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

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

(Stock Code: 1542)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2026

INTERIM RESULTS HIGHLIGHTS:

For the six months ended 30 June 2026:

– Revenue amounted to approximately RMB313.2 million, representing an increase of approximately 13.9% over the corresponding period of last year.

– Loss for the period amounted to approximately RMB50.5 million (for the six months ended 30 June 2025: a loss of approximately RMB24.0 million).

– Loss attributable to owners of the parent amounted to approximately RMB41.6 million (for the six months ended 30 June 2025: a loss attributable to owners of the parent of approximately RMB19.9 million).

– Basic loss per share amounted to approximately RMB0.23 (for the six months ended 30 June 2025: basic loss per share of approximately RMB0.10).

– The Board did not recommend the distribution of an interim dividend for the six months ended 30 June 2026.

The board (the "**Board**") of directors (the "**Directors**") of Taizhou Water Group Co., Ltd. (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2026 (the "**Reporting Period**"). The content of this interim results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in relation to preliminary announcements of the unaudited interim results and the Hong Kong Financial Reporting Standards (the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants. The relevant unaudited interim results have also been reviewed and confirmed by the Board and the audit committee of the Board (the "**Audit Committee**"). Unless otherwise stated, the financial data of the Company are presented in Renminbi ("**RMB**").

* *For identification purposes only*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2026

	Notes	**2026** **(Unaudited)** ***RMB'000***	2025 (Unaudited) *RMB'000*
REVENUE	*5*	**313,225**	274,903
Cost of sales		**(241,002)**	(223,005)
Gross profit		**72,223**	51,898
Other income and gains	*5*	**2,263**	28,399
Selling expenses		**(108)**	–
Administrative expenses		**(42,113)**	(39,260)
Other expenses		**(245)**	(705)
Finance costs	*7*	**(54,059)**	(62,232)
Share of profits and losses of associates		**(17,101)**	8,023
LOSS BEFORE TAX	*6*	**(39,140)**	(13,877)
Income tax expense	*8*	**(11,325)**	(10,145)
LOSS FOR THE PERIOD		**(50,465)**	(24,022)
Attributable to:			
Owners of the parent		**(41,567)**	(19,875)
Non-controlling interests		**(8,898)**	(4,147)
		(50,465)	(24,022)
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted (RMB)		**(0.23)**	(0.10)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive loss of associates		**(384)**	(2,184)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**(384)**	(2,184)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(50,849)**	(26,206)
Attributable to:			
Owners of the parent		**(41,951)**	(22,059)
Non-controlling interests		**(8,898)**	(4,147)
		(50,849)	(26,206)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2026

	Notes	**30 June 2026 (Unaudited)** *RMB'000*	31 December 2025 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**3,994,637**	4,109,791
Prepayments for property, plant and equipment		**1,600**	1,608
Other intangible assets		**4,021**	4,500
Investment in associates		**464,151**	481,636
Deferred tax assets		**27,002**	26,412
Right-of-use assets		**400,906**	405,922
Total non-current assets		**4,892,317**	5,029,869
CURRENT ASSETS			
Inventories		**5,549**	5,233
Trade receivables	*12*	**167,618**	159,576
Prepayments, other receivables and other assets		**44,292**	43,591
Pledged bank deposits		**1,067**	1,066
Cash and cash equivalents		**384,890**	328,862
Total current assets		**603,416**	538,328
CURRENT LIABILITIES			
Trade payables	*13*	**78,236**	82,077
Other payables and accruals		**451,598**	618,500
Interest-bearing bank and other borrowings		**64,149**	62,789
Corporate debt instruments		**200,917**	153,207
Deferred government grants		**9,736**	9,736
Tax payable		**6,046**	5,550
Total current liabilities		**810,682**	931,859
NET CURRENT LIABILITIES		**(207,266)**	(393,531)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,685,051**	4,636,338

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2026

	30 June 2026 (Unaudited) *RMB'000*	31 December 2025 (Audited) *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,685,051**	4,636,338
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**3,344,727**	3,240,282
Deferred government grants	**107,239**	112,122
Other liabilities	**1,848**	1,848
Total non-current liabilities	**3,453,814**	3,354,252
Net assets	**1,231,237**	1,282,086
EQUITY		
Equity attributable to owners of the parent		
Share capital	**200,000**	200,000
Reserves	**456,121**	501,635
	656,121	701,635
Perpetual securities	**382,727**	379,164
Non-controlling interests	**192,389**	201,287
Total equity	**1,231,237**	1,282,086

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2026

1. CORPORATE AND GROUP INFORMATION

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2026 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2025.

