gas HK\$'000	Technology HK\$'000	Total HK\$'000
Cost				
At 1 January 2024	283,903	320,526	2,584	607,013
Exchange realignment	(6,072)	(6,856)	(55)	(12,983)
At 31 December 2024 and 1 January 2025	277,831	313,670	2,529	594,030
Addition	–	68	164	232
Exchange realignment	6,812	7,902	65	14,779
At 31 December 2025	284,643	321,640	2,758	609,041
Accumulated amortisation and impairment				
At 1 January 2024	240,808	229,654	614	471,076
Amortisation	–	20,051	489	20,540
Impairment loss recognised for the year	21,737	9,862	–	31,599
Exchange realignment	(5,461)	(5,348)	(19)	(10,828)
At 31 December 2024 and 1 January 2025	257,084	254,219	1,084	512,387
Amortisation	–	16,584	494	17,078
Impairment loss recognised for the year	6,067	5,181	–	11,248
Exchange realignment	6,422	6,715	33	13,170
At 31 December 2025	269,573	282,699	1,611	553,883
Carrying values				
At 31 December 2025	15,070	38,941	1,147	55,158
At 31 December 2024	20,747	59,451	1,445	81,643

- (i) The exclusive rights acquired upon acquisition of subsidiaries were initially recognised at fair value at the acquisition date. The exclusive rights acquired separately were initially recognised at cost. Amortisation expense for the year ended 31 December 2025 was approximately HK\$17,078,000 (2024: HK\$20,540,000), of which approximately HK\$16,584,000 (2024: HK\$20,051,000) and approximately HK\$494,000 (2024: HK\$489,000) were recorded into cost of sales and administrative expenses, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

19. OTHER INTANGIBLE ASSETS (Continued)

Impairment test on goodwill

For the purposes of impairment testing, goodwill have been allocated to individual CGU. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2025 and 2024 allocated to the CGU as follows:

	2025 HK\$'000	2024 HK\$'000
“Exploitation and sales of renewable energy” segment		
Datang Huayin Heng Yang Environmental Power Company Limited* (“Heng Yang Environmental”)	–	123
Baoji City Electric Power Development Co., Limited* (“Baoji”)	–	1,305
Datang Huayin Xiangtan Environmental Electricity Generation Company Limited* (“Datang Huayin Xiangtan”)	–	1,077
Chengdu City Green State Renewable Energy Co., Limited* (“Chengdu City Green State”)	11,647	11,359
Dongyang Grand Energy Co., Ltd.* (“Dongyang Grand”)	2,073	3,077
Fushun Shifang Bioenergy Limited* (“Fushun Shifang”)	–	16
Zhengzhou Xinguan Energy Development Company Limited* (“Zhengzhou Xinguan”)	1	1
Shandong Yixin Water Clean Energy Limited* (“Shandong Yixin”)	–	92
“Provision of water supply, sewage treatment and construction services” segment		
Anchor Environmental & Energy Technology (Shanghai) Co., Ltd.* (“Anchor”)	1,349	3,697
	15,070	20,747

* The English translation of the names of the Company’s subsidiaries which were registered and incorporated in the PRC are for reference only and the official names of the entities are in Chinese.

The Group tests goodwill annually for impairment, or more frequently when there is indication that the unit may be impaired. In assessing the need for impairment of goodwill, the Group estimates the recoverable amount of respective CGU to which goodwill has been allocated by reference to, amongst other things, the existing operations, and future prospects of the respective CGU. Accordingly, the Group recognised accumulated impairment losses with an aggregate amount of approximately HK\$269,573,000 (2024: HK\$257,084,000) as at 31 December 2025 in relation to goodwill arising on acquisition of the subsidiaries.

In addition to goodwill, property, plant and equipment, right-of-use assets, concession intangible assets and other intangible assets that generate cash flows together with the related goodwill and are also included in the respective CGU for the purpose of impairment assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

19. OTHER INTANGIBLE ASSETS (Continued)

Impairment test on goodwill (Continued)

The basis of calculation of the recoverable amount of the respective CGU and the major underlying assumptions are summarised below:

Exploitation and sales of renewable energy

The recoverable amount of the respective CGU under the exploitation and sales of renewable energy is determined based on value-in-use calculations with reference to valuation performed by AVISTA and Peak Vision. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used in the value-in-use calculations included estimated annual revenue growth, operating costs, budgeted gross margin, estimated capital expenditure during the projection period and discount rates. Annual revenue growth of 2% (2024: 2%) is estimated based on the landfill gas production and budgeted gross margin of 11%–31% (2024: 21%–45%) were determined based on historical performance. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2% (2024: 2%) which is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 9.41%–16.43% (2024: 11.00%–13.00%). The discount rates used are pre-tax and reflect specific risks relating to the relevant industry.

The recoverable amount of the respective CGU containing goodwill at 31 December 2025 was approximately HK\$665,238,000 (RMB600,883,000) (2024: HK\$836,663,000 (RMB774,759,000)).

During the year ended 31 December 2025 and 2024, the Group has been experiencing significant drop in revenue and gross loss in certain subsidiaries engaged in renewable energy projects as (i) no new garbage was delivered to the landfill site, while the existing landfill gas is not sufficient to support the operation of generators resulting in the cessation of power generation; and (ii) an expected decrease in new garbage delivered to the landfill sites, which caused the volume of landfill gas collected and the electricity generated less than expected; while the operating costs continued to increase.

Based on the assessment, impairment losses of approximately HK\$3,708,000 (equivalent to RMB3,397,000) (2024: HK\$16,949,000 (equivalent to RMB15,470,000)) and approximately HK\$5,181,000 (equivalent to RMB4,746,000) (2024: HK\$9,862,000 (equivalent to RMB9,001,000)) have been recognised in goodwill under “exploitation and sales of renewable energy” segment and exclusive rights of collection and utilisation of landfill gas respectively during the year ended 31 December 2025.

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FOR THE YEAR ENDED 31 DECEMBER 2025

19. OTHER INTANGIBLE ASSETS (Continued)

Provision of water supply, sewage treatment and construction services

The recoverable amount of the respective CGU under the provision of water supply, sewage treatment and construction services is determined based on value-in-use calculations with reference to valuation performed by Peak Vision. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used in the value-in-use calculations included estimated annual revenue growth, operating costs, budgeted gross margin, estimated capital expenditure during the projection period and discount rates. Annual revenue growth is estimated based on the past performance and budgeted gross margin were determined based on historical performance. Estimated capital expenditure was determined based on historical trends and the Group's future working capital management plans. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2% (2024: 2%) which is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 16.43% (2024: 16.21%). The discount rates used are pre-tax and reflect specific risks relating to the relevant industry.

The recoverable amount of the respective CGU containing goodwill at 31 December 2025 was approximately HK\$14,857,000 (RMB13,420,000) (2024: HK\$22,394,000 (RMB20,738,000)).

During the year ended 31 December 2025, due to the drop in revenue more than expected, impairment losses of approximately HK\$2,359,000 (equivalent to RMB2,161,000) (2024: HK\$4,789,000 (equivalent to RMB4,370,000)) have been recognised in goodwill under "provision of water supply, sewage treatment and construction services" segment.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER COMPREHENSIVE INCOME

	2025 HK\$'000	2024 HK\$'000
Listed equity securities, at fair value	538	2,633
Unlisted fund investments, at fair value	10,207	11,274
	10,745	13,907
Classified as:		
Financial assets at fair value through profit or loss		
— Current	10,207	11,274
Financial assets at fair value through other comprehensive income		
— Non-current	538	2,633
	10,745	13,907

The fair values of the above listed securities are determined based on the quoted market bid prices available on the Stock Exchange.

The unlisted fund investments represented investments in funds in the PRC. Details of fair value measurement are set out in note 6(d).

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21. INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2025. The class of shares held is ordinary, unless otherwise stated.

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Billion City Investments Limited	British Virgin Islands ("BVI")/ Hong Kong	US\$1	100%	–	Investment holding	Private limited liability company
Onfar International Limited ("Onfar")	BVI/Hong Kong	US\$100	–	100%	Investment holding	Private limited liability company
Nourish Gain Investments Limited	BVI/Hong Kong	US\$1	100%	–	Investment holding	Private limited liability company
China Ace Investment Limited	Hong Kong	HK\$1	–	100%	Investment holding	Private limited liability company
Jining City Haiyuan Water Treatment Company Limited ("Jining Haiyuan")	PRC	RMB40,000,000	–	70%	Sewage treatment	Chinese foreign equity joint venture
Swan (Huizhou) Investment Company Limited	PRC	US\$33,568,000	–	100%	Investment holding	Wholly-owned foreign enterprise
Huizhou Swan Heng Chang Property Development Company Limited	PRC	RMB50,000,000	–	100%	Property development	Domestic enterprise
China Water Industry (HK) Limited	Hong Kong	HK\$1,000,000	–	100%	Investment holding	Private limited liability company
Shenzhen Haisheng Environmental Sci-Tech Company Limited	PRC	RMB15,802,400	–	100%	Installation of water suppliers facilities	Wholly-owned foreign enterprise
Nanjing Feng Shang New Technology Limited Liability Company ("Nanjing Feng Shang")	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
New China Water (Nanjing) Renewable Resources Investment Company Limited ("New China Water (Nanjing)")	PRC	US\$82,880,000	–	96.13%	Exploitation, generation and sale of renewable energy	Non-wholly-owned foreign enterprise
Changsha New China Water Environmental Technology Limited	PRC	RMB50,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Shenzhen City Li Sai Industrial Development Limited ("Shenzhen Li Sai")	PRC	RMB50,000,000	–	88%	Exploitation, generation and sale of renewable energy	Domestic enterprise

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

21. INVESTMENTS IN SUBSIDIARIES (Continued)

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2025. The class of shares held is ordinary, unless otherwise stated. (Continued)

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Shenzhen City New China Water Environmental Technology Limited ("Shenzhen New China Water")	PRC	RMB80,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Qingyuan City Greenspring Environmental Technology Limited	PRC	RMB30,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hunan Huiming Environmental Technology Limited ("Hunan Technology")	PRC	RMB18,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hunan Liuyang New China Water Environmental Technology Limited	PRC	RMB5,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Wuzhou City China Water New Renewable Resources Company Limited ("Wuzhou New China Water")	PRC	RMB15,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Chenzhou New China Water Biomass Power Generation Co., Limited (formerly known as Datang Huayin Chenzhou Environmental Power Company Limited) ("Chenzhou New China Water")	PRC	RMB5,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hengyang New China Water Environmental Protection Technology Co., Limited (formerly known as Datang Huayin Heng Yang Environmental Power Company Limited) ("Hengyang New China Water")	PRC	RMB4,100,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Baoji City Electric Power Development Co., Ltd ("Baoji")	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Chongqing Camda New Energy Equipment Company Limited ("Chongqing Camda")	PRC	RMB20,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hainan Camda New Energy Equipment Company Limited ("Hainan Camda")	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
New China Water (Nanjing) Energy Company Limited	PRC	RMB53,000,000	–	100%	Property development	Domestic enterprise

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

21. INVESTMENTS IN SUBSIDIARIES (Continued)

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2025. The class of shares held is ordinary, unless otherwise stated. (Continued)

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
New China Water (Hexian) Recycling Resources Technology Limited	PRC	HK\$14,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Yichun City New China Water Energy Technology Limited	PRC	RMB15,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Shenzhen City New China Water Electric Power Limited	PRC	RMB30,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Ningbo Qiyao New Energy Company Limited ("Ningbo Qiyao")	PRC	RMB8,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Xiangtan New China Water Biomass Power Generation Co., Ltd. (formerly known as Datang Huayin Xiangtan Environmental Electricity Generation Company Limited) ("Xiangtan New China Water")	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Xinhua New China Water Environmental Technology Limited	PRC	RMB4,050,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Shandong Qiyao New Energy Company Limited ("Shandong Qiyao")	PRC	RMB7,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Anqiu City New China Water Environmental Technology Limited	PRC	RMB12,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Jining City Haisheng Water Treatment Company Limited	PRC	RMB19,000,000	–	100%	Sewage treatment	Domestic enterprise
Fengcheng City New China Water Energy Technology Limited	PRC	RMB15,850,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Chengdu City Green State Renewable Energy Co., Limited ("Chengdu City Green State") (note (i))	PRC	RMB47,000,000	–	49%	Exploitation, generation and sale of renewable energy	Domestic enterprise

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21. INVESTMENTS IN SUBSIDIARIES (Continued)

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2025. The class of shares held is ordinary, unless otherwise stated. (Continued)

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Zhangjiakou New China Water Energy Technology Limited	PRC	RMB17,100,000	–	70%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hong Kong Food Waste Resources Limited	Hong Kong	HK\$100	–	100%	Investment holding	Private limited liability company
Happy Hour Limited	BVI/Hong Kong	US\$1	100%	–	Investment holding	Private limited liability company
Mascot Industries Limited	Hong Kong	HK\$2	–	100%	Investment holding	Private limited liability company
Smart Giant Group Limited	BVI/Hong Kong	US\$1	100%	–	Investment holding	Private limited liability company
Swift Surplus Holdings Limited	BVI/Hong Kong	US\$100	100%	–	Investment holding	Private limited liability company
Mark Profit Group Holdings Limited	Hong Kong	HK\$1	–	100%	Investment holding	Private limited liability company
Guangzhou Hyde Environmental Protection Technology Co., Ltd	PRC	HK\$12,000,000	–	100%	Investment holding	Wholly-owned foreign enterprise
Foshan City Gaoming Huaxin Sewage Treatment Company Limited (“Gaoming Huaxin”)	PRC	RMB10,000,000	–	70%	Sewage treatment	Domestic enterprise
Bonus Raider Investments Limited	BVI/Hong Kong	US\$1	100%	–	Investment holding	Private limited liability company
Bloom Profit Investment Limited	Hong Kong	HK\$100	–	100%	Investment holding	Private limited liability company
Hong Kong Glass Resources Limited	Hong Kong	HK\$100	–	100%	Waste management and recycling	Private limited liability company
Hong Kong Glass Reborn Limited	Hong Kong	HK\$5,000,000	–	70%	Glass Recycling	Private limited liability company
South Top Investment Ltd.	Hong Kong	HK\$1	100%	–	Provision of administrative services	Private limited liability company
Neutral Crown Holdings Limited	BVI/Hong Kong	US\$100	100%	–	Investment holding	Private limited liability company

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FOR THE YEAR ENDED 31 DECEMBER 2025

21. INVESTMENTS IN SUBSIDIARIES (Continued)

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2025. The class of shares held is ordinary, unless otherwise stated. (Continued)

