THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Guangdong Investment Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institutions in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

GUANGDONG INVESTMENT LIMITED
（粵海投資有限公司）

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00270)

(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE PROPOSED ACQUISITIONS OF EQUITY INTERESTS IN TWO TARGET COMPANIES; (2) CONTINUING CONNECTED TRANSACTIONS AFTER COMPLETION; (3) RE-ELECTION OF DIRECTORS AND (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

ALTUS CAPITAL LIMITED

All capitalised terms used herein shall have the same meanings as those set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 8 to 36 of this circular. A letter from the Independent Board Committee is set out on pages 37 to 38 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder is set out on pages 39 to 68 of this circular.

A notice convening the EGM to be held on Monday, 8 December 2025 at 4:00 p.m., by way of virtual meeting, is set out on pages 325 and 326 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated website (https://evoting.vistra.com) by using the username and password provided on the notification letter sent by the Company's share registrar as soon as possible and in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time scheduled for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

20 November 2025

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In this circular, the following terms or expressions shall have the meanings set out below, unless the context requires otherwise:

"2024 Financial Services Framework Agreement"	the financial services framework agreement dated 30 August 2024 entered into between the Company and GDH Finance for a period from 1 September 2024 to 31 December 2026, details of which are set out in the announcement of the Company dated 30 August 2024;
"2025 Solar Power Plants Framework Agreement"	the solar power plants framework agreement dated 30 May 2025 entered into between Guangdong Water Holdings and Feilaixia for a period from 1 June 2025 to 31 December 2027 (both days inclusive), details of which are set out in the announcement of the Company dated 30 May 2025;
"2025 Support Services Framework Agreement"	the support services framework agreement dated 26 June 2025 entered into between Guangdong Water Holdings, Yue Gang Water Supply and Guangdong Water Technology for a period from 29 June 2025 to 31 December 2027 (both days inclusive), details of which are set out in the announcement of the Company dated 26 June 2025;
"Agreement (Shantou) Adjustment Amount"	has the meaning ascribed to it under the section headed "A. The Proposed Acquisitions – A.2 Equity Transfer Agreement (Shantou) – Consideration and basis of determination – Consideration adjustment" in the "Letter from the Board" contained in this circular;
"Agreement (Shantou) Completion Audit Report"	has the meaning ascribed to it under the section headed "A. The Proposed Acquisitions – A.2 Equity Transfer Agreement (Shantou) – Consideration and basis of determination – Consideration adjustment" in the "Letter from the Board" contained in this circular;
"Agreement (Yangjiang) Adjustment Amount"	has the meaning ascribed to it under the section headed "A. The Proposed Acquisitions – A.1 Equity Transfer Agreement (Yangjiang) – Consideration and basis of determination – Consideration adjustment" in the "Letter from the Board" contained in this circular;
"Agreement (Yangjiang) Completion Audit Report"	has the meaning ascribed to it under the section headed "A. The Proposed Acquisitions – A.1 Equity Transfer Agreement (Yangjiang) – Consideration and basis of determination – Consideration adjustment" in the "Letter from the Board" contained in this circular;

"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Audited Accounts"	the audited financial statements of each of the Target Companies for the year ended 31 December 2024;
"Board"	the board of Directors;
"CFMG"	中國一冶集團有限公司(China First Metallurgical Group Co., Ltd.), a limited liability company established in the PRC and an independent third party;
"Company"	Guangdong Investment Limited(粵海投資有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
"Completion"	the completion of the Proposed Acquisitions in accordance with the terms and conditions of the Equity Transfer Agreements;
"Completion Date"	the date on which Completion shall take place;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"connected subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules;
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules;
"Director(s)"	the director(s) of the Company;
"EGM"	the extraordinary general meeting of the Company to be convened for the Shareholders to consider, and if thought fit, approve, inter alia, the Equity Transfer Agreements and the Proposed Acquisitions;
"Equity Transfer Agreement (Shantou)"	the equity transfer agreement dated 28 October 2025 entered into between Guangdong Water Holdings (as purchaser) and Guangdong Yuehai Water (as seller) in relation to Proposed Acquisition (Shantou);
"Equity Transfer Agreement (Yangjiang)"	the equity transfer agreement dated 28 October 2025 entered into between Guangdong Water Investment (as purchaser) and Guangdong Yuehai Water (as seller) in relation to Proposed Acquisition (Yangjiang);
"Equity Transfer Agreements"	Equity Transfer Agreement (Yangjiang) and Equity Transfer Agreement (Shantou);

"Existing Continuing Agreements"	(i) the Financial Services Agreements, (ii) the Support Services Agreements, and (iii) the Solar Power Plant Agreement;
"Feilaixia"	廣東粵海飛來峽水力發電有限公司(Guangdong Yuehai Feilaixia Hydropower Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of Guangdong Holdings;
"Financial Services Agreements"	has the meaning ascribed to it under the section headed "B. Continuing Connected Transactions after Completion – B.1 The Financial Services Agreements" in the "Letter from the Board" contained in this circular;
"GDH"	GDH Limited(粵海控股集團有限公司), a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company;
"GDH Finance"	粵海集團財務有限公司(GDH Finance Co., Ltd.*), a company established in the PRC with limited liability with licence to provide financial services to, amongst others, members of the Group, and a wholly-owned subsidiary of Guangdong Holdings;
"GDI Water Supply Group"	Guangdong Water Holdings, Yue Gang Water Supply and their respective subsidiaries;
"GDL"	Guangdong Land Holdings Limited(粵海置地控股有限公司), company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00124);
"Group"	the Company and its subsidiaries;
"Guangdong Government"	中國廣東省人民政府(the People's Government of Guangdong Province, the PRC);
"Guangdong Holdings"	廣東粵海控股集團有限公司(Guangdong Holdings Limited*), a company established in the PRC with limited liability and the ultimate controlling shareholder of the Company;
"Guangdong Holdings Group"	Guangdong Holdings and its subsidiaries;
"Guangdong Water Group"	Guangdong Water Holdings and its subsidiaries (including Guangdong Water Investment);
"Guangdong Water Holdings"	Guangdong Water Holdings Limited(粵海水務控股有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;

"Guangdong Water Investment"	廣東粵海水務投資有限公司(Guangdong Yue Hai Water Investment Company Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company;
"Guangdong Water Technology"	廣東粵海水務科技有限公司(Guangdong Water Technology Co., Ltd.*) (formerly known as廣州粵海水務環境有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Guangdong Holdings;
"Guangdong Water Technology Group"	For the purpose of the 2025 Support Services Framework Agreement, comprises (i) Guangdong Water Technology, Guangdong Holdings and their respective associate(s) (but for the purpose of the 2025 Support Services Framework Agreement, save for the connected subsidiary(ies) of the Company as set out in (ii), excluding the members of the Group); and (ii) the connected subsidiary(ies) of the Company;
"Guangdong Water Testing"	廣東粵海水務檢測技術有限公司(Guangdong Water Testing Technology Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Guangdong Holdings;
"Guangdong Water Testing (Shantou Branch)"	the Shantou Branch of Guangdong Water Testing;
"Guangdong Yuehai Water"	廣東粵海水務股份有限公司(Guangdong Yuehai Water Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Guangdong Holdings;
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	an independent board committee of the Company comprising all of the independent non-executive Directors, namely Dr. CHAN Cho Chak, John, Mr. FUNG, Daniel R., Dr. the Honourable CHENG Mo Chi, Moses, and Mr. LI Man Bun, Brian David;
"Independent Financial Adviser"	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreements and the Proposed Acquisitions;

"Independent Shareholders"	the Shareholders of the Company other than those who are required to abstain from voting at the EGM pursuant to the Listing Rules;
"Latest Practicable Date"	19 November 2025, being the latest practicable date prior to the publication of this circular for ascertaining certain information for inclusion in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers;
"NAV"	net asset value of the relevant company;
"percentage ratio(s)"	has the meaning ascribed to it under the Listing Rules;
"PRC"	the People's Republic of China;
"Proposed Acquisition (Shantou)"	the proposed acquisition of Sale Equity (Shantou) (together with the obligation to pay the Unpaid Amount (Shantou), which shall be credited to the capital reserve of Target Company (Shantou)) by Guangdong Water Holdings from Guangdong Yuehai Water pursuant to Equity Transfer Agreement (Shantou);
"Proposed Acquisition (Yangjiang)"	the proposed acquisition of Sale Equity (Yangjiang) (together with the obligation to pay up the Unpaid Amount (Yangjiang)) by Guangdong Water Investment from Guangdong Yuehai Water pursuant to Equity Transfer Agreement (Yangjiang);
"Proposed Acquisitions"	Proposed Acquisition (Yangjiang) and Proposed Acquisition (Shantou);
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Equity (Yangjiang)"	51% of the total equity interest of Target Company (Yangjiang) held by Guangdong Yuehai Water as at the date of Equity Transfer Agreement (Yangjiang);
"Sale Equity (Shantou)"	2% of the total equity interest of Target Company (Shantou) held by Guangdong Yuehai Water as at the date of Equity Transfer Agreement (Shantou);
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

"Shantou Consideration"	has the meaning ascribed to it under the section headed "A. The Proposed Acquisitions" in the "Letter from the Board" contained in this circular;
"Shantou Construction Development"	汕頭市城市建設開發有限公司(Shantou City Construction Development Co., Ltd.*), a company established in the PRC with limited liability and an independent third party;
"Share(s)"	share(s) in the capital of the Company, which are listed on the Main Board of the Stock Exchange;
"Shareholder(s)"	the shareholder(s) of the Company;
"Solar Power Plant Agreement"	has the meaning ascribed to it under the section headed "B. Continuing Connected Transactions after Completion – B.3 The Solar Power Plant Agreement" in the "Letter from the Board" contained in this circular;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules;
"Support Services Agreements"	has the meaning ascribed to it under the section headed "B. Continuing Connected Transactions after Completion – B.2 The Support Services Agreements" in the "Letter from the Board" contained in this circular;
"Support Services Agreement (Yangjiang)"	has the meaning ascribed to it under the section headed "B. Continuing Connected Transactions after Completion – B.2 The Support Services Agreements" in the "Letter from the Board" contained in this circular;
"Target Company (Shantou)"	汕頭市粵海水務有限公司(Shantou Guangdong Water Co., Ltd.*), a company established in the PRC with limited liability, details of which are set out in the section headed "A. The Proposed Acquisitions – A.3 Information on the Target Companies – Target Company (Shantou)" in the "Letter from the Board" contained in this circular;
"Target Company (Yangjiang)"	陽江粵海清源環保有限公司(Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.*), a company established in the PRC with limited liability, details of which are set out in the section headed "A. The Proposed Acquisitions – A.3 Information on the Target Companies – Target Company (Yangjiang)" in the "Letter from the Board" contained in this circular;

"Target Companies"	Target Company (Yangjiang) and Target Company (Shantou);
"Unpaid Amount (Shantou)"	has the meaning ascribed to it under the section headed "A. The Proposed Acquisitions – A.2 Equity Transfer Agreement (Shantou) – Subject matter" in the "Letter from the Board" contained in this circular;
"Unpaid Amount (Yangjiang)"	has the meaning ascribed to it under the section headed "A. The Proposed Acquisitions – A.1 Equity Transfer Agreement (Yangjiang) – Subject matter" in the "Letter from the Board" contained in this circular;
"Valuation Date"	31 December 2024, being the reference date adopted by the Valuer for the valuation reports in respect of the entire equity interest of each of the Target Companies;
"Valuer"	Allied Appraisal Co., Ltd., an independent professional valuer in the PRC;
"Yangjiang Consideration"	has the meaning ascribed to it under the section headed "A. The Proposed Acquisitions" in the "Letter from the Board" contained in this circular;
"Yue Gang Water Supply"	Guangdong Yue Gang Water Supply Company Limited*(廣東粵港供水有限公司), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company;
"%"	per cent.

* *In this circular, the English name of the PRC entity marked with an asterisk(*) is a translation of its Chinese name, and is included herein for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.*

GUANGDONG INVESTMENT LIMITED
(粵 海 投 資 有 限 公 司)

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00270)

Board of Directors:
Executive Directors
Ms. BAI Tao *(Chairman)*
Mr. KUANG Hu *(Managing Director)*
Mr. TSANG Hon Nam *(Deputy General Manager)*
Ms. LIANG Yuanjuan *(Chief Financial Officer)*

Non-Executive Directors
Mr. WANG Min
Mr. LI Wenchang
Mr. HE Zhifeng

Independent Non-Executive Directors
Dr. CHAN Cho Chak, John, *GBS, JP*
Mr. FUNG Daniel Richard, *SBS, QC, SC, JP*
Dr. the Honourable CHENG Mo Chi, Moses, *GBM, GBS, OBE, JP*
Mr. LI Man Bun, Brian David, *BBS, JP, MA (Cantab), MBA, FCA*

Registered Office:
28th and 29th Floors
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

20 November 2025

To the Shareholders

Dear Sir or Madam,

(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE PROPOSED ACQUISITIONS OF EQUITY INTERESTS IN TWO TARGET COMPANIES; (2) CONTINUING CONNECTED TRANSACTIONS AFTER COMPLETION; (3) RE-ELECTION OF DIRECTORS AND (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

A. THE PROPOSED ACQUISITIONS

Reference is made to the announcement of the Company dated 28 October 2025 in respect of the Equity Transfer Agreements and the Proposed Acquisitions.

On 28 October 2025:

(i) Guangdong Water Investment (as purchaser) (being a wholly-owned subsidiary of the Company) and Guangdong Yuehai Water (as seller) (being a wholly-owned subsidiary of Guangdong Holdings) entered into Equity Transfer Agreement (Yangjiang), pursuant to which Guangdong Water Investment has agreed to purchase, and Guangdong Yuehai Water has agreed to sell, Sale Equity (Yangjiang) (representing 51% of the total equity interest in Target Company (Yangjiang)) at the consideration of RMB155,977,800 (the "**Yangjiang Consideration**") (subject to adjustment (if any) in accordance with the terms of Equity Transfer Agreement (Yangjiang)) in cash; and

(ii) Guangdong Water Holdings (as purchaser) (being a wholly-owned subsidiary of the Company) and Guangdong Yuehai Water (as seller) (being a wholly-owned subsidiary of Guangdong Holdings) entered into Equity Transfer Agreement (Shantou), pursuant to which Guangdong Water Holdings has agreed to purchase, and Guangdong Yuehai Water has agreed to sell, Sale Equity (Shantou) (representing 2% of the total equity interest in Target Company (Shantou)) at the consideration of RMB70,876,400 (the "**Shantou Consideration**") (subject to adjustment (if any) in accordance with the terms of Equity Transfer Agreement (Shantou)) in cash.

Completion of each of the Equity Transfer Agreement (Yangjiang) and Equity Transfer Agreement (Shantou):

(a) is not conditional on the other agreement being completed; and

(b) is conditional upon the passing of the respective ordinary resolutions by the Independent Shareholders at the EGM approving each of them.

Upon Completion, the Target Companies will become non-wholly owned subsidiaries of the Company.

The purpose of this circular is to provide the Shareholders with, among others, (i) further details of the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the EGM.

A.1 Equity Transfer Agreement (Yangjiang)

The salient terms of Equity Transfer Agreement (Yangjiang) are set out as follows:

Date: 28 October 2025

Parties: (1) Guangdong Water Investment (as purchaser)

(2) Guangdong Yuehai Water (as seller)

Subject matter

Pursuant to Equity Transfer Agreement (Yangjiang), Guangdong Water Investment has agreed to purchase, and Guangdong Yuehai Water has agreed to sell, Sale Equity (Yangjiang) (representing 51% of the total equity interest in Target Company (Yangjiang)) at the Yangjiang Consideration, subject to adjustment (if any) in accordance with the terms of Equity Transfer Agreement (Yangjiang) (details of which are set out in the section headed "A. The Proposed Acquisitions – A.1 Equity Transfer Agreement (Yangjiang) – Consideration and basis of determination – Consideration adjustment" in the "Letter from the Board" contained in this circular). In respect of and among Sale Equity (Yangjiang), the capital amount of RMB108,263,922 has been paid up and the capital amount of RMB31,136,112 (the "**Unpaid Amount (Yangjiang)**") remained unpaid as at the Latest Practicable Date. Upon Completion, Guangdong Water Investment will assume the obligation to pay up the Unpaid Amount (Yangjiang). The Unpaid Amount (Yangjiang) is expected to be paid on or before 11 April 2026. As a result, the total cash outlay by Guangdong Water Investment in respect of Proposed Acquisition (Yangjiang) (including the obligation to pay the Unpaid Amount (Yangjiang)) amounts to RMB187,113,912 (i.e. the Yangjiang Consideration in the amount of RMB155,977,800, subject to adjustments (if any) + the Unpaid Amount (Yangjiang) in the amount of RMB31,136,112).

Consideration and basis of determination

Consideration

The consideration for the sale and purchase of Sale Equity (Yangjiang) is RMB155,977,800, subject to adjustment as set out in the section headed "Consideration adjustment" below.

Basis of determination

The Yangjiang Consideration was determined after arm's length negotiations between Guangdong Water Investment and Guangdong Yuehai Water having taken into account, among other things:

(i) the appraised equity value of the Sale Equity (Yangjiang) as calculated using the following formula pursuant to the valuation report prepared by the Valuer:

[The appraised value (on an asset-based approach) of the entire equity interest of Target Company (Yangjiang) as at the Valuation Date of RMB335,756,400 + total unpaid capital amount due from all shareholders of Target Company (Yangjiang)[Note]] x 51% – the Unpaid Amount (Yangjiang)

Note: As at the Latest Practicable Date, the total unpaid capital amount due from all shareholders of Target Company (Yangjiang) is equivalent to the Unpaid Amount (Yangjiang).

Based on the above formula, the appraised equity value of the Sale Equity (Yangjiang) was calculated to be approximately RMB155,979,100. The Yangjiang Consideration of RMB155,977,800, as determined after arm's length negotiations between Guangdong Water Investment and Guangdong Yuehai Water, is slightly lower than this calculated figure.

Pursuant to Article 88 of the Company Law of the PRC, where a shareholder transfers his equity interest (for which capital contribution has been subscribed but the deadline for making such capital contribution has not yet expired) to another person (the transferee), the transferee shall assume the obligation to make the outstanding capital contribution. As the deadline for payment of the Unpaid Amount (Yangjiang) falls after Completion, Guangdong Water Investment is required to assume the obligation to settle the Unpaid Amount (Yangjiang) as and when it falls due.

In determining the Yangjiang Consideration, the Unpaid Amount (Yangjiang) had been taken into account and had been deducted from the above formula in determining the appraised equity value of the Sale Equity (Yangjiang). As a result, the Yangjiang Consideration reflects the net value of the Sale Equity (Yangjiang) being acquired by Guangdong Water Investment. In view of the aforesaid, the Company is of the view that the total cash outlay for the Proposed Acquisition (Yangjiang) is fair and reasonable;

(ii) the NAV of Target Company (Yangjiang) as at 31 December 2024,

being the sum of RMB335,677,100;

(iii) the strategic prospects of Target Company (Yangjiang) to enter the Yangjiang water-resources market, which is conducive in the expansion of the Group's water-resources projects in Yangjiang and its surrounding areas, enabling the Group to leverage Target Company (Yangjiang) as a base to establish regional market presence; and

(iv) the other factors set out in the section headed "A. The Proposed Acquisitions – A.6 Reasons for and benefits of the Proposed Acquisitions" in the "Letter from the Board" contained in this circular.

Consideration adjustment

Pursuant to Equity Transfer Agreement (Yangjiang):

(i) in the event that the NAV of Target Company (Yangjiang) as at the Completion Date (as shown in the audit report to be issued by the auditor jointly appointed by Guangdong Water Investment and Guangdong Yuehai Water; such report shall be referred to as the "**Agreement (Yangjiang) Completion Audit Report**") is lower than the NAV of Target Company (Yangjiang) as at 31 December 2024 as shown in the relevant Audited Accounts, Guangdong Yuehai Water shall pay Guangdong Water Investment an amount equivalent to such shortfall multiplied by 51% in cash within 30 business days from the issue date of the Agreement (Yangjiang) Completion Audit Report; or

(ii) in the event that the NAV of Target Company (Yangjiang) as at the Completion Date (as shown in the Agreement (Yangjiang) Completion Audit Report) is higher than the NAV as at 31 December 2024 as shown in relevant Audited Accounts, Guangdong Water Investment shall pay Guangdong Yuehai Water an amount equivalent to such surplus multiplied by 51% in cash within 30 business days from the issue date of the Agreement (Yangjiang) Completion Audit Report. The amount payable by Guangdong Water Investment is referred to as the "**Agreement (Yangjiang) Adjustment Amount**". Pursuant to Equity Transfer Agreement (Yangjiang), Guangdong Water Investment and Guangdong Yuehai Water agreed that the Agreement (Yangjiang) Adjustment Amount payable by Guangdong Water Investment to Guangdong Yuehai Water (if any) shall be capped at RMB10,000,000.

The Group expects that there will be no material change in respect of the NAV of Target Company (Yangjiang) as at the Completion Date as compared to that as at 31 December 2024.

The Yangjiang Consideration and any Agreement (Yangjiang) Adjustment Amount are expected to be funded by the Group's internal resources and/or bank borrowings.

Condition precedent and payment terms

Completion of Proposed Acquisition (Yangjiang) is subject to the satisfaction of the following condition precedent: Equity Transfer Agreement (Yangjiang) and Proposed Acquisition (Yangjiang) having been approved by the Independent Shareholders of the Company at the EGM.

The Yangjiang Consideration shall be paid by Guangdong Water Investment to Guangdong Yuehai Water in cash within 5 business days after the satisfaction of the abovementioned condition precedent.

Completion

Pursuant to the Equity Transfer Agreement (Yangjiang), subject to the satisfaction of the above condition precedent, Completion shall take place on 1 January 2026, or within 5 business days after the above condition precedent has been satisfied, whichever is later, as agreed by Guangdong Water Investment and Guangdong Yuehai Water. On 18 November 2025, Guangdong Water Investment and Guangdong Yuehai Water entered into a supplemental agreement, pursuant to which Guangdong Water Investment and Guangdong Yuehai Water agreed that Completion shall take place on the same day upon the satisfaction of the above condition precedent. Save as disclosed above, all other terms and conditions of Equity Transfer Agreement (Yangjiang) remain unchanged. Please refer to the supplemental announcement of the Company dated 18 November 2025 for details.

Upon Completion, Target Company (Yangjiang) will become a non-wholly owned subsidiary of the Company and the financial results of Target Company (Yangjiang) will be consolidated into the financial statements of the Company.

A.2 Equity Transfer Agreement (Shantou)

The salient terms of Equity Transfer Agreement (Shantou) are set out as follows:

Date: 28 October 2025

Parties: (1) Guangdong Water Holdings (as purchaser)

(2) Guangdong Yuehai Water (as seller)

Subject matter

Pursuant to Equity Transfer Agreement (Shantou), Guangdong Water Holdings has agreed to purchase, and Guangdong Yuehai Water has agreed to sell, Sale Equity (Shantou) (representing 2% of the total equity interest in Target Company (Shantou)) at the Shantou Consideration, subject to adjustment (if any) in accordance with the terms of Equity Transfer Agreement (Shantou) (details of which are set out in the section headed "A. The Proposed Acquisitions – A.2 Equity Transfer Agreement (Shantou) – Consideration and basis of determination – Consideration adjustment" in the "Letter from the Board" contained in this circular). In addition to the Shantou Consideration, Guangdong Water Holdings will also assume Guangdong Yuehai Water's obligation to pay an amount of RMB1,176,500 (the "**Unpaid Amount (Shantou)**"), which shall be credited to the capital reserve of Target Company (Shantou) and remained unpaid as at the Latest Practicable Date. The Unpaid Amount (Shantou) is expected to be paid on or before 30 June 2032. As a result, the total cash outlay by Guangdong Water Holdings in respect of Proposed Acquisition (Shantou) (including the obligation to pay the Unpaid Amount (Shantou)) amounts to RMB72,052,900 (i.e. the Shantou Consideration in the amount of RMB70,876,400, subject to adjustments (if any) + the Unpaid Amount (Shantou) in the amount of RMB1,176,500).

Consideration and basis of determination

Consideration

The consideration for the sale and purchase of Sale Equity (Shantou) is RMB70,876,400, subject to adjustment as set out in the section headed "Consideration adjustment" below.

Basis of determination

The Shantou Consideration was determined after arm's length negotiations between Guangdong Water Holdings and Guangdong Yuehai Water having taken into account, among other things:

(i) the appraised equity value of the Sale Equity (Shantou) as calculated using the following formula pursuant to the valuation report prepared by the Valuer:

[The appraised value (on an asset-based approach) of the entire equity interest of Target Company (Shantou) as at the Valuation Date of RMB3,588,572,900 + total unpaid amount due from all shareholders of Target Company (Shantou) in the amount of RMB30,000,000[Note]] x 2% – the Unpaid Amount (Shantou)

Note: As at the Latest Practicable Date, the total unpaid amount due from all shareholders of Target Company (Shantou) is RMB30,000,000, among which RMB1,176,500 is due from Guangdong Yuehai Water.

Based on the above formula, the appraised equity value of the Sale Equity (Shantou) was calculated to be approximately RMB71,195,000. The Shantou Consideration of RMB70,876,400, as determined after arm's length negotiations between Guangdong Water Holdings and Guangdong Yuehai Water, is slightly lower than this calculated figure.

Pursuant to Article 88 of the Company Law of the PRC, where a shareholder transfers his equity interest (for which capital contribution has been subscribed but the deadline for making such capital contribution has not yet expired) to another person (the transferee), the transferee shall assume the obligation to make the outstanding capital contribution. As the deadline for payment of the Unpaid Amount (Shantou) falls after Completion, Guangdong Water Holdings is required to assume the obligation to settle the Unpaid Amount (Shantou) as and when it falls due.

In determining the Shantou Consideration, the Unpaid Amount (Shantou) had been taken into account and had been deducted from the above formula in determining the appraised equity value of the Sale Equity (Shantou). As a result, the Shantou Consideration reflects the net value of the Sale Equity (Shantou) being acquired by Guangdong Water Holdings. In view of the aforesaid, the Company is of the view that the total cash outlay for the Proposed Acquisition (Shantou) is fair and reasonable;

(ii) the NAV of Target Company (Shantou) as at 31 December 2024, being the sum of RMB3,177,949,100;

(iii) the strategic prospects of Target Company (Shantou) to expand its water supply operations in Shantou (which is one of the five major special economic zones in the PRC and a vital port city on the southeast coast of Guangdong) and its surrounding areas, which would solidify the Group's position as a market leader in the water resources sector in eastern Guangdong; and

(iv) the other factors set out in the section headed "A. The Proposed Acquisitions – A.6 Reasons for and benefits of the Proposed Acquisitions" in the "Letter from the Board" contained in this circular.

Consideration adjustment

Pursuant to Equity Transfer Agreement (Shantou):

(i) in the event that the NAV of Target Company (Shantou) as at the Completion Date (as shown in the audit report to be issued by the auditor jointly appointed by Guangdong Water Holdings and Guangdong Yuehai Water, referred to as the "**Agreement (Shantou) Completion Audit Report**") is lower than the NAV of Target Company (Shantou) as at 31 December 2024 as shown in the relevant Audited Accounts, Guangdong Yuehai Water shall pay Guangdong Water Holdings an amount equivalent to such shortfall multiplied by 2% in cash within 30 business days from the issue date of the Agreement (Shantou) Completion Audit Report; or

(ii) in the event that the NAV of Target Company (Shantou) as at the Completion Date (as shown in the Agreement (Shantou) Completion Audit Report) is higher than the NAV as at 31 December 2024 as shown in the relevant Audited Accounts, Guangdong Water Holdings shall pay Guangdong Yuehai Water an amount equivalent to such surplus multiplied by 2% in cash within 30 business days from the issue date of the Agreement (Shantou) Completion Audit Report. The amount payable by Guangdong Water Holdings is referred to as the "**Agreement (Shantou) Adjustment Amount**". Pursuant to Equity Transfer Agreement (Shantou), Guangdong Water Holdings and Guangdong Yuehai Water agreed that the Agreement (Shantou) Adjustment Amount payable by Guangdong Water Holdings to Guangdong Yuehai Water (if any) shall be capped at RMB1,200,000.

The Group expects that there will be no material change in respect of the NAV of Target Company (Shantou) as at the Completion Date as compared to that as at 31 December 2024.

The Shantou Consideration and any Agreement (Shantou) Adjustment Amount are expected to be funded by the Group's internal resources and/or bank borrowings.

Condition precedent and payment terms

Completion of the Proposed Acquisition (Shantou) is subject to the satisfaction of the following condition precedent: Equity Transfer Agreement (Shantou) and Proposed Acquisition (Shantou) having been approved by the Independent Shareholders of the Company at the EGM.

The Shantou Consideration shall be paid by Guangdong Water Holdings to Guangdong Yuehai Water in cash within 5 business days after the satisfaction of the abovementioned condition precedent.

Completion

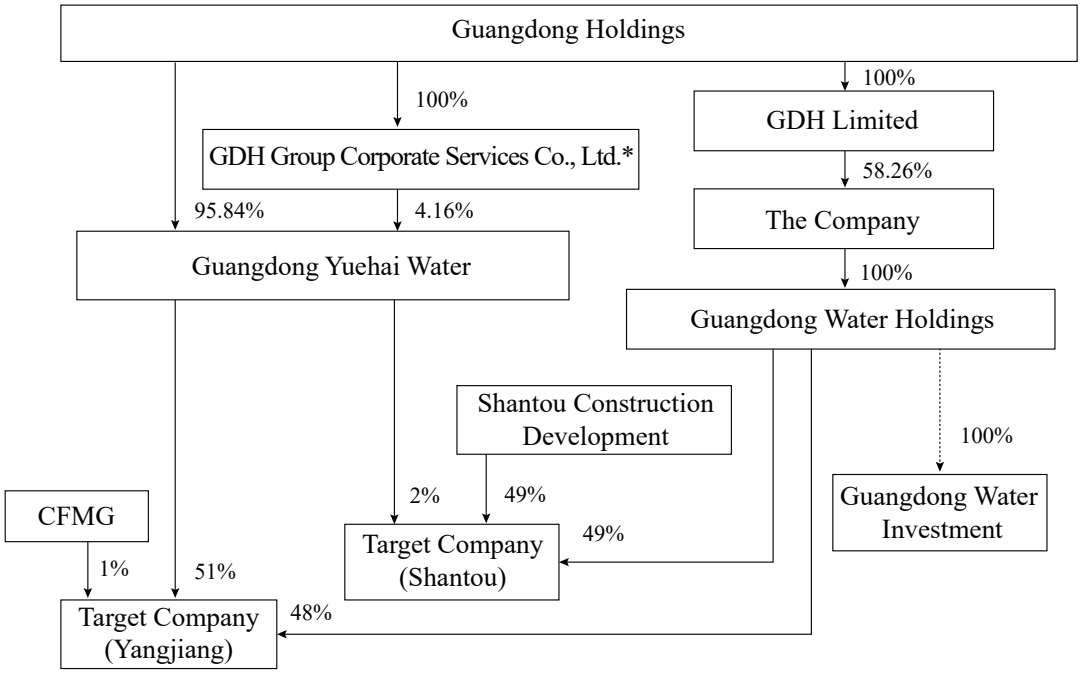
Pursuant to the Equity Transfer Agreement (Shantou), subject to the satisfaction of the above condition precedent, Completion shall take place on 1 January 2026, or within 5 business days after the above condition precedent has been satisfied, whichever is later, as agreed by Guangdong Water Holdings and Guangdong Yuehai Water. On 18 November 2025, Guangdong Water Holdings and Guangdong Yuehai Water entered into a supplemental agreement, pursuant to which Guangdong Water Holdings and Guangdong Yuehai Water agreed that Completion shall take place on the same day upon the satisfaction of the above condition precedent. Save as disclosed above, all other terms and conditions of Equity Transfer Agreement (Shantou) remain unchanged. Please refer to the supplemental announcement of the Company dated 18 November 2025 for details.