Going concern assumption

As at 30 June 2026, the Group recorded net current liabilities of approximately RMB207,266,000.

In view of the net current liabilities position, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 30 June 2026, the Group had available unutilised bank facilities with a total amount of RMB1,665,057,000 to meet the debt obligations and capital expenditure requirements in the next twelve months. Taking into account these additional financial resources available to the Group and the internally generated funds from operations, the directors believe that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due. Therefore, the consolidated financial statements have been prepared on a going concern basis.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2025, except for the adoption of the following amended HKFRS Accounting Standards for the first time for the current period's financial information.

Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*
Amendments to HKFRS 9 and HKFRS 7	*Contracts Referencing Nature-dependent Electricity*
Annual Improvements to HKFRS Accounting Standard – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7

The nature and impact of the amended HKFRS Accounting Standards are described below:

Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify that a financial asset is derecognised when the entity's rights to the contractual cash flows expire or are transferred, while a financial liability is derecognised on the settlement date. The amendments introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. Since the Group's accounting policy for the derecognition of financial assets and liabilities in prior years aligned with the amendments and the Group did not have the financial assets that were addressed by the amendments, the amendments did not have any impact on the interim condensed consolidated financial information. The Group will provide additional disclosures for its equity investments designated at fair value through other comprehensive income in the Group's consolidated financial statements for the year ending 31 December 2026.

Amendments to HKFRS 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. As the Group did not have any contracts that are in the scope of the amendments, the amendments did not have any impact on the interim condensed consolidated financial information.

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out narrow scope amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. The amendments include clarifications, simplifications, corrections or changes to improve consistency in the corresponding HKFRS Accounting Standards. The amendments did not have any impact on the interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

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

Geographic information

(a) Revenue from external customers

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

(b) Non-current assets

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

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the six months ended 30 June 2026 and 2025 are set out below:

	For the six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer 1	**82,548**	64,288
Customer 2	**75,371**	68,717
Customer 3	**52,631**	37,612
Customer 4	**49,547**	47,517

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**313,225**	274,903

Revenue from contracts with customers

	For the six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of water	**309,890**	265,125
Installation services	**3,335**	9,778
Total	**313,225**	274,903
Timing of revenue recognition		
Goods transferred at a point in time	**309,890**	265,125
Services transferred over time	**3,335**	9,778
Total	**313,225**	274,903

	For the six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Value added tax refund	**1,368**	5,224
Bank interest income	**609**	933
Government grants	**100**	21,465
Others	**186**	769
Subtotal	**2,263**	28,391
Gains		
Gain on disposal of items of property, plant and equipment	**–**	8
Total	**2,263**	28,399

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**238,066**	215,482
Cost of services provided	**2,936**	7,523
Depreciation of property, plant and equipment	**100,636**	94,925
Depreciation of right-of-use assets	**5,016**	5,094
Amortisation of other intangible assets	**643**	357
Reversal of impairment of trade receivables, net	**(730)**	(875)
Impairment of other receivables, net	**70**	2
Reversal of impairment of contract assets, net	**(297)**	(143)
Government grants	**(100)**	(21,465)
Foreign exchange differences, net	**26**	10
Loss on disposal of items of property, plant and equipment	**59**	629

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**47,407**	59,125
Interest on other borrowings	**5,775**	5,744
Interest on corporate debt instrument	**917**	1,559
Less: interest capitalised	**(40)**	(4,196)
Total	**54,059**	62,232

8. INCOME TAX

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

During the period, except for Taizhou Environmental Development Co., Ltd. ("**Taizhou Environmental Development**"), Zhejiang Xianzhiquan Water Co., Ltd. ("**Xianzhiquan Water**") and Taizhou Bishui Water Technology Co., Ltd. ("**Bishui Water**"), the provision for current income tax in the Chinese mainland was based on the statutory rate of 25% (2025: 25%) of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008.