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Victory Strategy Investment Limited	Hong Kong	HK\$11,335,246	–	100%	Investment holding	Private limited liability company
PT. CWI Energy Indonesia	Indonesia	IDR55,000,000,000	–	94%	Exploitation, generation and sale of renewable energy	Private limited liability company
Hainan Sanya New China Water Environmental Technology Limited	PRC	RMB13,995,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Chenzhou New China Water Environmental Technology Limited	PRC	RMB1,500,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Dongyang Grand Energy Co., Ltd.	PRC	RMB10,000,000	–	90%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Haicheng City New China Water Environmental Technology Limited	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Anlu City New China Water Environmental Technology Limited	PRC	RMB7,760,000	–	90%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Laizhou City New China Water Environmental Technology Limited	PRC	RMB26,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Zhijiang Xinzhongshui Chufeng Environmental Protection Technology Co., Ltd.	PRC	RMB8,363,200	–	51%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Guangxi Ruirong Energy Technology Co., Ltd.	PRC	RMB10,990,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Hainan Lingao Greenspring Environmental Technology Limited	PRC	RMB9,750,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Gaizhou City New China Water Environmental Technology Limited	PRC	RMB12,214,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

21. INVESTMENTS IN SUBSIDIARIES (Continued)

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2025. The class of shares held is ordinary, unless otherwise stated. (Continued)

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Guangzhou China Water Renewable Environmental Technology Limited	PRC	RMB8,140,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Zhuzhou New China Water Environmental Protection Technology Limited	PRC	RMB6,400,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Ankang New China Water Environmental Protection Technology Limited	PRC	RMB6,360,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Lianyuan City New China Water Environmental Protection Technology Limited	PRC	RMB5,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Shanghang Greenspring Environmental Technology Limited	PRC	RMB2,000,000	–	100%	Exploitation generation and sale of renewable energy	Domestic enterprise
Dingnan Greenspring Environmental Technology Limited	PRC	RMB2,500,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Wuping Greenspring Environmental Technology Limited	PRC	RMB2,500,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Huangshi City Hangwei Intelligent Energy Company Limited	PRC	RMB5,340,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Wafangdian City Greenspring Environmental Protection Technology Company Limited	PRC	RMB12,666,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Shaowu City New China Water Environmental Technology Limited	PRC	RMB2,900,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Changting Greenspring Environmental Technology Limited	PRC	RMB2,600,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Xiuyuan China Water Biomass Electricity Limited	PRC	RMB5,000,000	–	100%	Dormant	Domestic enterprise

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FOR THE YEAR ENDED 31 DECEMBER 2025

21. INVESTMENTS IN SUBSIDIARIES (Continued)

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2025. The class of shares held is ordinary, unless otherwise stated. (Continued)

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Jingchuan Reclaimed Water Recycling Environmental Protection Technology Company Limited	PRC	RMB2,580,000	–	100%	Dormant	Domestic enterprise
Xin Ning New China Water Biomass Electricity Limited	PRC	RMB8,530,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Fushun Shifang Bioenergy Limited	PRC	RMB8,120,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Xiao Yi City New China Water Environmental Technology Limited	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Zhengzhou Xinguan Energy Development Limited	PRC	RMB18,170,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Taiyuan Yuantong Bioenergy Limited	PRC	RMB13,060,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Shandong Yixin Water Clean Energy Limited	PRC	RMB5,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Anchor Environmental & Energy Technology (Shanghai) Co., Ltd.	PRC	RMB20,200,000	–	51%	Environmental protection equipment sales and environmental protection technical services	Domestic enterprise
RELE Environmental & Energy Technology (Shanghai) Co., Ltd.	PRC	RMB50,000,000	–	51%	Environmental protection equipment sales and environmental protection technical services	Domestic enterprise
Shanghai Mebena Membrane Technology Co., Ltd. (Disposal on 19 September 2025)	PRC	RMB8,000,000	–	0%	Environmental protection equipment sales and environmental protection technical services	Domestic enterprise

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21. INVESTMENTS IN SUBSIDIARIES (Continued)

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2025. The class of shares held is ordinary, unless otherwise stated. (Continued)

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Chengwu Ruili Aode Biomass Energy Limited	PRC	RMB6,600,000	–	66%	Dormant	Domestic enterprise
New China Water (Nanjing) Property Management Limited	PRC	RMB1,000,000	–	100%	Property management	Domestic enterprise
Huoqiu Huizhao Renewable Energy Technology Co., Ltd	PRC	RMB25,000,000	–	60%	Comprehensive Treatment of Organic Waste	Domestic enterprise
Kazuo China Water Environmental Technology Limited	PRC	RMB5,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Xingcheng New China Water Environmental Technology Limited	PRC	RMB6,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Dashiqiao New China Water Environmental Technology Limited	PRC	RMB6,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Longnan City Greenspring Environmental Technology Limited	PRC	RMB3,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Yunyang County New China Water Environmental Technology Limited	PRC	RMB10,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Boli County Zhongshui Wanlong Renewable Energy Technology Co., Ltd	PRC	RMB30,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Jianping County New China Water Environmental Technology Limited	PRC	RMB5,000,000	–	100%	Exploitation, generation and sale of renewable energy	Domestic enterprise
Zhangwu County New China Water Environmental Protection Technology Co., Ltd	PRC	HK\$8,000,000	–	100%	Exploitation, generation and sale of renewable energy	Wholly-owned foreign enterprise

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FOR THE YEAR ENDED 31 DECEMBER 2025

21. INVESTMENTS IN SUBSIDIARIES (Continued)

The following list contains the particulars of the subsidiaries of the Group as at 31 December 2025. The class of shares held is ordinary, unless otherwise stated. (Continued)

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Chengwu China Water Bole Biomass Energy Limited	PRC	RMB6,600,000	-	100%	Comprehensive Treatment of Organic Waste	Domestic enterprise
Beijing Zhongying Lihua Technology Development Co., Ltd.	PRC	US\$10,000,000	-	100%	Dormant	Wholly-owned foreign enterprise
Victory Strategy Green Waste Gas Recovery L.L.C	Dubai	AED100,000	-	80%	Dormant	Private limited liability company
PT Victory Strategy Green Energy	Indonesia	IDR10,000,000	-	100%	Dormant	Private limited liability company
PT Ice Victory Riau	Indonesia	IDR11,000,000,000	-	70%	Exploitation, generation and sale of renewable energy	Private limited liability company
PT Victory Agrapana Sinergi	Indonesia	IDR10,000,000,000	-	85%	Exploitation, generation and sale of renewable energy	Private limited liability company
PT Blondo Lestari Energi	Indonesia	IDR10,000,000,000	-	90%	Exploitation, generation and sale of renewable energy	Private limited liability company

* The English translations of the names of the Company's subsidiaries which were registered and incorporated in the PRC are for reference only and the official names of these entities are in Chinese.

Note (i): The Group has 49% equity interest in Chengdu City Green State. According to the articles of association of Chengdu City Green State, the Group can appoint the majority of the composition in the board of directors of this subsidiary for directing its relevant activities. Accordingly, the directors of the Company concluded that the Group has majority voting rights over Chengdu City Green State.

None of the subsidiaries has issued any debt securities subsisting at the end of 2025 and 2024 or at any time during the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

21. INVESTMENTS IN SUBSIDIARIES (Continued)

The following table lists out the information relating to each of the Group's subsidiaries which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Chengdu City Green State		Yichun Water	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
NCI percentage	51%	51%	–	–
Current assets	285,695	286,825	–	–
Non-current assets	39,725	54,767	–	–
Current liabilities	(14,976)	(21,871)	–	–
Non-current liabilities	(2,628)	(11,404)	–	–
Net assets	307,816	308,317	–	–
Carrying amount of NCI	156,986	157,242	–	–
Revenue	40,629	64,501	–	216,412
(Loss)/profit for the year	(1,601)	13,897	–	(1,446)
Total comprehensive income	3,019	3,687	–	323
(Loss)/profit allocated to NCI	(817)	7,088	–	2,118
Dividend paid to NCI	3,275	2,191	–	–
Cash flows generated from operating activities	23,441	13,036	–	2,877
Cash flows generated from/(used in) investing activities	542	3,510	–	(33,764)
Cash flows used in financing activities	(14,760)	(13,404)	–	(1,458)

Note:

Yichun Water together with its subsidiaries (together the "Yichun Water Group") was disposed during the year ended 31 December 2024 (note 37).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

22. INTERESTS IN AN ASSOCIATE

	2025 HK\$'000	2024 HK\$'000
Share of net assets	2,564	1,380

All the Company's associates are unlisted corporate entity whose quoted market price is not available. All of this associates are accounted for using the equity method in the consolidated financial statements.

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Ziyang Oasis Xinzhong Water Environmental Protection Technology Co., Ltd.* 資陽市綠州新中水環保科技有限公司	PRC	Contributed capital	–	49%	Exploitation, generation and sale of renewable energy	Domestic enterprise

* The English translation of the name of the entity which was registered and incorporated in the PRC are for reference only and the official names of the entity is in Chinese.

Aggregate information of associates that are not individually material:

	2025 HK\$'000	2024 HK\$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	2,564	1,380
Aggregate amounts of the Group's share of associate		
Profit/(loss) for the year	1,133	(47)
Other comprehensive income/(loss)	51	(5)
Total comprehensive income/(loss)	1,184	(52)

Note:

- (i) During the year ended 31 December 2024, an associate Jiangxi Kangyue Water Purification Co., Ltd was disposed through Yichun Water Group (note 37).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

23. INTERESTS IN A JOINT VENTURE

	2025 HK\$'000	2024 HK\$'000
Share of net assets	–	–

All the Company's joint venture is unlisted corporate entity whose quoted market price is not available. All of this joint venture is accounted for using the equity method in the consolidated financial statements.

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities	Legal form
			Directly	Indirectly		
Yichun Mingyue Mountain Fangke Sewage Treatment Co. Ltd.* 宜春市明月山方科污水处理有限公司	PRC	Contributed capital	–	–	Sewage treatment services	Domestic enterprise

* The English translation of the name of the entity which was registered and incorporated in the PRC are for reference only and the official names of the entity is in Chinese.

Aggregate information of joint venture that is not individually material:

	2025 HK\$'000	2024 HK\$'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	–	–
Aggregate amounts of the Group's share of the joint ventures:		
Profit for the year	–	131
Other comprehensive income	–	111
Total comprehensive income	–	242

Note:

- (i) During the year ended 31 December 2024, Yichun Mingyue Mountain Fangke Sewage Treatment Co. Ltd was disposed through Yichun Water Group (note 37).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

24. INVENTORIES

	2025 HK\$'000	2024 HK\$'000
Raw materials and low value consumables	48,037	57,589

The analysis of the amount of inventories recognised as an expense is as follows:

	2025 HK\$'000	2024 HK\$'000
Carrying amount of inventories sold	5,947	5,788
Carrying amount of inventories consumed	50,919	98,806
	56,866	104,594

25. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2025 HK\$'000	2024 HK\$'000
Contract assets		
Arising from performance under construction contracts	1,690	590

At 1 January 2024, contract assets, after deduction of expected credit losses, amounted to HK\$91,323,000. The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Typical payment terms which affect the amount of contract assets recognised are as follows:

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits as part of its credit risk management policies. The Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

The Group classifies the contract assets as current because the Group expects to realise them within its normal operating cycle.

The significant increase in contract assets at 31 December 2025 was mainly due to the increase in overall contract activity. The significant decrease at 31 December 2024 was due to disposal of Yichun Water Group during the year ended 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

25. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(b) Contract liabilities

	2025 HK\$'000	2024 HK\$'000
Contract liabilities		
Construction contracts		
Billings in advance of performance	26,393	22,374

At 1 January 2024, contract liabilities amounted to HK\$166,854,000.

The revenue recognised during the year that was included in the contract liabilities balance of the beginning of the period amounted to approximately HK\$2,840,000 (2024: HK\$44,508,000).

Typical payment terms which affect on the amount of contract liabilities recognised are as follows:

— *Construction contracts*

When the Group receives a deposit before the construction work commences, this will give rise to contract liability at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

— *Water supply services*

The Group typically receives deposits from clients in respect of the Group's water supply operation. This deposit is recognised as a contract liability until it is utilised.

The Group classifies the contract liabilities as current because the Group expects to settle them within its normal operating cycle.

The significant increase in contract liabilities at 31 December 2025 was due to an increase in overall contract activity in the last quarter. The significant decrease in contract liabilities at 31 December 2024 was due to disposal of Yichun Water Group during the year ended 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

26. TRADE AND OTHER RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Trade receivables	790,057	794,061
Less: Loss allowances	(15,171)	(14,920)
	774,886	779,141
Other tax recoverable	26,455	26,565
Refundable of legal enforcement fee	–	1,536
Security deposit for research and development project	25,463	24,838
Advances to staff	3,649	3,811
Income receivable from construction projects	2,963	3,465
Advance payment for promotion activities	4,539	4,428
Income receivable from the sale of equipment facilities	4,827	3,275
Rental fee receivable	433	1,464
Management fee and car rental receivable	933	239
Others	20,245	25,984
Other receivables	89,507	95,605
Less: Loss allowances	(43,857)	(42,895)
	45,650	52,710
Loan receivables (note a)	247,897	243,884
Less: Loss allowances	(244,672)	(243,295)
	3,225	589
Deposits for contracts with customers	3,321	3,240
Rental deposits	16,810	21,477
Prepayments for purchase of materials	2,493	2,770
Prepayments for construction works	14,405	20,474
Prepayments for other expenses	13,853	13,323
Deposits and prepayments (note b)	50,882	61,284
	874,643	893,724
Classified as:		
Refundable rental deposits		
— Non-current	5,134	9,915
Trade and other receivables		
— Current	869,509	883,809
	874,643	893,724

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

26. TRADE AND OTHER RECEIVABLES (Continued)

At 1 January 2024, trade receivables from contracts with customers, after deduction of ECL, amounted to HK\$780,698,000.

- (a) Included in loan receivables as at 31 December 2025 were secured loan to twenty (2024: seventeen) unrelated parties, net off loss allowance were HK\$3,225,000 (2024: HK\$589,000), which bear fixed interest rate ranging from interest free to 24% (2024: 4% to 24%) per annum with maturities ranging from 1 month to 12 months.
- (b) Deposits and prepayments were mainly prepayments and tender deposits paid to independent third parties for construction projects.

The management of the Company expected that the recoverability of prepayment of approximately HK\$1,506,000 (2024: HK\$775,000) is uncertain. Accordingly, impairment against the balances of prepayment was recognised as at 31 December 2025.

Trade receivables

The Group allows an average credit period of 0 day to 180 days (2024: 0 day to 180 days) to its customers. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 6(a).