Upon Completion, Target Company (Shantou) will become a non-wholly owned subsidiary of the Company and the financial results of Target Company (Shantou) will be consolidated into the financial statements of the Company.

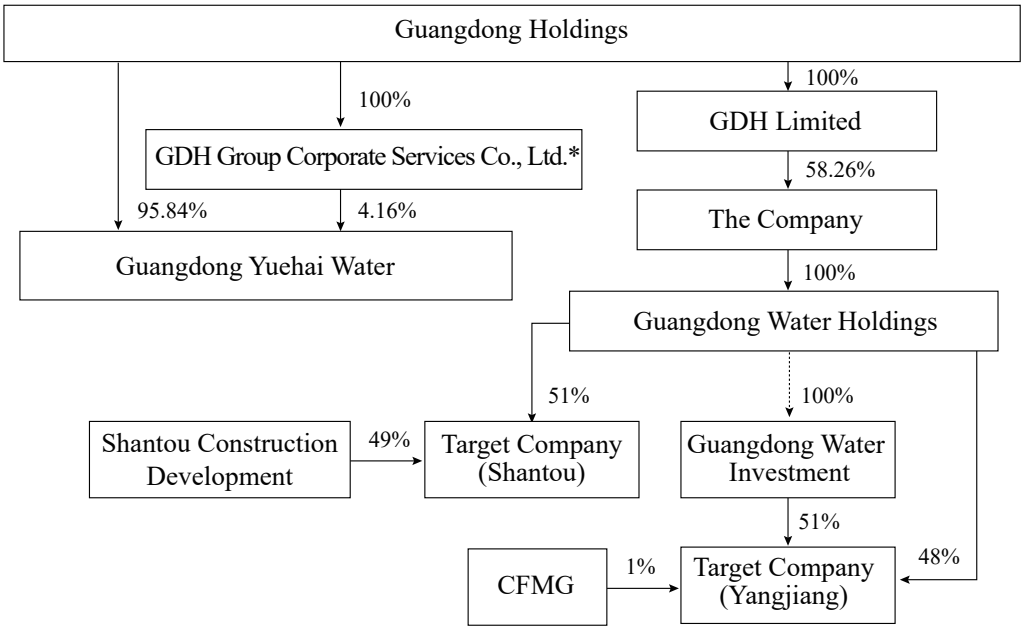
Group chart

The following diagrams illustrate the simplified structure of the Target Companies before and after Completion:

As at the Latest Practicable Date and before Completion:



After Completion:



A.3 Information on the Target Companies

Target Company (Yangjiang)

Target Company (Yangjiang) is a limited liability company established in the PRC. As at the Latest Practicable Date, Target Company (Yangjiang) is principally engaged in the business of the provision of sewage interception and drainage pipeline renovation works in five public-private partnership projects, as well as in investment, construction, operation and maintenance of the related facilities.

As at the Latest Practicable Date, Target Company (Yangjiang) is owned as to (i) 51% by Guangdong Yuehai Water, (ii) 48% by Guangdong Water Holdings, and (iii) 1% by中國一冶集團有限公司(China First Metallurgical Group Co., Ltd.) ("**CFMG**").

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, CFMG is a limited liability company established in the PRC and is principally engaged in construction and construction engineering technology research and design. CFMG is a third party independent of the Company and its connected persons.

Target Company (Yangjiang) was established in April 2018, and Guangdong Yuehai Water subscribed to a capital contribution of RMB139,400,034 in Target Company (Yangjiang), representing 51% of the registered capital in Target Company (Yangjiang). Among such equity capital interest in Target Company (Yangjiang) held by Guangdong Yuehai Water, as at the Latest Practicable Date, the capital amount of RMB108,263,922 has been paid up and the capital amount of RMB31,136,112 (i.e. the Unpaid Amount (Yangjiang)) remained unpaid. For further details, please refer to the announcement of the Company dated 1 February 2018.

Upon Completion, the equity interest of Target Company (Yangjiang) will be owned as to (i) 51% by Guangdong Water Investment, (ii) 48% by Guangdong Water Holdings, and (iii) 1% by CFMG, and accordingly, Target Company (Yangjiang) will become a non-wholly owned subsidiary of the Company. Further, the Company (through Guangdong Water Investment) will become liable to pay the Unpaid Amount (Yangjiang).

Financial information of Target Company (Yangjiang)

Based on the audited financial statements of Target Company (Yangjiang) prepared in accordance with PRC Generally Accepted Accounting Principles and audited by the PRC auditor, the financial information of Target Company (Yangjiang) for each of the years ended 31 December 2023 and 31 December 2024, respectively, was as follows:

	For the year ended 31 December 2023 (audited) *RMB*	**For the year ended 31 December 2024** (audited) *RMB*
Revenue	70,521,800	62,751,500
Profit before tax	28,349,600	32,836,800
Profit after tax	21,179,600	23,499,800

Based on the audited financial statements of Target Company (Yangjiang) prepared in accordance with PRC Generally Accepted Accounting Principles and audited by the PRC auditor, the audited NAV of Target Company (Yangjiang) as at 31 December 2024 was RMB335,677,100.

Based on the valuation report prepared by the Valuer, the appraised value of the entire equity interest of Target Company (Yangjiang) (based on an asset-based approach) as at 31 December 2024 was RMB335,756,400.

While the audited total assets of Target Company (Yangjiang) as at 31 December 2024 was RMB859,207,700, the appraised value of the total assets of Target Company (Yangjiang) (as contained in the aforesaid valuation report) as at the same date was RMB859,286,900. The difference between the audited total assets and the aforesaid appraised value of the total assets of Target Company (Yangjiang) (as contained in the aforesaid valuation report), as at 31 December 2024, was mainly attributable to the difference between the appraised value and the book value of vehicles and electronic equipment (such as laptop computers, air conditioners for office uses, etc.) held by Target Company (Yangjiang) as contained in the aforesaid valuation report: the appraised net value of such vehicles and electronic equipment increased because their economic useful life is longer than the accounting depreciation period.

Target Company (Shantou)

Target Company (Shantou) is a limited liability company established in the PRC. Target Company (Shantou) is principally engaged in production and supply of tap water.

As at the Latest Practicable Date, Target Company (Shantou) is owned as to (i) 2% by Guangdong Yuehai Water, (ii) 49% by Guangdong Water Holdings, and (iii) 49% by Shantou Construction Development (which is an independent third party).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Shantou Construction Development is a limited liability company established in the PRC and is principally engaged in real estate operations. As at the Latest Practicable Date, Shantou Construction Development is owned as to (i) 90% by Shantou Investment Holdings Group Co., Ltd. (which is in turn owned as to 100% by the State-owned Assets Supervision and Administration Commission of Shantou Municipal People's Government) and (ii) 10% by the Department of Finance of the Guangdong Province. Shantou Construction Development is a third party independent of the Company and its connected persons.

Target Company (Shantou) was established in May 1982. In 2017, Guangdong Yuehai Water subscribed to a capital contribution of RMB58,997,000 (which has been fully paid up) in Target Company (Shantou), representing 2% of the registered capital in Target Company (Shantou). In addition, Guangdong Yuehai Water also agreed to inject an amount of RMB7,890,900, which shall be credited to the capital reserve of Target Company (Shantou). Among such amount, as at the Latest Practicable Date, RMB6,714,400 has been paid and RMB1,176,500 (i.e. the Unpaid Amount (Shantou)) remained unpaid. For further details, please refer to the announcement of the Company dated 7 July 2017.

Upon Completion, the equity interest of Target Company (Shantou) will be owned as to 51% by Guangdong Water Holdings and as to 49% by Shantou Construction Development, and accordingly, Target Company (Shantou) will become a non-wholly owned subsidiary of the Company. Further, the Company (through Guangdong Water Holdings) will become liable to pay the Unpaid Amount (Shantou), which shall be credited to the capital reserve of Target Company (Shantou).

Financial information of Target Company (Shantou)

Based on the audited financial statements of Target Company (Shantou) prepared in accordance with PRC Generally Accepted Accounting Principles and audited by the PRC auditor, the financial information of Target Company (Shantou) for each of the years ended 31 December 2023 and 31 December 2024, respectively, was as follows:

	For the year ended 31 December 2023 (audited) *RMB*	**For the year ended 31 December 2024** (audited) *RMB*
Revenue	524,735,200	486,474,900
Profit before tax	52,380,000	53,395,200
Profit after tax	38,651,600	38,777,800

Based on the audited financial statements of Target Company (Shantou) prepared in accordance with PRC Generally Accepted Accounting Principles and audited by the PRC auditor, the audited NAV of Target Company (Shantou) as at 31 December 2024 was RMB3,177,949,100.

Based on the valuation report prepared by the Valuer, the appraised value of the entire equity interest of Target Company (Shantou) (based on an asset-based approach) as at 31 December 2024 was RMB3,588,572,900. The difference between the audited NAV and the appraised value of the entire equity interest of Target Company (Shantou) (as contained in the valuation report), as at 31 December 2024, was mainly attributable to the difference between the appraised value and the book value of buildings and structures (recorded on a historical costs basis), right-of use assets and intangible assets (such as software) held by Target Company (Shantou) as contained in the aforesaid valuation report, as detailed below and elaborated under the sections headed "Appendix I – Valuation Reports – V. Fixed Assets – Buildings and Structures", "Appendix I – Valuation Reports – VI. Intangible Assets – Land Use Rights" and "Appendix I – Valuation Reports – IX. Other Intangible Assets".

While the audited total assets of Target Company (Shantou) as at 31 December 2024 was RMB3,922,320,500, the appraised value of the total assets of Target Company (Shantou) (as contained in the aforesaid valuation report) as at the same date was RMB4,332,944,300. The difference between the audited total assets and the aforesaid appraised value of the total assets of Target Company (Shantou) (as contained in the aforesaid valuation report), as at 31 December 2024, was mainly attributable to the difference between the appraised value and the book value of buildings and structures, right-of use assets and intangible assets (such as software) held by Target Company (Shantou) as contained in the aforesaid valuation report. In particular, the higher appraised value is mainly due to the following:

(i) in respect of buildings and structures: buildings and structures have been valued on a longer useful life assumption than the accounting depreciation period, coupled with the increase in market prices for construction materials;

(ii) in respect of pipelines: the rising costs of labour, materials and machinery associated with pipeline constructions, resulting in an increase in replacement costs; and

(iii) in respect of land: the increase in land transaction prices over time. Further, the accounting amortization period for the land use rights is shorter than the actual period adopted in the valuation, which has also contributed to the increase in the value of the land use rights.

A.4 Information on Guangdong Water Investment, Guangdong Water Holdings, the Company and the Group

Guangdong Water Investment is a wholly-owned subsidiary of Guangdong Water Holdings. Guangdong Water Investment is principally engaged in investment holding.

Guangdong Water Holdings is incorporated in Hong Kong and it is a wholly-owned subsidiary of the Company. Guangdong Water Holdings is principally engaged in investment holding and its subsidiaries are principally engaged in water resources businesses.

The Company is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. The Group is principally engaged in investment holding, water resources, property investment and development, department store operation, hotel ownership, operation and management, investments in energy projects and road and bridge operation. The ultimate controlling shareholder of the Company is Guangdong Holdings.

A.5 Information on Guangdong Yuehai Water, Guangdong Holdings and Guangdong Holdings Group

Guangdong Yuehai Water is a company established in the PRC with limited liability and is principally engaged in the investment in and operation of water resources projects in the PRC. It is a wholly-owned subsidiary of Guangdong Holdings.

Guangdong Holdings is the ultimate controlling shareholder of the Company and is principally engaged in investment holding. The business activities of the Guangdong Holdings Group include public utilities and infrastructure, manufacturing, real estate, hotel, property management, retail and wholesale, finance, etc. Guangdong Holdings invests mainly in business sectors including water and water environment management, urban complex development and related services, modern industrial park development and investment. As at the Latest Practicable Date, Guangdong Holdings is held as to 90% by the Guangdong Government and as to 10% by the Department of Finance of the Guangdong Province while the State-owned Assets Supervision and Administration Commission of the Guangdong Government has been performing ownership and control functions in respect of Guangdong Holdings with the authorisation of the Guangdong Government.

A.6 Reasons for and benefits of the Proposed Acquisitions

Following the completion of the distribution in specie of the Group's previous holding of GDL shares in January 2025, GDL has ceased to be a subsidiary of the Company, and this allows the Group to further focus its efforts and resources in developing and expanding its water resources businesses.

Guangdong Water Holdings is the core entity of the Group that is principally engaged in water treatment and water supply in the PRC. Target Company (Yangjiang) is principally engaged in the provision of sewage interception and drainage pipeline renovation works for water resources projects in Yangjiang City of Guangdong Province, the PRC. Target Company (Shantou) is principally engaged in production and supply of tap water. The Proposed Acquisitions are expected to increase the scale and market influence of the Group's water-resources business. The water treatment capacity that has been put into operation and consolidated will increase from 11,184,700 tons per day (as of 30 September 2025) to 12,104,700 tons per day, representing an increase of 8.2%. Thus, the Proposed Acquisitions are in line with the Company's long term goal of further stepping up the development of its "water resources centric business".

In respect of the appraised value of the entire equity interest of each of the Target Companies, having reviewed the methods, bases and assumptions adopted by the Valuer in the valuation reports and having considered the independence, qualifications and experience of the Valuer, the Board has not identified any factors that would cause it to doubt the fairness and reasonableness of the valuation method and assumptions adopted (i.e. the asset-based approach; with regard to reasons for adopting the asset-based approach as the valuation conclusions, please refer to the sections headed "Appendix I – Valuation Reports – III. Determination of Valuation Conclusion" in respect of Target Company (Yangjiang) and "Appendix I – Valuation Reports – II. Analysis, Determination and Application of Valuation Conclusion" in respect of Target Company (Shantou) for details), and is of the view that the respective overall appraised values in the valuation reports are fair and reasonable. Furthermore, as confirmed with the Valuer, there has not been any material change in circumstances of the Target Companies since the Valuation Date. The Yangjiang Consideration and the Shantou Consideration are determined by reference to the appraised values of the entire equity capital of the Target Companies (as more particularly described in the sections headed "A. The Proposed Acquisitions – A.1 Equity Transfer Agreement (Yangjiang) – Consideration and basis of determination" and "A. The Proposed Acquisitions – A.2 Equity Transfer Agreement (Shantou) – Consideration and basis of determination" above).

Further, (i) the valuation of each of Target Company (Yangjiang) and Target Company (Shantou) was prepared based on an asset-based approach, and (ii) the Equity Transfer Agreements contain a consideration adjustment mechanism by reference to the audited NAV *(Note)* of each of Target Company (Yangjiang) and Target Company (Shantou) at Completion (as compared with those as at the Valuation Date), which is a commonly accepted asset-based adjustment methodology and should therefore capture any material changes in value of the Target Companies since the Valuation Date.

Note: The audited NAV of each of Target Company (Yangjiang) and Target Company (Shantou) as at the Valuation Date was not prepared by reference to the appraised value by the Valuer. Similarly, the Agreement (Yangjiang) Completion Audit Report and the Agreement (Shantou) Completion Audit Report will not take into account the appraised value by the Valuer.

Upon Completion, the Target Companies will become subsidiaries of the Company. These strategic acquisitions enable the Group to secure a controlling stake in each of the Target Companies, such level of statutory control enables the Group to achieve more actual and effective control over their management and operations as well as the direction of their development. The Group will then be able to coordinate and leverage on the scale, strength and influence of its various members to realise the synergistic value of the Target Companies. Following the promulgation of Notice of Guangzhou Municipal Development and Reform Commission on Issues Related to Tap Water Price Reform in the Central Urban Area of Guangzhou (廣州市發展和改革委員會發佈的《關於我市中心城區自來水價格改革有關問題的通知》), Notice of Shenzhen Municipal Development and Reform Commission on Adjustment and Policy Optimization of Tap Water Prices in Shenzhen (深圳市發展和改革委員會發佈的《關於我市自來水價格調整與政策優化的通知》) and Notice of Dongguan Municipal Development and Reform Bureau on Further Improvement of the Tap Water Price Formation Mechanism in Dongguan (東莞市發展和改革委員會發佈的《關於進一步完善我市自來水價格形成機制的通知》) in 2025, water charges for certain cities in Guangdong Province (such as Guangzhou, Shenzhen and Dongguan) have already shown signs of upward adjustments, and the addition of the Target Companies will place the Group in a better position to negotiate better pricing for its business.

With statutory control over the equity interests in the Target Companies, the Group will also be able to optimize their capital structure and balance sheets with a view to increasing their return on investments and allowing them more options in securing borrowings and/or lowering borrowing costs.

Further, the Company is of the view that the addition of the Target Companies will also create synergies with the Guangdong Water Group's existing businesses in terms of branding, cost effectiveness and operational efficiency. With the increased overall capacity of the Guangdong Water Group in water treatment and related construction works, the Company considers that the Guangdong Water Group's competitiveness in expanding water treatment and supply businesses and bidding for waterworks engineering and construction projects will be further enhanced. This will enlarge the scale and market influence of the Group's water-resources business, drive revenue growth of the Guangdong Water Group, which will in turn boost the revenue and profitability of the entire Group.

In light of the above, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) consider that the terms of the Equity Transfer Agreements (including the Yangjiang Consideration and the Shantou Consideration) and the Proposed Acquisitions contemplated thereunder are fair and reasonable, on normal commercial terms or better, entered into in the ordinary and usual course of business of the Group, and are in the interests of the Company and its Shareholders as a whole.

A.7 Listing Rules implications

As the highest applicable percentage ratio in respect of the Proposed Acquisitions (on an aggregated basis) calculated pursuant to the Listing Rules is more than 5%, but all the applicable percentage ratios are less than 25%, the entering into the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder constitute discloseable transactions of the Company, and are therefore subject to the announcement requirement under Chapter 14 of the Listing Rules.

Guangdong Holdings is the ultimate controlling shareholder of the Company, hence a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Guangdong Yuehai Water is a wholly-owned subsidiary of Guangdong Holdings, hence an associate of Guangdong Holdings and also a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Proposed Acquisitions (on an aggregated basis) calculated pursuant to the Listing Rules is more than 5%, the entering into the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Ms. BAI Tao, who is the director of the Company, is also the chairman and a director of Guangdong Holdings, and had abstained from voting in respect of the relevant resolutions. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Director has any material interest in the Proposed Acquisitions contemplated under the Equity Transfer Agreements and was required to abstain from voting on the relevant Board meeting.

A.8 Approval by the Independent Shareholders

According to Chapter 14A of the Listing Rules, the Company will seek approval from the Independent Shareholders for the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder at the EGM. GDH and its associates will abstain from voting in relation to the relevant proposed resolutions. As at the Latest Practicable Date, GDH was interested in 3,809,237,546 Shares, representing approximately 58.26% of the total issued share capital of the Company.

An Independent Board Committee comprising all the independent non-executive Directors (namely, Dr. CHAN Cho Chak, John, Mr. FUNG, Daniel R., Dr. the Honourable CHENG Mo Chi, Moses, and Mr. LI Man Bun, Brian David) has been formed to consider the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder. An Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder.

A.9 EGM

A notice convening the EGM to be held on Monday, 8 December 2025 at 4:00 p.m., by way of virtual meeting, is set out on pages 325 and 326 of this circular. At the EGM, ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, approve the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder, and the re-election of Directors.

All registered shareholders of the Company will be able to join the EGM via the Vistra eVoting Portal. The Vistra eVoting Portal can be accessed from any location with access to the internet via smartphone, tablet device or computer. Through the Vistra eVoting Portal, registered shareholders of the Company will be able to view the live video broadcast and participate in voting, call to raise questions and submit questions online by using the username and password provided on the notification letter sent by the Company. Login details and information regarding the Vistra eVoting Portal are included in the Company's notification letters to registered shareholders of the Company.

Registered shareholders of the Company are requested to provide a valid email address of himself/herself/itself or his/her/its proxy (except for the appointment of the chairperson of the meeting) for the proxy to receive the login access code to participate in the meeting by electronic means through the Vistra eVoting Portal. Shareholders of the Company and their proxies are advised to keep the login credentials in safe custody and shall not disclose them to any other person.

Non-registered shareholders of the Company whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to attend the meeting, vote, call to raise questions and submit questions online. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements.

If any Shareholder has any question on the arrangements of the EGM, please contact the Company's share registrar, Tricor Investor Services Limited, at the following:

Address: 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong

Email: is-enquiries@vistra.com

Telephone: (852) 2980-1333 (From 9:00 a.m. to 5:00 p.m. Monday to Friday, excluding Hong Kong public holidays)

A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated website (https://evoting.vistra.com) by using the username and password provided on the notification letter sent by the Company's share registrar as soon as possible and in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time scheduled for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the voting on the proposed ordinary resolutions at the EGM will be conducted by way of poll. An announcement of the poll results will be made after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

The record date (being the last date for registration of any share transfer given that there will be no book closure) for determining the eligibility of the Shareholders to attend and vote at the EGM will be 5 December 2025. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 5 December 2025.

A.10 RECOMMENDATION

Your attention is drawn to:

(i) the letter from the Independent Board Committee comprising all the independent non-executive Directors (namely, Dr. CHAN Cho Chak, John, Mr. FUNG, Daniel R., Dr. the Honourable CHENG Mo Chi, Moses, and Mr. LI Man Bun, Brian David) set out on pages 37 and 38 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders concerning the fairness and reasonableness of the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder; and

(ii) the letter from the Independent Financial Adviser set out on pages 39 to 68 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders on whether the terms of the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder are fair and reasonable, on normal commercial terms (or better), entered into in the ordinary and usual course of business of the Group, and are in the interests of the Company and its Shareholders as a whole, and the principal factors and reasons taken into account by the Independent Financial Adviser in arriving at its recommendations.

Based on the reasons set out hereinabove, the Board recommends the Independent Shareholders to vote in favour of the proposed ordinary resolutions set out in the notice convening the EGM in respect of the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder.

The Board believes that the re-election of Mr. LI Wenchang and Mr. HE Zhifeng is in the best interests of the Company as well as the Shareholders. Accordingly, the Board also recommends that Shareholders vote in favour of the proposed ordinary resolution nos. 3(i) and 3(ii) set out in the notice convening the EGM.

A.11 ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

B. CONTINUING CONNECTED TRANSACTIONS AFTER COMPLETION

Prior to the Latest Practicable Date, the Target Companies had entered into the Existing Continuing Agreements with members of the Guangdong Holdings Group, and such agreements are expected to continue after the expected Completion Date. As at the Latest Practicable Date and prior to Completion, the Target Companies are not subsidiaries of the Company and therefore, the continuing transactions contemplated under the Existing Continuing Agreements do not constitute connected transactions of the Company. Upon Completion, the Target Companies will become subsidiaries of the Company. As such, the continuing transactions contemplated under the Existing Continuing Agreements will become continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Each of the Existing Continuing Agreements will be regarded as a specific individual agreement as contemplated under the 2024 Financial Services Framework Agreement, the 2025 Support Services Framework Agreement and the 2025 Solar Power Plants Framework Agreement, as the case may be.

The term of each of the Existing Continuing Agreements will not exceed the respective terms of the 2024 Financial Services Framework Agreement and the 2025 Support Services Framework Agreement (as the case may be), except for the Support Services Agreement (Yangjiang) and the Solar Power Plants Agreement (but each of which is subject to appropriate co-terminus arrangements to ensure compliance with the Listing Rules, as fully set out below).

(i) In respect of the Support Services Agreement (Yangjiang), pursuant to the supplemental agreement entered into on 17 October 2025, Target Company (Yangjiang) and Guangdong Yuehai Water have agreed that:

a. if the 2025 Support Services Framework Agreement is not renewed up to the last day of the term of the Support Services Agreement (Yangjiang) (inclusive of that day), the Support Services Agreement (Yangjiang) will terminate on the same date as the expiry date of the 2025 Support Services Framework Agreement;

b. if the 2025 Support Services Framework Agreement is renewed up to the last day of the term of the Support Services Agreement (Yangjiang) (inclusive of that day) (or a day later than such last day), the Support Services Agreement (Yangjiang) will expire on the last day of its original term; and

c. if the 2025 Support Services Framework Agreement is renewed, but the expiry date (inclusive of that day) of the renewed 2025 Support Services Framework Agreement precedes the last day (inclusive of that day) of the term of the Support Services Agreement (Yangjiang), then the Support Services Agreement (Yangjiang) will terminate on the same date as the expiry date of the renewed 2025 Support Services Framework Agreement, unless the renewed 2025 Support Services Framework Agreement is renewed again on its expiry date (inclusive of that day) up to the last day of the term of the Support Services Agreement (Yangjiang) (inclusive of that day) (or a day later than such last day), in which case, the Support Services Agreement (Yangjiang) will expire on the last day of its original term.

(ii) In respect of the Solar Power Plants Agreement, pursuant to the supplemental agreement entered into on 23 October 2025, Target Company (Shantou) and Feilaixia have agreed that:

a. if the 2025 Solar Power Plants Framework Agreement is not renewed up to the last day of the term of the Solar Power Plants Agreement (inclusive of that day), the Solar Power Plants Agreement will terminate on the same date as the expiry date of the 2025 Solar Power Plants Framework Agreement;

b. if the 2025 Solar Power Plants Framework Agreement is renewed up to the last day of the term of the Solar Power Plants Agreement (inclusive of that day) (or a day later than such last day), the Solar Power Plants Agreement will expire on the last day of its original term; and

c. if the 2025 Solar Power Plants Framework Agreement is renewed, but the expiry date (inclusive of that day) of the renewed 2025 Solar Power Plants Framework Agreement precedes the last day (inclusive of that day) of the term of the Solar Power Plants Agreement, then the Solar Power Plants Agreement will terminate on the same date as the expiry date of the renewed 2025 Solar Power Plants Framework Agreement, unless the renewed 2025 Solar Power Plants Framework Agreement is renewed again on its expiry date (inclusive of that day) up to the last day of the term of the Solar Power Plants Agreement (inclusive of that day) (or a day later than such last day), in which case, the Solar Power Plants Agreement will expire on the last day of its original term.

Furthermore, each of the Existing Continuing Agreements will be governed by the terms and internal control policies of the 2024 Financial Services Framework Agreement, the 2025 Support Services Framework Agreement and the 2025 Solar Power Plants Framework Agreement, as the case may be.

B.1 The Financial Services Agreements

Prior to the Latest Practicable Date, Target Company (Yangjiang) and GDH Finance entered into two financial services agreements on 19 February 2020 (the "**Financial Services Agreements**"), pursuant to which GDH Finance shall provide financial services including cash deposit services to Target Company (Yangjiang) for a term from 19 February 2020 to 18 February 2021. The Financial Services Agreements will be automatically renewed for a further term of one year, unless either Target Company (Yangjiang) or GDH Finance gives written notice to the other party to terminate the Financial Services Agreements no later than 15 days before their expiry date. As at the Latest Practicable Date, the Financial Services Agreements have been renewed up to 18 February 2026. The Company confirms that it shall procure Target Company (Yangjiang) to terminate the existing Financial Services Agreements upon their expiry date of 18 February 2026. In case Target Company (Yangjiang) and GDH Finance enter into new specific financial services agreements under the 2024 Financial Services Framework Agreement, the terms of such specific agreements will be subject to appropriate co-terminus arrangements, as disclosed in the announcement of the Company dated 30 August 2024 in respect of the 2024 Financial Services Framework Agreement.

Upon Completion, Target Company (Yangjiang) will become a subsidiary of the Company. GDH Finance is a wholly-owned subsidiary of Guangdong Holdings (being the ultimate controlling shareholder the Company), hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Financial Services Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 30 August 2024 in relation to the 2024 Financial Services Framework Agreement entered into between the Company and GDH Finance for a period from 1 September 2024 to 31 December 2026. Pursuant to the 2024 Financial Services Framework Agreement, GDH Finance shall provide financial services including cash deposit services in the mainland of the PRC to the member(s) of the Group.

Upon Completion, each of the Financial Services Agreements (which conforms with the principles and provisions set out in the 2024 Financial Services Framework Agreement and is in compliance with the Listing Rules) will be regarded as a specific individual agreement under the 2024 Financial Services Framework Agreement. Each of the Financial Services Agreements has set out the detailed terms for the relevant transactions and the transactions contemplated thereunder are in the ordinary and usual course of business, conducted after arm's length negotiation, on normal commercial terms or better and on terms which are no less favourable than those offered by independent third parties to the Group. (For the reasons for and benefits of entering into the 2024 Financial Services Framework Agreement, please refer to the announcement of the Company dated 30 August 2024.)

B.2 The Support Services Agreements

Prior to the Latest Practicable Date, (i) Target Company (Yangjiang) and Guangdong Yuehai Water entered into an agreement on 19 December 2024 (as supplemented on 17 October 2025) in relation to the provision of information system development, operation and maintenance services by Guangdong Yuehai Water to Target Company (Yangjiang) for a term from 19 December 2024 to 31 December 2028 (the "**Support Services Agreement (Yangjiang)**"); and (ii) Target Company (Shantou) and Guangdong Water Testing (Shantou Branch) entered into an agreement on 14 January 2025 in relation to the provision of water quality testing services by Guangdong Water Testing (Shantou Branch) to Target Company (Shantou) for a term from 15 January 2025 to 31 December 2025. (collectively, the "**Support Services Agreements**").

Upon Completion, Target Company (Yangjiang) and Target Company (Shantou) will become subsidiaries of the Company. Guangdong Yuehai Water is a wholly-owned subsidiary of Guangdong Holdings (being the ultimate controlling shareholder the Company), hence a connected person of the Company under Chapter 14A of the Listing Rules. Guangdong Water Testing (Shantou Branch) is a branch of Guangdong Water Testing, and as at the Latest Practicable Date, Guangdong Water Testing is owned as to 99.9% by Guangdong Water Technology (being a wholly-owned subsidiary of Guangdong Holdings) and 0.1% by Guangdong Yuehai Water (being a wholly-owned subsidiary of Guangdong Holdings). As such, Guangdong Water Testing (Shantou Branch) is a wholly-owned subsidiary of Guangdong Holdings, hence also a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Support Services Agreements will become continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 26 June 2025 in relation to the 2025 Support Services Framework Agreement entered into between Guangdong Water Holdings, Yue Gang Water Supply and Guangdong Water Technology for a period from 29 June 2025 to 31 December 2027 (both days inclusive). Pursuant to the 2025 Support Services Framework Agreement, the Guangdong Water Technology Group shall provide support services including water quality testing services and information system development, operation and maintenance services to the GDI Water Supply Group.

Upon Completion, each of the Support Services Agreements (which conforms with the principles and provisions set out in the 2025 Support Services Framework Agreement and is in compliance with the Listing Rules) will be regarded as a specific individual agreement under the 2025 Support Services Framework Agreement. Each of the Support Services Agreements has set out the detailed terms for the relevant transactions and the transactions contemplated thereunder are in the ordinary and usual course of business, conducted after arm's length negotiation, on normal commercial terms and on terms and conditions no less favourable than those offered by independent third parties to the GDI Water Supply Group. (For the reasons for and benefits of entering into of the 2025 Support Services Framework Agreement, please refer to the announcement of the Company dated 26 June 2025.)