Taizhou Environmental Development, Xianzhiquan Water and Bishui Water are qualified as small and micro enterprises and were entitled to a preferential income tax rate of 5% (2025: 5%).

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

	For the six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – Chinese mainland		
Charge for the period	**11,915**	10,178
Deferred tax	**(590)**	(33)
Total	**11,325**	10,145

9. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2025 and does not recommend any interim dividend for the six months ended 30 June 2026.

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

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

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2026 and 2025.

The calculations of basic and diluted loss per share are based on:

	For the six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic loss per share calculation	**(41,567)**	(19,875)
Accrued interest attributed to perpetual securities, net of tax	**(3,563)**	–
Loss for the purpose of basic loss per share	**(45,130)**	(19,875)

	Number of shares	
	For the six months ended 30 June	
	2026	2025
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	**200,000,000**	200,000,000

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2026 *RMB'000* (Unaudited)	31 December 2025 *RMB'000* (Audited)
Carrying amount at beginning of period/year	**4,109,791**	4,298,525
Additions and cost adjustments	**(14,457)**	3,030
Disposals	**(61)**	(860)
Depreciation provided during period/year	**(100,636)**	(190,904)
Carrying amount at end of period/year	**3,994,637**	4,109,791

12. TRADE RECEIVABLES

	30 June 2026 *RMB'000* (Unaudited)	31 December 2025 *RMB'000* (Audited)
Trade receivables	**17,911**	20,627
Due from related parties	**201,728**	191,700
Subtotal	**219,639**	212,327
Impairment	**(52,021)**	(52,751)
Total	**167,618**	159,576

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

As at 30 June 2026, certain of the Group's trade receivables with a carrying amount of RMB152,411,000 (31 December 2025: RMB191,609,000) were pledged to secure the Group's bank loans.

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

	30 June 2026 *RMB'000* (Unaudited)	31 December 2025 *RMB'000* (Audited)
Within 3 months	**122,745**	136,592
3 to 6 months	**28,748**	20,069
6 to 12 months	**14,854**	1,331
1 to 2 years	**1,001**	1,344
2 to 3 years	**270**	240
Total	**167,618**	159,576

13. TRADE PAYABLES

	30 June 2026	31 December 2025
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**78,236**	82,077

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

	30 June 2026	31 December 2025
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**28,385**	35,330
3 to 6 months	**11,201**	13,728
6 to 12 months	**8,087**	4,803
Over 12 months	**30,563**	28,216
Total	**78,236**	82,077

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

2026 marks the inaugural year of the "15th Five-Year Plan". Driven by a confluence of factors, including refined regulatory frameworks, increased capital investment, smart transformation, and the green and low-carbon agenda, the water supply sector has entered a pivotal phase of profound transformation.

The Regulations on Water Supply officially took effect on 1 June, marking the first statutory inclusion of large-scale rural water supply within its scope and establishing a comprehensive regulatory framework spanning from source to tap. The national "15th Five-Year Plan" outlines a strategic roadmap to accelerate the development of a modern water infrastructure network, explicitly calling for "strengthening the national water grid to enhance flood defense, optimize water resource allocation, and improve urban-rural water security". The construction of the national water network is gaining significant momentum, with investment in water infrastructure reaching RMB207 billion in the first quarter of 2026, representing a year-on-year increase of 4.1%. During the "15th Five-Year Plan" period, approximately 175,000 kilometers of water supply pipelines are slated for renovation nationwide, with aging pipeline upgrades proceeding in tandem with water tariff adjustments. Smart water initiatives are now deeply embedded across the industry value chain, with Internet of Things (IoT) and AI technologies widely deployed to optimize leak detection and water distribution efficiency. The transition toward green and low-carbon operations is accelerating. ESG principles are being institutionalized, driving water utilities to actively pursue carbon reduction and energy efficiency retrofits.