The aging analysis of the trade receivables, net of loss allowances, as at the end of the reporting period, based on invoice date which approximates the respective revenue recognition date, is as follows:

	2025 HK\$'000	2024 HK\$'000
Within 90 days	38,015	53,618
91 to 180 days	16,281	20,933
181 to 365 days	29,860	46,058
Over 1 year	690,730	658,532
	774,886	779,141

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (note 3(l)(i)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

27. DEPOSITS PAID FOR ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

On 1 March 2023, China Water Industry (HK) Limited (“China Water (HK)”), an indirect wholly-owned subsidiary of the Company, and the Company (collectively, as Purchasers) entered into the equity transfer agreement (“Equity Transfer Agreement”) with 廣東粵財中小企業股權投資基金合夥企業(有限合夥) (for transliteration purpose only, Guangdong Yuecai Small and Medium-sized Enterprises Equity Investment Fund Partnership (Limited Partnership)) (“Guangdong Yuecai”) and 珠海橫琴依星伴月投資合夥企業(有限合夥) (for transliteration purpose only, Zhuhai Hengqin Yixingbanyue Investment Partnership (Limited Partnership)) (“Zhuhai Hengqin”) (collectively, as Vendors), pursuant to which the Vendors have agreed to sell to the Purchasers, and the Purchasers have agreed to purchase from the Vendors, the aggregate sale capital (“Aggregate Sale Capital”) in the following manner: (i) Guangdong Yuecai has agreed to transfer 3.8451% of the equity interest in New China Water (Nanjing) (the “Sale Capital A”) to China Water (HK); and (ii) Zhuhai Hengqin has agreed to transfer 0.0269% of the equity interest in New China Water (Nanjing) (the “Sale Capital B”) to China Water (HK). The total consideration of approximately RMB81,340,955 (equivalent to approximately HK\$92,574,000), which is determined based on the calculation of the repurchase price pursuant to the terms of the investment agreement dated 27 December 2019 entered into among 深圳前海粵財節能環保投資基金管理有限公司 (for transliteration purpose only, SZQH Energy-saving Environmental Protection Investment Fund Management Co., Ltd), China Water (HK) and New China Water (Nanjing) in relation to the investment of RMB60,000,000 (equivalent to approximately HK\$68,286,000) into New China Water (Nanjing) and the investment agreement dated 27 March 2020 entered into among Zhuhai Hengqin, China Water (HK) and New China Water (Nanjing) in relation to the investment of RMB420,000 (equivalent to approximately HK\$478,000) by Zhuhai Hengqin into New China Water (Nanjing). During the year ended 31 December 2023, the Group paid RMB50,346,000 (equivalent to approximately HK\$55,878,000) to the Vendors. Upon completion, New China Water (Nanjing) will become an indirect wholly-owned subsidiary of the Company.

During the year, the Group recorded an additional deposit of RMB30,995,000 (equivalent to approximately HK\$34,175,000) payable in respect of the acquisition of additional interests in a subsidiary. As at 31 December 2025, in view of experiencing significant drop in revenue and suffering net loss in New China Water (Nanjing), the Group performed a fair value assessment of the equity interest and determined its fair value less cost of disposal to be RMB35,013,000 (equivalent to approximately HK\$38,763,000). Accordingly, an impairment loss of RMB46,328,000 (equivalent to approximately HK\$50,572,000) against the deposits paid was recognised as at 31 December 2025.

As the total consideration for acquisition of additional interests in New China Water (Nanjing) has not been fully paid by the Group, the conditions precedent had not been fulfilled, including, inter alia, the business registration procedures had not been completed. Accordingly, the completion of the acquisition had not take place at 31 December 2025 and 2024.

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FOR THE YEAR ENDED 31 DECEMBER 2025

28. PLEDGED BANK DEPOSITS, RESTRICTED BANK DEPOSITS, CASH HELD BY FINANCIAL INSTITUTIONS AND CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

- (a) Cash held by financial institutions by the Group represents amounts deposited in financial institutions in Hong Kong carry interest rate ranging from 0.001% to 0.25% (2024: 0% to 0.001%) per annum.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Cash at banks earns interest at floating rates based on daily bank deposit rates.

Pledged bank deposit represented deposit pledged to government to tender a government project. The pledged deposits at 31 December 2025 carried interest at 3.3%-3.34% per annum (2024: 3.3%-3.34%) and with maturity within 3 months.

At 31 December 2025, the restricted bank deposits of HK\$2,344,000 include certain balances frozen by the relevant local bureau in the PRC amounted to approximately HK\$1,992,000 (2024: HK\$3,236,000).

The Group did not recognize any provision as a result of the Frozen Bank Accounts as at 31 December 2025 as the management of the Group is still in the process of understanding the incidents resulted in Frozen Bank Accounts and cannot estimate the corresponding financial impacts.

	2025 HK\$'000	2024 HK\$'000
Cash held by financial institutions	174	162
Cash and cash equivalents		
— Cash at bank and on hand	19,316	21,424
Cash and cash equivalents in the consolidated cash flow statement	19,490	21,586

The overdrafts are subject to the fulfilment of covenants. If the Group were in breach of the covenants, the financial institutions should be entitled, without notice to the Group, to close the account and/or dispose of any or all securities held for or on behalf of the Group to settle all outstanding amounts owing to financial institutions (note 20). Total amount of approximately HK\$174,000 (2024: HK\$162,000) was held by the financial institutions.

At 31 December 2025, cash and cash equivalents situated in the PRC amounted to approximately HK\$18,283,000 (2024: HK\$18,453,000). Remittance of funds out of the PRC is subject to relevant rules and regulations of foreign exchange control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

28. PLEDGED BANK DEPOSIT AND RESTRICTED BANK DEPOSIT AND CASH HELD BY FINANCIAL INSTITUTIONS AND BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank borrowings HK\$'000	Other loans HK\$'000	Interest payable HK\$'000	Lease liabilities HK\$'000	Amount due (from)/ to NCI HK\$'000	Total HK\$'000
At 1 January 2024	443,164	186,148	10,474	352,917	2,825	995,528
Changes from financing cash flows:						
Proceeds from new bank borrowings and other loans	13,846	–	–	–	–	13,846
Increase in lease liabilities	–	–	–	21,513	–	21,513
Repayment of bank borrowings and other loans	(83,721)	–	–	–	–	(83,721)
Loans from third parties	–	45,232	–	–	–	45,232
Repayment of loans from third parties	–	(55,663)	–	–	–	(55,663)
Decrease in amounts due to non-controlling interests	–	–	–	–	(1,184)	(1,184)
Loans from related parties	–	35,000	–	–	–	35,000
Repayment of loans from related parties	–	(8,217)	–	–	–	(8,217)
Capital element of lease liabilities paid	–	–	–	(126,381)	–	(126,381)
Interest element of lease liabilities paid	–	–	–	(20,652)	–	(20,652)
Interest paid	–	–	(30,148)	–	–	(30,148)
Total changes from financing cash flows	(69,875)	16,352	(30,148)	(125,520)	(1,184)	(210,375)
Exchange adjustments	(8,476)	(2,096)	(2,717)	(5,931)	(43)	(19,263)
Other changes:						
Increase in lease liabilities from entering into new lease during the year	–	–	–	1,058	–	1,058
Finance charges on leases liabilities	–	–	–	21,527	–	21,527
Interest expenses	–	–	36,964	–	–	36,964
Disposal of subsidiaries	–	(2,167)	–	–	–	(2,167)
Total other changes	–	(2,167)	36,964	22,585	–	57,382
At 31 December 2024	364,813	198,237	14,573	244,051	1,598	823,272

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

28. PLEDGED BANK DEPOSIT AND RESTRICTED BANK DEPOSIT AND CASH HELD BY FINANCIAL INSTITUTIONS AND BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Bank borrowings HK\$'000	Other loans HK\$'000	Interest payable HK\$'000	Lease liabilities HK\$'000	Amount due to non-controlling interests of subsidiaries HK\$'000	Total HK\$'000
At 1 January 2025	364,813	198,237	14,573	244,051	1,598	823,272
Changes from financing cash flows:						
Proceeds from new bank borrowings and other loans	1,692	-	-	-	-	1,692
Repayment of bank borrowings and other loans	(32,807)	-	-	-	-	(32,807)
Loans from third parties	-	13,031	-	-	-	13,031
Repayment of loans from third parties	-	(7,898)	-	-	-	(7,898)
Advance from non-controlling interests in subsidiaries	-	-	-	-	12	12
Loans from related parties	-	-	-	-	-	-
Repayment of loans from related parties	-	(30,500)	-	-	-	(30,500)
Capital element of lease liabilities paid	-	-	-	(60,425)	-	(60,425)
Interest element of lease liabilities paid	-	-	-	(8,757)	-	(8,757)
Interest paid	-	-	(14,576)	-	-	(14,576)
Total changes from financing cash flows	(31,115)	(25,367)	(14,576)	(69,182)	12	(140,228)
Exchange adjustments	8,747	1,634	(2,804)	5,718	(93)	13,202
Other changes:						
Increase in lease liabilities from entering into new lease during the year	-	-	-	5,241	-	5,241
Termination of lease contracts	-	-	-	(482)	-	(482)
Finance charges on leases liabilities	-	-	-	17,172	-	17,172
Interest expenses	-	-	30,826	-	-	30,826
Set off against deposit paid for acquisition of property, plant and equipment pursuant to debt set-off agreement	-	(55,814)	-	-	-	(55,814)
Gain on loan settlement	-	-	(6,819)	-	-	(6,819)
Transfer from interest payable to other loan	-	1,640	(1,640)	-	-	-
Transfer from amount due to NCI to other loan	-	705	-	-	(705)	-
Capital element of lease liabilities set-off by rental deposits	-	-	-	(4,989)	-	(4,989)
Total other changes	-	(53,469)	22,367	16,942	(705)	(14,865)
At 31 December 2025	342,445	121,035	19,560	197,529	812	681,381

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

29. TRADE AND OTHER PAYABLES

	2025 HK\$'000	2024 HK\$'000
Trade payables	139,112	143,779
Receipts in advance	23,160	23,164
Construction payables	27,503	32,983
Interest payables	19,560	14,573
Accrued expenses	12,307	14,593
Payable arising from litigation claims	92,396	50,806
Other tax payables	17,453	17,871
Other payables	84,774	87,980
	416,265	385,749
Analysed as:		
Non-current	25,945	26,226
Current	390,320	359,523
	416,265	385,749

The aging analysis of the trade payables as at the end of the reporting period based on invoice date is as follows:

	2025 HK\$'000	2024 HK\$'000
Within 30 days	11,686	10,852
31 to 90 days	10,319	8,161
91 to 180 days	8,466	7,785
181 to 365 days	5,981	29,268
Over 1 year (note)	102,660	87,713
	139,112	143,779

Note: Included balance of approximately HK\$46,956,000 (2024: HK\$50,393,000) which are long outstanding and involved in lawsuits (note 44).

The credit terms of trade payables vary according to the terms agreed with different suppliers. The Group has financial risk management policies in place to ensure that all payables are settled within the time frame agreed with the respective suppliers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

30. BANK BORROWINGS

At 31 December 2025, the bank borrowings were repayable as follows:

	2025 HK\$'000	2024 HK\$'000
Within one year or on demand	342,445	107,754
More than one year but within two years	–	80,112
More than two years but within five years	–	152,648
Over five years	–	24,299
	342,445	364,813
Less: Amount due within one year shown under current liabilities	(342,445)	(107,755)
	–	257,058
Amount due after one year shown under non-current liabilities	–	257,058
	342,445	364,813
Secured or guaranteed	342,445	364,813
Unsecured	–	–
	342,445	364,813

The exposure of the Group's loans is as follows:

	2025 HK\$'000	2024 HK\$'000
Fixed-rate loans	295,156	291,833
Variable-rate loans	47,289	72,980
	342,445	364,813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

30. BANK BORROWINGS (Continued)

All of the bank loans, including amounts repayable on demand, are carried at amortised cost.

Of the total bank borrowings as at 31 December 2025 and 2024, approximately HK\$92,535,000 (equivalent to RMB83,583,000) (2024: HK\$95,229,000 (equivalent to RMB88,183,000)) was secured by the Group's property, plant and equipment and right-of-use assets with total carrying amount of approximately HK\$182,137,000 (2024: HK\$182,719,000), approximately HK\$23,928,000 (2024: HK\$23,916,000) and approximately HK\$160,662,000 (2024: HK\$175,052,000) respectively.

Notes:

- (i) At 31 December 2025, bank borrowings of approximately RMB216,602,900 (equivalent to HK\$239,801,000) (2024: RMB216,603,000 (equivalent to HK\$233,909,000)) is secured by corporate guarantees from twenty (2024: twenty) non-wholly owned subsidiaries of the Company.

During the year ended 31 December 2025, NCW failed to repay to IFC an instalment amount of approximately RMB29,486,000 on or before 15 May 2025, thereby constituting an event of default in respect of the loan agreement. On 10 October 2025, IFC issued a loan acceleration notice to NCW declaring (i) the total outstanding principal amount of approximately RMB216,603,000 under the loan; and (ii) the accrued interest, financial charges and other amounts payable under the loan agreement and the related financing and security documents to be immediately due and payable.

- (ii) At 31 December 2025, bank borrowings of approximately RMBNil (equivalent to HK\$Nil) (2024: RMB7,500,000 (equivalent to HK\$8,099,000)) is secured by a corporate guarantee from the Shenzhen New China Water, a non-wholly owned subsidiary of the Company and personal guarantee from Executive director of the company. It carries variable interest rate at 4.00% per annum during 2024.
- (iii) At 31 December 2025, bank borrowings of approximately RMB48,500,000 (equivalent to HK\$53,694,000) (2024: RMB51,500,000 (equivalent to HK\$55,615,000)) is secured by investment properties with carrying amount of approximately HK\$160,662,000 (2024: HK\$175,052,000) and a corporate guarantee from the New China Water (Nanjing), a non-wholly owned subsidiary of the Company. It carries fixed interest rate at 4.5% (2024: 5.8%) per annum.
- (iv) Bank borrowings of approximately RMB631,000 (equivalent to HK\$699,000) (2024: RMB1,837,000 (equivalent to HK\$1,984,000)) is secured by a corporate guarantee from the New China Water (Nanjing), a non-wholly owned subsidiary of the Company. It carries variable interest rate at 5.85% (2024: 6.3%) per annum.
- (v) Bank borrowings of approximately RMBNil (equivalent to HK\$Nil) (2024: RMB1,600,000 (equivalent to HK\$1,728,000)) is secured by a corporate guarantee from the Shenzhen New China Water, a non-wholly owned subsidiary of the Company and non-controlling interests of a subsidiary, personal guarantees from management of a subsidiary, property, plant and equipment with total carrying amount of approximately HK\$6,950,000 as at 31 December 2024. It carries variable interest rate at 6.10% per annum during 2024.
- (vi) At 31 December 2025, bank borrowings of approximately RMBNil (equivalent to HK\$Nil) (2024: RMB60,000 (equivalent to HK\$65,000)) is secured by a personal guarantee from management of subsidiary. It carries fixed interest rate at 6.61% per annum during 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

30. BANK BORROWINGS (Continued)

Notes: (Continued)