B.3 The Solar Power Plants Agreement

Prior to the Latest Practicable Date, Target Company (Shantou) and Feilaixia entered into an agreement on 27 June 2022 (as supplemented on 11 September 2025 and 23 October 2025 respectively) in relation to the establishment of and cooperation with regard to distributed solar photovoltaic power plants for generating electricity for, among others, Target Company (Shantou)'s self-consumption, for a term of 20 years from the date on which the relevant distributed solar photovoltaic power plants commence electricity generation (the "**Solar Power Plants Agreement**").

Upon Completion, Target Company (Shantou) will become a subsidiary of the Company. Feilaixia is a wholly-owned subsidiary of Guangdong Holdings (being the ultimate controlling shareholder the Company), hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Solar Power Plants Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 30 May 2025 in relation to the 2025 Solar Power Plants Framework Agreement entered into between Guangdong Water Holdings and Feilaixia in respect of the establishment of and cooperation with regard to distributed solar photovoltaic power plants for generating electricity for, among others, the Guangdong Water Group's self-consumption for a period from 1 June 2025 to 31 December 2027 (both days inclusive).

Upon Completion, the Solar Power Plants Agreement (which conforms with the principles and provisions set out in the 2025 Solar Power Plants Framework Agreement and is in compliance with the Listing Rules) will be regarded as a specific individual agreement under the 2025 Solar Power Plants Framework Agreement. The Solar Power Plants Agreement has set out the specific terms and settlement details for the relevant transactions and the transactions contemplated thereunder are conducted after arm's length negotiation, in the ordinary and usual course of business, on normal commercial terms and on terms and conditions no less favourable than those offered by independent third parties to the Guangdong Water Group. (For the reasons for and benefits of entering into of the 2025 Solar Power Plants Framework Agreement, please refer to the announcement of the Company dated 30 May 2025.)

C. DIRECTORS PROPOSED TO BE RE-ELECTED AT THE EGM

Pursuant to Article 73 of the Articles of Association of the Company, the Board shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the first general meeting after his appointment and shall then be eligible for re-election at that meeting.

Mr. LI Wenchang and Mr. HE Zhifeng, who were appointed as Non-Executive Directors of the Company on 26 August 2025 and 28 October 2025, respectively, will retire at the EGM in accordance with Article 73 of the Articles of Association of the Company. Being eligible, they will offer themselves for re-election.

Particulars of Mr. Li and Mr. He who will retire at the EGM and being eligible, offer himself for re-election are set out in Appendix III to this circular.

Separate resolutions will be put forward at the EGM for the re-election of Mr. Li and Mr. He.

Yours faithfully,
By Order of the Board
Guangdong Investment Limited
TSANG Hon Nam
Director

GUANGDONG INVESTMENT LIMITED
（粵海投資有限公司）

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00270)

20 November 2025

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE PROPOSED ACQUISITIONS OF EQUITY INTERESTS IN TWO TARGET COMPANIES

We refer to the circular of the Company to the Shareholders dated 20 November 2025 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We, Dr. CHAN Cho Chak, John, Mr. FUNG, Daniel R., Dr. the Honourable CHENG Mo Chi, Moses, and Mr. LI Man Bun, Brian David, being the independent non-executive Directors, have been appointed by the Board as the Independent Board Committee to advise you as to whether, in our opinion, (i) the terms of the Equity Transfer Agreements are fair and reasonable; (ii) the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder are entered into on normal commercial terms (or better), and in the ordinary and usual course of business of the Group; and (iii) the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder are in the interests of the Company and its Shareholders as a whole.

Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder.

We wish to draw your attention to the letter from the Board set out on pages 8 to 36 of the Circular which contains, among others, information on the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder, and the letter from the Independent Financial Adviser set out on pages 39 to 68 of the Circular which contains its advice in respect of the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder.

Having considered the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder, as well as the advice of the Independent Financial Adviser as set out in the Circular, we are of the opinion that (i) the terms of the Equity Transfer Agreements are fair and reasonable; (ii) the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder are entered into on normal commercial terms (or better), and in the ordinary and usual course of business of the Group; and (iii) the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder are in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in respect of the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder to be proposed at the EGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Dr. CHAN Cho Chak, John
Independent Non-Executive Director

Mr. FUNG, Daniel R.
Independent Non-Executive Director

Dr. the Honourable CHENG Mo Chi, Moses
Independent Non-Executive Director

Mr. LI Man Bun, Brian David
Independent Non-Executive Director

The following is the text of a letter of advice from Altus Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreements and the Proposed Acquisitions.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

20 November 2025

To the Independent Board Committee and the Independent Shareholders

Guangdong Investment Limited
28th and 29th Floors
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

Dear Sir and Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE PROPOSED ACQUISITIONS OF EQUITY INTERESTS IN TWO TARGET COMPANIES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreements and the Proposed Acquisitions. The details are set out in the "Letter from the Board" contained in the circular of the Company dated 20 November 2025 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein or required by the context.

On 28 October 2025:

(i) Guangdong Water Investment (as purchaser) (being a wholly-owned subsidiary of the Company) and Guangdong Yuehai Water (as seller) (being a wholly-owned subsidiary of Guangdong Holdings) entered into Equity Transfer Agreement (Yangjiang), pursuant to which Guangdong Water Investment has agreed to purchase, and Guangdong Yuehai Water has agreed to sell, Sale Equity (Yangjiang) (representing 51% of the total equity interest in Target Company (Yangjiang)) at the consideration of RMB155,977,800 (the "**Yangjiang Consideration**") (subject to adjustment (if any) in accordance with the terms of Equity Transfer Agreement (Yangjiang)) in cash; and

(ii) Guangdong Water Holdings (as purchaser) (being a wholly-owned subsidiary of the Company) and Guangdong Yuehai Water (as seller) (being a wholly-owned subsidiary of Guangdong Holdings) entered into Equity Transfer Agreement (Shantou), pursuant to which Guangdong Water Holdings has agreed to purchase, and Guangdong Yuehai Water has agreed to sell, Sale Equity (Shantou) (representing 2% of the total equity interest in Target Company (Shantou)) at the consideration of RMB70,876,400 (the "**Shantou Consideration**") (subject to adjustment (if any) in accordance with the terms of Equity Transfer Agreement (Shantou)) in cash.

Upon Completion, the Target Companies will become non-wholly owned subsidiaries of the Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Proposed Acquisitions (on an aggregated basis) calculated pursuant to the Listing Rules is more than 5%, but all the applicable percentage ratios are less than 25%, the entering into of the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder constitute discloseable transactions of the Company, and are therefore subject to the announcement requirement under Chapter 14 of the Listing Rules.

Guangdong Holdings is the ultimate controlling shareholder of the Company, hence a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Guangdong Yuehai Water is a wholly-owned subsidiary of Guangdong Holdings, hence an associate of Guangdong Holdings and also a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Proposed Acquisitions (on an aggregated basis) calculated pursuant to the Listing Rules is more than 5%, the entering into of the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. CHAN Cho Chak, John, Mr. FUNG, Daniel R., Dr. the Honourable CHENG Mo Chi, Moses, and Mr. LI Man Bun, Brian David has been formed to advise the Independent Shareholders as to whether (i) the entering into of the Equity Transfer Agreements are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the proposed resolutions at the EGM to approve the entering into of the Equity Transfer Agreements, taking into account the recommendations from the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether (i) the entering into of the Equity Transfer Agreements are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the proposed resolutions at the EGM to approve the entering into of the Equity Transfer Agreements.

We have not acted as the independent financial adviser or financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules and given that remuneration for our engagement to opine on the Equity Transfer Agreements and the Proposed Acquisitions is at market level and not conditional upon successful passing of the resolutions, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the Equity Transfer Agreements; (ii) the valuation reports in respect of the entire equity interest of each of the Target Companies as set out in Appendix I to the Circular; (iii) the interim report of the Company for the six months ended 30 June 2025 (the "**2025 Interim Report**"); (iv) the annual report of the Company for the year ended 31 December 2024 (the "**2024 Annual Report**"); and (v) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of the EGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group, the purchasers and the seller

1.1 Principal businesses of the Group and the purchasers

The Group

The Group is principally engaged in investment holding, water resources, property investment and development, department store operation, hotel ownership, operation and management, investments in energy projects and road and bridge operation. The ultimate controlling shareholder of the Company is Guangdong Holdings.

Guangdong Water Holdings

Guangdong Water Holdings is incorporated in Hong Kong and it is a wholly-owned subsidiary of the Company. Guangdong Water Holdings is principally engaged in investment holding and its subsidiaries are principally engaged in water resources businesses.

Guangdong Water Investment

Guangdong Water Investment is a wholly-owned subsidiary of Guangdong Water Holdings. Guangdong Water Investment is principally engaged in investment holding.

1.2 Financial information of the Group

Set out below is a table summarising certain key financial information of the Group extracted from the 2025 Interim Report and the 2024 Annual Report.

Extract of consolidated statement of profit or loss

	For the year ended 31 December		For the six months ended 30 June	
	2023[note]	**2024**	**2024**[note]	**2025**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	**20,322,478**	**18,505,293**	**9,486,866**	**9,428,291**
– Water resources	15,329,381	13,511,006	7,051,438	7,153,052
– Property investment	1,426,843	1,576,863	778,698	810,718
– Department store operation	758,786	861,612	389,592	216,529
– Electric power generation	1,475,698	1,268,698	629,462	610,859
– Hotel operation and management	648,780	648,379	315,188	336,393
– Road and bridge	682,990	638,735	322,488	300,740
Gross profit	**9,654,560**	**9,822,461**	**5,307,492**	**5,246,448**
Gross profit margin	47.5%	53.1%	55.9%	55.6%
Profit for the year/period attributable to owners of the Company	**3,122,069**	**3,142,138**	**2,410,985**	**2,681,733**

Extract of consolidated statement of financial position

	As at 31 December		As at 30 June
	2023	2024	2025
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)
Total assets	**139,965,972**	**135,595,403**	**97,097,484**
– Cash and bank balances	12,593,616	12,154,029	12,035,983
Total liabilities	**81,936,347**	**78,919,930**	**41,247,514**
Net assets	**58,029,625**	**56,675,473**	**55,849,970**
Attributable to:			
– Owners of the Company	41,802,210	41,658,024	42,177,713
– Non-controlling interest	16,227,415	15,017,449	13,672,257

Capital adequacy ratio

	As at 31 December		As at 30 June
	2023	2024	2025
Gearing ratio	77.3%	30.9%	24.7%

Source: The 2025 Interim Report and the 2024 Annual Report

Note: On 9 December 2024, the Board recommended the payment of a special dividend in the form of a distribution in specie of shares of Guangdong Land Holdings Limited ("**GD Land**") held directly by the Company (the "**Proposed Distribution**"), conditional upon the passing of an ordinary resolution by the shareholders of the Company. On 8 January 2025, the resolution to approve the Proposed Distribution was passed by the shareholders of the Company. On 21 January 2025, a total of 1,261,799,423 shares of GD Land was distributed to the shareholders of the Company. The consolidated assets and liabilities of GD Land were classified as held for distribution as at 31 December 2024 and the consolidated results of GD Land for the year ended 31 December 2024 and for the period from 1 January 2025 to 21 January 2025 were presented as discontinued operations. The respective comparative figures have been restated accordingly. For details, please refer to the 2024 Annual Report and the 2025 Interim Report.

Year ended 31 December 2023 compared to year ended 31 December 2024

Over 70% of the Group's revenue was derived from its water resources business. This segment included water distribution, sewage treatment, construction of water supply and sewage treatment infrastructure, water pipeline installation and consultancy services and sale of machineries for customers in Mainland China and Hong Kong.

The Group recorded revenue of approximately HK$18,505 million in 2024, representing a decrease of approximately 8.9% from approximately HK$20,322 million during the previous year. This decline was primarily attributable to the decrease in revenue from construction services within the water resources business, which decreased from approximately HK$2,199 million in 2023 to approximately HK$521 million in 2024.

Despite the decrease in revenue, the Group's gross profit increased slightly by approximately 1.7% from approximately HK$9,655 million in 2023 to approximately HK$9,822 million in 2024. This was mainly due to the increase in gross profit margin from approximately 47.5% to 53.1%.

The Group recorded profit attributable to owners of the Company of approximately HK$3,142 million in 2024, which remained relatively stable compared to the approximately HK$3,122 million recorded in 2023.

The Group's financial position remained relatively stable as at 31 December 2024 compared to 31 December 2023. Total assets and total liabilities decreased marginally by approximately 3.1% and 3.7% respectively. As a result, net assets attributable to owners of the Company remained stable at approximately HK$41,802 million and HK$41,658 million as at 31 December 2023 and 2024 respectively. Meanwhile, the Group maintained stable cash and bank balances of around HK$12 billion as at the respective year-end dates. Gearing ratio from the Group's continuing operations (i.e. net financial indebtedness/net asset value (excluding non-controlling interests)) improved to approximately 30.9% as at 31 December 2024 from approximately 77.3% as at 31 December 2023, due mainly to the transfer of GD Land's net financial borrowings to asset/liabilities held for distribution.

*Six months ended 30 June 2024 ("**1H2024**") compared to six months ended 30 June 2025 ("**1H2025**")*

The Group's revenue remained relatively stable at approximately HK$9,428 million in 1H2025, compared to HK$9,487 million in 1H2024. The slight decrease was mainly attributable to lower revenue from the department store operation, which was partially offset by an increase in revenue from the water resources business.

The Group's gross profit remained relatively stable at approximately HK$5,246 million in 1H2025, compared to HK$5,307 million in 1H2024. This corresponded to a gross profit margin of approximately 55.6% and 55.9% respectively.

The Group's profit attributable to owners of the Company increased by approximately 11.2% from approximately HK$2,411 million in 1H2024 to approximately HK$2,682 million in 1H2025, mainly attributable to the decrease in net finance costs from approximately HK$389 million in 1H2024 to approximately HK$188 million in 1H2025.

Following the disposal of GD Land through distribution in specie to the shareholders of the Company in 1H2025, the Group's total assets and total liabilities decreased to approximately HK$97,097 million and HK$41,248 million respectively as at 30 June 2025. The net impact on net assets attributable to owners of the Company was marginal, increasing by approximately 1.2% from approximately HK$41,658 million as at 31 December 2024 to approximately HK$42,178 million as at 30 June 2025. The Group continued to maintain cash and bank balances of approximately HK$12 billion as at 30 June 2025. The gearing ratio further improved to approximately 24.7% from 30.9% over this period.

Section summary

Overall, we observed that with the water resources business contributing over 70% of the Group's revenue, its financial performance has remained stable, generating positive profits from 2023 through 1H2025. The Group has also maintained a steady balance sheet with reasonable liquidity and an improving gearing ratio.

1.3 Outlook of the Group

As stated in the 2025 Interim Report, the Group has adhered to its development strategy of "balancing progress and stability and enhancing quality and efficiency" amidst an increasingly complex and unpredictable external environment. In line with this strategy, the Group intended to seize market opportunities to expand the scale of its core business. To this end, the Group will concentrate resources on extending the water resources segment into higher value-added areas, thereby promoting the transformation and upgrading of its business structure. Furthermore, the Group aims to capitalise on development opportunities arising from the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area". The Group will also monitor investment, merger and acquisition opportunities to achieve profit growth and enhance its operational performance and overall value.

1.4 Principal business of the seller

Guangdong Yuehai Water

Guangdong Yuehai Water is a company established in the PRC with limited liability and is principally engaged in the investment in and operation of water resources projects in the PRC. It is a wholly-owned subsidiary of Guangdong Holdings.

Guangdong Holdings is the ultimate controlling shareholder of the Company and is principally engaged in investment holding. The business activities of the Guangdong Holdings Group include public utilities and infrastructure, manufacturing, real estate, hotel, property management, retail and wholesale, finance, etc. Guangdong Holdings invests mainly in business sectors including water and water environment management, urban complex development and related services, modern industrial park development and investment. As at the Latest Practicable Date, Guangdong Holdings was held as to 90% by the Guangdong Government and as to 10% by the Department of Finance of the Guangdong Province while the State-owned Assets Supervision and Administration Commission of the Guangdong Government has been performing ownership and control functions in respect of Guangdong Holdings with the authorisation of the Guangdong Government.

2. Background information of the Target Companies

2.1 Principal business of Target Company (Yangjiang)

Target Company (Yangjiang) is a limited liability company established in the PRC. Further details in relation to the formation of Target Company (Yangjiang) as a joint venture in 2018 were set out in an announcement of the Company dated 1 February 2018.

Target Company (Yangjiang) is principally engaged in the business of the provision of sewage interception and drainage pipeline renovation works in certain public-private partnership ("**PPP**") projects, as well as in investment, construction, operation and maintenance of the related facilities.

As at the Latest Practicable Date, Target Company (Yangjiang) was owned as to (i) 51% by Guangdong Yuehai Water; (ii) 48% by Guangdong Water Holdings; and (iii) 1% by 中國一冶集團有限公司(China First Metallurgical Group Co., Ltd.).

In other words, prior to entering into the Equity Transfer Agreement (Yangjiang), the Company (through Guangdong Water Holdings) already owned 48% equity interest in Target Company (Yangjiang) and it is currently classified as an associate in the consolidated financial statement of the Group.

For further details, please refer to the paragraph headed "Target Company (Yangjiang)" under the section headed "A.3 Information on the Target Companies" in the "Letter from the Board" of the Circular.

2.2 Financial information of Target Company (Yangjiang)

Set out below is a table summarising certain key financial information of Target Company (Yangjiang) for each of the years ended 31 December 2023 and 31 December 2024 respectively, based on the audited financial statements of Target Company (Yangjiang) prepared in accordance with PRC Generally Accepted Accounting Principles and audited by the PRC auditor.

	For the year ended 31 December 2023	**For the year ended 31 December 2024**
	RMB	*RMB*
	(audited)	(audited)
Revenue	70,521,800	62,751,500
Profit before tax	28,349,600	32,836,800
Profit after tax	21,179,600	23,499,800

Revenue of Target Company (Yangjiang) was predominately derived from sewage interception and drainage pipeline renovation projects. In this regard, we understand from the Management that Target Company (Yangjiang) is engaged in five PPP projects in Yangjiang city for this type of work, each with a 15-year term ending in 2033.

The decrease in revenue from approximately RMB71 million in 2023 to approximately RMB63 million in 2024 was mainly due to the decrease in construction revenue. Notwithstanding this, Target Company (Yangjiang) recorded increase in profit after tax from approximately RMB21 million in 2023 to approximately RMB23 million in 2024.

As at 31 December 2024, the audited net asset value of Target Company (Yangjiang) amounted to approximately RMB335,677,100.

2.3 Principal business of Target Company (Shantou)

Target Company (Shantou) is a limited liability company established in the PRC. Further details in relation to the formation of Target Company (Shantou) as a joint venture in 2017 were set out in an announcement of the Company dated 7 July 2017.

Target Company (Shantou) is principally engaged in the production and supply of tap water.

As at the Latest Practicable Date, Target Company (Shantou) was owned as to (i) 2% by Guangdong Yuehai Water; (ii) 49% by Guangdong Water Holdings; and (iii) 49% by Shantou Construction Development (which is an independent third party).

In other words, prior to entering into the Equity Transfer Agreement (Shantou), the Company (through Guangdong Water Holdings) already owned 49% equity interest in Target Company (Shantou) and it is currently classified as an associate in the consolidated financial statement of the Group.

For further details, please refer to the paragraph headed "Target Company (Shantou)" under the section headed "A.3 Information on the Target Companies" in the "Letter from the Board" of the Circular.

2.4 Financial information of Target Company (Shantou)

Set out below is a table summarising certain key financial information of Target Company (Shantou) for each of the years ended 31 December 2023 and 31 December 2024 respectively, based on the audited financial statements of Target Company (Shantou) prepared in accordance with PRC Generally Accepted Accounting Principles and audited by the PRC auditor.

	For the year ended 31 December 2023	**For the year ended 31 December 2024**
	RMB (audited)	*RMB* (audited)
Revenue	524,735,200	486,474,900
Profit before tax	52,380,000	53,395,200
Profit after tax	38,651,600	38,777,800

Revenue of Target Company (Shantou) was predominately derived from its water supply business. In this regard, we understand from the Management that Target Company (Shantou) operates four water treatment plants with a total daily water supply capacity of 920,000 cubic meters and holds a water supply concession term until 2047.

The decrease in revenue from approximately RMB525 million in 2023 to approximately RMB486 million in 2024 was mainly due to the decrease in construction revenue. Notwithstanding this, Target Company (Shantou)'s profit after tax remained stable at approximately RMB39 million in 2023 and 2024 respectively.

As at 31 December 2024, the audited net asset value of Target Company (Shantou) amounted to approximately RMB3,177,949,100.

3. Reasons for and benefits of the Proposed Acquisitions

As set out in the section headed "A.6 Reasons for and benefits of the Proposed Acquisitions" in the "Letter from the Board" of the Circular, the Target Companies are expected to create synergies with the Guangdong Water Group's existing businesses in terms of branding, cost effectiveness and operational efficiency. The Proposed Acquisitions are also expected to enhance the Guangdong Water Group's competitiveness through expanded water treatment and related construction works, thereby improving its revenue and financial results.

In this regard, we note that the Company (through Guangdong Water Holdings) already owned 48% and 49% equity interests in Target Company (Yangjiang) and Target Company (Shantou) respectively. The entering into of the Equity Transfer Agreements in essence is to acquire further equity interests and secure controlling stake in the Target Companies, such level of statutory control enables the Group to achieve more actual and effective control over their management and operations as well as the direction of their development. With statutory control over the equity interests in the Target Companies, the Group will also be able to optimise their capital structure and balance sheets with a view to increasing their return on investments and allowing them more options in securing borrowings and/or lowering borrowing costs.

The Target Companies are engaged in the water supply and sewage interception businesses, which align with one of the Group's principal activities (i.e. water resources businesses). The Proposed Acquisitions are also in line with the Group's long-term goal of further stepping up the development of its "water resources centric business" and strategy to extend its water resources segment as stated in the 2025 Interim Report.

We also noted that according to the "Notice of Guangzhou Municipal Development and Reform Commission on Issues Related to Tap Water Price Reform in the Central Urban Area of Guangzhou"(廣州市發展和改革委員會發佈的《關於我市中心城區自來水價格改革有關問題的通知》), the "Notice of Shenzhen Municipal Development and Reform Commission on Adjustment and Policy Optimisation of Tap Water Prices in Shenzhen"1(深圳市發展和改革委員會發佈的《關於我市自來水價格調整與政策優化的通知》), and the "Notice of Dongguan Municipal Development and Reform Bureau on Further Improvement of the Tap Water Price Formation Mechanism in Dongguan"(東莞市發展和改革委員會發佈的《關於進一步完善我市自來水價格形成機制的通知》), the water charge for certain cities in the Guangdong Province (such as Guangzhou, Shenzhen and Dongguan) had started to adjust upward in 2025. This was a major adjustment first made over the past ten years and the Management expects such trend to continue going forward. As both Target Companies are located in Guangdong Province and will become subsidiaries of the Company upon Completion, such trend will benefit the water supply business of the Group.

Overall, we concur with the Management's view that the entering into of the Equity Transfer Agreements are in line with the strategy of the Group, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Equity Transfer Agreement (Yangjiang)

On 28 October 2025, Guangdong Water Investment (as purchaser) (being a wholly-owned subsidiary of the Company) and Guangdong Yuehai Water (as seller) (being a wholly-owned subsidiary of Guangdong Holdings) entered into Equity Transfer Agreement (Yangjiang), pursuant to which Guangdong Water Investment has agreed to purchase, and Guangdong Yuehai Water has agreed to sell, Sale Equity (Yangjiang) (representing 51% of the total equity interest in Target Company (Yangjiang)) at the consideration of RMB155,977,800 (subject to adjustment (if any) in accordance with the terms of Equity Transfer Agreement (Yangjiang)) in cash.

In addition, in respect of and among Sale Equity (Yangjiang), the capital amount of RMB108,263,922 has been paid up and the capital amount of RMB31,136,112 remained unpaid by Guangdong Yuehai Water (the "**Unpaid Amount (Yangjiang)**") as at the Latest Practicable Date. Upon Completion, Guangdong Water Investment will assume the obligation to pay up the Unpaid Amount (Yangjiang). As a result, the total cash outlay by Guangdong Water Investment in respect of Proposed Acquisition (Yangjiang) (including the obligation to pay the Unpaid Amount (Yangjiang)) amounts to RMB187,113,912 (i.e. the Yangjiang Consideration in the amount of RMB155,977,800, subject to adjustments (if any) + the Unpaid Amount (Yangjiang) in the amount of RMB31,136,112).

For details of the principal terms of the Equity Transfer Agreement (Yangjiang), please refer to the "Letter from the Board" of the Circular. When considering the fairness and reasonableness of the terms of the Equity Transfer Agreement (Yangjiang), we have taken into account the following factors.

4.1 The Yangjiang Consideration

According to the "Letter from the Board" of the Circular, the Yangjiang Consideration was determined after arm's length negotiations between Guangdong Water Investment and Guangdong Yuehai Water having taken into account, among other things, (i) the appraised equity value of the Sale Equity (Yangjiang) pursuant to the valuation report prepared by the Valuer; (ii) the NAV of Target Company (Yangjiang) as at 31 December 2024, being the sum of RMB335,677,100; (iii) the strategic prospects of Target Company (Yangjiang) to enter the Yangjiang water-resources market; and (iv) other factors set out in the section headed "A.6 Reasons for and benefits of the Proposed Acquisitions" in the "Letter from the Board" of the Circular.

In this regard, we understand that the Yangjiang Consideration of RMB155,977,800 is arrived at with reference to the following formula:

(Appraised Value (Yangjiang)[(i)] + Total unpaid capital amount due from all shareholders of Target Company (Yangjiang)[(ii)]) x 51% – the Unpaid Amount (Yangjiang)[(iii)]

where:

(i) Appraised Value (Yangjiang) (defined below) amounted to RMB335,756,400.

(ii) According to the applicable PRC laws and regulations, all capital contributions subscribed by shareholder(s) must be fully paid within the required timeframe. On this basis, we concur with the Management that any unpaid capital amount, which is not reflected in Target Company (Yangjiang)'s latest financial statement, should be added to derive its fair equity value. We understand that, as at the Latest Practicable Date, the total unpaid capital amount is equivalent to the Unpaid Amount (Yangjiang) of RMB31,136,112.

(iii) The Unpaid Amount (Yangjiang) of RMB31,136,112 is deducted when calculating the Yangjiang Consideration. We believe it is fair and reasonable as the Group will assume the obligation to pay up this Unpaid Amount (Yangjiang) upon Completion.

Based on the above formula, the calculated amount was approximately RMB155,979,100. The Yangjiang Consideration of RMB155,977,800, as agreed between Guangdong Water Investment and Guangdong Yuehai Water, is slightly lower than this calculated figure. We note that the Yangjiang Consideration is determined mainly based on the Appraised Value (Yangjiang), and having taken into account the factors above, we are of the view that the method of arriving at the Yangjiang Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. For discussion of the Appraised Value (Yangjiang), please refer to the paragraph headed "4.3 Valuation of Target Company (Yangjiang)" below.

4.2 Payment terms for the Proposed Acquisition (Yangjiang)

Pursuant to the Equity Transfer Agreement (Yangjiang), the Yangjiang Consideration shall be paid by Guangdong Water Investment to Guangdong Yuehai Water in cash within five business days after the satisfaction of the condition precedent, namely the Equity Transfer Agreement (Yangjiang) and Proposed Acquisition (Yangjiang) having been approved by the Independent Shareholders of the Company at the EGM.

In addition, pursuant to the Equity Transfer Agreement (Yangjiang):

(i) in the event that the NAV of Target Company (Yangjiang) as at the Completion Date (as shown in the audit report to be issued by the auditor jointly appointed by Guangdong Water Investment and Guangdong Yuehai Water; such report shall be referred to as the "**Agreement (Yangjiang) Completion Audit Report**") is lower than the NAV of Target Company (Yangjiang) as at 31 December 2024 as shown in the relevant Audited Accounts, Guangdong Yuehai Water shall pay Guangdong Water Investment an amount equivalent to such shortfall multiplied by 51% in cash within 30 business days from the issue date of the Agreement (Yangjiang) Completion Audit Report; or

(ii) in the event that the NAV of Target Company (Yangjiang) as at the Completion Date (as shown in the Agreement (Yangjiang) Completion Audit Report) is higher than the NAV as at 31 December 2024 as shown in the relevant Audited Accounts, Guangdong Water Investment shall pay Guangdong Yuehai Water an amount equivalent to such surplus multiplied by 51% in cash within 30 business days from the issue date of the Agreement (Yangjiang) Completion Audit Report. The amount payable by Guangdong Water Investment is referred to as the "**Agreement (Yangjiang) Adjustment Amount**". Pursuant to Equity Transfer Agreement (Yangjiang), Guangdong Water Investment and Guangdong Yuehai Water agreed that the Agreement (Yangjiang) Adjustment Amount payable by Guangdong Water Investment to Guangdong Yuehai Water (if any) shall be capped at RMB10,000,000.

Considering that the payment of Yangjiang Consideration will be made in cash upon Completion, we are of the view that the payment terms for the Yangjiang Consideration are fair and reasonable. We are also of the view that the adjusting mechanism of the Yangjiang Consideration, which shall take into account the difference in NAV of Target Company (Yangjiang) as at 31 December 2024 (i.e. the Valuation Date) and the Completion Date, is fair and reasonable. In addition, we note that a cap has been set on the Agreement (Yangjiang) Adjustment Amount payable by Guangdong Water Investment to Guangdong Yuehai Water (if any), which is beneficial to the Group.

4.3 Valuation of Target Company (Yangjiang)

When assessing the fairness and reasonableness of the valuation of Target Company (Yangjiang), we have in particular considered the valuation report prepared by the Valuer. In this respect, we note that Allied Appraisal Co., Ltd., the Valuer, has been engaged to issue the valuation report on the market value of 100% equity interest in Target Company (Yangjiang) (the "**Valuation Report (Yangjiang)**"). According to the Valuation Report (Yangjiang), the details of which are set out in Appendix I to the Circular, the appraised value of Target Company (Yangjiang) amounted to RMB335,756,400 (the "**Appraised Value (Yangjiang)**") as at the Valuation Date.

We have considered the following factors in assessing the fairness and reasonableness of the Appraised Value (Yangjiang).

4.3.1 Valuer's qualification

The Valuer, Allied Appraisal Co., Ltd., is an asset evaluation corporation with qualification in respect of appraisal services related to assets (資產評估資格) issued by the Ministry of Finance of the PRC. We note that it is also a valuation firm approved by the State-owned Assets Supervision and Administration Commission. We note that the key personnel of the Valuer responsible for signing the Valuation Report (Yangjiang) has obtained the professional qualification certificates for asset appraisal issued by China Appraisal Society (中國資產評估協會, "**CAS**"). In this regard, we note that CAS is a national, non-profit organisation which is formed from valuation firms and qualified valuation professionals in the PRC. It is overseen by the Ministry of Civil Affairs and Ministry of Finance of the PRC. The Valuer has confirmed that it is a third party independent of the Company and its connected persons (as defined under the Listing Rules).

We have reviewed the terms of the Valuer's engagement, in particular, their scope of work, and noted that it is appropriate for arriving at the opinion required to be given. No limitation on the scope of work which might adversely impact on the degree of assurance given by them in the Valuation Report (Yangjiang) has been noted. We have also reviewed the Valuation Report (Yangjiang) and discussed with the Valuer regarding the methodologies of, and basis and assumptions adopted for the valuation of the equity interest in Target Company (Yangjiang), which are further elaborated below.