Looking ahead to the second half of the year, as policy dividends continue to unfold and smart, low-carbon technologies accelerate their penetration, the water supply sector is poised to advance toward greater security and resilience, digital interconnectivity, and urban-rural integration, thereby providing a robust underpinning for high-quality development.

DEVELOPMENT STRATEGIES AND OUTLOOK

2026 marks both the inaugural year of the "15th Five-Year Plan" and a pivotal year for the Group to achieve transformative breakthroughs and elevate its enterprise capabilities. The Group will consolidate the gains from its "Three-Year Initiative", centering on the "256" strategic roadmap. We will anchor our efforts on the two core themes: the "Year of Breakthroughs in Transformation" and the "Year of Enhancing Conduct Standards". We will prioritize five key initiatives: "integrating and enhancing party building"; "upgrading water supply security"; "advancing our industrial structure"; "improving asset management efficiency"; and "strengthening our talent pipeline". Concurrently, we will execute six specialized campaigns: "enhancing water supply capacity"; "upgrading smart water applications"; "expanding premium water access to households"; "extending post-meter service offerings"; "achieving breakthroughs in industrial M&A"; and "improving workforce conduct". These measures are designed to propel the Group from "scale-driven growth" to "value-driven enhancement" and transition from a "traditional water utility" to a "modern water industry group", thereby opening a new chapter of high-quality development.

BUSINESS REVIEW

As a leading water supply service provider in Taizhou, the Group's principal business includes supply of raw water, municipal water and tap water, ranking the first in Taizhou in terms of raw water and municipal water supply. The Group also offers tap water directly to end-users and engages in the installation services of water pipelines for distributing tap water to end-users.

The Group owns, operates and manages the Taizhou Water Supply System (Phase I), the Taizhou Water Supply System (Phase II), the Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV), with a designed raw water supply capacity of approximately 1,220,000 tonnes per day, and a designed municipal water supply capacity of 984,000 tonnes per day in southern Taizhou.

1. Raw Water Supply Project

The designed water supply capacity of Taizhou Water Supply System (Phase I) is 250,000 tonnes per day, and the raw water is supplied to local municipal water service providers and Wenling Zeguo Water Supply Co., Ltd. (a wholly-owned subsidiary of the Company) ("**Zeguo Water Supply**"). The raw water supply capacity of the Taizhou Water Supply System (Phase II) is 490,000 tonnes per day, of which 380,000 tonnes per day is supplied to Taizhou Water Treatment Plant of the Group. The Taizhou Water Supply System (Phase III) has a raw water supply capacity of 480,000 tonnes per day, including a raw water supply capacity of 150,000 tonnes per day for the Taizhou Water Supply System (Phase IV). During the Reporting Period, the raw water sales volume was 59.4 million tonnes, representing a decrease of 2.2 million tonnes as compared with 61.6 million tonnes for the six months ended 30 June 2025.

2. Municipal Water Supply Project

Taizhou Water Treatment Plant of the Taizhou Water Supply System (Phase II) has a designed municipal water supply capacity of 600,000 tonnes per day (after the Taizhou Water Treatment Plant phase II expansion project has been put into operation, the municipal water supply capacity of the Taizhou Water Supply System (Phase II) increased from 366,000 tonnes per day to 600,000 tonnes per day) and is responsible for providing the municipal water which is sold to local municipal water service providers. The water treatment plant in the East Zone of the Taizhou Water Supply System (Phase III) has a designed municipal water supply capacity of 284,000 tonnes per day and the South Bay water treatment plant of the Taizhou Water Supply System (Phase IV) has a designed municipal water supply capacity of 100,000 tonnes per day. During the Reporting Period, municipal water sales volume was 94.7 million tonnes, representing an increase of 16.8 million tonnes as compared with 77.9 million tonnes for the six months ended 30 June 2025.