- (vii) At 31 December 2025, bank borrowings of approximately RMBNil (equivalent to HK\$Nil) (2024: RMB1,500,000 (equivalent to HK\$1,620,000)) is secured by a corporate guarantee from the New China Water (Nanjing), a non-wholly owned subsidiary of the Company. It carries variable interest rate at 3.35% per annum during 2024.
- (viii) At 31 December 2025, bank borrowing of approximately RMB7,000,000 (equivalent to HK\$7,750,000) (2024: RMB20,000,000 (equivalent to HK\$21,598,000)) is secured by a corporate guarantee from the New China Water (Nanjing), a non-wholly owned subsidiary of the Company. It carries variable interest rate at above-five-year LPR published by the People's Bank of China minus 0.14% per annum.
- (ix) Bank borrowings of approximately RMB35,083,000 (equivalent to HK\$38,840,000) (2024: RMB35,083,000 (equivalent to HK\$37,886,000)) is secured by corporate guarantees from the Company, the Swan (Huizhou) Investment Company Limited and China Ace Investment Limited, wholly owned subsidiaries of the Company, Ms. Deng Xiaoting, the property, plant and equipment and right-of-use assets with total carrying amount of approximately HK\$182,137,000 and HK\$23,928,000 (2024: HK\$175,770,000 and HK\$23,916,000) respectively and wholly owned subsidiary of the Company equity interest in Swan (Huizhou) Investment Company Limited. It carries variable interest rate at 6.32% (2024: 6.32%) per annum. As at 31 December 2025, the total outstanding principal amount approximately RMB35,083,000 (equivalent to HK\$38,840,000) (2024: RMB7,224,000 (equivalent to HK\$7,801,000)) was in default. The first hearing for claims was held in January 2025. Up to the date of this report, the PRC legal proceedings is still ongoing. As at 31 December 2025, the whole balance of RMB35,083,000 (equivalent to HK\$38,840,000) is repayable on demand due to defaulted and is classified as current liability.
- (x) At 31 December 2025, bank borrowing of approximately RMB1,500,000 (equivalent to HK\$1,661,000) (2024: RMB2,138,000 (equivalent to HK\$2,309,000)) is secured by Shanghai Administration Center of Policy Financing Guarantee Fund for SMEs. It carries fixed interest rate at 2.8% (2024: variable interest rate at 3.15%) per annum.
- (xi) All of the bank loans contain a cross-default clause. During the year, the Company was not impacted by any cross-default event (2024: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

31. OTHER LOANS

	2025 HK\$'000	2024 HK\$'000
Other loans comprise of:		
Loans from unrelated parties (note i, ii)	46,713	94,696
Loan from related party (note 45(a))	54,500	85,000
Fixed coupon bonds (note iii)	19,822	18,541
	121,035	198,237
Analysed as:		
Secured	91,076	82,237
Unsecured	29,959	116,000
	121,035	198,237

At 31 December 2025, the other loans were repayable as follows:

	2025 HK\$'000	2024 HK\$'000
Overdue	72,940	–
On demand or within one year	48,095	137,153
More than one year but within two years	–	61,084
More than two years but within five years	–	–
More than five years	–	–
	121,035	198,237
Less: Amount due within one year shown under current liabilities	(121,035)	(137,153)
Amount due after one year shown under non-current liabilities	–	61,084

Notes:

- (i) Loan from unrelated individuals of approximately HK\$6,578,000 (2024: HK\$5,503,000) are fixed-rate borrowings carrying interest at 0% to 18% (2024: 0% to 18%) per annum and due for repayment on or before 31 December 2026 (2024: on or before 31 December 2025).
- (ii) The other loans from unrelated parties of HK\$46,713,000 (2024: HK\$94,696,000) are fixed rate borrowings carrying interest at 0% to 18% (2024: 0% to 18%) per annum and due for repayment on or before 31 December 2026 (2024: on or before 31 December 2025).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

31. OTHER LOANS (Continued)

Notes: (Continued)

(iii) Bond IV

On 18 January 2018, the Company entered into the placing agreement with placing agent, for the purpose of arranging independent places to subscribe for the bonds up to aggregate principal amount of HK\$100,000,000 within the placing period. Subsequent to the year ended 31 December 2018, the Company entered into the supplemental agreement with the placing agent to extend the placing period from 365 days to 730 days. Bond IV with the aggregate principal amount of HK\$20,000,000 were issued during the year ended 31 December 2018. The bonds will mature in 7.5 years from the date of issuance. The interest rate is 6% per annum, and payable annually in arrears.

The placing of Bond IV has been completed on 17 January 2020 in an aggregate principal amount of HK\$20,000,000. At 31 December 2025, the outstanding Bond IV amounted to approximately HK\$19,822,000 (2024: HK\$18,541,000). At 31 December 2025, the outstanding Bond IV amounted to HK\$14,000,000 in default.

32. LEASE LIABILITIES

At 31 December 2025, the lease liabilities were repayable as follows:

	2025 HK\$'000	2024 HK\$'000
Within 1 year or on demand	149,900	157,166
After 1 year but within 2 years	25,347	50,427
After 2 years but within 5 years	21,488	35,613
After 5 years	794	845
	47,629	86,885
	197,529	244,051

At 31 December 2025 and 2024, the Group entered into financing arrangements for purchase machineries with independent third party leasing companies, in the form of sale and leaseback transactions which result in finance leases and the Group bears repurchase options. As the repurchase prices are set at RMB100 which is minimal compared to the expected fair values of the underlying assets at the end of the lease periods and the Group is certain that it will exercise the repurchase options, and considering the amounts of the lease payments to be paid on the selling prices, the above financing arrangements are accounted for as collateralised borrowings at amortised cost using effective interest method.

The finance lease of approximately HK\$180,162,000 (equivalent to approximately RMB162,734,000) (2024: HK\$221,041,000 (equivalent to approximately RMB204,687,000)) is secured by contractual rights to receive the revenue generated by certain subsidiaries of the Company.

During the year, certain subsidiaries of the Company failed to repay the outstanding finance lease and the leasing companies filed lawsuits with the court. The outstanding finance lease involved in the lawsuits arising from the Group's default in payment amounted to RMB112,584,000 (equivalent to HK\$124,641,000) (2024: RMB111,801,000 (equivalent to HK\$120,723,000)) is repayable on demand on 31 December 2025 and is classified as current liabilities. Up to the date of this report, the subsidiaries are in the course of negotiating with leasing companies and the relevant legal proceedings are still ongoing (see note 44(f), 44(g) and 44(h)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

33. AMOUNTS DUE TO AN ASSOCIATE AND NON-CONTROLLING INTERESTS OF SUBSIDIARIES

The amounts were unsecured, interest-free and repayable on demand.

34. CAPITAL AND RESERVES

- (a) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share Capital HK\$'000	Share premium HK\$'000	Fair value reserve (non- recycling) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2024	28,736	1,312,810	(5,084)	(563,601)	772,861
Changes in equity for 2024:					
Profit for the year	–	–	–	55,846	55,846
Fair value gain on financial assets at fair value through other comprehensive income	–	–	763	–	763
Total comprehensive income for the year	–	–	763	55,846	56,609
At 31 December 2024	28,736	1,312,810	(4,321)	(507,755)	829,470
At 1 January 2025	28,736	1,312,810	(4,321)	(507,755)	829,470
Changes in equity for 2025:					
Loss for the year	–	–	–	(317,070)	(317,070)
Fair value gain on financial assets at fair value through other comprehensive income	–	–	5,163	–	5,163
Total comprehensive income for the year	–	–	5,163	(317,070)	(311,907)
Issue of ordinary shares	34,483	72,300	–	–	106,783
Transactions cost attributable to issue of ordinary shares	–	(2,966)	–	–	(2,966)
Transfers of fair value reserve upon the disposal of equity instruments at fair value through other comprehensive income	–	–	(2,200)	2,200	–
At 31 December 2025	63,219	1,382,144	(1,358)	(822,625)	621,380

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. CAPITAL AND RESERVES (Continued)

(b) Share capital

	2025		2024	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares				
At 1 January	20,000,000	2,000,000	200,000,000	2,000,000
Share consolidation (note ii)	–	–	(180,000,000)	–
At 31 December	20,000,000	2,000,000	20,000,000	2,000,000
Issued and fully paid:				
Ordinary shares				
At 1 January	287,361	28,736	2,873,610	28,736
Share consolidation (note ii)	–	–	(2,586,249)	–
Issue of ordinary shares (note iii)	344,833	34,483	–	–
At 31 December	632,194	63,219	287,361	28,736

Notes:

- (i) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.
- (ii) On 11 December 2024, the share consolidation became effective on the basis that every ten (10) existing shares of par value of HK\$0.01 each in the issued and unissued share capital of the Company be consolidated into one (1) consolidated share of par value of HK\$0.1 each (the "Share Consolidation").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. CAPITAL AND RESERVES (Continued)

(b) Share capital (Continued)

Notes: (Continued)

- (iii) During the year ended 31 December 2025, the Company issued new ordinary shares under the rights issue and placing under general mandate, details as below:

Rights issue

On 22 January 2025, the Company completed a rights issue at a price of HK\$0.326 per rights share (the "Subscription Price") on the basis of one (1) rights share for every one (1) existing shares held by the qualifying shareholders on the record date (i.e. 20 December 2024) (the "Rights Issue") by issuing up to 287,360,964 rights shares (the "Right Shares"). There were 287,360,964 Rights Shares offered ("Offered Shares") under the Rights Issue. On 10 January 2025, being the latest time for acceptance, applications of a total of 181,236,446 Rights Shares, representing approximately 63.07% of the total number of the Offered Shares, was received. Accordingly, the Rights Issue was undersubscribed by 106,124,518 Rights Shares ("Unsubscribed Rights Shares"), representing approximately 36.93% of the total number of Offered Shares. On 20 January 2025, all of the 106,124,518 Unsubscribed Rights Shares under the compensatory arrangements were successfully placed by the placing agent to not less than six independent placees at the price of HK\$0.326 per unsubscribed rights share (the "First Placing"), which was equivalent to the Subscription Price.

The Right Shares were issued on 3 February 2025. The gross proceeds from the Rights Issue (including the First Placing) amounted to approximately HK\$93.68 million and the net proceeds from the Rights Issue (including the First Placing), after deducting all relevant expenses, amounted to approximately HK\$91.2 million.

Placing under general mandate

On 5 June 2025, Kingston Securities Limited (the "Placing Agent") and the Company entered into the placing agreement (the "Placing Agreement") pursuant to which the Placing Agent agreed to place, on a best effort basis, up to 57,472,000 placing shares (the "Placing Shares") at a price of HK\$0.228 per placing share (the "Second Placing"). On 16 June 2025, a total of 57,472,000 Placing Shares have been successfully placed by the Placing Agent to not less than six (6) placees at the placing price of HK\$0.228 per Placing Share pursuant to the Placing Agreement. The gross proceeds from the Second Placing amounted to approximately HK\$13.10 million and the net proceeds from the Second Placing, after deducting all relevant expenses, amounted to approximately HK\$12.60 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

34. CAPITAL AND RESERVES (Continued)

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law (Revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(z).

(iii) Reserve fund

Reserve fund arises from (i) Pursuant to applicable PRC regulations, certain PRC subsidiaries in the Group are required to appropriate 10% of their profit after tax (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of their registered capital. Transfers to this reserve must be made before distribution of dividends to shareholders. Upon approval by relevant authorities, the statutory reserve can be utilised to offset the accumulated losses or to increase the registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital; and (ii) premium paid for capital injection in relation to the additional of equity interest of a subsidiary.

(iv) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings held for own use in (note 3(f)).

(v) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 3(k)).

35. GOVERNMENT GRANTS

	2025 HK\$'000	2024 HK\$'000
At 1 January	1,179	31,923
Additions	699	752
Recognised as other income for the year (note 9)	(1,494)	(2,098)
Disposal of subsidiaries	–	(29,505)
Exchange realignment	19	107
At 31 December, classified as non-current liabilities	403	1,179

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

35. GOVERNMENT GRANTS (Continued)

Certain subsidiaries of the Group received government grants subsidising construction of water supply facilities. There are no unfulfilled conditions and other contingencies attaching to the government grants. The government grants were accounted for as non-current liabilities and amortised over the useful lives of the relevant water pipeline network and water plant assets. During the year, certain projects related to the construction of water pipeline network has been completed and being used in the year. Deferred government grants of approximately HK\$1,494,000 (2024: HK\$2,098,000) was amortised and recognised in the consolidated statement of profit or loss.

36. DEFERRED TAX (ASSETS)/LIABILITIES

The following are the major deferred tax (assets)/liabilities recognised and movements thereon during the current and prior years:

	Withholding tax on undistributed profits	Service concession arrangements	Exclusive rights	Revaluation on investment property/ resumption property	Right- of-use assets	Lease liabilities	Property, plant and equipment transfer to Investment properties	Government grants	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2024	13,214	7,431	30,092	330	3,933	(4,187)	(1,361)	(300)	49,152
Charged/(credited) to profit or loss for the year	-	38	(3,069)	-	(976)	924	(3,534)	-	(6,617)
Disposal of subsidiaries	-	-	(18,201)	-	-	-	(392)	-	(18,593)
Exchange realignment	-	111	(308)	-	-	-	89	-	(108)
At 31 December 2024 and 1 January 2025	13,214	7,580	8,514	330	2,957	(3,263)	(5,198)	(300)	23,834
Charged/(credited) to profit or loss for the year	-	1,851	(8,165)	-	(49)	(14)	(4,634)	-	(11,011)
Exchange realignment	-	(109)	407	-	-	-	(193)	-	105
At 31 December 2025	13,214	9,322	756	330	2,908	(3,277)	(10,025)	(300)	12,928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

36. DEFERRED TAX (ASSETS)/LIABILITIES (Continued)

Reconciliation to the consolidated statements of financial position

	2025 HK\$'000	2024 HK\$'000
Deferred tax assets	(5,655)	(5,612)
Deferred tax liabilities	18,583	29,446
	12,928	23,834

At 31 December 2025, the Group had unused tax losses of approximately HK\$391,356,000 (2024: HK\$484,302,000) available for offset against future taxable profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. At 31 December 2025, no tax losses can be carried forward indefinitely and tax losses of approximately HK\$391,356,000 (2024: HK\$484,302,000) will expire in five years' time.

At 31 December 2025, the Group also has other deductible temporary differences of approximately HK\$573,455,000 (2024: HK\$474,408,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be recognised.

Under the EIT law of PRC, withholding tax is imposed on dividend declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5%-10% will be applied. Deferred tax has been provided for in respect of the temporary difference attributable to such profits amounting to approximately HK\$198,769,000 (2024: HK\$198,526,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

37. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2024

The gain on disposal of Yichun Water Group of HK\$43,401,000, gain on disposal of other subsidiaries of HK\$3,000 and net loss on disposal for deregistration of subsidiaries of HK\$261,000 is included in the loss for the year.