Considering the above, we believe that the Valuer has sufficient knowledge and experience to undertake the valuation of equity interest in Target Company (Yangjiang) competently and are satisfied that the scope of work is sufficient and appropriate.

4.3.2 Valuation methodology

We have conducted an interview with the Valuer to understand the valuation methodology adopted for valuing the equity interest in Target Company (Yangjiang).

We note that the Valuer has adopted the asset-based approach (the "**Asset-based Approach**") in arriving at the Appraised Value (Yangjiang) and assuming that Target Company (Yangjiang) will continue to operate and the assets and liabilities of Target Company (Yangjiang) will be evaluated by specific assessment method corresponding to such assets and liabilities. Based on our discussion with the Valuer, we understand that the Asset-based Approach is one of the commonly adopted approaches for valuing companies of similar natures and is also in line with normal market practices. We are further advised by the Valuer that as information on each asset and liability of Target Company (Yangjiang) is properly recorded, the major assets are currently in use, and market price information is readily accessible, the adoption of the Asset-based Approach is appropriate.

In addition, the Valuer has complied with the valuation standards. During the course of our discussion with the Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology in arriving at the Appraised Value (Yangjiang).

Given the above, we are of the view that the valuation methodology adopted by the Valuer for valuing the equity interest in Target Company (Yangjiang) is fair and reasonable.

We understand that the Valuer has also considered the income approach, which involves converting expected future returns into an indication of value, given that the Target Company (Yangjiang) has a comprehensive operational history and the ability to generate returns in the foreseeable future etc.. We further understand that the Valuer ultimately adopted the results from the Asset-based Approach to determine the Appraised Value (Yangjiang). We concur with the Valuer that the income approach is one of the commonly adopted valuation methodologies and can be adopted in the case of Target Company (Yangjiang). At the same time, we also note that the income approach involves numerous subjective assumptions over a long-time horizon, and the result can be highly sensitive to changes in certain inputs. Therefore, we consider the Valuer's decision to adopt valuation results from the Asset-based Approach, in which the inputs are subject to less uncertainty and can be obtained from the market, to be reasonable.

4.3.3 Basis and assumptions

The Valuer's valuation is carried out on a market value basis, being the "estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and willing seller in an arm's length transaction after proper marketing and where parties had each acted knowledgeably, prudently, and without compulsion". We note that in the case of the Proposed Acquisition (Yangjiang), the Equity Transfer Agreement (Yangjiang) shall be entered into by the parties thereto on normal commercial terms following arm's length negotiations; and we are not aware of any unique circumstances relating to the Proposed Acquisition (Yangjiang) such as distressed or compulsory sale. We are therefore of the view that the basis adopted by the Valuer is fair and reasonable.

For the Asset-based Approach, the Valuer assesses each item's value in the balance sheet of Target Company (Yangjiang) in determining the value of Target Company (Yangjiang). The following table (as extracted and summarised from the Valuation Report (Yangjiang)) sets out the basis in deriving the Appraised Value (Yangjiang).

	RMB
NAV of Target Company (Yangjiang) as at the Valuation Date	335,677,100
Add:	
– revaluation surplus on fixed assets	79,200
Appraised Value (Yangjiang) as at the Valuation Date	**335,756,400**

* *subject to rounding*

As set out in the table above, the Valuer has estimated total revaluation surplus of approximately RMB79,200 for Target Company (Yangjiang). The total revaluation surplus is added back to the audited NAV of Target Company (Yangjiang) as at the Valuation Date, deriving the Appraised Value (Yangjiang) of RMB335,756,400 for the entire equity interest in Target Company (Yangjiang) as at the Valuation Date.

The revaluation surplus is derived from Target Company (Yangjiang)'s fixed assets by deducting their respective book values from their market values as estimated by the Valuer. We understand from the Valuer that in deriving the market value of the fixed assets, they have applied two methods, namely the market comparable approach and the replacement cost approach. The revaluation surplus on fixed assets relates to the valuation of (i) two vehicles; and (ii) 116 electronic equipment.

Based on our discussion with the Valuer and our review of the workings, we note the following:

- For the **market comparable approach**, the Valuer has referenced the current market prices of similar assets available in the market and has made certain adjustments as considered appropriate to derive the appraised value of the asset.

  We understand from the Valuer that for asset which has exceeded its economic useful life and has a production date far from the Valuation Date, making it impossible to determine a replacement cost (under the replacement cost approach as discussed below), the Valuer has adopted the market comparable approach, using second-hand market quotations of similar assets for valuation analysis.

- For the **replacement cost approach**, the Valuer first estimated the full replacement cost of the asset and then determined its value by deducting various forms of depreciation (including physical deterioration, potential functional and economic obsolescence) based on the asset's current operating condition.

  In this regard, we note that the Valuer has determined (i) the full replacement cost based on available market information; and (ii) the depreciation amounts with reference to the asset's actual usage (in terms of years or kilometers, in the case of vehicles), its economic useful life under the applicable PRC laws and regulations, and physical inspection conducted by personnel of the Valuer.

We consider that the above basis and assumptions made by the Valuer in this regard are fair and reasonable.

4.3.4 Section conclusion

Following our discussion with the Valuer and reviewing each of the valuation basis of the market comparable approach and the replacement cost approach, which form the sum of market value for key items of the balance sheet and in turn, derive the Appraised Value (Yangjiang) under the Asset-based Approach, we concur with the Valuer's view that the valuation methodology adopted by the Valuer for determining the market value of such assets and the underlying basis for valuation is fair and reasonable.

Having considered that (i) the Valuer has the relevant qualification, competence and experience to prepare the Valuation Report (Yangjiang); (ii) the Valuer's scope of work is appropriate for performing the valuation of equity interest in Target Company (Yangjiang); (iii) the valuation methodology of the Asset-based Approach is appropriate and in line with normal market practices; and (iv) the valuation assumptions and underlying basis are fair and reasonable, we are of the view that the Appraised Value (Yangjiang) is fairly and reasonably derived at.

4.4 Section conclusion

Having considered the factors above, we are of the view that the terms of the Equity Transfer Agreement (Yangjiang) and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

5. Principal terms of the Equity Transfer Agreement (Shantou)

Guangdong Water Holdings (as purchaser) (being a wholly-owned subsidiary of the Company) and Guangdong Yuehai Water (as seller) (being a wholly-owned subsidiary of Guangdong Holdings) entered into Equity Transfer Agreement (Shantou), pursuant to which Guangdong Water Holdings has agreed to purchase, and Guangdong Yuehai Water has agreed to sell, Sale Equity (Shantou) (representing 2% of the total equity interest in Target Company (Shantou)) at the consideration of RMB70,876,400 (subject to adjustment (if any) in accordance with the terms of Equity Transfer Agreement (Shantou)) in cash.

In addition to the Shantou Consideration, Guangdong Water Holdings will also assume Guangdong Yuehai Water's obligation to pay an amount of RMB1,176,500 (the "**Unpaid Amount (Shantou)**"), which shall be credited to the capital reserve of Target Company (Shantou) and remained unpaid by Guangdong Yuehai Water as at the Latest Practicable Date. As a result, the total cash outlay by Guangdong Water Holdings in respect of Proposed Acquisition (Shantou) (including the obligation to pay the Unpaid Amount (Shantou)) amounts to RMB72,052,900 (i.e. the Shantou Consideration in the amount of RMB70,876,400, subject to adjustments (if any) + the Unpaid Amount (Shantou) in the amount of RMB1,176,500).

For details of the principal terms of the Equity Transfer Agreement (Shantou), please refer to the "Letter from the Board" of the Circular. When considering the fairness and reasonableness of the terms of the Equity Transfer Agreement (Shantou), we have taken into account the following factors.

5.1 The Shantou Consideration

According to the "Letter from the Board" of the Circular, the Shantou Consideration was determined after arm's length negotiations between Guangdong Water Holdings and Guangdong Yuehai Water having taken into account, among other things, (i) the appraised equity value of the Sale Equity (Shantou) pursuant to the valuation report prepared by the Valuer; (ii) the NAV of Target Company (Shantou) as at 31 December 2024, being the sum of RMB3,177,949,100; (iii) the strategic prospects of Target Company (Shantou) to expand its water supply operations in Shantou; and (iv) other factors set out in the section headed "A.6 Reasons for and benefits of the Proposed Acquisitions" in the "Letter from the Board" of the Circular.

In this regard, we understand that the Shantou Consideration of RMB70,876,400 is arrived at with reference to the following formula:

(Appraised Value (Shantou)[(i)] + Total unpaid capital amount due from all shareholders of Target Company (Shantou)[(ii)]) x 2% – the Unpaid Amount (Shantou)[(iii)]

where:

(i) Appraised Value (Shantou) (defined below) amounted to RMB3,588,572,900.

(ii) According to the applicable PRC laws and regulations, all capital contributions subscribed by shareholder(s) must be fully paid within the required timeframe. On this basis, we concur with the Management that any unpaid capital amount, which is not reflected in Target Company (Shantou)'s latest financial statement, should be added to derive its fair equity value. We understand that, as at the Latest Practicable Date, the total unpaid capital amount was RMB30,000,000.

(iii) The Unpaid Amount (Shantou) of RMB1,176,500 is deducted when calculating the Shantou Consideration. We believe it is fair and reasonable as the Group will assume the obligation to pay up this Unpaid Amount (Shantou).

Based on the above formula, the calculated amount was approximately RMB71,195,000. The Shantou Consideration of RMB70,876,400, as agreed between Guangdong Water Holdings and Guangdong Yuehai Water, is slightly lower than this calculated figure. We note that the Shantou Consideration is determined mainly based on the Appraised Value (Shantou), and having taken into account the factors above, we are of the view that the method of arriving at the Shantou Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. For discussion of the Appraised Value (Shantou), please refer to the paragraph headed "5.3 Valuation of Target Company (Shantou)" below.

5.2 Payment terms for the Proposed Acquisition (Shantou)

Pursuant to the Equity Transfer Agreement (Shantou), the Shantou Consideration shall be paid by Guangdong Water Holdings to Guangdong Yuehai Water in cash within five business days after the satisfaction of the condition precedent, namely the Equity Transfer Agreement (Shantou) and Proposed Acquisition (Shantou) having been approved by the Independent Shareholders of the Company at the EGM.

In addition, pursuant to the Equity Transfer Agreement (Shantou):

(i) in the event that the NAV of Target Company (Shantou) as at the Completion Date (as shown in the audit report to be issued by the auditor jointly appointed by Guangdong Water Holdings and Guangdong Yuehai Water, referred to as the "**Agreement (Shantou) Completion Audit Report**") is lower than the NAV of Target Company (Shantou) as at 31 December 2024 as shown in the relevant Audited Accounts, Guangdong Yuehai Water shall pay Guangdong Water Holdings an amount equivalent to such shortfall multiplied by 2% in cash within 30 business days from the issue date of the Agreement (Shantou) Completion Audit Report; or

(ii) in the event that the NAV of Target Company (Shantou) as at the Completion Date (as shown in the Agreement (Shantou) Completion Audit Report) is higher than the NAV as at 31 December 2024 as shown in the relevant Audited Accounts, Guangdong Water Holdings shall pay Guangdong Yuehai Water an amount equivalent to such surplus multiplied by 2% in cash within 30 business days from the issue date of the Agreement (Shantou) Completion Audit Report. The amount payable by Guangdong Water Holdings is referred to as the "**Agreement (Shantou) Adjustment Amount**". Pursuant to Equity Transfer Agreement (Shantou), Guangdong Water Holdings and Guangdong Yuehai Water agreed that the Agreement (Shantou) Adjustment Amount payable by Guangdong Water Holdings to Guangdong Yuehai Water (if any) shall be capped at RMB1,200,000.

Considering that the payment of Shantou Consideration will be made in cash upon Completion, we are of the view that the payment terms for the Shantou Consideration are fair and reasonable. We are also of the view that the adjusting mechanism of the Shantou Consideration, which shall take into account the difference in NAV of Target Company (Shantou) as at 31 December 2024 (i.e. the Valuation Date) and the Completion Date, is fair and reasonable. In addition, we note that a cap has been set on the Agreement (Shantou) Adjustment Amount payable by Guangdong Water Holdings to Guangdong Yuehai Water (if any), which is beneficial to the Group.

5.3 Valuation of Target Company (Shantou)

When assessing the fairness and reasonableness of the valuation of Target Company (Shantou), we have in particular considered the valuation report prepared by the Valuer. In this respect, we note that Allied Appraisal Co., Ltd., the Valuer, has been engaged to issue the valuation report on the market value of 100% equity interest in Target Company (Shantou) (the "**Valuation Report (Shantou)**"). According to the Valuation Report (Shantou), the details of which are set out in Appendix I to the Circular, the appraised value of Target Company (Shantou) amounted to RMB3,588,572,900 (the "**Appraised Value (Shantou)**") as at the Valuation Date.

We have considered the following factors in assessing the fairness and reasonableness of the Appraised Value (Shantou).

5.3.1 Valuer's qualification

The same Valuer for Target Company (Yangjiang) has been engaged for Target Company (Shantou). For discussion of its qualification, please refer to the paragraph headed "4.3.1 Valuer's qualification" above.

In addition, we have also reviewed the terms of the Valuer's engagement, in particular, their scope of work, and noted that it is appropriate for arriving at the opinion required to be given. No limitation on the scope of work which might adversely impact on the degree of assurance given by them in the Valuation Report (Shantou) has been noted. We have also reviewed the Valuation Report (Shantou) and discussed with the Valuer regarding the methodologies of, and basis and assumptions adopted for the valuation of the equity interest in Target Company (Shantou), which are further elaborated below.

Considering the above, we believe that the Valuer has sufficient knowledge and experience to undertake the valuation of equity interest in Target Company (Shantou) competently and are satisfied that the scope of work is sufficient and appropriate.

5.3.2 Valuation methodology

We have conducted an interview with the Valuer to understand the valuation methodology adopted for valuing the equity interest in Target Company (Shantou).

We note that the Valuer has adopted the Asset-based Approach in arriving at the Appraised Value (Shantou) and assuming that Target Company (Shantou) will continue to operate and the assets and liabilities of Target Company (Shantou) will be evaluated by specific assessment method corresponding to such assets and liabilities. Based on our discussion with the Valuer, we understand that the Asset-based Approach is one of the commonly adopted approaches for valuing companies of similar natures and is also in line with normal market practices. We are further advised by the Valuer that as information on each asset and liability of Target Company (Shantou) is properly recorded, the major assets are currently in use, and market price information is readily accessible, the adoption of the Asset-based Approach is appropriate.

In addition, the Valuer has complied with the valuation standards. During the course of our discussion with the Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology in arriving at the Appraised Value (Shantou).

Given the above, we are of the view that the valuation methodology adopted by the Valuer for valuing the equity interest in Target Company (Shantou) is fair and reasonable.

We understand that the Valuer has also considered the income approach, which involves converting expected future returns into an indication of value, given that the Target Company (Shantou) has a comprehensive operational history and the ability to generate returns in the foreseeable future etc.. We further understand that the Valuer ultimately adopted the results from the Asset-based Approach to determine the Appraised Value (Shantou). We concur with the Valuer that the income approach is one of the commonly adopted valuation methodologies and can be adopted in the case of Target Company (Shantou). At the same time, we also note that the income approach involves numerous subjective assumptions over a long-time horizon, and the result can be highly sensitive to changes in certain inputs, particularly the estimated water unit price over the next 10 to 20 years. Therefore, we consider the Valuer's decision to adopt valuation results from the Asset-based Approach, in which the inputs are subject to less uncertainty and can be obtained from the market, to be reasonable.

5.3.3 Basis and assumptions

The Valuer's valuation is carried out on a market value basis, being the "estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and willing seller in an arm's length transaction after proper marketing and where parties had each acted knowledgeably, prudently, and without compulsion". We note that in the case of the Proposed Acquisition (Shantou), the Equity Transfer Agreement (Shantou) shall be entered into by the parties thereto on normal commercial terms following arm's length negotiations; and we are not aware of any unique circumstances relating to the Proposed Acquisition (Shantou) such as distressed or compulsory sale. We are therefore of the view that the basis adopted by the Valuer is fair and reasonable.

For the Asset-based Approach, the Valuer assesses each item's value in the balance sheet of Target Company (Shantou) in determining the value of Target Company (Shantou). The following table (as extracted and summarised from the Valuation Report (Shantou)) sets out the basis in deriving the Appraised Value (Shantou).

	RMB
NAV of Target Company (Shantou) as at the Valuation Date	3,177,949,100
Add:	
– revaluation surplus on fixed assets	6,161,500
– revaluation surplus on intangible assets	404,462,300
Appraised Value (Shantou) as at the Valuation Date	**3,588,572,900**

* *subject to rounding*

As set out in the table above, the Valuer has estimated total revaluation surplus of approximately RMB411 million for Target Company (Shantou). The total revaluation surplus is added back to the audited NAV of Target Company (Shantou) as at the Valuation Date, deriving the Appraised Value (Shantou) of RMB3,588,572,900 for the entire equity interest in Target Company (Shantou) as at the Valuation Date.

The revaluation surplus is derived from Target Company (Shantou)'s fixed assets and intangible assets by deducting their respective book values from their market values as estimated by the Valuer, as further discussed below.

5.3.3.1 Valuation of fixed assets

The revaluation surplus on fixed assets of approximately RMB6 million relates to the valuation of (i) four buildings; (ii) one structural and auxiliary facility; (iii) 172 machinery equipment; (iv) 25 vehicles; and (v) 907 electronic equipment. In this regard, we understand that the Valuer has applied a combination of market comparable approach, replacement cost approach and income approach for the valuation of these fixed assets.

Among the aforementioned fixed assets, we note that the revaluation surplus of approximately RMB6 million is mainly derived from the four buildings. These comprise two offices, one self-use dormitory, and one residential which is currently idle.

With respect to the valuation of fixed assets, based on our discussions with the Valuer and our review of the workings, we note the following:

- For the **market comparable approach**, the Valuer has referenced the current market prices of similar assets available in the market and has made certain adjustments as considered appropriate to derive the appraised value of the asset. This approach was adopted for assets where (i) comparable references have a public market with active trading; and (ii) the necessary transaction information is readily available.

- For the **replacement cost approach**, the Valuer first estimated the full replacement cost of the asset and then determined its value by deducting various forms of depreciation (including physical deterioration, potential functional and economic obsolescence) based on the asset's current operating condition. This approach was adopted for assets where (i) the subject asset can be, or is, in normal operation or use; (ii) the subject asset can be acquired through replacement; and (iii) its replacement cost and associated depreciation can be reasonably estimated.

  In this regard, we note that the Valuer has determined (i) the full replacement cost based on available market information; and (ii) the depreciation amounts with reference to the asset's actual usage (in terms of years or kilometers, in the case of vehicles), its economic useful life under the applicable PRC laws and regulations, and physical inspection conducted by personnel of the Valuer.

- For the **income approach**, it involves capitalisation of existing or expected rental income at an appropriate capitalisation rate. The Valuer has adopted capitalisation rate with reference to market yields for comparable assets and take into account factors such as the asset's location and specific characteristics. This approach was adopted for assets where (i) future benefits, such as rental income, can be reasonably expected and measured in monetary terms; (ii) the risk commensurate with such expected benefits can be measured; and (iii) the expected benefits period can be identified or reasonably estimated.

We consider that the above basis and assumptions made by the Valuer in this regard are fair and reasonable.

5.3.3.2 Valuation of intangible assets

The revaluation surplus on intangible assets of approximately RMB405 million relates to the valuation of (i) 18 land use rights; (ii) 115 buildings; (iii) 135 structural facilities; (iv) 2,901 pipeline trenches; (v) 3,061 machinery equipment; (vi) 36 vehicles; (vii) 2,032 electronic equipment; and (viii) 93 other intangible assets. We are advised by the Management that as these assets relate to Target Company (Shantou)'s water supply concession projects, they are classified as "intangible assets" in accordance with the applicable accounting standards.

We understand that the Valuer has applied a combination of market comparable approach, replacement cost approach, income approach and benchmark land price coefficient adjustment method（基準地價系數修正法）for the valuation of these intangible assets. Among these assets, we note that the revaluation surplus on intangible assets of approximately RMB405 million is mainly derived from the 18 land use rights and 2,901 pipeline trenches.

This revaluation surplus on intangible assets of approximately RMB405 million represents an increase of around 17% from the book value. We have discussed with the Valuer and understand that the increase is mainly due to rising land transaction prices over time (in respect of land) and the increasing costs of labour, materials and machinery associated with pipeline constructions (in respect of pipelines). In addition, the accounting amortisation period for the land use rights is shorter than the actual period adopted in the valuation, which has contributed to the increase in value of the land use rights. In this regard, we note that according to the "Shantou Statistical Yearbook of 2024" published by Shantou Municipal Bureau of Statistics（汕頭統計局）, Shantou's economy has experienced rapid growth in the past decades, in which Target Company (Shantou) was established in May 1982. For instance, the regional gross domestic product (GDP) of Shantou grew significantly by over 500% in the past 20 years. Given the robust economic growth recorded since the establishment of Target Company (Shantou), we consider that the increases in land prices, labour costs, material costs, and machinery costs, which are attributable to the revaluation surplus on intangible assets, are reasonable.

With respect to the valuation of intangible assets, based on our discussions with the Valuer and our review of the workings, we note the following:

- For the **market comparable approach, replacement cost approach and income approach**, the applications are the same as fixed assets. For discussions, please refer to the paragraph headed "5.3.3.1 Valuation of fixed assets" above.

- For the **benchmark land price coefficient adjustment method**, it involves the estimation of the market value of a subject land by adjusting the government's published benchmark land price for that area. The Valuer has made adjustments for factors such as transaction date, regional differences, and the subject land's specific characteristics. This approach was adopted for land use rights.

We consider that the above basis and assumptions made by the Valuer in this regard are fair and reasonable.

5.3.4 Section conclusion

Following our discussion with the Valuer and reviewing each of the valuation basis of the market comparable approach, replacement cost approach, income approach and benchmark land price coefficient adjustment method, which form the sum of market value for key items of the balance sheet and in turn, derive the Appraised Value (Shantou) under the Asset-based Approach, we concur with the Valuer's view that the valuation methodology adopted by the Valuer for determining the market value of such assets and the underlying basis for valuation is fair and reasonable.

Having considered that (i) the Valuer has the relevant qualification, competence and experience to prepare the Valuation Report (Shantou); (ii) the Valuer's scope of work is appropriate for performing the valuation of equity interest in Target Company (Shantou); (iii) the valuation methodology of Asset-based Approach is appropriate and in line with normal market practices; and (iv) the valuation assumptions and underlying basis are fair and reasonable, we are of the view that the Appraised Value (Shantou) is fairly and reasonably derived at.

5.4 Section conclusion

Having considered the factors above, we are of the view that the terms of the Equity Transfer Agreement (Shantou) and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

6. Potential financial effects as a result of the Proposed Acquisitions

Upon Completion, the Target Companies will become non-wholly owned subsidiaries of the Company. As a result, the financial results of the Target Companies will be consolidated into the financial statements of the Company.

As the Yangjiang Consideration and the Shantou Consideration will be settled in cash, the Group's cash and bank balances is expected to decrease by the same amount, being RMB226,854,200. In addition, upon Completion, the Group will assume the obligation to pay up the Unpaid Amount (Yangjiang) of RMB31,136,112 and the Unpaid Amount (Shantou) of RMB1,176,500. The sum of the aforementioned amounts is RMB259,166,812. We note that this amount represents only approximately 2.4% of the Group's cash and bank balances of approximately HK$12,036 million (equivalent to approximately RMB11,010 million) as at 30 June 2025. Accordingly, we believe that the Proposed Acquisitions will not have material adverse impact on the working capital position of the Group.

RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that (i) the entering into of the Equity Transfer Agreements are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Equity Transfer Agreements and the Proposed Acquisitions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the proposed resolutions at the EGM to approve the entering into of the Equity Transfer Agreements.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung	**Clement Lee**
Responsible Officer	*Responsible Officer*

*Ms. Jeanny Leung ("**Ms. Leung**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

*Mr. Clement Lee ("**Mr. Lee**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over nine years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

Valuation Analysis Report in respect of the Entire Equity Interest Value of Shareholders of Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.*

Allied Appraisal Valuation Report [2025] No. D0120

ALLIED APPRAISAL CO., LTD.

19 September 2025

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LETTER TO THE BOARD OF GUANGDONG WATER HOLDINGS LIMITED

Dear shareholders,

Pursuant to the Valuation Analysis Services Engagement Agreement entered into between us and the subsidiary of the Company, Guangdong Water Investment Co., Ltd., we hereby enclose the valuation analysis report prepared for the Proposed Equity Acquisition of the Company involving the entire equity interest value of Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.*.

Our report is intended solely for the purposes specified in the valuation analysis service contract. No person or organization may use or rely upon this report in any manner or for any purpose beyond those specified herein, we assume no liability to any person or entity for the contents of this report.

We draw the attention of the Company to the sections titled "Target and Scope of Valuation Analysis", "Valuation Assumptions and Basis", and "Explanations on Special Matters" within the report. These sections detail limitations on our scope of work, data sources, and procedures performed. Our work concluded on the date of the valuation analysis report. We have not performed additional procedures or updated this report for subsequent events.

Our work was constrained by the time and scope permitted, and the information obtained included unaudited financial data. Under such circumstances, we may not have been fully aware of all facts and information deemed relevant by the Company. Furthermore, we performed only a portion of the verification and validation procedures we deemed necessary on the information obtained. Therefore, such information may not be entirely reliable to a certain extent. Furthermore, we assume no responsibility for matters not covered in this report or excluded due to the nature of our work. The valuation analysts involved in this analysis possess relevant professional qualifications and maintained independence throughout the valuation process and have no conflicts of interest with either the client or the Target Company.

Allied Appraisal Co., Ltd.
19 September 2025

SUMMARY OF VALUATION ANALYSIS REPORT

We summarize the key valuation findings for the Target Company as follows, requesting the Company's attention prior to the completion of relevant economic activities.

Target Company: Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.* (hereinafter referred to as "Yangjiang Qingyuan")

Valuation analysis target: The value of shareholders entire equity interests in Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.*

Valuation analysis scope: All assets and related liabilities held by Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.* as of the valuation analysis reference date, including current assets, fixed assets, non-current assets, and corresponding liabilities, as well as the aggregate intangible assets not recorded on the books.

Value type: Market Value.

Valuation reference date: 31 December 2024.

Valuation analysis methods: Both the asset-based approach and the income approach were employed to conduct a comprehensive valuation of the entire equity interest value of the shareholders of Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.*.

Valuation analysis results:

Therefore, the valuation analysis results from the asset-based approach are adopted as the conclusion of this valuation analysis. Namely:

The carrying amount of total assets is RMB859,207,700, with a valuation of RMB859,286,900, representing an increase of RMB79,200 and a valuation increase rate of 0.01%;

The carrying amount of total liabilities is RMB523,530,500, with a valuation of RMB523,530,500, showing no change in valuation;

The carrying amount of shareholders' equity is RMB335,677,100, with a valuation of RMB335,756,400, representing an increase of RMB79,200 and an appreciation rate of 0.02%.

SUMMARY TABLE OF ASSET VALUATION ANALYSIS RESULTS

Valuation reference date: 31 December 2024

Valuation analysis unit: Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.* Unit: 0'000

Item		Carrying amount	Valuation	Value Added/ Deducted	Value-added Rate
		A	B	C=B-A	D=C/A×100
Current assets	1	32,415.33	32,415.33	0.00	0.00
Non-current assets	2	53,505.44	53,513.36	7.92	0.01
Of which: Debt investments	3	0.00	0.00	0.00	
Other debt investments	4	0.00	0.00	0.00	
Long-term receivables	5	53,408.91	53,408.91	0.00	0.00
Long-term equity investments	6	0.00	0.00	0.00	
Investments in other equity instruments	7	0.00	0.00	0.00	
Other non-current financial assets	8	0.00	0.00	0.00	
Investment Properties	9	0.00	0.00	0.00	
Fixed Assets	10	71.23	79.16	7.92	11.12
Construction in progress	11	25.29	25.29	0.00	0.00
Productive biological assets	12	0.00	0.00	0.00	
Oil and gas assets	13	0.00	0.00	0.00	
Right-of-use assets	14	0.00	0.00	0.00	
Intangible Assets	15	0.00	0.00	0.00	
Development expenditures	16	0.00	0.00	0.00	
Goodwill	17	0.00	0.00	0.00	
Long-term deferred expenses	18	0.00	0.00	0.00	
Deferred income tax assets	19	0.00	0.00	0.00	
Other non-current assets	20	0.00	0.00	0.00	
Total Assets	21	**85,920.77**	**85,928.69**	**7.92**	**0.01**

Item		Carrying amount	Valuation	Value Added/ Deducted	Value-added Rate
		A	B	C=B-A	D=C/A×100
Current Liabilities	22	14,307.71	14,307.71	0.00	0.00
Non-current liabilities	23	38,045.34	38,045.34	0.00	0.00
Total Liabilities	24	**52,353.05**	**52,353.05**	**0.00**	**0.00**
Net Assets (Owner's Equity)	25	**33,567.71**	**33,575.64**	**7.92**	**0.02**

The entire equity interest value of the 51% shareholders of Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.* is 155,979,100.

Notes: (1) After communication with the client, the calculation process for the entire equity interest value of the 51% shareholders of Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.* is confirmed as follows: Considering that only Guangdong Yuehai Water Co., Ltd. (hereinafter referred to as "**Water Co.**") has not completed its capital contribution, while all other shareholders have completed their contributions, the shareholder equity held by Water Co. is calculated according to the following formula:

51% of equity interest value = (entire equity interest value of equity + amount subscribed but not contributed by all shareholders) × 51% – amount subscribed but not contributed corresponding to 51% equity

(2) The value of the 51% shareholder's entire equity interest value in Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.* does not account for premiums and discounts arising from factors such as controlling interests or minority equity interests.

Validity period of valuation analysis results: Given that factors affecting the Target Company's operations, such as the economic environment, market conditions, and technological advancements, are constantly changing, and considering the Target Company's actual circumstances, it is generally recommended that the valuation analysis results remain valid for the Target Company within one year from the valuation reference date, specifically from 31 December 2024 to 30 December 2025. Beyond this timeframe, it is recommended to conduct a revaluation.

Special Matters Affecting Valuation Analysis Results:

1. According to Article 13.2 of the "PPP Project Contract for Five Projects including the Old Town District Sewage Interception and Drainage Network Renovation Project and the City North District Sewage Interception and Drainage Pipeline Network Renovation Project", "From the commencement of commercial operation of this project until the Yangjiang City Finance Bureau* reviews and approves the project construction investment, both parties agree to temporarily pay the availability payment based on the winning bid amount (specified amount is in lowercase: ¥122,207,000 per year) as the monthly availability payment to Party B. In the month following the financial audit and settlement approval, both parties agree to calculate the future monthly availability payment according to the formula in Annex 6, with payments start being executed from the following month, with cumulative difference between the adjusted amount and originally paid availability payments shall be settled within one year based on the principle of more refunds and less compensation." Pursuant to Annex 6 of the "PPP Project Contract for Five Projects including the Old Town District Sewage Interception and Drainage Network Renovation Project and the City North District Sewage Interception and Drainage Pipeline Network Renovation Project", "when the financial audit construction investment amount is less than 95% (excluding 95%) of the winning bid construction investment amount; or when the financial audit construction investment exceeds 105% (excluding 105%) of the winning bid construction investment due to reasons attributable to the government of Yangjiang City (including increased project costs due to changes requested by the government or other government departments, or increased investment costs for Party B due to changes in the government's or other government departments' systems, regulations, or laws), the availability payment shall be adjusted according to the following formula":

$$A = P_1 \times \frac{i_1 \times (1+i_1)^n}{(1+i_1)^n - 1} + P_2 \times \frac{i_2 \times (1+i_2)^n}{(1+i_2)^n - 1}$$

As of the valuation reference date, since the PPP Project has not yet completed its financial audit settlement, operating revenue is provisionally calculated at 125,678,000 per annum (including 9% value-added tax, comprising availability payments of 122,207,000 per annum and operational performance service fees of 3,471,000 per annum). As the Target Company is unable to determine the final investment amount subject to financial audit settlement, this analysis is calculated based on the operating fees of the current contract. Should subsequent changes occur in operating revenue and fees, the valuation analysis results shall be adjusted accordingly.