3. Tap Water Supply Project

The Group is responsible for supplying tap water to local end-users of Zeguo Town, Wenling City (including commercial users, government authorities, industrial users and residential households in Zeguo Town). During the Reporting Period, tap water sales volume was 5.7 million tonnes, as compared to 5.8 million tonnes for the six months ended 30 June 2025.

4. Installation Services

In connection with tap water supply services, the Group undertakes water pipeline installation works to connect new end-users to the Group's pipeline network and charges an installation fee for such services. During the Reporting Period, revenue from installation services amounted to approximately RMB3.3 million, representing a decrease of RMB6.5 million as compared to approximately RMB9.8 million for the six months ended 30 June 2025.

5. Expansion Projects

In order to expand the market and increase revenue, as well as to tap into potential and improve efficiency, the Group successively established Xianzhiquan in May 2023 and Bishui Water in September 2023, to expand into the packaged drinking water and pipeline potable water projects. This will promote the optimization of the Group's industrial layout and structural adjustment to achieve high-quality development. Currently, both projects are in the early stages of business expansion. Among them, Xianzhiquan has completed the production line acceptance and started production, with an expected annual output of 13,500 tons. The packaged drinking water produced by Xianzhiquan has successively appeared at major meetings and event sites such as the Asian Games torch relay in Taizhou, the municipal party congress, the city's two sessions, and concerts. It has also been custom-produced for some government agencies and enterprises and institutions. Bishui Water has laid out pipeline potable water project in government agencies, enterprises and institutions, and residential areas. Currently, the pipeline construction or equipment room installation has been completed for 8 projects, among which 9 projects have been put into operation, and the other 7 are in the trial operation phase.

6. Construction Project

During the Reporting Period, construction projects in progress of the Group were the Taizhou Water Supply System (Phase III), the Taizhou Water Supply System (Phase IV), the Taizhou South Water Resources Optimization Project and the pipeline potable water projects. The construction of the Taizhou Water Supply System (Phase III) commenced in February 2018 and put into operation in October 2022, while the construction of the Taizhou Water Supply System (Phase IV) commenced in November 2018 and put into operation in August 2022. The construction of the Taizhou South Water Resources Optimization Project commenced in October 2023. The construction of the first pipeline potable water project of Bishui Water commenced in September 2023.

During the Reporting Period, the Group has been continuously promoting the acceptance, rectification and settlement for various sections of the Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV). On the basis of completing tendering process for the Zhan Tang booster pump station of the Taizhou Water Supply System (Phase IV), the Group has commenced pre-construction preparations. The Taizhou South Water Resources Optimization Project is steadily advancing towards the final stages of project settlement. Bishui Water has laid out pipeline potable water project in government agencies, enterprises and institutions, and residential areas. Currently, the pipeline construction or equipment room installation has been completed for 16 projects, among which 9 projects have been put into operation, and the other 7 are in the trial operation phase.

FINANCIAL REVIEW

1. Analysis of Key Items of Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Continuing Operations

1.1 Revenue

Revenue of the Group increased by RMB38.3 million or 13.9%, from approximately RMB274.9 million for the six months ended 30 June 2025 to approximately RMB313.2 million for the Reporting Period.

(1) Raw water supply

Revenue of the Group generated from sales of raw water increased by RMB3.7 million or 6.0%, from approximately RMB61.3 million for the six months ended 30 June 2025 to approximately RMB65.0 million for the Reporting Period.

(2) Municipal water supply

Revenue of the Group generated from sales of municipal water increased by RMB39.7 million or 22.2%, from approximately RMB178.8 million for the six months ended 30 June 2025 to approximately RMB218.5 million for the Reporting Period. The increase was primarily due to the increased demand for the volume of water of tap water companies in Wenling City and Yuhuan City for their insufficient self-owned water sources.

(3) Tap water supply

Revenue of the Group generated from sales of tap water increased by RMB0.5 million or 2.1%, from approximately RMB24.0 million for the six months ended 30 June 2025 to approximately RMB24.5 million for the Reporting Period.