On 26 July 2024, Yichun Municipal Development Co., Ltd. (宜春市市政發展有限公司) (the “Purchaser”) and Onfar International Limited, an indirect wholly-owned subsidiary of the Company (the “Vendor”) entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 51% equity interests in Yichun Water Industry Group Co., Ltd* (宜春水務集團有限公司) (the “Disposal Company”) for a total consideration of RMB195,000,000 (equivalent to approximately HK\$211,185,000). The approval of disposal transaction of the Disposal Company was duly passed by the shareholders by way of poll at the EGM on 9 September 2024. The aforesaid disposal transaction was completed in September 2024. After completion of the Disposal of the disposal Company, Yichun Water Industry Group Co., Ltd and its subsidiaries ceased to be consolidated into the consolidated financial statements of the Group.

The net assets of Yichun Water Group at the date of disposal were as follows:

Consideration received:

	HK\$'000
Cash received	211,185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

37. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2024 (Continued)

Analysis of assets and liabilities over which control was lost:

	HK\$'000
Non-current assets	
Property, plant and equipment	30,951
Deposits paid for acquisition of property, plant and equipment	801
Right-of-use assets	23,543
Operating concessions	428,021
Investment properties	7,956
Interests in an associate	3,026
Interests in a joint venture	22,578
	<hr/> 516,876
Current assets	
Inventories	6,219
Trade and other receivables	80,143
Contract assets	87,975
Bank balances and cash	31,798
Amount due from an associate	314
Amount due from a joint venture	2,482
	<hr/> 208,931
Current liabilities	
Trade and other payables	(123,903)
Contract liabilities	(144,166)
Other loans	(2,167)
Income tax payables	(8,370)
	<hr/> (278,606)
Non-current liabilities	
Government grants	(29,505)
Deferred tax liabilities	(18,593)
	<hr/> (48,098)
Net assets disposed of	<hr/> 399,103
Gain on disposal of Yichun Water Group:	
Consideration received and receivable	211,185
Net assets disposed of	(399,103)
Non-controlling interests	236,523
Release of reserve upon disposal	(5,204)
	<hr/> 43,401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

37. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2024 (Continued)

	HK\$'000
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents	211,185
Cash and cash equivalents disposed of	(31,798)
	179,387

* The English name is for identification purpose only.

38. CAPITAL COMMITMENTS

	2025 HK\$'000	2024 HK\$'000
Contracted but not provided for in the consolidated financial statements:		
— Acquisition of concession intangible assets and property, plant and equipment	—	1,484

39. OPERATING LEASING ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was approximately HK\$4,578,000 (2024: HK\$4,499,000) (note 9).

Undiscounted lease payments receivable on leases of investment properties (note 18) are as follows:

	2025 HK\$'000	2024 HK\$'000
Within one year	3,437	3,420
After one year but within two years	2,180	1,050
After two years but within three years	456	565
After three years but within four years	123	10
After four years but within five years	92	—
After five years	30	—
	6,318	5,045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

40. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme

The 2021 Scheme

On 2 June 2021, the Company has adopted new share option scheme (the “2021 Scheme”).

Further details are set out in the announcement of the Company dated 29 April 2021. The 2021 Scheme is valid and effective for a period of 10 years after the date of adoption. In respect of any particular option, such period commencing on the date of grant or such later date as the Directors may decide and expiring on such date as the Directors may determine, such period not to exceed 10 years from the date of grant.

Under the terms of the 2021 Scheme, the Directors of the Company may, at their discretion, grant options to the any directors, whether executive or non-executive and whether independent or not, of the Group, full time or part time employees of the Group; and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensees) or distributors, landlords or tenants (including any sub-tenants) of the Group (the “Eligible Participants”).

An offer of the grant of an option shall remain open for acceptance for a period of 21 days from the date of the letter containing the grant. An offer of the grant of the option shall be regarded as having been accepted when the duplicate of the grant letter duly signed by the grantee together with a remittance in favour of the company of HK\$1.00 by way of consideration for the grant thereof is received by the Company.

Share options granted to connected person and its associates is subject to the approval of the independent non-executive directors (“INEDs”). In addition, any grant of share options to a substantial shareholder or an INED or any of their respective associates, in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company’s shares at the date of grant) in excess of HK\$5 million, within any 12-month period, is subject to the approval of the shareholders of the Company in a general meeting.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. Subject to the shareholders’ approval, the maximum number of shares in respect of which options may be granted under the scheme shall not exceed 10% of the shares in issue as at the date of the approval, or the maximum number of shares in respect of which options may be granted to any eligible participants may not exceed 1% of the shares in issue from time to time in a 12-month period. Except for the entitlements of dividends, bonus, rights declared before the exercise of options, any shares allotted and issued on the exercise of an option will rank *pari passu* with the other shares in issue at the date of exercise of the relevant option.

At 31 December 2025 and 2024, no options had been granted and remained outstanding under the share option scheme of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

41. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group and its employees each contribute 5% of relevant payroll costs to the scheme. Effective from 1 June 2014, the cap of monthly relevant income was \$30,000.

The employees of the Group's subsidiaries in the PRC are required to participate in the Central Pension Scheme ("CPS") CPS operated by the local municipal governments. These PRC subsidiaries are required to contribute a certain percentage of their payroll costs to the CPS. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the CPS.

The total cost charged to the consolidated statement of profit or loss of approximately HK\$7,986,000 (2024: HK\$13,536,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Financial assets at fair value through other comprehensive income		538	2,633
Investment in subsidiaries		2	2
		540	2,635
Current assets			
Other receivables		11	708
Deposits and prepayments		579	356
Amounts due from subsidiaries		649,426	883,709
Bank balances and cash		496	1,103
		650,512	885,876
Current liabilities			
Other payables		6,850	7,499
Other loans		22,822	45,673
		29,672	53,172
Net current assets		620,840	832,704
Total assets less current liabilities		621,380	835,339
Capital and reserves			
	34		
Share capital		63,219	28,736
Reserves		558,161	800,734
Total equity		621,380	829,470
Non-current liabilities			
Other loans		–	5,869
		621,380	835,339

Approved and authorised for issue by the board of directors on 30 March 2026:

Mr. Zhu Yongjun
Director

Ms. Chu Yin Yin Georgiana
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

43. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE

The emoluments paid or payable to each of the 5 (2024: 7) directors and chief executive were as follows:

Name	2025				2025 Total HK\$'000
	Fees HK\$'000	Salaries, allowance and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	
Executive Directors					
Zhu Yongjun	-	960	-	18	978
Chu Yin Yin, Georgiana	-	960	-	18	978
	-	1,920	-	36	1,956
Independent Non-Executive Directors					
Wong Siu Keung, Joe	180	-	-	-	180
Lam Cheung Shing Richard	180	-	-	-	180
Mak Ka Wing, Patrick (note iii)	180	-	-	-	180
	540	-	-	-	540
	540	1,920	-	36	2,496

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

43. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE (Continued)

Name	2024					2024 Total HK\$'000
	Fees HK\$'000	Salaries, allowance and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000		
Executive Directors						
Zhu Yongjun	–	960	–	18		978
Chu Yin Yin, Georgiana	–	960	–	18		978
Hu Siyun (note i)	–	164	–	8		172
	–	2,084	–	44		2,128
Independent Non-Executive Directors						
Wong Siu Keung, Joe	180	–	–	–		180
Qiu Na (note ii)	82	–	–	–		82
Lam Cheung Shing Richard	180	–	–	–		180
Mak Ka Wing, Patrick (note iii)	60	–	–	–		60
	502	–	–	–		502
	502	2,084	–	44		2,630

Notes:

- (i) Mr. Hu Siyun resigned as the Executive Director of the Company on 14 June 2024.
- (ii) Ms. Qiu Na resigned as the Independent Non-Executive Directors of the Company on 14 June 2024.
- (iii) Mr. Mak Ka Wing, Patrick appointed as Independent non-executive director of the Company on 3 September 2024.

There was no arrangement under which directors and chief executive have waived or agreed to waive any emoluments during the years ended 31 December 2025 and 2024.

There was no amount paid to the Directors and chief executive as an inducement to join or upon joining the Group, or as compensation for the loss of office.

The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

44. MATERIAL LITIGATIONS AND ARBITRATION

(a) **Swift Surplus Holdings Limited, an indirect wholly-owned subsidiary of the Company, Sihui Sewage Treatment Co. Ltd.* and Top Vision Management Limited**

On 21 August 2012, the Company and its subsidiary of Swift Surplus Holdings Limited (“Swift Surplus”) (collectively as the “Lenders”) entered into repayment agreements (the “Repayment Agreements”) with the Sihui Sewage Treatment Co. Ltd.* (the “Sihui Sewage”) (四會市城市污水處理有限公司) and Top Vision Management Limited (“Top Vision”) (collectively as the “Borrowers”) together with their respective guarantors, pursuant to which, the Borrowers shall repay to the Lenders the loan receivables of approximately HK\$58.43 million together with interest accrued thereon (the “Loan Receivables”). HK\$5.00 million of the Loan Receivables shall be repaid on or before 30 September 2012 and the remaining Loan Receivables shall be repaid on or before 31 December 2012. On 29 August 2012, the Company only received HK\$5.00 million of the Loan Receivables. However, the remaining Loan Receivables of HK\$53.43 million (the “Remaining Loan Receivables”) plus underlying interests were not yet received on 31 December 2012. On 22 March 2013, the Lenders have entered into supplemental deeds with the Borrowers together with their respective guarantors, pursuant to which, approximately RMB15.20 million (equivalent to HK\$18.03 million) of the Remaining Loan Receivables and underlying interests shall be repaid to the Lenders on or before 21 March 2014 (the “Partial Payment of the Remaining Loan Receivables”). Nevertheless, Swift Surplus and Top Vision and its guarantors could not reach an agreement in respect of the terms and date of the repayment of the outstanding balance of HK\$35.40 million of the Remaining Loan Receivables and underlying interests (the “Outstanding Balance”). Despite the Company several requests and demands, Top Vision failed to effect payment of the Outstanding Balance. On 14 May 2013, the Company instructed its legal counsel to file the writ of summons (the “Writ”) to the High Court of Hong Kong Special Administrative Region (the “High Court”) to recover the Outstanding Balance from Top Vision. On 25 June 2013, the High Court adjudged a final judgment that Top Vision shall pay the Outstanding Balance to Swift Surplus (the “Final Judgment”). Top Vision has not performed the repayment obligation under the judgment issued by the High Court. The Company cannot locate any assets of Top Vision in Hong Kong. As advised by the legal counsel, without information on the assets of Top Vision in Hong Kong, the Company cannot enforce the Final Judgment against Top Vision. As the major assets owned by the subsidiaries of Top Vision are located in Guangdong Province, the PRC, the Company had undertaken recovery actions including but not limited to legal actions taken in PRC to collect the Remaining Loan Receivables.

On 20 August 2014, a petition was filed by Galaxaco Reservoir Holdings Limited (“Galaxaco”), one of the creditors of Top Vision, to wind up Top Vision. Top Vision has now been wound up by the High Court by a Winding up Order under Companies Winding-up Proceedings No.157/2014 and the first meeting of creditors of Top Vision was held on 30 October 2014 for the appointment of provisional liquidator. On 14 January 2015, the solicitors act for Galaxaco requested the High Court to have the hearing adjourned for the appointment of liquidators (the “Appointment”) pending the alleged negotiation settlement between Top Vision and all creditors including the Company and its subsidiary of Swift Surplus and Galaxaco (“Creditors”). On 4 May 2015, The High Court appointed SHINEWING Specialist Advisory Services Limited as liquidators (“Liquidators”). The Liquidators have carried out the site visits and performed the investigation on PRC subsidiary of Top Vision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

44. MATERIAL LITIGATIONS AND ARBITRATION *(Continued)*

(a) **Swift Surplus Holdings Limited, an indirect wholly-owned subsidiary of the Company, Sihui Sewage Treatment Co. Ltd.* and Top Vision Management Limited** *(Continued)*

On 16 July 2015, the Zhaoqing Intermediate People's Court adjudged that the Final Judgment recognised and accepted to execute in Mainland China for the recovering the Outstanding Balance and the underlying interest from Top Vision ("PRC Judgment"). On 27 January 2016, the PRC Judgment was announced on the website of The People's Court Announcement for 60 days ("Announcement Period"). If Top Vision has not appealed for the PRC Judgment within 30 days after the Announcement Period, the PRC Judgment will be automatically effective thereafter, the Company can enforce the PRC Judgment. On 10 August 2016, Sihui City People's Court* (四會市人民法院) accepted to execute the PRC Judgment in Mainland China and requested Swift Surplus to provide the financial position statement relating to Top Vision. On 30 August 2016, Sihui City People's Court adjudged to freeze the entire equity interest held by Top Vision on Sihui Sewage for 3 years from 30 August 2016 to 29 August 2019. On 28 June 2020, Sihui City People's Court accepted the "resumption implementation application" which was submitted by Swift Surplus to resume the execution of the final judgement and continued to freeze the entire equity interest on Sihui Sewage for another 3 years till July 2022.

In 2016, the Company instructed the legal counsel to institute arbitral proceedings against the Borrowers and the guarantees under the supplemental loan agreements and their respective guarantees by filing the notices of Arbitration to HKIAC. HKIAC has confirmed the filing of such notices and the institution of respective arbitral proceedings.