2. The registered capital of Target Company's is 273,333,400. As of the valuation reference date, the Target Company's paid-in capital was 242,197,300, with an outstanding registered capital of 31,136,100. On 7 November 2024, all shareholders of the Target Company revised the Articles of Association and extended the payment deadline for Guangdong Yuehai Water Co., Ltd. capital contribution obligation of 31,136,100 to 11 April 2026. According to "The State Council's Rules in Relation to the Implementation of the 'Company Law of the People's Republic of China' on the Registration and Management System of Registered Capital*" (Order No. 784 of the State Council of the People's Republic of China), for companies registered and established before 30 June 2024, if the remaining subscription period for a company with limited liability exceeds 5 years as of 1 July 2027, the remaining period for subscribed capital contributions shall be adjusted to within 5 years and recorded in the Articles of Association by 30 June 2027, and shareholders shall fully pay their subscribed capital contributions within the adjusted period. For companies limited by shares, promoters shall pay the full amount of share capital according to the shares they subscribed by 30 June 2027. The impact of this matter on the valuation analysis results was not considered.

Application of Valuation Analysis Results:

Due to the sensitivity of disclosed information, this valuation report and its summary shall not be excerpted, quoted, or disclosed in public media without prior written consent of the valuation institution.

PROFILE OF TARGET COMPANY

Company name: Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.* (hereinafter referred to as "**Yangjiang Qingyuan**")

Unified social credit code: 9141700MA51HWRW0W

Enterprise type: Limited liability company (Joint Venture between Hong Kong, Macao, Taiwan and Chinese Mainland)

Registered Address and Place of Business: Zhongzhou Island Water Purification Plant, 500 meters west of Hualong Village, southwest of Changzhou Island, Jiangcheng District, Yangjiang City, Guangdong Province*(廣東省陽江市江城區長洲島西南華龍村西500米處中洲島淨水廠) (Registered Address)

Legal Representative: LIN Weizhe(林偉哲)

Registered Capital: 273,333,400

Date of establishment: 11 April 2018

Operation period: 11 April 2018 to 11 April 2034

Scope of Operations: Investment, construction, operation, and maintenance of pipe networks and related facilities within the scope of five PPP Projects, including: Yangjiang City East District Sewage Interception and Drainage Pipeline Renovation Project, Environmental Remediation of Mayan Drainage Channel and Sewer Interception and Drainage Pipeline Network Renovation Project in Mayan District, City North District Sewage Interception and Drainage Pipeline Network Renovation Project, Old City District Sewage Interception and Drainage Pipeline Renovation Project, City West District Sewage Interception and Drainage Pipeline Renovation Project Investment, construction, operation, and maintenance of pipelines and related facilities within the scope of five PPP projects of West Urban District Sewage Interception and Drainage Pipeline Network Renovation Project. (The above projects do not involve special administrative measures for foreign investment access) (Projects subject to approval by relevant authorities must obtain such approval before commencing operations)

Shareholders and Shareholding Ratios:

Shareholder Name, Capital Contribution Amount, and Contribution Ratio

Serial number	Name of Shareholders	Subscribed Capital Contribution (RMB)	Subscribed Contribution Ratio (%)	Amount of Paid-in Capital Contribution (RMB)	Paid-in Capital Contribution Ratio (%)
1	Guangdong Yuehai Water Co., Ltd.	139,400,034.00	51.00	108,263,922.00	44.70
2	Guangdong Water Holdings Limited	131,200,032.00	48.00	131,200,032.00	54.17
3	China First Metallurgical Group Co., Ltd.	2,733,334.00	1.00	2,733,334.00	1.13
Total		**273,333,400.00**	**100.00**	**242,197,288.00**	**100.00**

I. HISTORICAL DEVELOPMENT (CHANGES IN EQUITY SINCE THE COMPANY'S ESTABLISHMENT, INCLUDING CHANGES IN SHAREHOLDERS AND SHAREHOLDING RATIOS)

(1) Company shareholders, shareholding ratios, and history of changes in equity

① *Company establishment*

On 15 March 2018, Guangdong Yuehai Water Co., Ltd., Guangdong Investment Limited and China First Metallurgical Group Co. Ltd., as a consortium, jointly signed the "PPP Project Contract for Five Projects including the Old Town District Sewage Interception and Drainage Network Renovation Project and the City North District Sewage Interception and Drainage Pipeline Network Renovation Project" with the Yangjiang City Integrated Management Bureau. On 1 April 2018, to construct and operate the Five PPP Projects including the Old City District Sewage Interception and Drainage Pipeline Renovation Project and the City North District Sewage Interception and Drainage Pipeline Network Renovation Project, the three parties signed the "Joint Venture Contract of Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.*" to jointly establish the project company Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.*. On the same day, the three parties signed the Articles of Association of Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.*. According to the Article, the total investment amount of Yangjiang Qingyuan is RMB820,000,000.00, and the registered capital is RMB273,333,400.00, among which, Guangdong Yuehai Water Co., Ltd. holds a 51.00% subscribed shareholding ratio, Guangdong Investment Limited holds a 48.00% subscribed shareholding ratio, and China First Metallurgical Group Co., Ltd. holds a 1.00% subscribed shareholding ratio. All contributions shall be made in cash, with each shareholder contributing 20% within 3 months from the date of obtaining the business license, with the remainder to be paid in installments over 3 years according to project progress.

According to the capital verification report issued by Yangjiang City Nanyue CPA Limited (special general partnership), as of 27 December 2018, shareholders of Yangjiang Qingyuan completed the paid-in capital of 103,992,712.00, the specific equity structure is as follows:

Serial number	Name of Shareholders	Subscribed Capital Contribution (RMB)	Subscribed Contribution Ratio (%)	Amount of Paid-in Capital Contribution (RMB)	Paid-in Capital Contribution Ratio (%)
1	Guangdong Yuehai Water Co., Ltd.	139,400,034.00	51.00	52,163,922.00	50.16
2	Guangdong Investment Limited	131,200,032.00	48.00	49,095,456.00	47.21
3	China First Metallurgical Group Co., Ltd.	2,733,334.00	1.00	2,733,334.00	2.63
Total		**273,333,400.00**	**100.00**	**103,992,712.00**	**100.00**

According to the capital verification report issued by Guangdong Jinsui Hongri Certified Public Accountants Co., Ltd.*(廣東金穗紅日會計師事務所有限公司), as of 20 January 2022, Yangjiang Qingyuan shareholders have newly contributed paid-in capital of 138,204,576.00. Following the completion of this capital contribution, Yangjiang Qingyuan's equity structure is as follows:

Serial number	Name of Shareholders	Subscribed Capital Contribution (RMB)	Subscribed Contribution Ratio (%)	Amount of Paid-in Capital Contribution (RMB)	Paid-in Capital Contribution Ratio (%)
1	Guangdong Yuehai Water Co., Ltd.	139,400,034.00	51.00	108,263,922.00	44.70
2	Guangdong Investment Limited	131,200,032.00	48.00	131,200,032.00	54.17
3	China First Metallurgical Group Co., Ltd.	2,733,334.00	1.00	2,733,334.00	1.13
Total		**273,333,400.00**	**100.00**	**242,197,288.00**	**100.00**

② ***First Equity Transfer***

On 5 June 2020, the Yangjiang City City Management And Integrated Bureau Enforcement Bureau issued the "Approval from the Yangjiang City City Management And Integrated Bureau Enforcement Bureau Regarding the Equity Transfer of Guangdong Investment Limited", approving the transfer of 48% of Guangdong Investment Limited's equity in Yangjiang Qingyuan to Guangdong Water Holdings Limited.

On 31 May 2022, Guangdong Holdings Limited (the controlling shareholder of Guangdong Investment Limited and Guangdong Water Holdings Limited) passed a board resolution approving the transfer of Guangdong Investment's directly held equity in Yangjiang Guangdong Huanbao Co., Ltd to Water Holdings via a non-public agreement transfer. The transfer price was determined based on the audited net asset value as at 31 December 2021.

On 31 August 2022, Guangdong Investment Limited entered into a equity transfer agreement with Guangdong Water Holdings Limited, pursuant to which Guangdong Investment Limited will transfer 48% of its equity interest in Yangjiang Qingyuan (corresponding to RMB131,200,032.00 of the Target Company's registered capital) to Yuehai Water Holdings Co., Ltd. for a consideration of HK$145,153,127.00.

On 15 September 2022, Yangjiang Qingyuan convened a board meeting and approved the matter of equity change. On 20 December 2022, the company completed the industrial and commercial registration changes for the equity transfer.

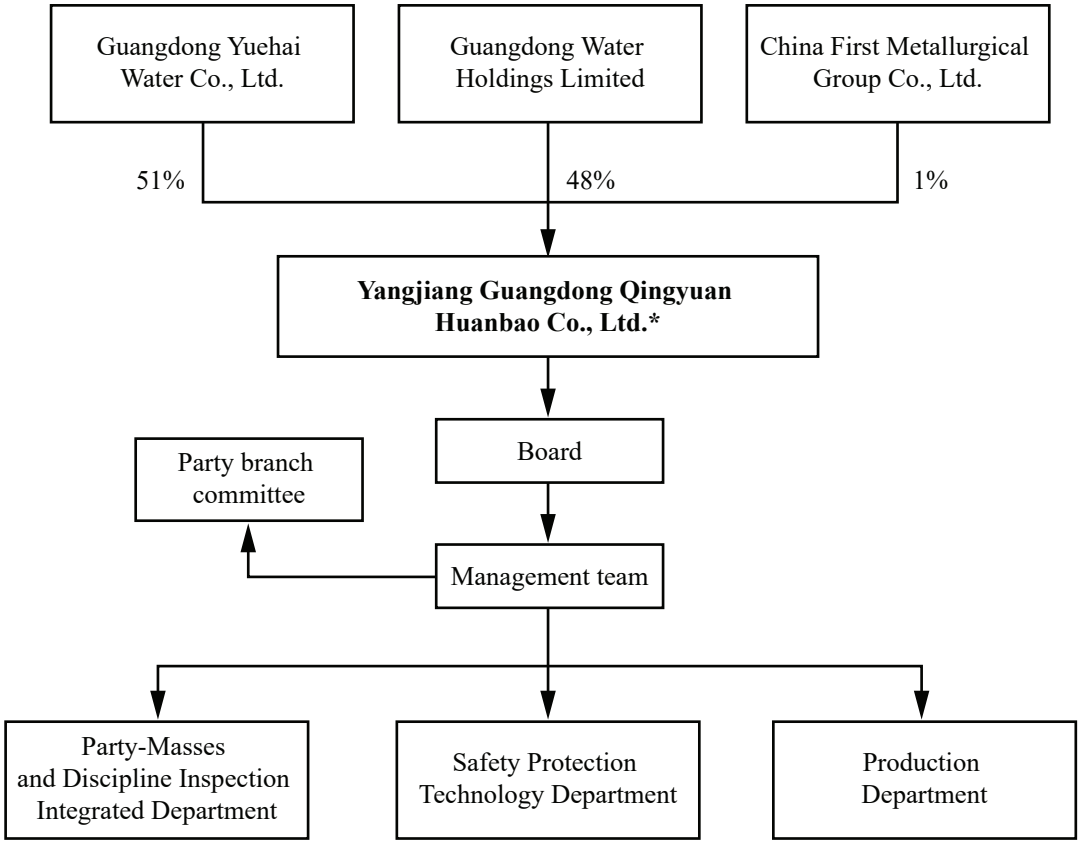
Following the completion of the equity transfer, the company's equity structure is as follows:

Serial number	Name of Shareholders	Subscribed Capital Contribution (RMB)	Subscribed Contribution Ratio (%)	Amount of Paid-in Capital Contribution (RMB)	Paid-in Capital Contribution Ratio (%)
1	Guangdong Yuehai Water Co., Ltd.	139,400,034.00	51.00	108,263,922.00	44.70
2	Guangdong Water Holdings Limited	131,200,032.00	48.00	131,200,032.00	54.17
3	China First Metallurgical Group Co., Ltd.	2,733,334.00	1.00	2,733,334.00	1.13
Total		**273,333,400.00**	**100.00**	**242,197,288.00**	**100.00**

As of the valuation reference date, the aforementioned equity structure remained unchanged.

(2) Company Ownership and Management Structure

As of the valuation reference date, the Target Company's ownership structure is as follows:



ECONOMIC ENVIRONMENT AND INDUSTRY ANALYSIS

I. MACROECONOMIC ENVIRONMENT

(I) International Aspects

In 2025, the global economy continues to move forward amid divergence and uncertainty. The International Monetary Fund (IMF) notes in its latest "World Economic Outlook" that global economic growth is expected to remain at 3.3%, below historical averages. This growth trend masks lies complex divergences: while some economies are experiencing strong growth, others face numerous challenges.

1. Current State and Diverging Trends in Global Economic Growth

In 2025, the global economy is expected to maintain stable growth, but the growth momentum shows significant feature of differentiation. Driven by strong consumption, the US economy is expected to grow by 2.7% in 2025, 0.5 percentage points higher than the forecast in October 2024. However, the Eurozone economy is experiencing weak growth, with its projected growth rate for 2025 being revised downwards to 1.0%, reflecting the negative impact of geopolitical tensions and policy uncertainties on the economy. At the same time, certain Asian economies also face challenges. Although China's economic growth rate has been slightly revised upwards, it is still constrained by the sluggish real estate market and consumer confidence. India's growth slowdown has exceeded expectations, and industrial activity has decelerated significantly.

The divergence in global economic growth is reflected not only between developed economies and emerging markets but also in industry and regional differences within each economy. For example, the technology industry in the United States continues to expand, driven by policy support and market demand, while traditional manufacturing faces pressure from global competition and supply chain adjustments. Among emerging markets, some export-dependent countries face reduced orders and slower economic growth due to uncertainties in global trade policies, while others have achieved relatively stable growth through domestic demand and industrial upgrading.

This trend of divergence poses challenges to the stability and sustainable development of the global economy. On the one hand, economies with strong growth need to guard against overheating risks and the formation of asset bubbles while maintaining growth; on the other hand, economies with weak growth need to stimulate economic recovery through policy adjustments and structural reforms. Under the background of globalization, the economies of various countries are highly interdependent, and the trend of divergence may lead to an increase in global economic imbalance, which in turn affects the long-term stability of the global economy.

2. Global Financial Market Environment and Uncertainties

Global financial markets continued to remain loose in 2025, but uncertainties in the financial environment significantly increased. US stock market continued to rise under expected policies support, but rising long-term interest rates and upside risks to inflation had a certain dampening effect on market sentiment. Financial markets in emerging markets are facing greater pressure, with low stock valuations and a clear trend of capital outflow. The widespread strengthening of the US dollar has further exacerbated the financial distress in emerging markets, leading to currency depreciation and increased debt burdens.

Uncertainty in trade policy is one of the important factors contributing to volatility in financial markets. The escalation of global trade friction and geopolitical tensions has made market participants concerned about the future economic outlook. Investors' preference for risk assets declined, leading to varying degrees of tightening in global financial markets. In addition, political instability in some Asian and European countries has also increased market uncertainty, affecting the stability of financial markets.

Against the backdrop of increasing uncertainty in global financial markets, investors need to assess risks and returns more cautiously. Governments and financial institutions also need to strengthen financial supervision and risk prevention to cope with possible market turmoil. Simultaneously, they increase international cooperation and policy coordination to reduce the negative impact of trade frictions and geopolitical tensions on financial markets is also an important measure to maintain global financial stability.

3. Divergence in Inflation and Monetary Policy

Global inflation is expected to continue to decline in 2025, but there are significant differences in inflation across economies. The inflation rate in the US is expected to approach the target level of 2%, while the inflation situation in the Eurozone is relatively moderate. Inflation in emerging market and developing economies is projected to decline from 7.8% in 2024 to 5.6% in 2025, but will remain higher than in developed economies. This divergence in inflation reflects the different economic structures and policies of various countries.

In terms of monetary policy, divergent approaches have emerged among major global central banks. The Federal Reserve is projected to maintain relatively restrictive monetary policy through 2025 to ensure inflation returns to target levels. By contrast, central banks in the eurozone and certain emerging market economies may adopt more accommodative monetary policies due to sluggish economic growth. This divergence in policy may trigger exchange rate volatility and shifts in capital flows, thereby impacting the stability of the global economy.

The divergence in monetary policy exerts multifaceted effects on the global economy. Firstly, exchange rate fluctuations may influence international trade and investment, particularly for export-dependent economies. Secondly, changes in capital flows could subject emerging markets to capital outflow pressures, subsequently affecting their economic growth and financial stability. Moreover, divergent monetary policies may widen disparities in global interest rates, which will affect the stability of international debt markets.

Amidst increasing global economic fragmentation and uncertainty, central banks of different countries have to enhance policy communication and coordination to mitigate the adverse effects of divergence. Concurrently, nations should adjust monetary policies flexibly according to their respective economic conditions and inflation to achieve the dual objectives of economic growth and price stability.

4. Cross-border Investment Continues to Decline but the Trend is Expected to Ease

Global foreign direct investment (FDI) continued to decline in 2023. According to a UNCTAD report, FDI fell by 2% to USD1,330,000,000,000 in 2023, due to a combination of factors including weak growth prospects, economic fragmentation trends, geopolitical tensions, and supply chain diversification. If the impact of a few European transit economies is excluded, the actual decline in FDI exceeds 10%. Although the global investment environment remains challenging, the downward trend in international investment has eased in 2024. On the one hand, the profit level of multinational corporations remains high, which will be reflected in profit reinvestment, thereby providing strong support for cross-border greenfield investment. On the other hand, after two years of sustained high-interest rates, central banks in developed countries are entering a cycle of interest rate cuts. The improvement in financing conditions will facilitate the recovery of international project financing and the rebound of cross-border merger and acquisition transactions. In the first half of 2024, global FDI investment grew by 1%, with a significant acceleration in FDI inflows to countries such as the United States, Vietnam, Malaysia, Indonesia, and Mexico. New energy and artificial intelligence sectors were key investment areas. Global liquidity is expected to ease in 2025, but the degree of improvement is likely to decrease, with private investment anticipated to show moderate growth. Global FDI inflows may continue to experience low growth. The International Monetary Fund expects global investment to account for 26.4% of GDP in 2025, an increase of only 0.2 percentage points from 2024.

5. Artificial Intelligence (AI) is Leading a New Round of Technological Revolution and Industrial Transformation

The rapid development of AI technology, represented by ChatGPT, has become a significant hot topic in 2024, profoundly impacting the socio-economy. On the one hand, AI is fostering new industries, new business models and new occupations, becoming an important engine for investment in emerging industries. AI has given rise to new industries such as big data, cloud computing and the platform economy, as well as new professions like machine learning specialists and algorithm engineers, driving investment in areas such as chips, infrastructure and large language models. Goldman Sachs estimates that the annual global investment in AI technology will reach USD200,000,000,000 by 2025. On the other hand, AI significantly impacts productivity through multiple channels and is expected to become a new driving force for productivity enhancement. Firstly, AI can improve the work efficiency of low-skilled employees in specific occupations or organisations. For example, AI can enhance the productivity of call centre customer service representatives, software developers, and mid-level professionals. Secondly, AI can empower scientific researchers, improving research efficiency and breaking through bottlenecks. For example, in the biomedical field, AI has assisted scientists in understanding the process of protein folding; in the energy sector, AI can be used to optimise the control of plasma in fusion reactors. Third, AI can assist highly skilled workers, thereby improving labour productivity. Taking the medical industry as an example, AI can provide decision-making references for doctors' diagnoses and treatment plans by analysing medical images, laboratory reports, and physical examination data. It should be noted that AI technology is still in a relatively early stage, and its impact on productivity remains limited. Historical experience indicates that it takes a relatively long time for general-purpose technologies to evolve from nascent stages to widespread adoption, during which the increase in productivity is often a gradual process. The specific path for AI to enhance productivity remains uncertain, necessitating strengthened collaboration among industry, academia and research institutions, promotion of cross-sector integration, acceleration of institutional and mechanism innovation, and establishment of an inclusive and prudent development ecosystem. Only by leveraging institutional advantages, clarifying legal and ethical boundaries, and implementing systematic planning and meticulous governance, can the opportunities and challenges brought by AI be better addressed.

(II) Domestic Aspects

In 2024, facing a complex and severe situation with increasing external pressures and growing internal difficulties, under the strong leadership of the Party Central Committee with Comrade Xi Jinping at its core, all regions and departments thoroughly implemented the decisions and deployments of the Party Central Committee and the State Council. They adhered to the general principle of seeking progress while maintaining stability, implemented the new development philosophy fully, accurately and comprehensively, accelerated the construction of a new development paradigm, and solidly promoted high-quality development. The national economy was steady overall, with progress being made amidst stability, and new advancements were achieved in high-quality development. In particular, a series of incremental policies was promptly deployed and introduced, effectively boosting social confidence and leading to a significant economic recovery, thereby successfully completing the main goals and tasks for economic and social development.

According to preliminary estimates, the gross domestic product for the entire year was 134,908,400,000,000, representing a year-on-year increase of 5.00% at constant prices. By industry, the value added of the primary industry was 9,141,400,000,000, an increase of 3.50% over the previous year; the value added of the secondary industry was 49,208,700,000,000, an increase of 5.30%; and the value added of the tertiary industry was 76,558,300,000,000, an increase of 5.00%. Quarterly, the gross domestic product increased by 5.30% year-on-year in the first quarter, 4.70% in the second quarter, 4.60% in the third quarter, and 5.40% in the fourth quarter. On a quarter-on-quarter basis, the gross domestic product grew by 1.60% in the fourth quarter.

1. Grain Production Reached a New Level, and Livestock Production Achieved Stable Growth

The total grain output nationwide for the entire year was 706,500,000 tonnes, an increase of 11,090,000 tonnes from the previous year, representing a growth of 1.60%. Among these, summer grain output was 149,890,000 tonnes, an increase of 2.60%; early rice output was 28,170,000 tonnes, a decrease of 0.60%; and autumn grain output was 528,430,000 tonnes, an increase of 1.40%. By variety, wheat output was 140,100,000 tonnes, an increase of 2.60%; corn output was 294,920,000 tonnes, an increase of 2.10%; rice output was 207,530,000 tonnes, an increase of 0.50%; and soybean output was 20,650,000 tonnes, a decrease of 0.90%. The annual output of pork, beef, mutton and poultry meat was 96,630,000 tonnes, an increase of 0.20% year-on-year; of which, pork output was 57,060,000 tonnes, a decrease of 1.50%; beef output was 7,790,000 tonnes, an increase of 3.50%; mutton output was 5,180,000 tonnes, a decrease of 2.50%; and poultry meat output was 26,600,000 tonnes, an increase of 3.80%. Milk production was 40,790,000 tonnes, a decrease of 2.80%; poultry egg production was 35,880,000 tonnes, an increase of 0.70%. Throughout the year, 702,560,000 live pigs were slaughtered, a decrease of 3.30%; by year-end, the live pig inventory was 427,430,000 head, a decrease of 1.60%.

2. Industrial Production Maintained a Good Growth Momentum, with Equipment Manufacturing and High-tech Manufacturing Experiencing Relatively Rapid Growth

The value added of industrial enterprises above designated size nationwide increased by 5.80% year-on-year for the full year. By three major categories, the value added of the mining industry increased by 3.10%, manufacturing by 6.10%, and the production and supply of electricity, heat, gas and water by 5.30%. The added value of equipment manufacturing increased by 7.70%, and the added value of high-tech manufacturing increased by 8.90%, with growth rates 1.90 and 3.10 percentage points higher than that of industrial enterprises above designated size, respectively. By economic type, the value added of state-controlled enterprises increased by 4.20%; that of joint-stock enterprises increased by 6.10%; that of foreign-invested and Hong Kong, Macao, and Taiwan-invested enterprises increased by 4.00%; and that of private enterprises increased by 5.30%. By product, the output of new energy vehicles, integrated circuits and industrial robots increased by 38.70%, 22.20% and 14.20% respectively. In the fourth quarter, the value added of industrial enterprises above designated size increased by 5.70% year-on-year. In December, the value added of industrial enterprises above designated size increased by 6.20% year-on-year and by 0.64% month-on-month. From January to November, the total profits of industrial enterprises above designated size nationwide reached 6,667,500,000,000, a year-on-year decrease of 4.70%.

3. The Service Industry Continues to Grow and Modern Service Industries are Developing Well

The value added of the service sector for the entire year increased by 5.00% compared to the previous year. Among these, the value added of information transmission, software and information technology services, leasing and business services, transport, storage and postal services, accommodation and catering services, financial services, and wholesale and retail trade increased by 10.90%, 10.40%, 7.00%, 6.40%, 5.60%, and 5.50% respectively. In the fourth quarter, the value added of the service sector increased by 5.80% year-on-year. In December, the production index for the Services Sector increased by 6.50% year-on-year. Among these, the production indices for the leasing and business services sector, financial sector, information transmission, software and information technology services sector, and the transportation, warehousing and postal services sector increased by 9.50%, 9.30%, 8.80%, and 8.30% respectively. From January to November, the operating revenue of service enterprises above designated size increased by 8.20% year-on-year. Among these, the operating revenues of enterprises in the leasing and business services sector, the information transmission, software and information technology services sector, and the transportation, storage, and postal services sector increased by 11.50%, 9.50% and 8.30% respectively.

4. Market Sales Maintained Growth with Online Retail Being Relatively Active

The total retail sales of consumer goods for the entire year amounted to 48,789,500,000,000, an increase of 3.50% compared to the previous year. By location of operating units, retail sales of consumer goods in urban areas amounted to 42,116,600,000,000, an increase of 3.40%; retail sales of consumer goods in rural areas amounted to 6,672,900,000,000, an increase of 4.30%. By consumption type, retail sales of goods amounted to 43,217,700,000,000, an increase of 3.20%; catering revenue was 5,571,800,000,000, an increase of 5.30%. Sales of basic necessities and some upgraded goods showed good growth, with the retail sales of household appliances and audio-visual equipment, sporting and entertainment goods, telecommunication equipment, and grain and oil food products by enterprises above designated size increasing by 12.30%, 11.10%, 9.90%, and 9.90% respectively for the full year. National online retail sales amounted to 15,522,500,000,000, an increase of 7.20% over the previous year. Among these, online retail sales of physical goods amounted to 13,081,600,000,000, an increase of 6.50%, accounting for 26.80% of the total retail sales of consumer goods. In the fourth quarter, the total retail sales of consumer goods increased by 3.80% year-on-year. In December, the total retail sales of consumer goods increased by 3.70% year-on-year and by 0.12% month-on-month. Full-year service retail sales increased by 6.20% year-on-year.

5. The Scale of Fixed Asset Investment Expanded and Investment in High-tech Industries Grew Relatively Fast

Throughout the year, national fixed asset investment (excluding rural households) was 51,437,400,000,000, an increase of 3.20% over the previous year; excluding real estate development investment, national fixed asset investment increased by 7.20%. By sector, infrastructure investment increased by 4.40%, manufacturing investment increased by 9.20%, and real estate development investment decreased by 10.60%. The national new commercial housing sales area was 973,850,000 square metres, a decrease of 12.90%; the sales of new commercial housing amounted to 9,675,000,000,000, a decrease of 17.10%. By industry, investment in the primary industry increased by 2.60%, investment in the secondary industry increased by 12.00%, and investment in the tertiary industry decreased by 1.10%. Private investment decreased by 0.10%; excluding real estate development investment, private investment increased by 6.00%. Investment in high-tech industries increased by 8.00%, with investment in high-tech manufacturing and high-tech services increasing by 7.00% and 10.20% respectively. In high-tech manufacturing, investment in the aviation, spacecraft and equipment manufacturing industry, and the computer and office equipment manufacturing industry increased by 39.50% and 7.10% respectively; in high-tech services, investment in professional technical services and scientific and technological achievement transformation services increased by 30.30% and 11.40% respectively. In December, fixed asset investment (excluding rural households) increased by 0.33% month-on-month.

6. Relatively Rapid Growth in Goods Import and Export, with Continuous Optimisation of Trade Structure

The total value of import and export of goods for the entire year was 43,846,800,000,000, an increase of 5.00% over the previous year. Of this, export was 25,454,500,000,000, an increase of 7.10%; import was 18,392,300,000,000, an increase of 2.30%. Import and export to countries co-building the "Belt and Road" increased by 6.40%, accounting for 50.30% of the total import and export value. Export of mechanical and electrical products increased by 8.70%, accounting for 59.40% of total exports. In December, the total value of import and export of goods was 4,067,000,000,000, representing a year-on-year increase of 6.80%. Of this, export amounted to 2,409,900,000,000, an increase of 10.90%; imports amounted to 1,657,000,000,000, an increase of 1.30%.

7. Overall Consumer Prices Remained Stable, with Core CPI Rising Slightly

The annual consumer price index (CPI) increased by 0.20% year-on-year. By category, food, tobacco and alcohol prices decreased by 0.10%, clothing prices increased by 1.40%, housing prices increased by 0.10%, household goods and services prices increased by 0.50%, transportation and communication prices decreased by 1.90%, education, culture and entertainment prices increased by 1.50%, healthcare prices increased by 1.30%, and other goods and services prices increased by 3.80%. Among food, tobacco and alcohol prices, fresh fruit prices decreased by 3.50%, grain prices decreased by 0.10%, fresh vegetable prices increased by 5.00%, and pork prices increased by 7.70%. Core CPI, excluding food and energy prices, rose 0.50%. In December, the consumer price index increased by 0.10% year-on-year and remained unchanged month-on-month. Throughout the year, the ex-factory prices of industrial producers and the purchasing prices both decreased by 2.20% compared to the previous year. In December, industrial producer ex-factory prices and purchasing prices both decreased by 2.30% year-on-year, and both decreased by 0.10% month-on-month.

8. The Employment Situation Remained Generally Stable, with a Decrease in the Urban Unemployment Rate Under Survey

The average unemployment rate under survey in urban areas nationwide for the entire year was 5.10%, a decrease of 0.10 percentage points compared to the previous year. In December, the unemployment rate under survey in urban areas nationwide was 5.10%. The surveyed unemployment rate for local labor force was 5.30%; the surveyed unemployment rate for non-local labor force was 4.60%, of which the surveyed unemployment rate for non-local agricultural labor force was 4.50%. The surveyed unemployment rate in urban areas of 31 major cities was 5.00%. The average weekly working hours for employees in enterprises nationwide was 49.00 hours. The total number of migrant workers throughout the year was 299,730,000, an increase of 2,200,000 from the previous year, representing a growth of 0.70%. Among them, local migrant workers numbered 121,020,000, an increase of 0.10%; migrant workers working outside their hometowns numbered 178,710,000, an increase of 1.20%.