(4) Installation services

Revenue of the Group generated from installation services decreased by RMB6.5 million or 66.3%, from approximately RMB9.8 million for the six months ended 30 June 2025 to approximately RMB3.3 million for the Reporting Period. The decrease was mainly due to the decreased one household, one water meter installation project.

1.2 Cost of sales

The Group's cost of sales increased by RMB18.0 million or 8.1%, from approximately RMB223.0 million for the six months ended 30 June 2025 to approximately RMB241.0 million for the Reporting Period. The increase was mainly due to the increase in the volume of water sold.

1.3 Gross profit and gross profit margin

As a result of the above, the Group's gross profit increased by RMB20.3 million or 39.1%, from approximately RMB51.9 million for the six months ended 30 June 2025 to approximately RMB72.2 million for the Reporting Period. Gross profit margin increased from 18.9% for the six months ended 30 June 2025 to 23.1% for the Reporting Period.

1.4 Other income and gains

Other income and gains decreased by RMB26.1 million or 91.9%, from approximately RMB28.4 million for the six months ended 30 June 2025 to approximately RMB2.3 million for the Reporting Period. The decrease was mainly due to the receipt of financial subsidies from Yuhuan government by Taizhou South Bay Water Supply Co., Ltd. ("**South Bay Water Supply**") during the corresponding period of last year, which is absent for the current period.

1.5 Administrative expenses

Administrative expenses increased by RMB2.8 million or 7.1%, from approximately RMB39.3 million for the six months ended 30 June 2025 to approximately RMB42.1 million for the Reporting Period, mainly because of the higher intermediary fees.

1.6 Finance costs

Finance costs decreased by RMB8.1 million or 13.0%, from approximately RMB62.2 million for the six months ended 30 June 2025 to approximately RMB54.1 million for the Reporting Period. The decrease was mainly due to the repayment of borrowings.

1.7 Income tax expense

Income tax expense increased by RMB1.2 million or 11.9%, from approximately RMB10.1 million for the six months ended 30 June 2025 to approximately RMB11.3 million for the Reporting Period. Such increase was primarily due to the increase in profit before tax of Taizhou City Water Co., Ltd.* ("**Taizhou City Water**").

1.8 Loss after tax and loss margin after tax

During the Reporting Period, the Company recorded a loss after tax of approximately RMB50.5 million, as compared with a loss after tax of approximately RMB24.0 million for the six months ended 30 June 2025. Further, the Company's loss margin after tax for the six months ended 30 June 2026 was 16.1%, as compared with a loss margin after tax of 8.7% for the six months ended 30 June 2025. The increase in the loss of results was mainly due to the financial subsidy received by South Bay Water Supply from the Yuhuan government during the corresponding period of last year, which is absent for the current period.

2. Analysis of Key Items of Consolidated Statement of Financial Position

2.1 Property, plant and equipment

As at 31 December 2025 and 30 June 2026, property, plant and equipment were approximately RMB4,109.8 million and RMB3,994.6 million, respectively, and mainly comprised construction in progress, water supply pipelines, buildings, machinery and equipment for water supply business. The decrease was primarily attributable to the depreciation of fixed assets.

2.2 Right-of-use assets

As at 31 December 2025 and 30 June 2026, right-of-use assets were approximately RMB405.9 million and RMB400.9 million, respectively. The decrease was primarily attributable to the depreciation of right-of-use assets.

2.3 Inventories

As at 31 December 2025 and 30 June 2026, inventories were approximately RMB5.2 million and RMB5.5 million, respectively. Inventories mainly comprised chemicals used in the water treatment process.

2.4 Trade receivables

As at 31 December 2025 and 30 June 2026, trade receivables were approximately RMB159.6 million and RMB167.6 million, respectively. Trade receivables were related to receivables from customers of the water supply business.

2.5 Prepayments, other receivables and other assets

As at 31 December 2025 and 30 June 2026, prepayments, other receivables and other assets were approximately RMB43.6 million and RMB44.3 million, respectively.