On 6 March 2018, Liquidators informed Creditors that Top Vision sold its entire shareholding in Top Vision Huizhou to Tai Heng Construction Holding Ltd. ("Tai Heng") without payment of purchase consideration of RMB1 million. The Liquidator obtained a judgement from the High Court under the action of HCA 2448/2017 on 7 January 2019 against Tai Heng in favour of Top Vision, under which Tai Heng should repay approximately HK\$3.90 million being principal and interest, and the Court further awarded judgement interest at a rate of 8% p.a. from 23 October 2017 to 31 December 2018 and 8.08% p.a. from 1 January 2019 to the date of payment (the "Judgement Debts"). The Liquidator proposed a demand letter of the Judgement Debt to Tai Heng on 29 January 2019 but failed to receive any reply from Tai Heng. Therefore, the Liquidators are prepared to issue a statutory demand against Tai Heng. If Tai Heng fails to reply, the Liquidators may further pursue a winding-up application against Tai Heng. On 16 April 2019, the Company filed the witness statements and documentary evidence (collectively known as "Evidence") to the High Court. But the Borrowers failed to file and serve their respective Defence & Counterclaim as well as their Evidence. The Company applied to the Tribunal to arrange the arbitral hearing. On 16 March 2020, the arbitrator of HKIAC made an arbitration award that each guarantor shall jointly and severally liable to repay the principals together with the interest accrued thereon to the Lenders. On 29 March 2020, HKIAC has appointed a sole arbitrator for these arbitration proceedings. On 30 November 2021, the Swift Surplus had submitted the application to the Sihui City People's Court for the resumption of civil enforcement on Top Vision. In January 2022, Swift Surplus re-submitted the application to the Sihui City People's Court again for the resumption of execution of the final judgement granted in July 2015 to continue to freeze the entire equity interest on Sihui Sewage for another 3 years till July 2025. In January 2022, the Lenders petitioned to the Shenzhen Intermediate People's Court and the Zhaoqing Intermediate People's Court for recognition and enforcement of Hong Kong awarded arbitrations in order to collect the debt from the guarantors. But the guarantor refused to recognise the verdict of the Zhaoqing Intermediate People's Court, they filed an appeal with the Guangdong Province Higher People's Court. In June 2022, Sihui City People's Court accepted the application

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

44. MATERIAL LITIGATIONS AND ARBITRATION *(Continued)*

(a) **Swift Surplus Holdings Limited, an indirect wholly-owned subsidiary of the Company, Sihui Sewage Treatment Co. Ltd.* and Top Vision Management Limited *(Continued)***

and adjudged to freeze the entire equity interest held by Top Vision on Sihui Sewage for addition 2 years from June 2022 to June 2024. On 22 May 2023, the Zhaoqing Intermediate People's Court and the Guangdong Higher People's Court recognised and acknowledged for enforcement in Mainland China the arbitral award of the guarantors (the "Guarantor's Award"). The Guangdong Province Higher People's Court issued a judgement efficacy certificate on 8 August 2023, allowing the Company to enforce the Guarantor's Award in China. The Zhaoqing Intermediate People's Court acknowledged the enforcement of the Guarantors' Award in mainland China on 11 August 2023. In March 2024, Swift Surplus had submitted the application to Sihui City People's Court again for the purpose of continuing to freeze all equity interests in Sihui Sewage. The Sihui City People's Court ruled to freeze all equity interest in Sihui Sewage for an additional two years for the period from June 2024 to June 2026. On May 17, 2024, the Zhaoqing Intermediate People's Court failed to locate any executable assets from Sihui Sewage and ruled to terminate the execution of the case. The court stated that it would resume the execution in accordance with the law if any executable assets are identified in the future. On September 6, 2024, the Shenzhen Intermediate People's Court recognized and confirmed the arbitration award against the enforcement guarantors, Yang Weihua and Yang Weiguang, in China. On October 17, 2024, the Shenzhen Intermediate People's Court issued the arbitration ruling against the guarantors Yang Weihua and Yang Weiguang. Subsequently, on February 21, 2025, the Shenzhen Intermediate People's Court failed to locate any executable assets from Yang Weihua and ruled to terminate the execution. The court noted that the execution would resume in accordance with the law upon discovering any executable assets. In July 2025, upon discovering that Sihui Sewage possesses assets available for enforcement, the Zhaoqing Intermediate People's Court resumed enforcement proceedings. In September 2025, the Company, Shenzhen Haisheng Environmental Sci-Tech Co., Ltd.* (深圳市海晟環保科技有限公司), a wholly-owned subsidiary of the Company, entered into a debt assignment agreement with Guangdong Donglinyuan Ecological Co., Ltd. (the "Guangdong Donglinyuan") ("廣東東霖源生態有限公司") and Sihui Sewage, for the settlement of the debts of RMB15.20 million, pursuant to which the creditor's rights against Top Vision, Sihui Sewage and their respective guarantors were assigned to Guangdong Donglinyuan. The consideration for the assignment was RMB8.80 million payable into four installments. As at the date of this report, all consideration has been settled. The legal processing concerning debts amounting to RMB15.20 million will be concluded upon issuance of the court's judgment formally closing the case. However, the legal action against Swift Surplus, Top Vision, and their guarantors regarding debts totaling HK\$35.40 million remains ongoing in the PRC. The loan receivables from Top Vision of HK\$43.60 million were fully impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

44. MATERIAL LITIGATIONS AND ARBITRATION *(Continued)*

(b) **Guangzhou Hyde Environmental Protection Technology Co., Ltd., an indirect wholly-owned subsidiary of the Company and Yunnan Chaoyue Gas Company Limited***

Guangzhou Hyde Environmental Protection Technology Co., Ltd.* (廣州市海德環保科技有限公司) (“Guangzhou Hyde”) (an indirect wholly-owned subsidiary of the Company) and Yunnan Chaoyue Gas Company Limited* (雲南超越燃氣有限公司) (“Yunnan Chaoyue Gas”) entered into the cooperation contract dated 13 October 2010, pursuant to which Guangzhou Hyde shall paid a refundable deposit of HK\$10 million (“Deposit”) to Yunnan Chaoyue Gas for the purpose of obtaining the operation and management right of the Yunnan Dian Lake project (“Project”).

Pursuant to the cooperation contract, Yunnan Chaoyue Gas shall refund the Deposit to Guangzhou Hyde within nine months once it was unsuccessfully to obtain the Project. Yunnan Chaoyue Gas has failed to repay the aforesaid Deposit to Guangzhou Hyde when it fell due despite Guangzhou Hyde’s repeated requests and demands.

The dispute over cooperative contract between Guangzhou Hyde and Yunnan Chaoyue Gas was applied to Guangzhou Arbitration Commission (“Commission”) for arbitration on 24 February 2012. The Commission accepted the case and started a trail on 5 June 2012. After the trail, arbitration tribunal ruled an award on 12 June 2012, adjudging that Yunnan Chaoyue Gas should pay Guangzhou Hyde the principal of RMB8.56 million and overdue interests thereon; and the relevant arbitration fees.

The above award confirmed the amount to be paid by Yunnan Chaoyue Gas to Guangzhou Hyde should be settled in one-off manner within 10 days from the date on which this award is served. Late payment will result in proceedings set out in article 229 of Civil Procedure Laws of the People’s Republic of China. As Yunnan Chaoyue Gas has not performed repayment obligation under the award on time, Guangzhou Hyde applied to Kunming Intermediate People’s Court (the “Kunming Court”) for civil enforcement on 21 July 2012, and Kunming Court has accepted such application.

On 13 May 2013, Yunnan Chaoyue Gas provided loan repayment plan (the “Repayment Plan”) to Guangzhou Hyde. On 1 September 2014, Kunming Court has approved the civil enforcement against Yunnan Chaoyue Gas. Finally, Yunnan Chaoyue Gas has not performed the repayment obligation according to the Repayment Plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

44. MATERIAL LITIGATIONS AND ARBITRATION *(Continued)*

(b) **Guangzhou Hyde Environmental Protection Technology Co., Ltd., an indirect wholly-owned subsidiary of the Company and Yunnan Chaoyue Gas Company Limited*** *(Continued)*

On 21 August 2017, Guangzhou Hyde, Yunnan Chaoyue Gas, Yunnan Chaoyue Oil & Gas Technology Co., Ltd.* (雲南超越油氣科技有限公司), Yunnan Chaoyue Oil and Gas Exploration Co., Ltd.* (雲南超越油氣勘探有限公司), Yunnan Transcend Pipeline Investment Co., Ltd.* (雲南超越管道投資有限公司) and Yunnan Transcend Energy Co., Ltd.* (雲南超越能源股份有限公司) and Mr. Liu Jinrong (collectively as the "Guarantors") entered into a settlement agreement which Yunnan Chaoyue Gas shall pay the Principal and overdue interests to Guangzhou Hyde on or before 31 December 2017 (the "Settlement Agreement"). On 14 September 2017, Guangzhou Hyde applied to Kunming Court for the resumption of civil enforcement which adjudged in 2014. On 13 August 2019, Yunnan Chaoyue Gas and Guarantors failed to fulfil the Settlement Agreement, Kunming Court accepted the application relating to the resumption of civil enforcement which submitted by Guangzhou Hyde. On 20 November 2019, the Kunming Court adjudged the Guarantors to repay the arbitration fee, the principal together with the underlying interest to Guangzhou Hyde within 10 days. On 8 January 2021, the Kunming Court failed to locate any assets from Yunnan Chaoyue Gas and Guarantors even taken exhaustive enforcement measures, and ruled to terminate this execution. The Kunming Court will resume the execution of this case in accordance with the law once any assets available for execution being found. On 21 June 2023, the Kunming Municipal Court has not yet decided whether to accept the case after the hearing on the bankruptcy liquidation of Yunnan Chaoyue Gas. Up to the date of this report, Yunnan Chaoyue Gas and the Guarantors had not performed court judgement and no significant progress on this legal proceeding. The Deposit was classified as loan receivable and fully impaired in 2011.

(c) **New China Water (Nanjing) Energy Company Limited*** (新中水(南京)能源有限公司), an indirect wholly-owned subsidiary of the Company and Jinling Construction Group of Jiangsu Province Co. Ltd.*

In October 2018, New China Water (Nanjing) Energy Company Limited ("New China Water Energy"), New China Water (Nanjing) Carbon Company Limited ("New China Water Carbon") and Jinling Construction Group of Jiangsu Province Co. Ltd.* (江蘇省金陵建工集團有限公司) ("Jinling Construction") entered into the construction contract for construction works, pursuant to which Jinling Construction became the construction contractor for Nanjing Space Big Data Industry Base which was developed by New China Water Energy and New China Water Carbon. On 26 January 2022, Jinling Construction filed a lawsuit to Nanjing City Jiangning District People's Court* (南京市江寧區人民法院) (the "Jiangning Court") regarding the allegedly unsettled payment of construction fee by New China Water Energy and New China Water Carbon as co-defendants to Jinling Construction in the sum of approximately RMB151.59 million. The disposal of New China Water Carbon was completed in June 2023.

In February 2022, despite the parties were in negotiations to reach an agreement to settle the claims, the land use rights of the property were seized by Jiangning Court for the period from 18 February 2022 to 17 February 2025. On 21 March 2022, Jiangning Court decided to refer the case to the People's Court of Xuanwu District, Nanjing City, Jiangsu Province* (江蘇省南京市玄武區人民法院) ("Xuanwu People's Court") for trial. In May 2022, the parties have reached a preliminary settlement agreement. As both parties have the intention to resolve the contract dispute, Xuanwu People's Court decided to suspend the trial on 24 June 2022. Such construction debts amounted to RMB99.91 million have been recognized as other payable of the Group since the financial year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

44. MATERIAL LITIGATIONS AND ARBITRATION *(Continued)*

- (c) **New China Water (Nanjing) Energy Company Limited* (新中水(南京)能源有限公司), an indirect wholly-owned subsidiary of the Company and Jinling Construction Group of Jiangsu Province Co. Ltd.* *(Continued)***

In August 2022, the involved parties signed the settlement agreement (the “Settlement Agreement”) that affirmed the unpaid construction debts of RMB99.91 million and the repayment plan. The aforementioned Settlement Agreement was submitted to the Xuanwu People’s Court for the withdrawal of the relevant land use rights seizure. New China Water Energy and New China Water Carbon had fulfilled a portion of their contractual responsibilities in accordance with the Settlement Agreement. According to the Settlement Agreement, Xuanwu People’s Court issued a civil mediation letter (the “Civil Mediation Letter”) confirming that New China Water Energy and New China Water Carbon should jointly and severally pay the outstanding construction debts in the amount of RMB89.91 million including a default claim of RMB8 million which was recognised as default claim payable. The Xuanwu People’s Court subsequently removed the relevant seizure of the land use right.

In June 2023, the parties involved signed Settlement Agreement 1 (the “Settlement Agreement 1”) and fulfilled their obligations. The Xuanwu People’s Court ruled to halt New China Water Carbon’s execution. New China Water Carbon was no longer a subsidiary of the Company upon the completion of disposal in June 2023. The relevant parties signed Settlement Agreement 2 (the “Settlement Agreement 2”) in August 2023, and then Jinling Construction has petitioned the Xuanwu People’s Court to withdraw enforcement against New China Water Energy. The Xuanwu People’s Court ruled to terminate the execution of the case. As of the date of this report, New China Water Energy has not fully satisfied its obligations under the Civil Mediation Letter, but partial payments have been made. The Settlement Agreement 2 is currently undergoing implementation, and the PRC legal proceeding is still ongoing. At 31 December 2025, the outstanding other payable recognized in relation to their claim amounted to RMB9.51 million (equivalent to approximately HK\$10.52 million (2024: RMB9.51 million) which is included in “payable arising from litigation claim”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

44. MATERIAL LITIGATIONS AND ARBITRATION (Continued)

(d) Huizhou Swan Heng Chang Property Development Company Limited* (惠州鴻鵠恒昌置業有限公司) and Swan (Huizhou) Investment Company Limited* (鴻鵠(惠州)投資有限公司), indirect wholly-owned subsidiaries of the Company and China Minsheng Drawin Construction Technology Group Company Limited

- (i) In January 2018, Huizhou Swan Heng Chang Property Development Company Limited* (惠州鴻鵠恒昌置業有限公司) (“Swan Heng Chang”) entered into the construction contract for construction works (the “Construction Contract I”) with China Minsheng Drawin Construction Technology Group Company Limited (formerly known as China Minsheng Drawin Construction Co., Ltd) (“CMDC”), under which CMDC shall act as the construction contractor of the construction project of Honghu Blue Valley Wisdom Square* (鴻鵠藍谷智慧廣場) developed by Swan Heng Chang. To further clarify the rights and obligations of both parties, both parties signed a supplemental agreement in January 2018 to further define the payment terms and other rights and obligations, and the contract price was agreed to be subject to actual settlement based on the actual quantities of work.

On 14 May 2019, Swan Heng Chang entered into the contract termination agreement with CMDC, under which the Construction Contract and the supplemental agreement were agreed to terminate. On 1 August 2019, both parties signed the settlement agreement, which determined the final settlement amount of RMB82.51 million.

In September 2020, CMDC filed a lawsuit with the Huicheng District People’s Court of Huizhou City (“Huicheng District People’s Court”) against Swan Heng Chang and its shareholder of Swan (Huizhou) Investment Company Limited* (鴻鵠(惠州)投資有限公司) (“Swan Investment”) as co-defendants, requesting Swan Heng Chang to settle the construction payment and demanding Swan Investment to bear joint and several liabilities. The court heard the case on 6 January 2021.

On 14 April 2021, under the mediation of the court, Swan Heng Chang reached a settlement agreement with CMDC, under which the court issued a civil mediation order, which confirmed that the total amount payable by Swan Heng Chang to CMDC was RMB28.42 million and that Swan Investment was jointly and severally liable for the settlement of the debt. Such construction debts amounted to RMB28.42 million have been recognised as an other payable of the Group since the financial year ended 31 December 2020.

On 3 December 2021, Swan Heng Chang and Swan Investment were served by the court as defendants subject to enforcement for failing to fulfill their obligations under the civil mediation order. On 10 March 2022, upon application by CMDC, the land use right legally owned by Swan Heng Chang was seized by the Huizhou Court for the period from 10 March 2022 to 9 March 2025. According to the civil mediation letter, the default payment including interest in total of RMB11.38 million recorded as an other payable during the year. Up to the date of this report, the parties are negotiating the settlement agreement and the relevant legal proceeding is still in process. At 31 December 2025, the outstanding trade payable and other payable recognized in relation to this claim amounted to RMB25.99 million (equivalent to approximately HK\$28.8 million) (2024: RMB 25.99 million) and RMB11.38 million (equivalent to approximately HK\$12.59 million) (2024: RMB11.38 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

44. MATERIAL LITIGATIONS AND ARBITRATION (Continued)

(d) **Huizhou Swan Heng Chang Property Development Company Limited* (惠州鴻鵠恒昌置業有限公司) and Swan (Huizhou) Investment Company Limited* (鴻鵠(惠州)投資有限公司), indirect wholly-owned subsidiaries of the Company and China Minsheng Drawin Construction Technology Group Company Limited (Continued)**

(ii) In July 2021, Swan Heng Chang entered into a construction contract for construction works (the "Construction Contract II") with Shenzhen Zhongrongyu Construction Engineering Limited* (深圳市中榮煜建築工程有限公司) ("Zhongrongyu Construction"), pursuant to which Zhongrongyu Construction shall act as the construction contractor of the construction project of Honghu Square developed by Swan Heng Chang.