9. Residents' Income Continues to Increase, with Rural Residents' Income Growing Faster Than That of Urban Residents

The per capita disposable income of residents nationwide for the entire year was 41,314.00, representing a nominal increase of 5.30% over the previous year, and a real increase of 5.10% after deducting price factors. By place of residence, the per capita disposable income of urban residents was 54,188.00, representing a nominal increase of 4.60% over the previous year, and a real increase of 4.40% after deducting price factors; the per capita disposable income of rural residents was 23,119.00, representing a nominal increase of 6.60% over the previous year, and a real increase of 6.30% after deducting price factors. The median per capita disposable income of residents nationwide was 34,707.00, representing a nominal increase of 5.10% over the previous year. According to the national residents' income quintile grouping, the per capita disposable income for the low-income group was 9,542.00, for the lower-middle-income group 21,608.00, for the middle-income group 33,925.00, for the upper-middle-income group 53,359.00, and for the high-income group 98,809.00. The national per capita consumption expenditure for the entire year was 28,227.00, representing a nominal increase of 5.30% over the previous year, and a real increase of 5.10% after deducting price factors. The proportion of per capita expenditure on food, tobacco and alcohol in the total per capita consumption expenditure for national residents (Engel's coefficient) was 29.8%, remaining unchanged from the previous year; the per capita expenditure on services for national residents increased by 7.4%, accounting for 46.1% of the total per capita consumption expenditure, an increase of 0.90 percentage points from the previous year.

10. The Total Population has Decreased, and the Urbanisation Rate Continues to Increase

At the end of the year, the national population (including the population of 31 provinces, autonomous regions and municipalities directly under the Central Government and active military personnel (excluding Hong Kong, Macao, and Taiwan residents and foreign nationals residing in the 31 provinces, autonomous regions and municipalities directly under the Central Government) was 1,408,280,000, a decrease of 1,390,000 from the end of the previous year. The number of births for the entire year was 9,540,000, with a birth rate of 6.77‰; the number of deaths was 10,930,000, with a death rate of 7.76‰; and the natural population growth rate was -0.99‰. From the perspective of gender composition, the male population is 719,090,000, and the female population is 689,190,000, with a sex ratio of 104.34 (with females as 100.00). In terms of age composition, the population aged 16-59 was 857,980,000, accounting for 60.90% of the total population; the population aged 60 and above was 310,310,000, accounting for 22.0% of the total population, of which the population aged 65 and above was 220,230,000, accounting for 15.6% of the total population. From the perspective of urban-rural composition, the permanent urban population was 943,500,000, an increase of 10,830,000 from the end of the previous year; the permanent rural population was 464,780,000, a decrease of 12,220,000; the proportion of the urban population to the national population (urbanization rate) was 67.0%, an increase of 0.84 percentage points from the end of the previous year.

Overall, in 2024, the national economy operated with general stability and steady progress, high-quality development was solidly advanced, and Chinese modernization took new, firm steps forward. However, it must also be recognized that the current external environment is bringing increasingly adverse impacts, domestic demand is insufficient, some enterprises are facing difficulties in production and operation, and the economy still faces many difficulties and challenges. In the next stage, it is imperative to adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implement the spirit of the 20th National Congress of the Communist Party of China and the Second and Third Plenary Sessions of the 20th Central Committee of the Communist Party of China, and follow the arrangements of the Central Economic Work Conference. We must uphold the general principle of seeking progress while maintaining stability, fully, accurately, and comprehensively implement the new development philosophy, accelerate the construction of a new development paradigm, and solidly promote high-quality development, deepen reform and opening up, implement more proactive and effective macroeconomic policies, expand domestic demand, promote the integrated development of scientific and technological innovation and industrial innovation, stabilise expectations, stimulate vitality, and drive a sustained economic recovery and improvement.

II. ANALYSIS OF REGIONAL ECONOMIC FACTORS

(I) Overall Regional Overview

Yangjiang City, as an important coastal city in the southwest of Guangdong Province, undertakes the dual strategic missions of being a "pioneer zone for deep integration into the Greater Bay Area along the coastal economic belt and a modernised marine city for high-quality development." Yangjiang, situated at a critical node for westward expansion within the Guangdong-Hong Kong-Macao Greater Bay Area, leverages its natural endowment of "mountains and seas embracing each other" and its spatial layout of "one core and two sub-centres, one belt and three zones". This has fostered a regional development pattern characterised by a distinctive marine economy and supported by advanced manufacturing, positioning it as a crucial functional pivot for the western Guangdong region to connect with the Greater Bay Area.

According to the "Yangjiang City Territorial Spatial Master Plan (2021-2035)", Yangjiang has established the core direction of "deeply integrating into the Guangdong-Hong Kong-Macao Greater Bay Area and jointly building the Pearl River Estuary West Bank Metropolitan Area", and is constructing a multi-level spatial development system: (1) Strategic positioning: a pioneering zone for in-depth integration into the Greater Bay Area along the coastal economic belt, and a modern marine city, focusing on the development of marine economic sectors such as offshore wind power, marine ranches, and port logistics. (2) Spatial Structure: Under the framework of "one core and two sub-centres, one belt and three zones", the central urban area (Jiangcheng District + some towns and streets of Yangdong District) serves as the development core, with a planned area of 1,232.04 square kilometres; Yangchun and Yangxi are the municipal sub-centres, and 13 key towns form characteristic industrial nodes. (3) Population Planning: The target permanent population by 2035 is 3,050,000, with the urbanisation rate increasing to 75.00%, forming a four-tier urban system of "central urban area – sub-centres – key towns – general towns".

Unlike Guangzhou's comprehensive hub function as a national central city, Yangjiang focuses on its "marine+" characteristics, achieving functional complementarity with the Greater Bay Area through differentiated positioning, thus becoming an important connecting region for industrial transfer and resource overflow from the Pearl River Delta.

In 2024, Yangjiang's GDP reached 162,958,000,000, representing a year-on-year increase of 3.50%. The tertiary industrial structure was 16.5:37.3:46.2, characterised by a "tertiary industry-led, secondary industry-accelerated" pattern. The industrial development has formed two distinct characteristics: (1) Clustered development of traditional industries: As the "Capital of Scissors and Knives in China", the metal products industry grew by 5.60% throughout the year, forming a complete industrial chain from raw material supply to finished product sales, with products exported to over 100 countries and regions worldwide. Traditional advantageous industries such as food processing (growth of 2.50%) and alloy materials (growth of 6.50%) have achieved quality improvement and efficiency enhancement through technological transformation, becoming stabilisers for the regional economy; (2) Explosive growth of the blue economy: The wind power equipment manufacturing industry performed outstandingly, with a year-on-year increase of 33.60%. Relying on the Hailing Bay offshore wind power base, a wind power industrial cluster integrating research and development, production and installation has been formed. The total volume of the marine economy accounts for over 30.00% of GDP, with industries such as marine ranches and port logistics developing rapidly. In 2024, Yangjiang Port's throughput exceeded 40,000,000 tonnes for the first time, representing a year-on-year increase of 9.60%, and waterway freight turnover reached 337,821,800 tonne-kilometres, an increase of 79.35%.

Yangjiang is accelerating the construction of a multi-dimensional transportation network comprising an "airport + dual high-speed railways + high-speed road network + a port with a capacity of 100,000,000 tonnes", aiming to become a crucial integrated transportation hub in western Guangdong: (1) Railway Network: Form a "Y"-shaped high-speed rail framework consisting of the Shenzhen-Maoming Railway, Guangzhou-Zhanjiang High-Speed Railway, and the western extension of the Ganzhou-Shenzhen High-Speed Railway. After the completion of the Yangjiang section of the Guangzhou-Zhanjiang High-Speed Railway in 2025, the core cities in the Guangdong-Hong Kong-Macao Greater Bay Area will be within one hour's reach from the urban areas. (2) Port Construction: Yangjiang Port is advancing multiple terminal berth projects, with the goal of building a port with a capacity of 100,000,000 tonnes. The railway project for Jishu Operation Area in Hailing Bay Port Area is scheduled to commence in 2025. (3) Aviation Layout: Constructing the new Yangjiang Airport (4C standard) and Hailing Island General Aviation Airport, and renovating and expanding Heshan Airport to establish a "1+2" aviation service system. (4) Highway network: In 2025, 25 key transportation projects will be advanced, with an investment of 5,923,000,000 completed. Upon completion of projects such as the Yangxin Expressway, the goal of "30 minutes from urban areas to all counties (cities, districts) and 60 minutes to core cities in the Greater Bay Area" will be achieved.

In terms of education, Yangjiang Vocational and Technical College is the main higher education institution, focusing on cultivating application-oriented talents and serving the development needs of local industries. In 2024, the total output value of agriculture, forestry, animal husbandry and fisheries reached 44,981,000,000, an increase of 4.40%. Yangchun City and Yangxi County, as national-level major agricultural product producing areas, provide a guarantee of high-quality agricultural products for the Greater Bay Area.

The living standards of residents have steadily improved, with the per capita disposable income of all residents maintaining growth in 2024, and the total retail sales of consumer goods steadily expanding. Relying on its desirable coastal living environment, it has become an important destination for wellness and tourism for residents of the Greater Bay Area.

In the future, Yangjiang will focus on two major engines to achieve high-quality development: first, deepening industrial chain collaboration with the Greater Bay Area to build advanced manufacturing bases for wind power equipment manufacturing and high-end metal materials; second, leveraging its coastal ecological advantages to construct an international coastal tourism destination. Through the dual drivers of "industrial integration into the Greater Bay Area" and "ecological integration into the Greater Bay Area", Yangjiang is expected to become a benchmark city for high-quality development in the western Guangdong region, providing important support for the construction of the coastal economic belt.

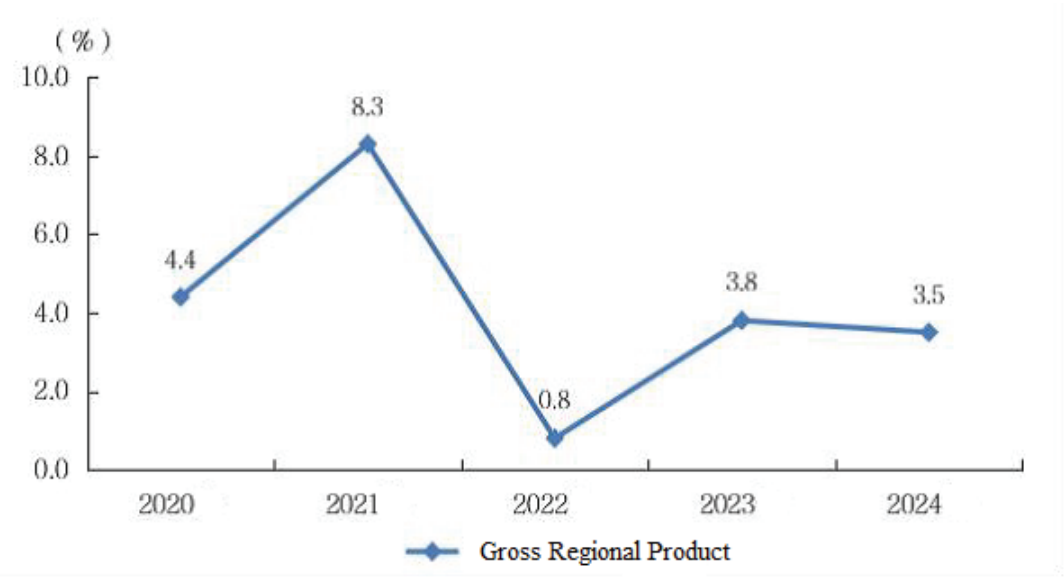
(II) Regional Economic Development Status

1. Overall Situation

At the end of 2024, the city's permanent resident population was 2,626,600, an increase of 0.1% over the previous year, with an urbanization rate of 57.75%; the city's registered population was 3,019,400, a decrease of 0.4%, with an urbanization rate of 40.7%. The number of births for the entire year was 18,500, with a birth rate of 7.38‰; the number of deaths was 15,100, with a death rate of 6.06‰; and the natural population increase was 3,300, with a natural growth rate of 1.32‰.

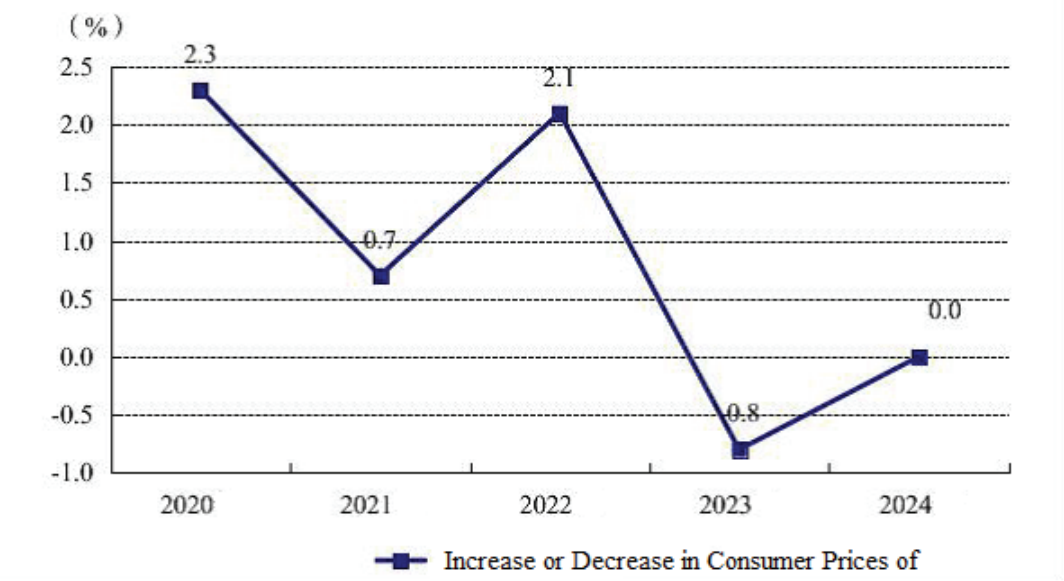
According to the unified accounting results of the gross regional product of Guangdong Province, the gross regional product of Yangjiang City in 2024 was 162,958,000,000, an increase of 3.5% over the previous year. Of these, the value added of the primary industry was 26,931,000,000, an increase of 3.70%; the value added of the secondary industry was 60,701,000,000 dollars, an increase of 3.50%; and the value added of the tertiary industry was 75,326,000,000, an increase of 3.40%. In 2024, Yangjiang City's per capita gross regional product was 62,100, an increase of 3.40%.

Figure 1: Growth Rate of Gross Regional Product 2020-2024
(Average Annual Growth of 4.1%)



The overall level of consumer prices for the entire year remained unchanged compared to the previous year, with the service price index increasing by 0.10%, and the consumer goods price index remaining flat compared to the previous year. From the eight categories, food, tobacco and alcohol decreased by 0.20%, clothing decreased by 2.20%, housing increased by 0.20%, household goods and services increased by 1.30%, transportation and communication decreased by 1.30%, education, culture and entertainment increased by 0.70%, healthcare increased by 0.20%, and other goods and services increased by 6.50%.

Figure 2: Increase or Decrease in Consumer Prices 2020-2024



Throughout the year, 18,900 new urban jobs were created, 9,400 unemployed individuals were re-employed, and 1,600 individuals with employment difficulties found jobs, completing 118.20%, 116.90% and 108.70% of the provincial targets, respectively.

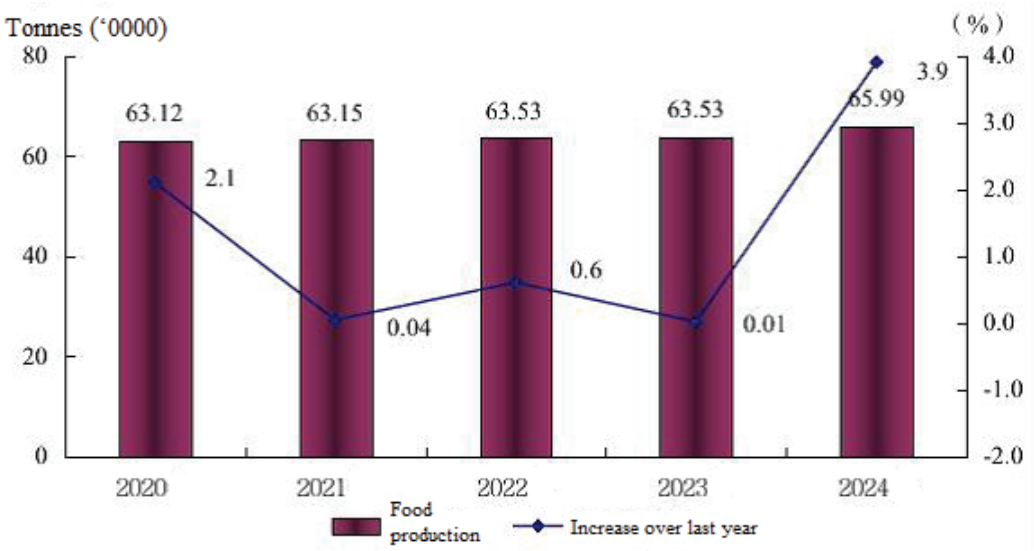
The local general public budget revenue for the entire year was 8,362,000,000, an increase of 2.90% compared to the previous year. Of which, tax revenue was 5,047,000,000, a decrease of 2.60%; non-tax revenue was 3,315,000,000, an increase of 12.70%. The full-year local general public budget expenditure was 25,496,000,000, a decrease of 2.40% compared to the previous year. Among these, general public services expenditure was 2,661,000,000, an increase of 0.20%; education expenditure was 5,050,000,000, a decrease of 4.50%; health expenditure was 3,125,000,000, an increase of 1.00%; and social security and employment expenditure was 4,816,000,000, an increase of 1.30%. Expenditure on livelihood-related items amounted to 20,057,000,000, representing 78.70% of the general public budget expenditure.

2. Agriculture

The total output value of agriculture, forestry, animal husbandry and fishery for the entire year was 44,981,000,000, an increase of 4.40% over the previous year. The sown area of grain crops was 1,822,800 mu, an increase of 0.30%; the sown area of oil crops was 318,200 mu, an increase of 0.70%; and the sown area of vegetables was 887,700 mu, an increase of 1.90%.

The annual grain output was 659,900 tonnes, an increase of 3.90% over the previous year; oilseed output was 51,500 tonnes, an increase of 1.90%; vegetable output was 1,043,000 tonnes, an increase of 3.00%; and garden fruit output was 476,700 tonnes, an increase of 5.40%.

Figure 3: Food Production and Growth Rate 2020-2024 (Average Annual Growth of 1.3%)



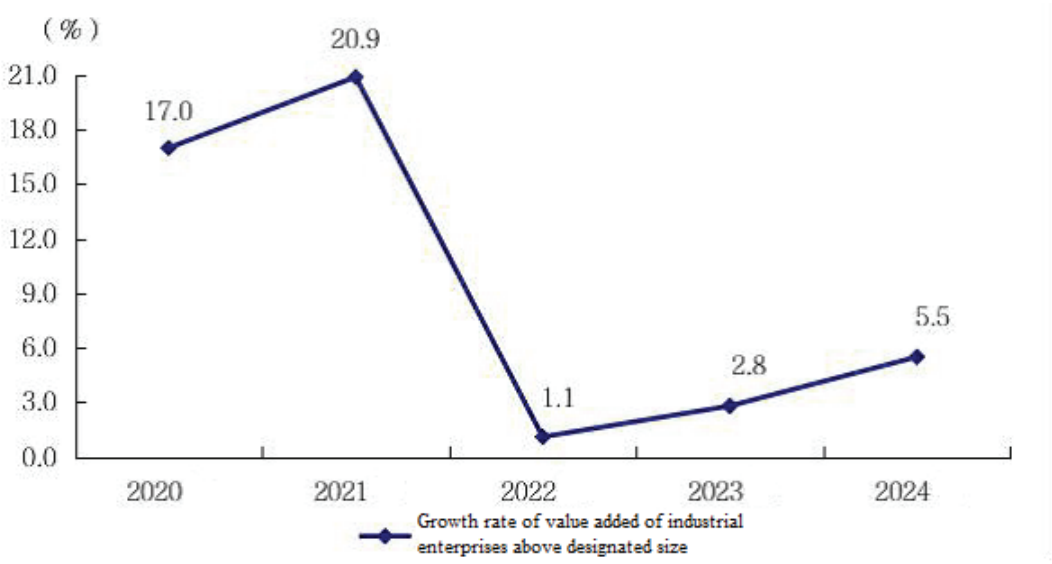
The annual output of pork, beef, lamb and poultry meat was 302,400 tonnes, an increase of 4.10% over the previous year. Of which, pork production was 241,000 tonnes, an increase of 4.10%; poultry production was 57,300 tonnes, an increase of 4.20%. The year-end live pig stock was 1,942,700 pigs, an increase of 20.30%; live pigs slaughtered totaled 3,011,900 pigs, an increase of 3.30%.

The total output value of fisheries for the entire year was 20,393,000,000, an increase of 2.70% over the previous year. The annual aquatic product output was 1,231,700 tonnes, an increase of 2.10%. Of these, marine products amounted to 1,121,300 tonnes, an increase of 2.10%; freshwater products amounted to 110,500 tonnes, an increase of 1.70%.

3. Industries and Construction

The value added of industrial enterprises above designated size increased by 5.50% year-on-year for the entire year. By light and heavy industries, light industry increased by 2.30%, and heavy industry increased by 6.20%. By enterprise scale, large enterprises increased by 7.10%, medium-sized enterprises decreased by 2.10%, small enterprises increased by 13.70%, and micro enterprises increased by 16.50%.

Figure 4: Growth rate of value added of industrial enterprises above designated size 2020-2024 (average annual growth of 9.2%)



The added value of the power generation industry increased by 3.50% over the previous year, accounting for 46.20% of the added value of industrial enterprises above designated size. Among these, wind power generation increased by 21.30%, while nuclear and thermal power generation decreased by 2.20%.

The added value of the alloy materials industry increased by 6.50% year-on-year, accounting for 19.20% of the added value of industrial enterprises above designated size. Among these, the ferrous metal smelting and pressing industry increased by 21.60%, and the non-ferrous metal smelting and pressing industry increased by 1.50%.

The added value of advanced manufacturing increased by 10.40% over the previous year, accounting for 25.00% of the added value of industrial enterprises above designated size. Among these, the advanced equipment manufacturing industry increased by 26.20%, the new materials manufacturing industry increased by 6.40%, the advanced light textile manufacturing industry increased by 0.60%, the petrochemical industry increased by 33.90%, the biopharmaceutical and high-performance medical device manufacturing industry decreased by 22.80%, and the high-end electronic information manufacturing industry decreased by 11.20%.

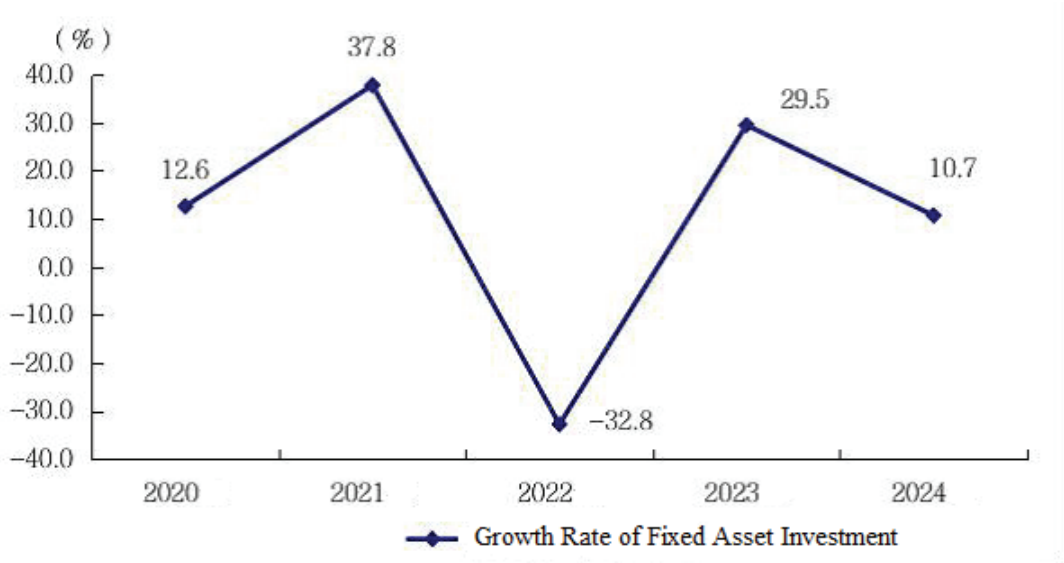
The added value of advantageous traditional industries increased by 2.40% over the previous year, accounting for 19.90% of the added value of industrial enterprises above designated size. Among these, the textile and apparel industry decreased by 13.20%, the food and beverage industry increased by 2.60%, the furniture manufacturing industry increased by 31.40%, building materials decreased by 2.60%, the metal products industry increased by 5.60%, and the household electrical appliance manufacturing industry increased by 26.00%.

The number of qualified construction enterprises reached 233 for the entire year, representing a 12.00% increase compared to the previous year; general contractors and specialised contractors completed a total construction output value of 10,425,000,000, a decrease of 6.60%. The construction area of housing enterprises was 4,257,700 square metres, a decrease of 14.60%, of which the newly commenced area was 800,400 square metres, a decrease of 21.90%. The completed housing area was 858,700 square metres, a decrease of 42.10%.

4. Fixed Asset Investment

Fixed asset investment for the full year increased by 10.70% compared to the previous year. By industry, investment in the primary industry increased by 24.50%, investment in the secondary industry increased by 17.90%, and investment in the tertiary industry decreased by 0.40%. Industrial investment increased by 20.60%, accounting for 64.70% of fixed asset investment, of which manufacturing investment increased by 20.60%, and industrial technological transformation investment increased by 12.50%. Infrastructure investment increased by 13.70%, accounting for 65.20% of fixed asset investment, of which investment in the production and supply of electricity, gas and water increased by 13.40%, and investment in public facility management increased by 58.10%.

Figure 5: Growth Rate of Fixed Asset Investment 2020-2024 (Average Annual Growth of 8.4%)



Investment in real estate development was 6,795,000,000, a decrease of 13.10% from the previous year, of which investment in commercial residential buildings was 5,887,000,000, a decrease of 14.20%. The sales area of commercial housing was 1,580,100 square meters, a decrease of 23.50%, of which residential housing accounted for 1,402,700 square meters, a decrease of 25.30%. At the end of the year, the area of commercial housing for sale was 3,550,200 square meters, an increase of 5.90%, of which residential housing accounted for 2,201,800 square meters, an increase of 10.90%.

5. Domestic Trade

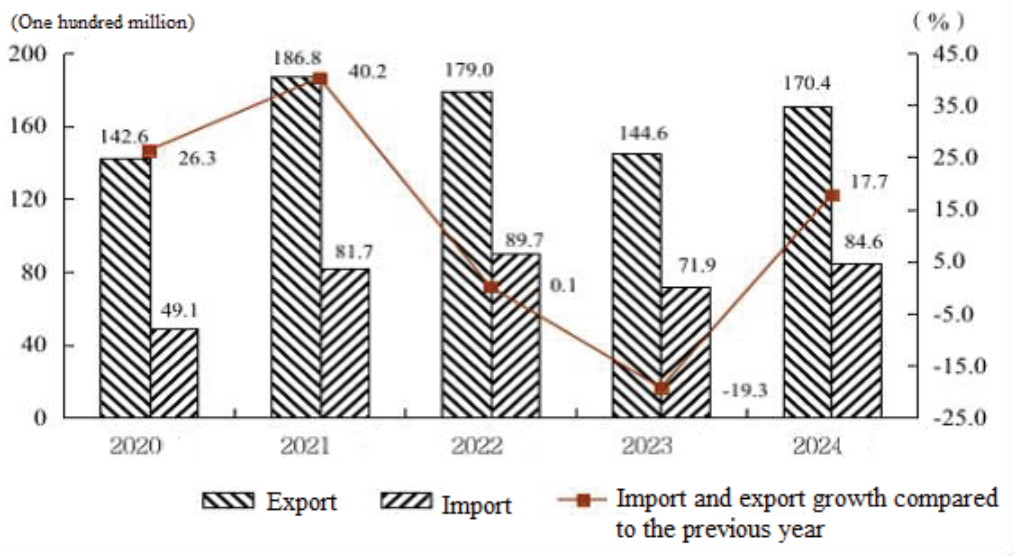
The total retail sales of consumer goods for the entire year were 47,102,000,000, a decrease of 0.30% compared to the previous year. By location of operation, urban consumer goods retail sales amounted to 39,059,000,000, a decrease of 1.00%; rural consumer goods retail sales amounted to 8,042,000,000, an increase of 2.90%. By consumption pattern, retail sales of commercial goods amounted to 41,216,000,000, a decrease of 1.20%; catering revenue was 5,886,000,000, an increase of 6.10%.

Among the retail sales of goods by enterprises above the quota, retail sales of grain and oil and food commodities decreased by 8.40% year-on-year, beverages increased by 29.00%, tobacco and alcohol increased by 2.20%, apparel, footwear, headwear, knitwear and textiles decreased by 7.80%, cosmetics decreased by 14.50%, daily necessities increased by 2.80%, household appliances and audio-visual equipment increased by 84.70%, Chinese and Western medicines increased by 6.20%, cultural and office supplies decreased by 45.10%, gold, silver and jewellery decreased by 27.90%, furniture decreased by 35.00%, communication equipment increased by 9.10%, automobiles decreased by 2.70%, and petroleum and related products decreased by 1.50%.

6. External Economy

The total amount of foreign trade imports and exports reached 25,500,000,000 for the year, representing a 17.70% increase of over the previous year. Exports amounted to 17,040,000,000, increasing 17.80%, while imports reached 8,460,000,000, increasing 17.50%. The difference between imports and exports (exports minus imports) reached 8,580,000,000, representing an increase of 1,310,000,000 over the previous year.

Figure 6: Total Import and Export Amount and its Growth Rate from 2020-2024
(Average Annual Growth Rate: 11.0%)



The actual utilization of foreign direct investment for the year reached 325,690,000, representing an increase of 85.60% over the previous year. 45 new foreign investment contracts were signed, representing a 25.00% increase; Contracts for foreign investment utilization totaled 339,940,000, increasing 124.90%, with the average foreign investment of 7,550,000 per contract agreement, an increase of 3,350,000 over the previous year. There are 693 registered foreign-invested enterprises in the city. Among them, 47 foreign-invested enterprises were registered this year.

7. Transportation, Postal Services, and Tourism

Total annual cargo volume reached 81,879,200 tons, increasing 3.70% year-on-year. Cargo turnover amounted to 547,143,560,000 ton-kilometers, increasing 0.01%. Total passenger transport volume for the year reached 2,599,500 people, decreasing 1.60%. Passenger transport turnover amounted to 330,554,500 person-kilometers, decreasing 5.50%. Port cargo throughput was 40,415,700 tons, increasing 9.60%.