2.6 Trade payables

As at 31 December 2025 and 30 June 2026, trade payables were approximately RMB82.1 million and RMB78.2 million, respectively. Trade payables mainly comprised outstanding payments for raw water procurement.

2.7 Other payables and accruals

As at 31 December 2025 and 30 June 2026, other payables and accruals were approximately RMB618.5 million and RMB451.6 million, respectively. The decrease was mainly due to the decrease in other construction payables.

2.8 Deferred government grants

As at 31 December 2025 and 30 June 2026, deferred government grants were approximately RMB121.9 million and RMB117.0 million, respectively. Such decrease was mainly due to amortization.

2.9 Liquidity and financial resources

The Group manages its capital to ensure that its entities will be able to operate on a going concern basis and maximises the return to the Shareholders through optimisation of the debt and equity balance. During the Reporting Period, the overall strategy of the Group remained unchanged. The capital structure of the Group consisted of net debt (including borrowings net of cash and cash equivalents) and total equity (including paid-in capital/share capital, capital reserve, statutory surplus reserve, retained profits and non-controlling interests). The Group was not subject to any externally imposed capital requirements. As at 30 June 2026, cash and bank balance of the Group was approximately RMB384.9 million (as at 31 December 2025: approximately RMB328.9 million). As at 30 June 2026, total borrowings and corporate debt instruments of the Group were approximately RMB3,609.8 million (as at 31 December 2025: approximately RMB3,456.3 million) and included bank and other loans, with 83.1% of bank and other loans at floating rates. As at 30 June 2026, gearing ratio of the Group (total debts divided by total equity as at the end of the period) was 293.2% (as at 31 December 2025: 269.6%). The increase in gearing ratio was mainly due to the increase in bank and other borrowings of approximately RMB107.6 million for the construction of Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV).

SIGNIFICANT INVESTMENTS

For the six months ended 30 June 2026, the Group did not hold any significant investment in equity interest in any other company (for the six months ended 30 June 2025: nil).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2026 (for the six months ended 30 June 2025: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

PLEDGE OF THE GROUP'S ASSETS

As at the end of the Reporting Period, the bank borrowings of the Group amounted to approximately RMB3,408.9 million (as at 31 December 2025: approximately RMB3,303.1 million), which were secured by the Group's trade receivables, the right of charge on the future revenue generated by Taizhou Water Supply System (Phase I, Phase II, Phase III and Phase IV). Save as disclosed above, as at the end of the Reporting Period, the Group did not pledge any other assets.

FOREIGN EXCHANGE RISK

During the Reporting Period, the Group carried out business in the PRC and received revenue and paid its costs/expenses in RMB. The Group denominated and declared dividends in RMB. Dividend on Domestic Share will be paid in RMB and dividend on H Share will be paid in Hong Kong dollar. The Group recognised net foreign exchange loss of approximately RMB25,524 during the Reporting Period. The Group does not currently hedge its exposure to foreign currencies.

CONTINGENT LIABILITIES

As at the end of the Reporting Period, the Group did not have any material contingent liability (as at 31 December 2025: nil).

SUBSEQUENT EVENTS AFTER REPORTING PERIOD

The Company proposed to launch the Quasi-REITs on SSE in June 2026 or a later date to be determined for the purpose of investing in and securitizing the Underlying Assets and raising funds for the operation and development of the business of the Group, with a proposed registered issuance size not exceeding RMB3.20 billion. On 10 June 2026, the Board resolved to convene the EGM, to obtain the Shareholders' approval for the proposed Subscription and the Proposed Issuance of Quasi-REITs.

In order to adjust the holding structure of Binhai Water in preparation for the Subscription and Proposed Issuance of Quasi-REITs, on 10 June 2026, the Board resolved to approve the Binhai Water Acquisition, pursuant to which Taizhou City Water has conditionally agreed to sell, and the Company has conditionally agreed to purchase, 49% equity interest in Binhai Water at a consideration of approximately RMB147.49 million. The effective interest acquired by the Company under the Binhai Water Acquisition is 8.82% and the corresponding effective consideration is approximately RMB26.5482 million. Given that Taizhou City Water is a non-wholly-owned subsidiary of the Company and the cash consideration received by Taizhou City Water will not be distributed to the non-controlling shareholder of Taizhou City Water, the Binhai Water Acquisition will not have any impact on the consolidated cash flows of the Group.