Zhongrongyu Construction and Swan Heng Chang are recently in dispute of certain construction payments in respect of the Construction Contract II and Zhongrongyu Construction has filed a lawsuit with the Huicheng District People's Court of Huizhou City against Swan Heng Chang and Swan Investment as co-defendants, claiming for the settlement of the construction payments and liquidated damages. In December 2024, the Huicheng District People's Court of Huizhou City ruled that: 1. Swan Heng Chang shall pay construction costs amounting to RMB15.67 million (the "Construction Cost"), along with liquidated damages capped at RMB4.7 million and appraisal fees. 2. Swan Investment shall bear joint and several liability for the debt. 3. Zhongrongyu Construction holds a priority right to compensation within the scope of Construction Cost for the completed construction work at the project of Honghu Blue Valley Wisdom Square project, whether through negotiated sale or auction proceeds. As the Swan Heng Chang failed to perform the obligations determined by the effective civil judgment, Zhongrongyu Construction applied to the Huicheng District People's Court of Huizhou City for compulsory enforcement, and the case entered the enforcement procedure in November 2025. Such Construction Cost recorded as an other payable in the FY2024. Up to the date of this report, the PRC legal proceeding is still ongoing. At 31 December 2025, the outstanding other payable recognized in relation to this claim amounted to RMB20.17 million (equivalent to approximately HK\$22.33 million) (2024: RMB20.37 million).

(iii) In March 2019, Swan Heng Chang entered into a loan agreement and a mortgage and guarantee agreement with Huicheng Sub-branch of Huizhou Rural Commercial Bank Co., Ltd. (the "Huicheng Sub-branch"), pursuant to which Swan Heng Chang borrowed RMB45.00 million (the "Loan") from Huicheng Sub-branch. To secure the Loan, Swan Investment entered into a share pledge agreement with Huicheng Sub-branch, while Swan Investment, China Ace Investment Co., Ltd. ("China Ace"), the Company, and Ms. Deng Xiaoting ("Ms. Deng") entered into a guarantee agreement with Huicheng Sub-branch. In prior years, Huicheng Sub-branch filed a lawsuit with the Huicheng District People's Court of Huizhou City against Swan Heng Chang, Swan Investment, China Ace, the Company, and Ms. Deng (collectively referred to as the "Co-Defendants"), demanding repayment of the outstanding loan balance of approximately RMB36.08 million and related interest which recorded as the bank loan during the year. On August 6, 2025, the Huicheng District People's Court of Huizhou City rendered a judgment ordering Swan Heng Chang to repay loan principal in the amount of approximately RMB35.00 million. The Huicheng sub-branch enjoys priority rights of compensation over the mortgaged and pledged property. Swan Investment, China Ace, the Company, and Ms. Deng are jointly and severally liable for repayment. As at the date of this report, the settlement negotiation and relevant proceedings in the PRC remain ongoing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

44. MATERIAL LITIGATIONS AND ARBITRATION *(Continued)*

- (e) **China Water Industry Group Limited (中國水業集團有限公司) and China Water Industry (HK) Limited (中國水業(香港)有限公司), an indirect wholly-owned subsidiary of the Company and Guangdong Yuecai Small and Medium-sized Enterprises Equity Investment Fund Partnership (Limited Partnership)* and Zhuhai Hengqin Yixingbanyue Investment Partnership (Limited Partnership)***

In December 2019, the Company, China Water Industry (HK) Limited (the “China Water (HK)”), New China Water (Nanjing) Renewable Resources Investment Company Limited* (the “New China Water Nanjing”), SZQH Energy-saving Environmental Protection Investment Fund Management Company Limited* (深圳前海粵財節能環保投資基金管理有限公司) (“SZQH”) entered into an investment agreement, pursuant to which SZQH agreed to invest RMB60 million for 3.8462% of equity interests in New China Water Nanjing. SZQH has subsequently assigned all its rights and obligations under the investment agreement to Guangdong Yuecai Small and Medium-sized Enterprises Equity Investment Fund Partnership (Limited Partnership)* (廣東粵財中小企業股權投資基金合夥企業(有限合夥)) (“Guangdong Yuecai”), being an associate of SZQH. For details, please refer to the announcements of the Company dated 27 December 2019 and 1 March 2023.

In March 2020, the Company, China Water Industry (HK), New China Water Nanjing, and Zhuhai Hengqin Yixingbanyue Investment Partnership (Limited Partnership)* (珠海橫琴依星伴月投資合夥企業(有限合夥)) (“Zhuhai Hengqin”, together with Guangdong Yuecai, the “Investors”) entered into an investment agreement, pursuant to which Zhuhai Hengqin agreed to invest RMB0.42 million for 0.0269% of equity interests in New China Water Nanjing.

In March 2023, the Company received the repurchase notice from the Investors, requiring China Water (HK) and the Company (collectively, the “Purchasers”) to repurchase an aggregate of 3.872% equity interests (the “Aggregate Sale Capital”) of New China Water Nanjing. On the same date, the Purchasers and Investors entered into the equity transfer agreement, pursuant to which the Investors have agreed to sell, and the Purchasers have agreed to purchase, the Aggregate Sale Capital, at a total consideration of RMB81.34 million (the “Repurchase Equity Consideration”). For the details, please refer to the announcement of the Company dated 1 March 2023.

Each of the Investors have filed a lawsuit with the Shenzhen Qianhai Cooperation District People’s Court against the Company and China Water (HK) as co-defendants, claiming for the repayment of the outstanding balance of the Repurchase Equity Consideration in the aggregate sum of approximately RMB22.90 million and the underlying interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

44. MATERIAL LITIGATIONS AND ARBITRATION *(Continued)*

- (e) **China Water Industry Group Limited (中國水業集團有限公司) and China Water Industry (HK) Limited (中國水業(香港)有限公司), an indirect wholly-owned subsidiary of the Company and Guangdong Yuecai Small and Medium-sized Enterprises Equity Investment Fund Partnership (Limited Partnership)* and Zhuhai Hengqin Yixingbanyue Investment Partnership (Limited Partnership)***
(Continued)

In June 2025, the Qianhai Cooperation Zone People's Court of Shenzhen* (深圳前海合作區人民法院) (the "Qianhai Court") rendered a judgment ordering the Company and China Water (HK) to pay Guangdong Yuecai the equity transfer consideration, including the investment amount of RMB22.74 million, as well as accrued interest and penalties for breach of contract. In July 2025, the Qianhai Court rendered a separate judgment ordering the Company and China Water (HK) to pay Zhuhai Hengqin an investment amount of RMB0.16 million, together with applicable interest and penalties for breach of contract. As the Company and China Water (HK) failed to perform the obligations determined by the effective civil judgment, Shenzhen Qianhai applied to the People's Court of the Qianhai Cooperation Zone in Shenzhen for compulsory enforcement, and entered the enforcement procedure in September 2025. Zhuhai Hengqin applied to the People's Court of the Qianhai Cooperation Zone in Shenzhen for compulsory enforcement, and entered the enforcement procedure in October 2025.

According to the respective investment agreements and the supplemental agreement dated 26 September 2023, the consideration payable is subject to adjustment with 10% to 12% simple interest per annum calculated from the date of payment of the capital injection amount made by the Investors to the date of receipt of Repurchase Equity Consideration by the Investors, which all payment were due by 31 December 2023. Pursuant to the investment agreements and the supplemental agreement, the Investors shall be entitled to an amount equal to 0.03% of the overdue amount for each day of delay payable by the Purchasers as liquidated damages.

Up to the date of this report, the parties are actively engaged in negotiations regarding a settlement arrangement and the Group has recognised the outstanding balance of Repurchase Equity Consideration together with accrued interests in aggregate of RMB31 million as a deposit paid for acquisition of additional interests in a subsidiary and other payables. The PRC legal proceedings is still ongoing.

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FOR THE YEAR ENDED 31 DECEMBER 2025

44. MATERIAL LITIGATIONS AND ARBITRATION (Continued)

- (f) **Changsha New China Water Environmental Technology Company Limited, Qingyuan City Greenspring Environmental Technology Company Limited, Shenzhen City New China Water Environmental Technology Company Limited and Hainan Camda New Energy Company Limited, all being indirect non-wholly owned subsidiaries of the Company and Sinopharm Holding (China) Finance Leasing Co., Ltd.**

In February 2023, each of Changsha New China Water Environmental Technology Company Limited* (長沙新中水環保科技有限公司) (“Changsha New China Water”), Qingyuan City Greenspring Environmental Technology Company Limited* (清遠市青泓環保科技有限公司) (the “Qingyuan City Greenspring”), Shenzhen City New China Water Environmental Technology Company Limited* (深圳市新中水環保科技有限公司) (“Shenzhen City New China Water”), all being indirect non-wholly owned subsidiaries of the Company, entered into a finance lease agreement with Sinopharm Holding (China) Finance Leasing Co., Ltd. (國藥控股(中國)融資租賃有限公司) (“Sinopharm Leasing”), pursuant to which (i) Sinopharm Leasing shall purchase the respective landfill gas power generating facilities from Changsha New China Water, Qingyuan City Greenspring and Shenzhen City New China Water for the purchase price of RMB30 million, RMB14 million and RMB29 million respectively; and (ii) Sinopharm Leasing shall lease back the same to Changsha New China Water, Qingyuan City Greenspring and Shenzhen City New China Water respectively. In March 2023, Hainan Camda New Energy Company Limited* (海南康達新能源有限公司) (“Hainan Camda”), being an indirect non-wholly owned subsidiary of the Company, entered into the finance lease agreement with Sinopharm Leasing, pursuant to which (i) Sinopharm Leasing shall purchase landfill gas power generating facilities for the purchase price of RMB7 million and then lease back the same to Hainan Camda. For details, please refer to the announcements of the Company dated 24 February 2023 and 8 March 2023.

In August 2024, Changsha New China Water, Qingyuan City Greenspring, Shenzhen City New China Water and Hainan Camda (collectively known as “Lessees”) together with the relevant guarantors (the “Guarantors”) under the respective finance lease agreements had reached settlement agreements with Sinopharm Leasing through the mediation by the Shanghai Pudong New Area People’s Court (the “Pudong Court”). The Pudong Court issued civil mediation agreements (the “Civil Mediation Agreements”), which required Changsha New China Water, Qingyuan City Greenspring, Shenzhen City New China Water and Hainan Camda shall repay Sinopharm Leasing the outstanding balance of lease consideration of RMB18.70 million, RMB8.73 million, RMB18.08 million and RMB4.37 million respectively. In November 2024, as the Lessees and the Guarantors failed to repay the outstanding sums in accordance with the Civil Mediation Agreements, Sinopharm Leasing had applied to Pudong Court for the enforcement of the Civil Mediation Agreements. In December 2024, the case was terminated due to statutory reasons. The aforesaid outstanding lease consideration recorded as the lease liabilities as at 31 December 2025 and 2024. Up to the date of this report, the Lessees and the Guarantors are in the course of negotiating with Sinopharm Leasing in respect of the settlement of the outstanding sums and the relevant legal proceedings are still ongoing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

44. MATERIAL LITIGATIONS AND ARBITRATION (Continued)

- (g) **Anqiu City New China Water Environmental Technology Limited, Datang Huayin Xiangtan Environmental Electricity Generation Company Limited, Datang Huayin Heng Yang Environmental Power Company Limited, Baoji City Electric Power Development Co., Limited, Wuzhou City New China Water New Renewable Resources Company Limited, Hunan Liuyang New China Water Environmental Technology Limited, all being indirect non-wholly owned subsidiaries of the Company and Haitong Unitrust International Financial Leasing Co., Limited**

On 2 August 2023, Anqiu City New China Water Environmental Technology Limited* (安丘市新中水環保科技有限公司) (the "Lessee A"), Xiangtan New China Water Biomass Power Generation Co. Ltd (formerly known as Datang Huayin Xiangtan Environmental Electricity Generation Company Limited*) (湘潭新中水生物質能發電有限責任公司(前稱：大唐華銀湘潭環保發電有限責任公司)) (the "Lessee B"), Hengyaan New China Environmental Protection Technology Co. Ltd* (formerly known as Datang Huayin Heng Yang Environmental Power Company Limited*) (衡陽新中水環保科技有限公司(前稱：大唐華銀衡陽環保發電有限公司)) (the "Lessee C"), Baoji City Electric Power Development Co., Limited* (寶雞市易飛明達電力發展有限公司) (the "Lessee D"), Wuzhou City New China Water New Renewable Resources Company Limited* (梧州市新中水新能源科技有限公司) (the "Lessee E"), Hunan Liuyang New China Water Environmental Technology Limited* (湖南瀏陽新中水環保科技有限公司) (the "Lessee F"), (collectively known as "Lessees"), all being indirect non-wholly owned subsidiaries of the Company, entered into the respective finance lease agreements with Haitong Unitrust International Financial Leasing Co., Limited (海通恒信國際融資租賃股份有限公司) (the "Haitong Leasing"), pursuant to which (i) Haitong Leasing shall purchase biogas and landfill gas power generating facilities (the "Leased Assets") from the Lessees and then shall lease back the Leased Assets to them. The purchase price for the respective lease assets offered by Haitong Leasing to Lessee A, Lessee B, Lessee C, Lessee D, Lessee E and Lessee F were RMB20 Million, RMB20 million, RMB15 million, RMB15 million, RMB10 million and RMB10 million, respectively. For details, please refer to the announcement of the Company dated 2 August 2023.