Table 1: 2024 Passenger and Cargo Transport Volumes by Different Modes and its Growth Rates

Indicators	Unit	Absolute Value	Year-on-year growth (%)
Passenger and cargo transport volume on road			
Cargo volume	Tonnes (‘0000)	7203.24	3.9
Cargo traffic volume	Tonne-kilometers (‘0000)	453916.37	-3.5
Passenger Volume	Passenger (‘0000)	253.41	-0.9
Passenger traffic volume	Passenger-kilometers (‘0000)	32993.64	-5.4
Passenger and cargo transport volume by water			
Cargo volume	Tonnes (‘0000)	51.68	5.5
Cargo traffic volume	Tonne-kilometers (‘0000)	33782.18	79.4
Passenger Volume	Passenger (‘0000)	6.54	-24.1
Passenger traffic volume	Passenger-kilometers (‘0000)	61.81	-24.8
Passenger and cargo transport volume by trains			
Cargo volume	Tonnes (‘0000)	933	2.9
Cargo traffic volume	Tonne-kilometers (‘0000)	59445	2.4

The total volume of postal and telecommunications services reached 6,331,000,000 for the year, representing an increase of 13.80% over the previous year. Among which, the total postal business volume (calculated at constant 2020 prices) was 3,710,000,000, an increase of 13.90%; the express delivery volume was 433,762,800 items, up 9.80%; express delivery revenue amounted to 1,705,000,000, increasing by 12.40%; the total telecommunications business volume (calculated at constant prices of the previous year) was 2,622,000,000, growing by 13.70%.

Total tourism revenue for the year was 15,574,000,000, marking a 6.00% increase over the previous year. Domestic tourism revenue accounted for 15,129,000,000, up 4.90%. The total number of tourists received throughout the year was 14,854,900, an increase of 1.80%. Among them, the number of same-day tourists was 8,232,900, an increase of 7.40%; the number of overnight tourists accommodated by lodging facilities was 6,622,000, a decrease of 4.40%. Among overnight visitors, international tourists was 217,700, up 47.70%, while domestic tourists was 6,404,300, down 6.80%.

8. Finance

At the end of the year, various deposit balance in domestic and foreign currencies held by financial institutions in the city reached 233,050,000,000, an increase of 8.00% over the previous year. Among these, household deposits amounted to 164,602,000,000, up 7.70%, while non-financial enterprise deposits totaled 30,178,000,000, rising 9.30%. Various loan balance of in domestic and foreign currencies was 210,545,000,000, an increase of 10.50%. The non-performing loan ratio for banking financial institutions was 0.77%, an increase of 0.07 percentage points compared to the beginning of the year.

Table 2 Domestic and Foreign Currency Deposits and Loans of Financial Institutions and their Growth Rates at the End of 2024

Indicators	Absolute value (00'000'000)	Year-on-year growth (%)
Total deposit balances	2330.50	8.0
Among which: Household deposits	1646.02	7.7
Non-financial corporate deposits	301.78	9.3
Government and institutional Deposits	303.08	0.5
Fiscal Deposits	21.83	22.1
Non-bank financial Institution Deposits	50.51	84.3
Various loan balances	2105.45	10.5
Of which: Domestic short-term loans	69.37	2.1
Domestic medium- and long-term Loans	1041.16	5.9

The city's securities market comprises 1 listed company with a total market capitalization of 6,540,000,000, and 7 securities company branches (including business departments). The accumulated securities trading volume reached 469,176,000,000, representing a 35.70% increase over the previous year. The number of stock accounts stood at 789,200, up 5.60%, while the stock trading volume amounted to 253,740,000,000, growing by 27.60%.

The full-year original premium revenue (same basis as below) reached 6,695,000,000, representing a 7.90% increase over the previous year. Among which, the original premium income of property insurance companies was 2,334,000,000, up 0.70%, while the original premium revenue of life insurance companies was 4,361,000,000, rising 12.20%. Accumulated claims expenditure for the year totaled 3,379,000,000, up 5.80%; of which the property insurance companies paid out 1,413,000,000 in claims, down 9.90%, while the life insurance companies claims expenditure of 1,966,000,000 in claims, up 20.90%.

9. Education and Technology

The enrollment for postgraduate education was 30 students for the year, with 100 students currently enrolled. 4,100 students were admitted to regular undergraduate programs, with 15,400 students currently enrolled and 3,700 graduates. Enrollment in various secondary vocational education programs was 9,500 students, with 27,300 students enrolled and 7,300 graduates. Regular high school enrollment reached 22,000 students, with 63,400 students enrolled and 17,700 graduates. Junior high schools enrolled 45,500 students, with 132,800 students currently enrolled and 40,900 graduates. General primary schools enrolled 36,800 students, with 244,500 students currently enrolled and 45,700 graduates. Special education programs enrolled 180 students, with 821 students currently enrolled and 227 graduates. Preschool education enrolled 86,100 children. The retention rate for nine-year compulsory education reached 98.81%, while the gross enrollment rate for senior high school was 98.65%.

Table 3 Enrollment, Current Students, Graduates, and their Growth Rates by Levels and Types of Education in 2024

Indicators	Enrollment (students)	Year-on-year growth (%)	Current students	Year-on-year growth (%)	Graduates (students)	Year-on-year growth (%)
Postgraduate education	30	16.7	100	30	-	-
Regular undergraduate programs	4076	11.6	15398	10.2	3694	7.5
Adult undergraduate programs	585	-2.7	1880	-27	1286	6.6
Various secondary vocational and technical education	9501	11.3	27324	12.1	7344	7.2
Regular high schools	22015	0.2	63383	6.7	17728	4.5
Junior high schools	45454	3.9	132808	2.8	40895	13.2
Primary schools	36826	-12.6	244542	-3.6	45693	4.4
Preschool education	22674	-14	86096	-10.6	38035	-10.2
Special education	180	-4.8	821	-2.6	227	51.3

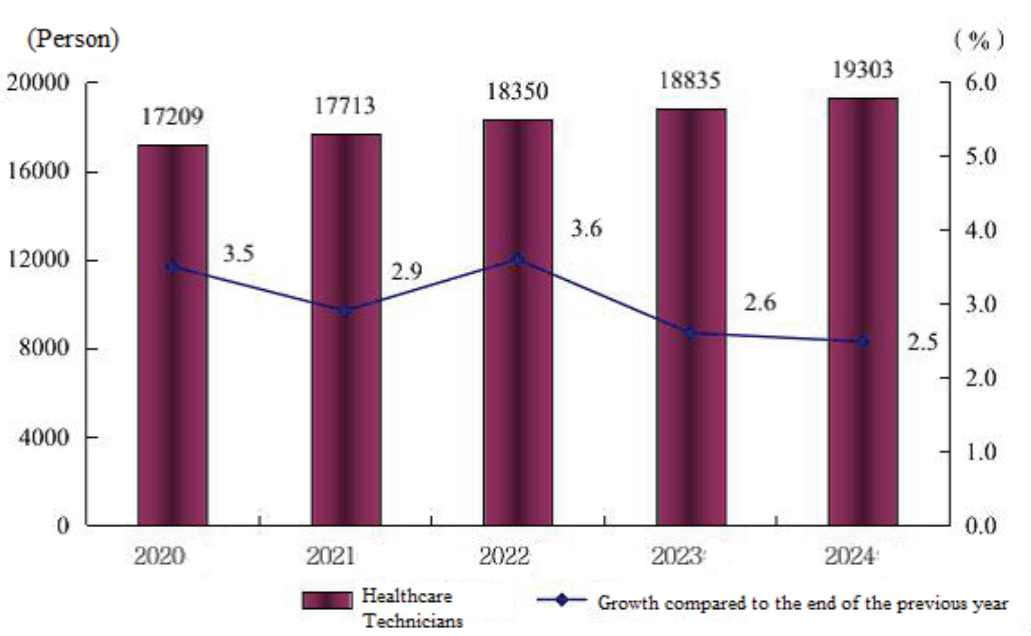
By end of the year, the city hosted 191 national high-tech enterprises, 57 provincial-level or higher engineering technology research centers, and 266 city-level engineering technology research centers. The total number of patent authorizations of the city reached 5,146.00, marking a 0.40% year-on-year increase. Among which, invention patent authorizations totaled 248, reflecting a 37.80% year-on-year growth.

10. Culture, Health, and Sports

By the end of the year, the city had 1 troupe of various professional art performance (publicly owned), 5 cultural centers, 48 cultural stations, 5 public libraries at the county level and above, and 8 museums. There are 3 radio stations and 4 television stations in the city. Radio achieved 100.00% comprehensive population coverage, television reached 100.00% comprehensive population coverage, and combined radio-television coverage stood at 100.00%. By year-end, cable digital television users numbered 72,000 households, representing an 8.90% decrease.

By the end of the year, the city had a total of 1,921 healthcare institutions (including village clinics), including 61 hospitals, 39 health centers, 58 community health service centers (stations), 4 maternal and child health hospitals, 1 specialized disease prevention and treatment institute (station), 5 disease prevention and control centers, 3 health supervision institutes (centers), 1,185 village clinics, and 480 clinics (medical rooms). The total number of beds across all healthcare institutions reached 16,369 by year-end, an increase of 353 beds compared to the previous year. Among which, hospitals accounted for 13,240 beds, township health centers for 2,025 beds, maternal and child health hospitals for 953 beds, and community health service centers (stations) for 71 beds. The city's health institutions employed 19,303 health professionals, an increase of 468 compared to the previous year. Among them, there were 6,771 practicing (assistant) physicians and 8,950 registered nurses.

Figure 7: Number of Healthcare Technicians and their Growth Rate
(Average Annual Growth of 3.0%) from 2020 to 2024

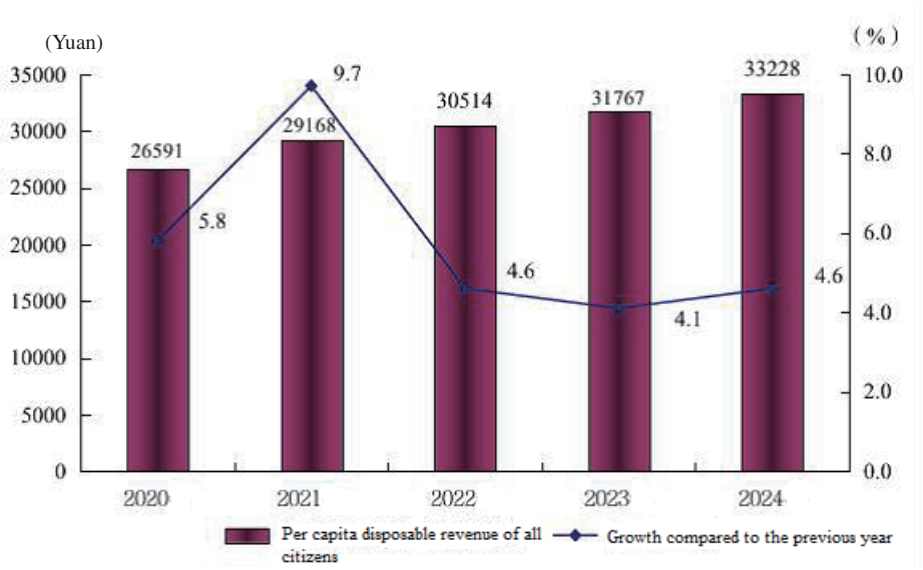


Athletes of our city achieved outstanding results in major domestic and international competitions, securing a total of 22 gold, 18 silver, and 17 bronze medals. Among these, athletes of our city won a silver medal in taekwondo at the Olympic Games Paris 2024 and a gold medal in men's doubles badminton at the Paris Paralympics.

11. People's Livelihood and Social Security

The per capita disposable income of all citizens for the year reached 33,228.00, representing a 4.60% increase over the previous year. Among which, the per capita disposable income of citizens was 38,778.00, up 3.30%; while that for rural residents stood at 25,875.00, rising 4.90%.

Figure 8: Per Capita Disposable Income of all Citizens and its Growth Rate from 2020 to 2024 (Average Annual Growth of 5.7%)



By the end of the year, 467,700 people participated in the basic pension insurance for urban employees (including retirees), representing a 2.60% increase over the previous year. Participation in the basic pension insurance for urban and rural residents stood at 1,244,500 people, a 1.60% decrease. Participation in the basic medical insurance for urban employees reached 362,500 people, marking a 2.50% increase. The number of participants in the basic medical insurance for urban and rural residents was 2,169,600, a decrease of 2.70%. The number of participants in the work-related injury insurance was 365,600, an increase of 1.60%. The number of participants in the unemployment insurance was 215,600, an increase of 2.10%. The number of participants in the maternity insurance was 274,700, an increase of 2.70%.

Table 4 Number of Insured Persons and Growth Rates by Insurance Type in the City at the End of 2024

Indicators	Number of insured persons (0'000)	Year-on-year growth (%)
Participating in basic pension insurance coverage	171.22	-0.5
Of which: Urban employee basic pension insurance (including retirees)	46.77	2.6
#Employees insured	33.73	1.5
Retirees insured	13.04	5.3
Urban and rural residents' basic pension insurance	124.45	-1.6
Participating in basic medical insurance	253.21	-2.0
Of which: employees' basic medical insurance	36.25	2.5
Urban and rural residents' basic medical insurance	216.96	-2.7
Participating in unemployment insurance	21.56	2.1
Participating in compensation insurance	36.56	1.6
Participating in maternity insurance	27.47	2.7

The total revenue of the city's pension, unemployment, and work-related injury insurance funds (excluding inter-level transfers) reached 7,281,000,000 for the year, representing a 4.10% increase over the previous year. The cumulative surplus at year-end stood at 5,808,000,000, up 0.70%. Total revenue for basic medical and maternity insurance funds reached 4,192,000,000, up 4.10%; the year-end cumulative surplus stood at 3,017,000,000, an increase of 21.60%.

Civil affairs-run residential care facilities provided 11,779 beds with year-round accommodation, serving 10 residents. There are 840 community-based elderly care institutions and facilities. By the end of the year, 65,100 individuals received minimum living allowance assistance, including 9,900 in urban areas and 55,200 in rural areas. The welfare lottery tickets sales issued in the year reached 318,000,000, generating 34,000,000 in welfare lottery public welfare funds. Registered volunteers reached 560,100, with each volunteer contributing an average of 24.78 hours of volunteer service.

12. Resources, Environment, and Work Safety

The annual precipitation across the city totaled 2,130.2 millimeters, 12.10% below the long-term average (2,424.8 millimeters).

Comprehensive energy consumption by industrial enterprises above designated size reached 9,236,000 tons of standard coal, a 2.10% decrease from the previous year. Energy consumption per unit of industrial added value decreased by 7.20%. Total electricity consumption across society reached 18,298,000,000 kilowatt-hours, an increase of 10.50% over the previous year. Among which, industrial electricity consumption accounted for 12,350,000,000 kilowatt-hours, growing by 11.50%.

At the end of the year, the city's environmental protection system comprised 25 institutions with 348 personnel. Drinking water source quality compliance reached 100.00%. 45 urban domestic sewage treatment plants have been constructed across the city, achieving a daily wastewater treatment capacity of 423,700 cubic meters. The city's actual total wastewater treatment volume reached 95,286,900 tons, with a centralized domestic sewage treatment rate of 50.10% (excluding Yangxi and Yangchun). The harmless treatment rate for urban domestic waste reached 100.00% (excluding Yangxi and Yangchun).

The city achieved a 100.00% compliance rate and attainment rate for all 8 national surface water monitoring sections, with no sections classified as substandard Class V water quality. Among these, 25.00% of sections met Class I-II water quality standards, while 75.00% met Class III standards. The proportion of excellent water quality in the city's nearshore waters reached 96.70%, meeting the annual assessment target (96.70%).

The citywide ambient air quality for sulfur dioxide, nitrogen dioxide, inhalable particulate matter (PM10), fine particulate matter (PM2.5), ozone, and carbon monoxide in the city's ambient air quality were 7 μg/m³, 15 μg/m³, 35 μg/m³, 21 μg/m³, 132 μg/m³, and 0.7 mg/m³, respectively. The average concentrations of sulfur dioxide, nitrogen dioxide, PM10, and carbon monoxide met Class I standards; the average concentrations of PM2.5 and ozone met Class II standards. The proportion of days with good air quality reached 97.5%, an increase of 0.8 percentage points compared to the previous year.

Annual afforestation and forest renewal covered 4,380.00 hectares, with 1,202.67 hectares newly closed for forest cultivation, 133.33 hectares of artificial afforestation, 3,044.00 hectares of low-quality and low-efficiency forest conversion, and 8,000.00 hectares of young and middle-aged forest tending. Forest resources maintained a healthy cycle where total tree growth exceeded consumption. The city's total forest stock volume reached 33,069,500 cubic meters. It has 6 forest nature reserves covering a total area of 401,800 mu, with a forest coverage rate of 57.81%. The per capita park green space area in urban areas reached 32.53 square meters (excluding Yangxi and Yangchun), an increase of 8.42 square meters compared to the previous year.

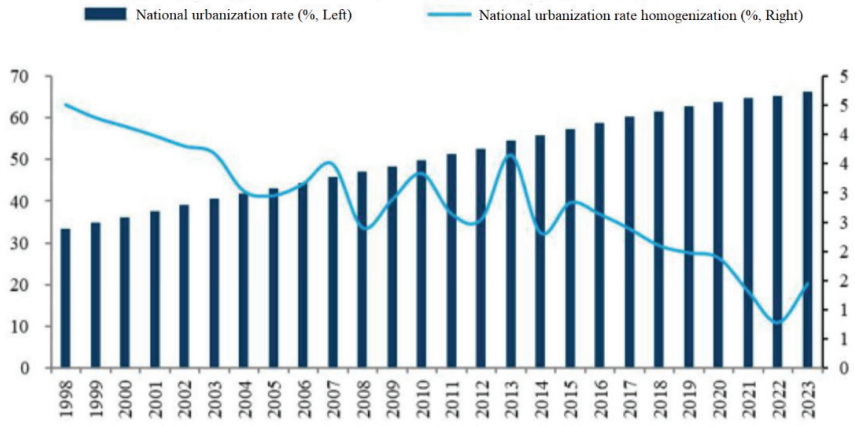
Throughout the year, a total of 87 production safety accidents occurred, resulting in 75 fatalities and 33 injuries. The figures represent decreases of 20.90%, 14.80%, and 52.90% respectively compared to the previous year. Direct economic losses amounted to 14,759,000, an increase of 426.00%. No major or above-level production safety accidents occurred in the city. Throughout the year, 1,016 road traffic accidents occurred, a decrease of 1.20% compared to the previous year. These accidents resulted in 266 fatalities, a decrease of 10.10%, and 1,015 injuries, a decrease of 6.50%. Direct economic losses amounted to 2,436,600, an increase of 39.20%. The road traffic fatality rate per 10,000 vehicles was 2.13.

III. INDUSTRY STATUS AND DEVELOPMENT PROSPECTS

As a core component of urban infrastructure, the drainage industry shoulders the critical responsibilities of safeguarding residents' livelihoods, supporting economic development, and protecting the ecological environment. In recent years, driven by accelerated urbanization, heightened environmental awareness, and continuous technological innovation, the PRC's drainage industry has entered a golden period of rapid development.

(I) Urbanization Drives Development in the Drainage Industry

In recent years, the PRC's urbanization process has accelerated rapidly, with the proportion of urban residents steadily increasing. According to data from the National Bureau of Statistics, the PRC's urban permanent resident population grew from 460,000,000 in 2000 to 933,000,000 in 2023, with the urbanization rate rising from 36.20% to 66.16%. Based on global urbanization research, the world's urbanization is categorized into three stages: the initial stage with the population urbanization rate below 30.00%, the intermediate stage of 30.00%-70.00%, and the advanced stage of 70.00%-90.00%. China remains in the intermediate stage of urbanization.

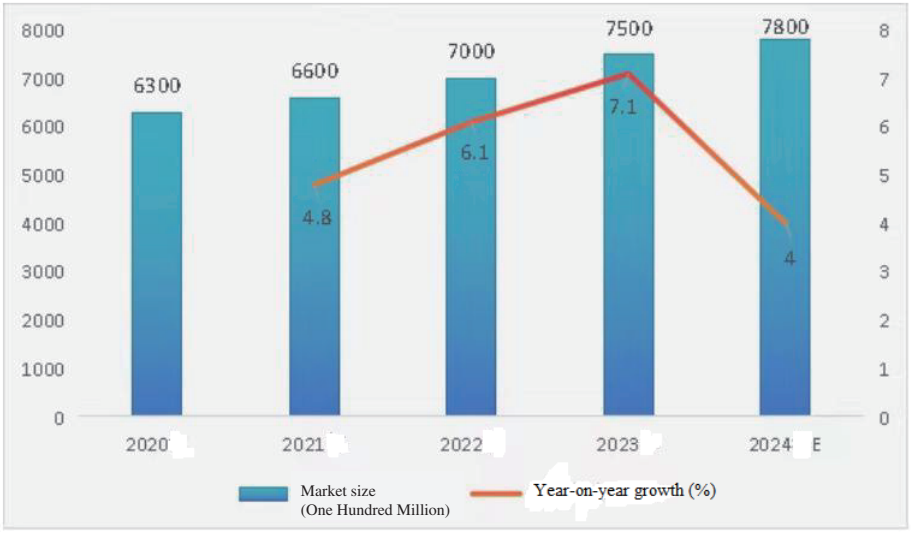


As urbanization accelerates, investment demand for municipal infrastructure construction in China continues to grow. According to the "2021 China Urban Construction Status Bulletin", fixed-asset investment in municipal facilities nationwide reached 2,750,000,000,000 in 2021, marking a year-on-year increase of 4.93%. Among these, roads and bridges accounted for the largest share of urban municipal fixed-asset investment at 36.8%. Rail transit, drainage, and landscaping investments represented 23.10%, 9.90%, and 7.30% respectively, while drainage accounted for 3.70%. Consequently, the PRC's urbanization process is expected to serve as a catalyst for incremental pipeline network construction. The PRC's drainage pipeline length continues to grow, driving robust demand for pipeline inspection, repair, and renovation. As the PRC's population accelerates its migration to urban areas and cities expand in scale, the urban drainage pipeline network, serving as the "blood vessels" and "lifelines" of the city, bears the critical responsibility of managing wastewater and floodwater discharge while expanding alongside urban development. In 2020, the PRC's urban drainage pipeline construction reached approximately 803,000 kilometers, marking a year-on-year increase of 7.93%. Between 2012 and 2020, the length of urban drainage pipelines grew from 439,000 kilometers to 803,000 kilometers, achieving a compound annual growth rate of 7.84%. As a crucial component of urban sewage facility upgrades, China had renovated 28,700 kilometers of combined sewer systems by 2020, including 17,000 kilometers in cities and 11,700 kilometers in county towns. Considering that China's early pipeline networks were susceptible to issues like cracking and leakage due to factors such as extreme weather, substandard discharge standards, and the adoption of minimum standards during construction and operation, calculations based on a 30-year cycle for pipeline rehabilitation indicate that drainage pipelines constructed since 1991 will gradually enter the repair phase. This indicates that a substantial volume of China's drainage pipelines will enter the repair or renewal phase annually in the coming years. The market is expected to experience a concentrated release period for pipeline inspection, repair, and renewal projects, with demand maintaining long-term stable growth.

(II) Industry Market Size: A Sustained Economic Growth Engine

In recent years, water supply and drainage industry of the PRC is continuously expanding in market scale, demonstrating robust growth momentum. During the period between 2020 and 2024, the industry's market size grew from 630,000,000,000 to 780,000,000,000, achieving a compound annual growth rate of nearly 8.00%. This expansion is primarily driven by accelerated urbanization, population growth, and the increasing demand for water resources.

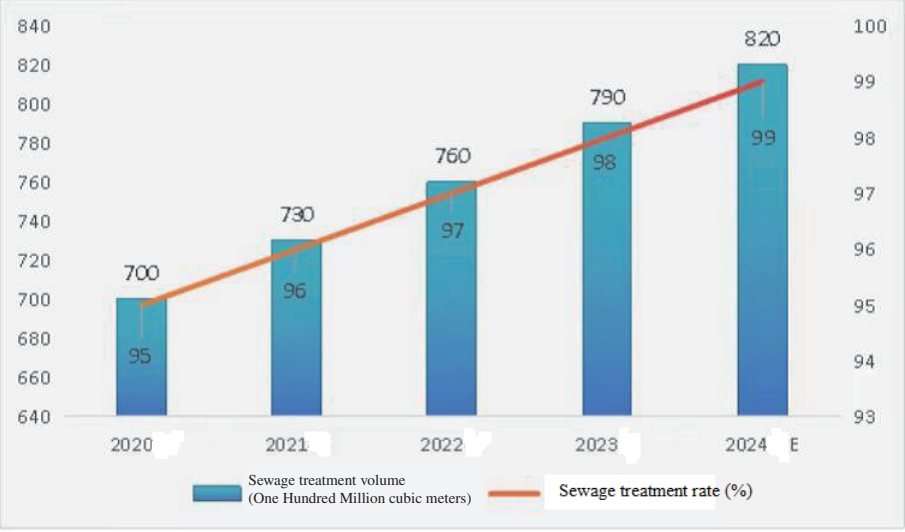
Market Size and Growth Rate of the PRC's Water Supply and Drainage Industry from 2020 to 2024 (Unit: One Hundred Million)



(III) Drainage Market: Advancing Refined and Integrated Management

Over the past five years, the drainage market has transitioned from single-function to integrated systems and from extensive to refined management. With accelerated urbanization, the construction and renovation of drainage facilities have become critical tasks for urban development. Recent innovations in wastewater treatment technologies and pipeline network management have fueled rapid growth in the drainage market.

Key indicators of the PRC's drainage market from 2020 to 2024



(IV) Technological Innovation: Smart and Green Solutions Paving the Way Forward

Technological innovation serves as the core driving force for the development of the water supply and drainage industry. In recent years, with continuous advancements in technology, the sector has achieved significant progress in water quality monitoring, wastewater treatment, and water resource recycling. For instance,深圳市龍崗水務集團's independently developed "Mineralization + Iron-Based Advanced Oxidation Process Technology" has achieved a new breakthrough in the field of water treatment, providing fresh perspectives for technological innovation in the industry.

Furthermore, the development and operation of the smart water management platform have enhanced water supply efficiency and service quality while reducing operational costs. By establishing the smart water management, water supply systems achieve informatized and intelligent management, enabling real-time monitoring of parameters like water quality, volume, and water pressure to promptly identify and resolve issues.

(V) Policy Support and Investment: Injecting Strong Momentum into Industry Development

The state has progressively heightened its emphasis on the drainage industry, introducing a series of policies and regulations to standardize and guide its development. In recent years, national-level policy documents such as the "Water Pollution Treatment Action Plan" and the "Three-Year Action Plan for Urban Water Supply and Drainage Facility Construction" have been issued, clearly defining industry development objectives and key tasks.

In terms of investment, water conservancy construction spending has continued to increase. In 2023, water conservancy construction investment exceeded 1,000,000,000,000, with 566,500,000,000 allocated to major national water network projects, accounting for 47.22% of the total. These investments not only advanced the construction and renovation of water supply and drainage facilities but also provided strong support for technological innovation and sustainable development in the industry.

(VI) Industry Challenges and Future Outlook

Despite significant achievements in the drainage industry over the past five years, numerous challenges remain. First, water scarcity remains severe, particularly in northern regions where the imbalance between water supply and demand is acute. Second, existing drainage infrastructure is severely deteriorating, posing safety hazards that demand urgent upgrades and renovations. Furthermore, as urban populations grow and industries expand, demands on drainage systems continue to intensify, placing higher requirements on the industry's comprehensive service capabilities.

Looking ahead, the drainage industry will continue its growth trajectory while encountering increased challenges and opportunities. With the nation's heightened emphasis on ecological civilization construction, the sector will embrace new development opportunities. For instance, a series of national policies, such as the "Ten Measures to Improve Water Quality" and the "Three-Year Action Plan for Urban Drainage and Flood Prevention", provide robust policy support for the industry. Concurrently, the industry is actively advancing market-oriented reforms to enhance quality and efficiency of the industry.

The drainage industry, as a vital component of national infrastructure, shoulders multiple missions of safeguarding residents' livelihoods, supporting industrial development, and protecting the ecological environment. From 2020 to 2024, the industry achieved significant progress in market scale, technological innovation, and policy support, while also confronting challenges such as water scarcity and aging infrastructure. Moving forward, the sector will continue to advance sustainable development through technological innovation and market-oriented reforms under policy guidance, making greater contributions to socioeconomic development and ecological environmental protection.

ANALYSIS OF THE TARGET COMPANY'S OPERATING CONDITIONS

I. BASIC OVERVIEW OF THE TARGET COMPANY

Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.* was established in 2018 as a project company for the construction and operation of five PPP Projects (hereinafter referred to as the "Yangjiang Urban Sewage Interception and Drainage Pipeline Network Renovation Project"), including the Old Town District Sewage Interception and Drainage Network Renovation Project and the City North District Sewage Interception and Drainage Pipeline Network Renovation Project.

II. TARGET COMPANY'S MAJOR BUSINESS AND RELEVANT QUALIFICATIONS

Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.* entered into five PPP Projects including the "Old Town Interception and Drainage Pipeline Network Renovation Project, City North District Interception and Drainage Pipeline Network Renovation Project" with the Yangjiang City City Management And Integrated Bureau Enforcement Bureau (formerly the Yangjiang City City Integrated Management Bureau). The contract stipulates that the projects will operate under the BOT (Build-Operate-Transfer) model. The Yangjiang City City Management And Integrated Bureau Enforcement Bureau granted Yangjiang Qingyuan the concession rights to invest in, construct, operate, and maintain the sewage interception and drainage pipelines involved in the project. Yangjiang Qingyuan will receive reasonable returns through availability payments and operational performance service fees paid by the government. The availability payment is 122,207,000 per year (tax-inclusive, tax rate 9%), while the operational performance service fee is 3,471,000 per year (tax-inclusive, tax rate 9%). The project cooperation term is 15 years, comprising a 3-year construction period and a 12-year operation period. Upon expiration of the concession period, the relevant facilities will be transferred to the government free of charge.

The project involves the renovation of 109.57 kilometers of pipeline networks. Engineering tasks include urban sewage pipeline upgrades and environmental remediation of surrounding drainage channels. This will further enhance the separation of rainwater and sewage, eliminate pipeline accident risks, establish an effective sewage collection network that directs sewage to treatment plants, remediate black and odorous water bodies, and improve the water environment of surrounding and downstream receiving waters.

The project was approved for establishment on 2 August 2017, by the Yangjiang Development and Reform Bureau through the "Approval of the Feasibility Study Report for the Old City District Sewage Interception and Drainage Pipeline Renovation Project" (Yang Fa Gai Investment [2017] No. 219), with an estimated investment of 150,000,000; Approved for implementation by the "Approval on the Feasibility Study Report on the Sewage Interception and Drainage Pipeline Network Renovation Project in the West Urban District" (Yang Fa Gai Investment [2017] No. 220), with an estimated investment of 130,000,000; "Approval of the Feasibility Study Report on the City East District Sewage Interception and Drainage Pipeline Network Renovation Project" (Yang Fa Gai Investment [2017] No. 222), with an estimated investment of 180,000,000; "Approval of the Feasibility Study Report for the City North District Sewage Interception and Drainage Pipeline Network Renovation Project" (Yang Fa Gai Investment [2017] No. 223), with an estimated investment of 200,000,000; "Approval for the Feasibility Study Report on Environmental Remediation of Mayan Drainage Channel and Sewer Interception and Drainage Pipeline Network Renovation Project in Mayan District" (Yang Fa Gai Investment [2017] No. 221), approved with an estimated investment of 160,000,000; Totaling 820,000,000.