Upon completion of the Binhai Water Acquisition, the Company will make a Subscription with a subscription amount not exceeding RMB1.28 billion in aggregate, representing no more than 40% of the total issuance size of the Quasi-REITs. Upon issuance of the Quasi-REITs, the Company, as a subordinated Quasi-REITs holder, will hold no more than 40% of the Quasi-REITs. The rest of the portion (i.e., no less than 60%) will be held by the priority Quasi-REITs holders through their subscription of priority tranche of the Quasi-REITs upon issuance of the Quasi-REITs.

In order to issue the Quasi-REITs, the Company will also appoint the Huafu Securities Asset Management Co., Ltd. as the plan administrator (the "**Plan Administrator**"). The Company (as the vendor and the original interest owner), the Plan Administrator (as the plan administrator and acting on behalf of the Quasi-REITs as the purchaser), and Binhai Water propose to enter into the Equity Transfer Agreement, pursuant to which the Company will conditionally agree to transfer the entire equity interests in Binhai Water to the Quasi-REITs to be managed by the Plan Administrator at a cash consideration of approximately RMB301 million.

The Proposed Issuance of Quasi-REITs will also be subject to the approval of the SSE.

These resolutions were approved by the Shareholders at the EGM held on 21 July 2026 as ordinary resolutions. For capitalized terms and details above, please refer to the announcement of the Company dated 11 June 2026 and circular of the Company dated 30 June 2026.

Save as disclosed above, as at the date of this announcement, the Group has no other significant events occurred after the Reporting Period that require additional disclosures or adjustments.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2026, the Group had 262 employees (as at 30 June 2025: 256). During the Reporting Period, the employee benefit expenses amounted to approximately RMB48.8 million (for the six months ended 30 June 2025: RMB41.9 million). The employees of the Group are generally remunerated by way of fixed salary, and are also entitled to a performance based bonus, paid leave and various subsidies. During the Reporting Period, the Group did not experience any significant labour disputes causing any material impact on its normal business operations.

CORPORATE GOVERNANCE PRACTICES

The Group strived to maintain high standards of corporate governance in order to safeguard the interests of Shareholders and enhance the corporate value and accountability. The Company has adopted the principles of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules as its own code of corporate governance.

The Company has complied with all the code provisions set out in the CG Code during the Reporting Period. The Company will continue to review and monitor its corporate governance practice to ensure the compliance of the CG Code.

MODEL CODE REGARDING SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as the code of conduct regarding securities transactions conducted by the Directors and supervisors of the Company (the "**Supervisors**"). Specific enquiries have been made to all the Directors and Supervisors and each of the Directors and Supervisors has confirmed that he/she has complied with the required standard set out in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

THE AUDIT COMMITTEE

The Audit Committee has, together with the management and the Board, reviewed the accounting principles and practices adopted by the Group and the interim results for the six months ended 30 June 2026. The Audit Committee also approved the interim results for the six months ended 30 June 2026 and submitted them to the Board for approval.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT FOR 2026 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zjtzwater.com). The interim report for 2026 of the Company containing all information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Taizhou Water Group Co., Ltd.*
台州市水務集團股份有限公司
Yang Jun
Chairman and Executive Director

Taizhou, the PRC, 21 August 2026

As at the date of this announcement, the executive Directors are Mr. Yang Jun and Mr. Pan Gang; the non-executive Directors are Mr. Lin Genman, Ms. Fang Ya, Mr. Yu Yangbin, Mr. Yang Feng, Ms. Ying Nan and Mr. Ye Xiaofeng; and the independent non-executive Directors are Mr. Huang Chun, Ms. Hou Meiwen, Mr. Li Wai Chung, Ms. Lin Suyan and Mr. Wang Yongyue.

* *For identification purpose only*