Haitong Leasing has filed lawsuits with the Shanghai Huangpu District People's Court and the Shenzhen Qianhai Cooperation Zone People's Court against Lessee A, Lessee B, Lessee C, Lessee D, Lessee E and Lessee F and the guarantors, demanding repayment of outstanding principal amounts of RMB14 million, RMB14 million, RMB11 million, RMB11 million, RMB7 million, RMB7 million, respectively, along with related interest. In May 2025, Lessee A, Lessee B, Lessee C, Lessee D, Lessee E, Lessee F, and the Guarantor reached a settlement agreement with Haitong Leasing through mediation facilitated by the Shanghai Huangpu District People's Court* (上海市黃浦區人民法院) (the "Shanghai Huangpu Court"). Pursuant to the mediation, the Shanghai Huangpu Court issued a civil mediation document (the "Civil Mediation Document"), requiring Lessee A, Lessee B, Lessee C, Lessee D, Lessee E, and Lessee F respectively to pay Haitong Leasing the following amounts in financing lease payments: RMB13.23 million; RMB13.23 million; RMB10.70 million; RMB9.93 million; RMB6.62 million; and RMB6.62 million. As the lessees failed to perform the obligations determined by the effective civil judgment, Haitong Leasing applied to the Huangpu District People's Court of Shanghai for compulsory enforcement in respect of the relevant cases, all of which entered the enforcement procedure in October 2025. As at 31 December 2025, the aforesaid outstanding principal amounts recorded as the lease liabilities amounted to RMB62.79 million (equivalent to approximately HK\$69.51 million in aggregate (2024: RMB59.76 million (equivalent to approximately HK\$64.53 million)). Up to the date this report, the Lessees are in the course of negotiating with Haitong Leasing in respect of the settlement of the outstanding sums and the legal proceedings in the PRC remain ongoing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

44. MATERIAL LITIGATIONS AND ARBITRATION (Continued)

(h) New China Water (Nanjing), Shenzhen New China Water Environmental Protection Technology Co., Ltd., Shandong Qiyao New Energy Co., Ltd., Ningbo Qiyao New Energy Co., Ltd., and Chengdu Greenstate Renewable Energy Co., Ltd. (collectively, the “Group Companies”), all indirect non-wholly owned subsidiaries of the Company and Guangdong Green Finance Leasing Co., Ltd.

On 8 December 2021 and 22 February 2022, New China Water (Nanjing) (“Lessee A”), Shenzhen New China Water Environmental Protection Technology Co., Ltd. (“Lessee B”), Shandong Qiyao New Energy Co., Ltd. (“Lessee C”), and Ningbo Qiyao New Energy Co., Ltd. (“Lessee D”) (collectively, the “Lessees”) entered into two finance lease agreements with Guangdong Green Finance Leasing Co., Ltd. (“Green Finance Leasing”). Pursuant to these agreements, (i) Green Finance Leasing purchased gas generator sets and related equipment (the “Leased Assets”) from the Lessees and subsequently leased the Leased Assets back to them. The purchase prices offered by Green Finance Leasing to the Lessees were RMB60,000,000 and RMB20,000,000, respectively.

Green Finance Leasing has filed a lawsuit with the People’s Court of Nanhai District, Foshan City, against the Lessees and Chengdu Greenstate Renewable Energy Co., Ltd., seeking payment of the outstanding lease principal of RMB21,094,000 together with accrued interest. Up to the date of this report, the case is currently under legal proceedings.

The Group recognised such amount in lease liabilities amounted to RMB22.39 million (equivalent to approximately HK\$24.78 million) (2024: RMB24.63 million (equivalent to approximately HK\$26.6 million)) at 31 December 2025.

(i) New China Water (Nanjing) and Xiamen Zhengrong Investment Co., Ltd.

New China Water (Nanjing) is involved in a loan dispute with Xiamen Zhengrong Investment Co., Ltd.* (廈門正嶸投資有限公司) (the “Xiamen Zhengrong”). On 11 November 2022, both parties entered into a loan agreement, pursuant to which Xiamen Zhengrong (the “Plaintiff”) provided a loan of RMB30.00 million to the New China Water (Nanjing) (the “Defendant”) for the period from 13 November 2023 to 12 January 2024. Following the disbursement of the loan, the Defendant repaid only RMB2.00 million. Subsequently, the parties executed a loan extension agreement, extending the repayment term of the outstanding loan to 31 October 2025. Upon the expiry of the extended term, the Defendant failed to repay the outstanding amount.

The Plaintiff thereafter filed a lawsuit with the Xuanzhou District People’s Court of Xuancheng City, claiming repayment of the outstanding loan principal of RMB28.00 million together with the corresponding interest, and requesting the Defendant to bear the Plaintiff’s legal fees of RMB150,000 and the litigation costs of the case. Upon mediation conducted by the People’s Mediation Committee of the Litigation and Mediation Connection Center of Xuancheng City, the parties reached a mediation agreement on 18 December 2025. Under the agreement, the Defendant acknowledged its indebtedness to the Plaintiff, Xiamen Zhengrong for the loan principal of RMB28.00 million, and agreed to bear the Plaintiff’s legal fees of RMB150,000. The Xuanzhou District People’s Court of Xuancheng City has issued a civil ruling confirming the validity of the mediation agreement. As at 31 December 2025, the aforesaid outstanding principal amounts recorded RMB28.00 million (equivalent to approximately HK\$31 million) (2024: RMB28.00 million (equivalent to approximately HK\$30.24 million)).

Save as disclosed above, the Group is not aware of any other significant proceedings instituted against the Group.

The Board believed that there will be no significant financial impact on the Group as sufficient impairment loss on the loan receivables has been provided and the unsettled construction costs and debts liabilities have been recorded in the total liabilities of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

45. RELATED PARTY TRANSACTIONS

(a) Details of the balances with related party

The details of the balance with related party have been disclosed in note 31. In addition to those related party balances disclosed elsewhere in the consolidated financial statements, the Group had the following balances with its related parties as at the year ended.

	2025 HK\$'000	2024 HK\$'000
Loan payable to an related party (note (i))	54,500	85,000
Lease liabilities to an related party (note (iv))	1,863	479
Trade payable to an related party (note (v))	7,019	5,419

(b) Related party transactions

Save as disclosed in elsewhere to the consolidated financial statements, the Group have the following related party transactions.

Name of related party	Relationship	Nature of transaction	2025 HK\$'000	2024 HK\$'000
Kingston Finance Limited	Note (i)	Interest expenses of loan financing	9,362	8,312
		Handling charges	75	–
Excellent Point Asia Limited	Note (ii)	Interest expenses of loan financing	–	517
Kingston Corporate Finance Limited	Note (iii)	Advisory fee of corporate services	100	650
Kingston Securities Limited	Note (vi)	Commission fee for placing	2,201	–
Star Wing International Limited	Note (iv)	Lease payment	889	967
United Swift Limited	Note (v)	Service fee	25,704	16,883

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

45. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 43, is as follows:

	2025 HK\$'000	2024 HK\$'000
Short-term employee benefits	4,050	4,645
Post-employment benefits	273	290
	4,323	4,935

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes:

(i) Financial assistance received by the Group

As at 31 December 2025, the loans including Loan A, Loan B and Loan C due to Kingston Finance Limited was HK\$54.50 million. For the year ended 31 December 2025, the interest expenses incurred for the loans financing were approximately HK\$9.36 million. The following is the analysis of the aforesaid loan:

On 29 June 2021, Mrs. Chu Yuet Wah ("Mrs. Chu") acquired entire equity interests in Step Wide Investment Limited (the "Step Wide"). Step Wide is a substantial shareholder of the Company which Mrs. Chu is the beneficial owner. Mrs. Chu is deemed to be interested in the shares held by Step Wide by virtue of the SFO.

Kingston Finance Limited (the "Lender I") is indirectly wholly-owned by Mrs. Chu, who became a substantial shareholder of the Company effective from 29 June 2021.

Prior to Mrs. Chu becoming a substantial shareholder of the Company, on 19 March 2021, China Water Industry (HK) Limited (the "Borrower I"), a wholly-owned subsidiary of the Company entered into loan agreement with the Lender I for HK\$80,000,000 (the "Loan A"), interest-bearing at a rate of 15% per annum and repayable within one year. Loan A was secured by the shares of two subsidiaries of the Company and corporate guarantee provided by the Company. As at 31 December 2025, the remaining principal balance of Loan A of HK\$50,000,000 (2024: HK\$50,000,000) was mutually agreed to be repayable on demand.

On 3 October 2024, the Borrower I entered into a loan agreement with the Lender I for HK\$2,000,000 (the "Loan B") at an interest rate of 12% per annum and repayable within six months. Loan B was secured by the corporate guarantee provided by the Company. During the year ended 31 December 2025, partial repayment of HK\$0.50 million was made. As at 31 December 2025, the remaining balance of Loan B recorded HK\$1.5 million (2024: HK\$2,000,000).

On 8 November 2024, the Company (the "Borrower II"), entered into a loan agreement with Lender I for HK\$33,000,000 (the "Loan C") at an interest rate of 15% per annum and repayable within six months. Loan C was unsecured. During the year ended 31 December 2025, partial repayment of HK\$30,000,000 was made. As at 31 December 2025, the remaining balance of Loan C recorded HK\$3,000,000 (2024: HK\$33,000,000).

The entering into the above loan agreements in respect of Loan B and Loan C (the "Loans") constituted connected transactions of the Company as defined under Chapter 14A of the Listing Rules. However, given the aforesaid Loans were made for the benefit of the Group, on normal commercial terms with no security over the assets of the Group. In this regard, the Loans were fully exempt under Rule 14A.90 of the Listing Rules.

On 24 November 2025, the Borrower I received a demand letter from the legal representative of the Lender I, in which the Lender I alleged that the Borrower I was in default of the Loan A and demanded repayment of the outstanding principal amount of the Loan A amounted to HK\$50,000,000 by 26 November 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

45. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel (Continued)

Notes: (Continued)

(ii) On 24 January 2022, the Company (the "Borrower II"), entered into a loan agreement with Excellent Point Asia Limited (the "Lender II") for HK\$33,000,000 (the "Loan E"), interest-bearing at a rate of 15% per annum and repayable within one year. On 24 May 2022, the Borrower II entered into a loan agreement with the Lender II for HK\$5,000,000 (the "Loan F") at an interest rate of 12% per annum and repayable within one year. In addition, on 22 December 2022, the Borrower II entered into a loan agreement with the Lender II for HK\$4,000,000 (the "Loan G") at an interest rate of 12% per annum and repayable within one year. Both Loan E, Loan F and Loan G were unsecured and unguaranteed. Loan E was fully settled on 18 December 2023. On 18 December 2023, partial repayment of approximately HK\$783,000 in respect of the principal of Loan F had been made. The remaining principal balance of Loan F and Loan G were mutually agreed to be repayable on demand. Lender II is wholly-owned by Mr. Zhu Yongjun ("Mr. Zhu"). Mr. Zhu is the Chairman and an Executive Director of the Company. Loan F and Loan G were fully settled on 5 August 2024.

(iii) During the year, the advisory fee incurred for the provision of corporate finance services by Kingston Corporate Finance Limited was approximately HK\$100,000 (2024: HK\$650,000). Kingston Corporate Finance Limited is a subsidiary of Kingston Financial Group Limited. Mrs. Chu is the controlling shareholder of Kingston Financial Group Limited.

(iv) Rental of premise

On 26 August 2022, South Top Investment Limited, a wholly-owned subsidiary of the Company as the tenant, entered into a tenancy agreement (the "Tenancy Agreement") with Star Wing International Limited (the "Landlord") for leasing Office H, 8/F, Kingston International Centre, 19 Wang Chiu Road, Kowloon Bay, Hong Kong (the "Premise"), for a term of three years with commencement of 2 months rent free renovation period from 20 July 2022. The Premises upon completion of renovation has been occupied as the principal office of the Group in Hong Kong. The Landlord is wholly-owned by Mrs. Chu. In July 2025, the Group entered into a 3-year lease in respect of the Premises from the Landlord. The fixed rent payable by the Group under the lease is HK\$66,171 per month. At the commencement date of the new lease, the Group recognised a right-of-use asset and a lease liability of HK\$2.17 million. During the year, lease payment of approximately HK\$889,000 (2024: HK\$967,000) has been made.

(v) Service fee

Hong Kong Glass Resources Limited ("HK Glass Resources"), a wholly-owned subsidiary of the Company, entered into a food waste collection services consulting agreement (the "Agreement") with United Swift Limited ("United Swift"), an indirectly wholly-owned subsidiary of New Concepts Holdings Limited (stock code: 2221) ("New Concepts") which is listed on the Main Board of the Stock Exchange. Mr. Zhu was interested in approximately 9.6% (2024: 5.40%) of the issued share capital of New Concepts at 31 December 2025. The effective date of the Agreement commenced on 26 April 2024. Mr. Zhu, being the chairman and executive Director of the Company, is also a director of each of HK Glass Resources, United Swift and New Concepts. In view of the corporate partner of Mr. Zhu in the respective companies, the revenue of consulting service is considered a related party transaction of the Group. For the year of 2025, HK Glass Resources paid a service fee amounted to HK\$25.7 million (2024: HK\$16.88 million) to United Swift for the food waste collection consultancy and related services provided by United Swift to HK Glass Resources.

(vi) Commission fee for Placing

For the year ended 31 December 2025, the placing commission incurred for the provision of placing agency services by Kingston Securities Limited was approximately HK\$2.2 million (2024: Nil), which is 2.06% of the placing proceeds raised by the Company. Kingston Securities Limited is a subsidiary of Kingston Financial Group Limited. Mrs. Chu is the controlling shareholder of Kingston Financial Group Limited. Accordingly, Kingston Securities Limited is an associate of Mrs. Chu (as defined in the Listing Rules) and thus constitute a connected person of the Company. The provision of placing agency services constituted connected transaction of the Company under Chapter 14A of the Listing Rules. As the amount was less than 5% and HK\$3.00 million, such transaction was fully exempt under Rule 14A.76 (1)(c) of the Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

46. PLEDGE OF OR RESTRICTION ON ASSETS

Pledge of assets

The Group's lease liabilities, bank borrowings and other loans of HK\$564,009,000 in total as at 31 December 2025 (2024: HK\$606,901,000) are secured by (i) contractual rights to receive revenue generated by certain subsidiaries of the Group; (ii) equity interests of certain subsidiaries of the Group; and (iii) pledge of the Group's following assets:

	2025	2024
	HK\$'000	HK\$'000
Property, plant and equipment	237,881	182,719
Right-of-use assets	87,019	162,570
Investment properties	160,662	175,052
Pledged bank deposits	20,334	20,334

Restriction on assets

Bills receivables of HK\$Nil (RMBNil) (2024: HK\$310,000 (equivalent to RMB287,000)) at 31 December 2025 are endorsed to suppliers on a full recourse basis for settlement of trade payable.

47. EVENTS AFTER THE REPORTING PERIOD

- (i) The hearing of the winding-up petition presented against the Company, originally scheduled on 21 January 2026 but adjourned to 11 February 2026 and 25 March 2026 was further adjourned to 29 April 2026.
- (ii) On 16 February 2026, the Company entered into the Subscription Agreement with the Subscribers, pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Convertible Bonds in an aggregate principal amount of HK\$278.25 million (equivalent to approximately RMB250 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

48. POSSIBLE IMPACT OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

Up to the date of approval for issue of these consolidated financial statements, the HKICPA has issued a number of new and amendments to HKFRS Accounting Standards which are not yet effective for the year ended 31 December 2025:

HKFRS 18	Presentation and Disclosure in Financial Statements ²
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ²
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ¹
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Annual Improvements to HKFRS Accounting Standards 2024 — Volume 11	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 periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

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



中國水業集團有限公司
CHINA WATER INDUSTRY GROUP LIMITED