This project is divided into five districts: City East District, Mayan District, City North District, Old City District, and City West District. Among the five projects, the City North District sewage pipeline network spans approximately 28.42 kilometers. Construction commenced on 26 November 2018, and the entire project was completed and accepted on 17 March 2021. According to the "Reply Letter from the Yangjiang City City Management And Integrated Bureau Enforcement Bureau on Clarification of the Operational Date for the City North District Sewage Interception and Drainage Pipeline Network Renovation Project" (Yangcheng Guan Han [2021] No. 334), commercial operation for this project commenced on 1 July 2021. The City East District sewage pipeline network spans approximately 10.78 kilometers, construction commenced on 21 March 2019, and the entire project was completed and accepted on 8 April 2021. According to the "Reply Letter from the Yangjiang City City Management And Integrated Bureau Enforcement Bureau on Clarification of the Operational Date for the City East District Sewage Interception and Drainage Pipeline Network Renovation Project", the project officially commenced commercial operation on 1 September 2021; The City West District sewage pipeline network spans approximately 30.65 kilometers. Construction commenced on 8 July 2019, and the entire project was completed and accepted on 31 May 2021. According to the "Yangjiang City City Management And Integrated Bureau Enforcement Bureau's Approval on Clarification of the Operational Date for the City West District Sewage Interception and Drainage Pipeline Renovation Project" (Yangcheng Guan Fu [2021] No. 31), the project commenced commercial operation on 1 September 2021. The Mayan District sewage pipeline network spans approximately 18.76 kilometers, construction commenced on 16 June 2019, and the entire project was completed and accepted on 31 May 2021. According to the "Yangjiang City City Management And Integrated Bureau Enforcement Bureau's Approval on Clarification of the Operational Date for the Environmental Remediation of Mayan Drainage Channel and Sewer Interception and Drainage Pipeline Network Renovation Project in Mayan District" (Yangcheng Guan Fu [2021] No. 32), the project commenced commercial operation on 1 September 2021. The Old City District sewage pipeline network spans approximately 20.97 kilometers. Construction commenced on 28 July 2019, and the project was fully completed and accepted on 1 June 2021. According to the "Yangjiang City City Management And Integrated Bureau Enforcement Bureau's Approval on Clarification of the Operational Date for the Old City District Sewage Interception and Drainage Pipeline Renovation Project" (Yangcheng Guan Fu [2021] No. 33), the project commenced commercial operation on 1 September 2021.

Pipeline Network Overview:

Serial Number	Project Name	Pipeline Length (km)	Start of Operation	End of Operation
1	City North District Sewage Interception and Drainage Pipeline Renovation Project	28.42	1 July 2021	30 June 2033
2	City East District Sewage Interception and Drainage Pipeline Network Renovation Project	10.78	1 September 2021	31 August 2033
3	City West District Sewage Interception and Drainage Pipeline Renovation Project	30.65	1 September 2021	31 August 2033
4	Environmental Remediation of Mayan Drainage Channel and Sewer Interception and Drainage Pipeline Network Renovation Project in Mayan District	18.76	1 September 2021	31 August 2033
5	Old City District Sewage Interception and Drainage Pipeline Renovation Project	20.97	1 September 2021	31 August 2033
Total		**109.57**		

Yangjiang Qingyuan's primary business qualifications are as follows:

Serial Number	License Type	License Holder	License Number	Valid Until	Issuing Authority	Main Content
1	Occupational Health and Safety Management System Certification in the PRC	Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.*	60122S0070R0S	2025-08-25	Guangdong Zhongjing Testing and Certification Co., Ltd.*(廣東中京檢測認證有限公司)	Occupational health and safety management activities related to the maintenance of drainage pipeline networks and ancillary facilities

HISTORICAL OPERATING PERFORMANCE OF THE TARGET COMPANY

I. FINANCIAL CONDITION, OPERATING PERFORMANCE, AND ADJUSTMENTS

(I) Balance Sheets and Income Statements of the Target Company for the Past Three Years

Summary of Assets, Liabilities, and Financial Condition

Unit: RMB '0,000

Name of indicator	2022-12-31	2023-12-31	2024-12-31
Total Assets	87,851.15	87,621.35	85,920.77
Total Liabilities	57,204.02	56,403.62	52,353.05
Net Assets	30,647.13	31,217.73	33,567.71
Net Assets Attributable to Parent Company Shareholders	30,647.13	31,217.73	33,567.71
Name of indicator	**2022-12-31**	**2023-12-31**	**2024-12-31**
Operating Revenue	7,070.20	7,052.18	6,275.15
Cost of sales	510.87	1,875.85	1,003.19
Total Profit	3,994.91	2,834.96	3,283.68
Net Cash Flow from Operating Activities	-899.43	976.55	10,313.63
Net Cash Flow from Investing Activities	-35.11	-8.44	-31.24
Net Cash Flow from Financing Activities	2,877.88	-3,203.33	-5,455.93
Audit Opinion	**Unqualified opinion**	**Unqualified opinion**	**Unqualified opinion**

Note: The 2022 financial information is extracted from the "Financial Statements of Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.* for the Year from 1 January 2022 to 31 December 2022" (KPMG Huazhen Sui Shen Zi No. 2300047) issued by KPMG Huazhen LLP, Guangzhou Branch. 2023 financial data is extracted from the "Financial Statements of Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.* for the Year from 1 January 2023 to 31 December 2023" (KPMG Huazhen Sui Shen Zi No. 2400201) issued by KPMG Huazhen LLP Guangzhou Branch; The 2024 financial information is extracted from the "Financial Statements of Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.* for the Year from 1 January 2024 to 31 December 2024" issued by KPMG Huazhen LLP (Special General Partnership) Guangzhou Branch (KPMG Huazhen Sui Shen Zi No. 2500336).

(II) Balance Sheet of the Target Company as of the Reference Date

Item	Amount (RMB)	Item	Amount (RMB)
Current Assets:		**Current liabilities:**	
Cash and cash equivalents	56,490,801.45	Short-term borrowings	
Trading financial assets		Financial liabilities held for trading	
Derivative financial assets		Derivative financial liabilities	
Notes Receivable		Notes payable	
Accounts receivable	200,281,533.99	Accounts payable	78,157,422.49
Accounts receivable financing		Advance receipts	
Prepayments	16,206.39	Contract liabilities	
Other receivables	10,740,000.00	Accrued employee compensation	9,690,369.27
Inventories		Taxes payable	4,520,660.34
Contract assets		Other payables	9,312,321.91
Assets held for sale		Liabilities held for sale	
Non-current assets due within one year	56,624,761.77	Non-current liabilities due within one year	41,396,354.41
Other current assets		Other current liabilities	
Total current assets	**324,153,303.60**	**Total current liabilities**	**143,077,128.42**
Non-current assets:		**Non-current liabilities:**	
Debt investments		Long-term borrowings	359,775,994.26
Other debt investments		Bonds payable	
Long-term receivables	534,089,118.71	Lease liabilities	
Long-term equity investments		Long-term payables	
Other equity investments		Contingent liabilities	
Other non-current financial assets		Deferred revenue	
Investment property		Deferred income tax liabilities	20,677,407.03
Fixed assets	712,347.55	Other non-current liabilities	
Construction in progress	252,899.28	**Total non-current liabilities**	**380,453,401.29**
Productive biological assets		**Total liabilities**	**523,530,529.71**
Oil and gas assets		**Owners' equity:**	
Right-of-use assets		Paid-in capital (Or share capital)	242,197,288.00
Intangible assets		Other equity instruments	
Development expenditures		Capital surplus	
Goodwill		Less: Treasury stock	
Deferred expenses		Other comprehensive income	
Deferred income tax assets		Special reserves	
Other non-current assets		Retained earnings	10,864,502.76

Item	Amount (RMB)	Item	Amount (RMB)
Total non-current assets	**535,054,365.54**	Undistributed profits	82,615,348.67
		General risk reserves	
		Total owners' equity	**335,677,139.43**
Total Assets	**859,207,669.14**	**Total liabilities and owners' equity**	**859,207,669.14**

II. HISTORICAL FINANCIAL ANALYSIS

(I) Analysis of Operating Income

The operating income of the Target Company comprises availability payment and operational performance service fee for the operation of sewage interception and drainage pipeline network renovation projects. According to the "Interpretation No. 2 of Accounting Standards for Business Enterprises" issued by the Ministry of Finance, if a project company has an unconditional right to receive a fixed amount from the grantor of contract within a certain period after the completion of a PPP project, it shall recognize the financial asset simultaneously with the recognition of income and handle it in accordance with the provisions of "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments". Therefore, the Target Company accounts for the BOT concession assets under the long-term receivables. The operating income and long-term receivables are adjusted when revenue is realized.

The historical annual income from principal business is as follows:

Income from principal business	**Unit**	**2021**	**2022**	**2023**	**2024**
City North district pipeline network	0'000	1,494.20	2,988.39	2,988.39	2,988.39
Other district pipeline networks	0'000	2,956.01	2,956.01	8,092.89	8,541.70
Financial asset model adjustment	0'000	2,395.55	-4,786.21	-5,188.38	-5,404.98
BOT construction revenue	0'000	8,972.74	-	1,159.27	150.05
Total income from principal business	**0'000**	**15,818.50**	**7,070.20**	**7,052.18**	**6,275.15**

(II) Analysis of Operating Cost

The cost of principal business of the Target Company comprises four components, namely employee remuneration, electricity fee for daily operation, maintenance fee and other costs.

(III) Tax and Surcharges

According to the financial statements of the Target Company, due to the higher tax credits generated from cost and expenditure during the construction period, no additional tax has been paid historically. The business tax and surcharges for the most recent four years primarily comprise stamp duty, vehicle and vessel usage tax.

The Target Company's urban maintenance and construction tax is levied at 7% of the turnover tax payable, the education surcharge is levied at 3% of the turnover tax payable, the local education surcharge is levied at 2% of the turnover tax payable and the stamp duty is calculated at 0.03%.

(IV) Expenses for the Period

1. Selling expenses

As of the valuation reference date, the Target Company has not incurred any selling expenses.

2. Administrative Expenses

The administrative expenses of the Target Company are primarily composed of items such as wage and salaries, welfare expenses, intermediary service fee, travel expenses, business entertainment expenses, property management fees, office expenses, safety production expenses, vehicle expenses, advertising and promotion expenses, postal and telecommunication expenses, insurance fee, party building work expenses, depreciation, other expenses etc. The employee remuneration mainly represents the largest proportion.

3. Research and Development Expenses

According to the financial statements of the Target Company, historical research and development expenses were incurred only in 2024 for the operation monitoring and remote control scientific research project on the pipeline network pump station initiated in 2024, which essentially involved the acquisition of equipment to improve the functionality of the interception and drainage engineering project.

4. Finance charge

The finance charge of the Target Company is primarily composed of items including interest expenses, interest income, service charges of financial institution and other expenses.

(V) Income Tax

The Target Company pays enterprise income tax at a tax rate of 25% in accordance with current relevant laws and regulations.

FINANCIAL FORECAST FOR 2025 TO AUGUST 2033

I. FINANCIAL FORECAST INFORMATION OF THE MANAGEMENT

The Target Company provides the following operating financial forecasts for the next five years:

Unit: RMB 0'000

Financial Year	2025	2025	2026	2027	2028	2030	2031	2032	Jan-Aug 2033
I. Operating income	5,867.62	5,590.15	5,299.10	4,993.78	4,673.50	4,337.53	3,985.09	3,615.39	2,009.57
Less: Operating cost	707.72	735.04	747.50	760.20	773.13	773.13	773.13	773.13	508.95
Tax and Surcharges	0.50	0.52	0.53	0.54	0.55	15.80	36.01	32.01	17.14
Selling expenses	–	–	–	–	–	–	–	–	–
Administrative expenses	724.37	750.98	771.65	791.67	810.92	811.23	798.89	794.00	528.70
R&D expenses	–	–	–	–	–	–	–	–	–
Finance charge	1,098.83	1,059.32	921.83	780.51	636.41	492.45	345.99	198.42	47.91
Add: Other revenue	–	–	–	–	–	–	–	–	–
Less: credit impairment losses	–	–	–	–	–	–	–	–	–
Impairment loss on assets	–	–	–	–	–	–	–	–	–
Gain on disposal of assets	–	–	–	–	–	–	–	–	–
II. Operating profit	3,336.19	3,044.29	2,857.58	2,660.86	2,452.49	2,244.92	2,031.07	1,817.82	906.87
Add: non-operating income	–	–	–	–	–	–	–	–	–
Less: non-operating expenses	–	–	–	–	–	–	–	–	–
III. Total profit	3,336.19	3,044.29	2,857.58	2,660.86	2,452.49	2,244.92	2,031.07	1,817.82	906.87
Less: income tax expense	834.05	761.07	714.40	665.21	613.12	561.23	507.77	454.46	226.72
IV. Net profit	2,502.14	2,283.22	2,143.18	1,995.65	1,839.37	1,683.69	1,523.30	1,363.36	680.15

II. ANALYSIS OF THE TARGET COMPANY'S FINANCIAL FORECAST DATA

The Target Company's earnings forecast for the forecast period is based on its historical operating performance, taking into account national macroeconomic policies, national and regional macroeconomic conditions, the development status and market environment of the industry in which it operates, the Company's development plan and business plan, as well as its strengths, weaknesses, opportunities and risk analysis under the competitive market environment, particularly the competition faced by the Target Company and its future development prospect and potential. Pursuant to the "PPP Project Contract for Five Projects including the Old Town District Sewage Interception and Drainage Network Renovation Project and the City North District Sewage Interception and Drainage Network Renovation Project" signed between Yangjiang Guangdong Qingyuan Huanbao Co., Ltd. and Yangjiang City City Management and Comprehensive Law Enforcement Bureau (formerly Yangjiang City City Comprehensive Management Bureau), the contract stipulates that the project shall operate under the BOT (Build-Operate-Transfer) model. The Yangjiang City City Management and Comprehensive Law Enforcement Bureau granted Yangjiang Qingyuan the concession rights for the investment, construction, operation and maintenance of the sewage interception and drainage pipes involved in the project. Yangjiang Qingyuan receives reasonable gains through the availability payment and operation performance service fee paid by the government, of which the availability payment is 122,207,000 per annum (tax inclusive, tax rate 9%), and the operation performance service fee is 3,471,000 per annum (tax inclusive, tax rate 9%). Based on the enterprise management's forecast for future annual cost and expenses, the projections for the data of revenue in the future are mainly explained as follows:

(I) Explanation of Income from Principal Business

The operating income of the Target Company comprises availability payment and operational performance service fee for the operation of sewage interception and drainage network renovation projects. According to the "Interpretation No. 2 of Accounting Standards for Business Enterprises" issued by the Ministry of Finance, if a project company has an unconditional right to receive a fixed amount from the grantor of contract within a certain period after the completion of a PPP project, it shall recognize the financial asset simultaneously with the recognition of income and handle it in accordance with the provisions of "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments". Therefore, the Target Company accounts for the BOT concession assets under the long-term receivables. The operating income and long-term receivables are adjusted when revenue is realized.

This valuation analysis is based on the historical annual business performance of Yangjiang Qingyuan, future annual charges and adjustment to the financial asset model for forecasting. The projected income from principal business of the Target Company for future years is as follows:

Income from principal business	Unit	2025	2026	2027	2028	2029	2030	2031	2032	Jan-Aug 2033
City North district pipeline network	0'000	2,988.39	2,988.39	2,988.39	2,988.39	2,988.39	2,988.39	2,988.39	2,988.39	1,494.20
Other district pipeline networks	0'000	8,541.70	8,541.70	8,541.70	8,541.70	8,541.70	8,541.70	8,541.70	8,541.70	5,708.17
Adjustment of financial asset model	0'000	-5,662.48	-5,939.94	-6,230.99	-6,536.31	-6,856.59	-7,192.57	-7,545.00	7,914.71	-5,192.80
BOT construction income	0'000	–	–	–	–	–	–	–	–	–
Total income from principal business	**0'000**	**5,867.62**	**5,590.15**	**5,299.10**	**4,993.78**	**4,673.50**	**4,337.53**	**3,985.09**	**3,615.39**	**2,009.57**

(II) Explanation of Forecast of Operating Cost

Following discussions with the management, in this valuation analysis, the following approach is adopted for forecasting the operating cost:

Employee remuneration: This includes wages, bonuses, social security and provident fund benefits expenditure for pipeline network operation and maintenance personnel, project management personnel, pipeline network monitoring personnel and contract budget personnel. Considering that the number of production personnel of the enterprise is still unstable, the labor cost for the period 2025-2029 will be determined based on the average remuneration of production personnel in 2024, and considering the growth of average wages by factoring in the geometric average growth rate of per capita disposable income of residents in Yangjiang City over the past three years, multiplied by the number of production personnel in the respective year. The wage levels for the forecast period of 2030 and beyond are projected without considering the growth rate.

Electricity fee: Electricity cost mainly refers to the electricity fee required for the daily operation of the sewage interception and drainage pipeline network projects and pumping stations. Electricity cost is related to daily operations. Considering that electricity tariffs are relatively stable and are not expected to change significantly in the medium to short term, the growth rate is not considered. Instead, the forecast is made based on the average ratio of electricity cost to historical operation and maintenance income.

Maintenance fee: According to the investigation, since its operation, the sewage interception and drainage pipeline network project has not undergone a complete overhaul. Daily minor repairs and medium scale repairs are included in the operating cost and do not meet the criteria for capitalization, with maintenance cost remaining relatively stable in recent years. Therefore, this forecast is based on the average proportion of daily maintenance cost of pipeline network to operating income for the year from 2022 to 2024 and is further adjusted for inflation of prices using the GDP growth rate of Yangjiang City over the past three years.

Other costs: These primarily consist of other miscellaneous cost and expenditure, including consumables for the production department, office expenses, travel expenses and safety production fee. As shown in the table, the forecast is based on the average proportion of other costs to the operation and maintenance income of the year from 2022 to 2024.

Based on the Target Company's forecast analysis, the projected operating cost is as follows:

Items	Unit	2025	2026	2027	2028	2029	2030	2031	2032	Jan-Aug 2033
Total operating cost	0'000	707.72	735.04	747.50	760.20	773.13	773.13	773.13	773.13	508.95

(III) Explanation of Forecast of Tax and Surcharge

Following discussions with the management, the analysis of the forecast of tax and surcharges is as follows:

Surcharges for Value-Added Tax: According to the communication, enterprise output tax is levied at a value-added tax rate of 9%. The Target Company's urban maintenance and construction tax is levied at 7% of the turnover tax payable, the education surcharge is levied at 3% of the turnover tax payable, and the local education surcharge is levied at 2% of the turnover tax payable.

Considering the input for future equipment upgrades by the Target Company and the potential VAT deductions, the result of forecast of various taxes and fees on the basis of the forecasted VAT are as follows:

Business Tax and Surcharges	Unit	2025	2026	2027	2028	2029	2030	2031	2032	Jan-Aug 2033
Total	0'000	0.50	0.52	0.53	0.54	0.55	15.80	36.01	32.01	17.14

(IV) Explanation of Forecast of Administrative Expenses

The administrative expenses of the Target Company are primarily composed of items such as wages, salaries, welfare expenses, intermediary service fee, travel expenses, business entertainment expenses, property management fee, office expenses, safety production expenses, vehicle expenses, advertising and promotion expenses, postal and telecommunication expenses, insurance fee, party building work expenses, depreciation, other expenses etc. The employee remuneration mainly represents the largest proportion. The composition of the Company's administrative expenses for the four years before the reference date is as follows:

Following discussions with the management, the analysis of the forecast for administrative expenses is as follows:

Employee remuneration: The Human Resources Department anticipates the addition of one management personnel in 2025. However, due to adjustment in the budget control of the Group's internal remuneration, the total wage level will decrease compared to 2024. In this forecast, the total remuneration for 2025 and 2026 is based on the data of the enterprise's internal human resources remuneration budget. For 2027-2029, basing on the remuneration level in 2026, the labor cost is determined by multiplying the number of management personnel for the year by the growth rate of average wage and welfare expenses, which is calculated based on the geometric average growth rate of the per capita disposable income of residents in Yangjiang City over the past three years. The wage level for the forecast period of 2030 and beyond is projected without considering the growth rate. In addition, the housing provident fund, social insurance fee and trade union fund for 2025-2029 are projected based on the proportion of each expense to the total wages in 2024.

Safety production expenses, party building work expenses: As the historical annual expenditure for these two items have been unstable and the expenditure level in 2024 is low, the expenditure for 2025-2029 is projected based on the average expenditure in 2022-2024, considering the inflation of prices using the GDP growth rate of Yangjiang City over the past three years. The growth rate will not be considered for 2030 and subsequent forecast periods.

Insurance fee: Due to inconsistent amortization of insurance fee in 2023 which results in unstable levels of historical insurance expenditure, insurance expenditure for 2025 is recognized based on insurance contracts which are actually signed for the year. For 2026-2029, future insurance expenditure will be forecasted by considering the inflation of prices based on the GDP growth rate of Yangjiang City over the past three years. The growth rate will not be considered for 2030 and subsequent forecast periods.

Other expenses: Based on discussions with the management of the enterprise, intermediary service fee, travel expenses, business entertainment expenses, property management fee, office expenses, vehicle expenses, advertising and promotion expenses, postal and telecommunication expenses, and other expenses are forecasted based on historical annual amounts and a reasonable consideration of growth rates.

Based on the calculations, the management of the enterprise predicts the administrative expenses for the future years as follows:

Administrative expenses	Unit	2025	2026	2027	2028	2029	2030	2031	2032	Jan-Aug 2033
Total	0'000	724.37	750.98	771.65	791.67	810.92	811.23	798.89	794.00	528.70

(V) Explanation of Forecast of Finance Charge

Following discussions with the management, the analysis of the forecast of finance charge is as follows:

Interest expense: The loan balance for the current year is calculated based on the repayment plan for future years. Then, the forecast is made by using the enterprise's actual borrowing interest rate;

Financial institutions handling charge: Forecast is made based on the average handling charge expenses over the past three years;

Interest income: Forecast is made based on the annual minimum cash holding, combined with the half-yearly deposit interest rate of the Target company's intra-group finance company;

Based on the calculations, the management of the enterprise predicts the finance charge for the future years to be as follows:

Finance charge	Unit	2025	2026	2027	2028	2029	2030	2031	2032	Jan-Aug 2033
Total	0'000	1,098.83	1,059.32	921.83	780.51	636.41	492.45	345.99	198.42	47.91

(VI) Explanation of Forecast of Other Revenue

Following discussions with the management, the forecast is not calculated for other revenue in future years, as the amount of other revenue is small and the items and amount of subsidies available from relevant departments such as the government are highly uncertain.

(VII) Explanation of Forecast of Non-Operating Income and Expense

Following discussions with the management, due to the relatively small amount of non-operating income and expenses in historical years, their irrelevance to the Company's daily operations and the significant uncertainty surrounding them, no forecast will be made for non-operating income and expenses in future years.

(VIII) Explanation of Forecast of Income Tax

Following discussions with the management, the projected annual profit before tax of the Target Company during the forecast period was used as the basis for determining the taxable income for each future year. Combining with an analysis of the enterprise income tax rate of the Company, a forecast of the income tax expense of the Target Company is made. Based on the calculations, the enterprise management predicts the income tax expense for future years as follows:

Items	Unit	2025	2026	2027	2028	2029	2030	2031	2032	Jan-Aug 2033
Current income tax	0'000	834.05	761.07	714.40	665.21	613.12	561.23	507.77	454.46	226.72

(IX) Forecast of Depreciation and Amortization

Enterprise depreciation and amortization include vehicles, electronic equipment etc. Based on the calculations, the enterprise management anticipates the following depreciation and amortization result for future years:

Depreciation and amortization	Unit	2025	2026	2027	2028	2029	2030	2031	2032	Jan-Aug 2033
Depreciation and amortization	0'000	20.92	22.23	23.08	22.72	21.02	12.20	8.69	3.80	1.90

(X) Forecast of Capital Expenditure

As the enterprise's existing fixed assets will decrease as they are written off upon expiry of their useful life in future years, capital expenditure is incurred due to the need to update existing fixed assets.

Capital Expenditure	Unit	2025	2026	2027	2028	2029	2030	2031	2032	Jan-Aug 2033
Capital expenditure	0'000	10.00	10.00	10.00	10.00	10.00	0.00	0.00	0.00	0.00

(XI) Forecast of Increase in Working Capital

Valuation analysts forecast each asset, liability and equity item at the end of the period annually in advance. Based on the formula "Working Capital = Current Assets + Long-term Receivables – Current Liabilities", the working capital at the end of the period in each year is calculated. The increment in working capital from the previous year, derived from this forecast, represents the working capital required to be supplemented for that year, of which the current assets and current liabilities are forecasted in combination with their historical turnover rates.

The formula is: increase in working capital = working capital for the current period – working capital for the previous period.

The specific forecast data for working capital is as follows:

Unit: 0'000

Items	2025	2026	2027	2028	2029	2030	2031	2032	Jan-Aug 2033
Working capital	69,135.85	62,754.70	55,336.00	47,633.02	39,601.90	31,351.49	22,932.35	14,100.67	7,945.96
Increase in working capital	-6,060.09	-6,381.15	-7,418.70	-7,702.98	-8,031.12	-8,250.41	-8,419.14	-8,831.68	-14,100.67

VALUATION ASSUMPTIONS AND BASIS

I. BASIC ASSUMPTIONS

1. Transaction assumptions. Assuming the valuation subject is in the process of being transacted, we have valued by reference to comparable market transactions based on the transaction terms of the valuation subject, and the valuation analysis result is an estimate of the most probable transaction price for the valuation subject.

2. Open market assumption. It is assumed that the assets involved in the valuation are traded in an open market, where buyers and sellers are on equal footing, both have opportunity and time to access sufficient market information, and the transactions between buyers and sellers are conducted voluntarily, rationally, and without coercion.

3. It is assumed that after the economic activity for valuation purposes is realized, the assets involved in the valuation subject will continue to be used at their original location in accordance with their purpose and manner of use on the valuation reference date.

II. ASSUMPTIONS REGARDING THE VALUATION SUBJECT

1. It is assumed that, to the best of our knowledge, the acquisition, procurement, improvement and construction development processes of the assets involved in the valuation subject comply with relevant national laws and regulations.

2. The valuers have conducted an external visual inspection of the tangible assets, such as equipment, involved in the valuation subject and have diligently inquired about any internal issues. However, due to technical limitations, no specialized technical inspection of the relevant assets' technical data, technical condition, structure, or appurtenances has been organized. It is assumed that, to the best of our knowledge, the machinery, equipment, vehicles involved in the valuation are free from any significant technical defects that would affect their continued use, and their critical components and materials are free from any latent quality defects.

3. Unless otherwise specified in this report, it is assumed that the valuation subject is not affected by existing or future mortgages, encumbrances, special transaction methods, or other factors that may affect its value.

4. It is assumed that the valuation subject will not encounter other force majeure or unforeseen factors that would significantly and adversely affect its value.

5. It is assumed that all assets in this valuation are based on the actual inventory as of the valuation reference date, and the current market price of the relevant assets is based on the effective domestic price as of the valuation reference date.

III. REGARDING BUSINESS OPERATIONS AND FORECAST ASSUMPTIONS

1. It is assumed that there will be no significant changes in the international financial and global economic environment, the national macroeconomic situation or the political, economic and social environments of the countries and regions where the transaction parties are located.

2. It is assumed that there will be no significant changes in the prevailing socio-economic environment, interest rates, exchange rates, tax bases and rates, and policy-related levies.

3. It is assumed that the current policy environment of the country, such as the relevant laws and regulations, administrative policies, industrial policies, financial policies and tax policies remains relatively stable. Unless otherwise stated, it is assumed that the Target Company operates in full compliance with relevant laws and regulations.

4. It is assumed that after the economic activities for valuation purposes are realized, the Target Company will continue to operate in accordance with its original business direction, business model, business scope and management level, under the current industry conditions and market competitive environment during the operating period stipulated in the Articles of association.

5. It is assumed that after the economic activities for valuation purposes are realized, the Target Company will operate based on the business direction, business model, business scope, management level and financial structure determined after communicating and consolidating with the investors, under the current/newly consolidated and adjusted industry conditions and market competition environment during the operating period stipulated the Articles of association.

6. The valuation is based solely on the Target Company's existing operational capabilities as of the valuation reference date. No consideration is given to the potential expansion of operational capacity due to the management, business strategy, and additional investments in the future, nor to the impact of subsequent changes in production and operations. It is assumed that the Target Company will maintain the total investment and financial leverage levels as of the valuation reference date.

7. It is assumed that the Target Company will continue to operate at the management level as of the valuation reference date, that the management of the Target Company is responsible and diligent, and that the management is relatively stable and capable of performing its duties, without considering the impact of significant future changes in operators or significant changes in management level on future expected earnings.

8. It is assumed that the form of the Target Company's assets differs at any given point during the period of continuous operation.

9. It is assumed that the Target Company's cash inflow and cash outflow after the valuation reference date are average values.

10. It is assumed that the accounting policies to be adopted by the Target Company in the future will remain substantially consistent in material respects with those adopted at the time of preparing this report.

11. It is assumed that the Target Company fully complies with the relevant laws and regulations that must be observed in the countries and regions where it operates lawfully.

IV. VALUATION BASIS

1. Our valuation is based on the Target Company having provided true, complete and legitimate proof of title, financial and accounting information and other data.

2. Our scope of valuation is determined in accordance with the asset declaration form provided by the Target Company. The valuation conclusion does not consider the impact of contingent assets and contingent liabilities that may exist beyond the asset declaration form.

3. Our valuation calculation is based on the assumption that the acquisition and utilization of the production premises required for the operation of the Target Company will remain consistent with that of the valuation reference date and will not be changed.

When there are changes in the aforementioned valuation assumptions and valuation principles adopted in the valuation, the valuation conclusion will be affected and altered, and the valuation report will become invalid.

VALUATION PROCESS

I. VALUATION SUBJECT AND VALUATION SCOPE

(I) Valuation Subject

According to the engagement, the valuation subject is the entire equity interest value of shareholders of Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.*.

(II) Valuation Scope

The valuation scope covers all the assets and liabilities owned by Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.* on the valuation reference date of 31 December 2024, as well as the overall intangible assets not stated in the account.

(III) Off Balance Sheet Assets

The Target Company has not separately reported its off balance sheet assets.

II. VALUATION REFERENCE DATE

The valuation reference date is 31 December 2024 and the prices adopted in the valuation are all the price standards on the valuation reference date.

III. VALUE TYPE AND ITS DEFINITION

The value type selected for this valuation is market value.

The market value is defined as the estimated amount of the value for which the valuation subject should exchange on the valuation reference date between a willing buyer and a willing seller in a normal and arm's length transaction, where the parties have each acted rationally without compulsion.

IV. BASIS OF VALUATION PRICING

1. The latest Handbook of Quotations for Electromechanical Products (Mechanical Industry Information Research Institute, Mechanical Industry Press);

2. The Price Information Query System for Electromechanical Products (Mechanical Industry Information Research Institute);

3. Interim Regulations of the People's Republic of China on Vehicle Purchase Tax (Decree No. 294 of the State Council);

4. Provisions on Compulsory Scrapping Standards for Motor Vehicles (Ministry of Commerce, Development and Reform Commission, Ministry of Public Security and Ministry of Environmental Protection Order 2012 No. 12);

5. Measures for the Administration of the Collection of Vehicle Purchase Tax (Decree No. 38 of the Ministry of Finance and State Taxation Administration, issued on 28 December 2015);

6. Notice on Reducing the Vehicle Purchase Tax on Passenger Vehicles with 1.6L or Lower Displacement (Cai Shui [2009] No.12);

7. The relevant statistical data from China Monthly Economic Indicators of China Economic Monitoring Center;

8. The latest version of the Enterprise Performance Evaluation Standards formulated by The Statistical Evaluation Bureau of the State-owned Assets Supervision and Administration Commission of the State Council;

9. Manual of Asset Valuation Methods and Parameters published by Beijing Science and Technology Press and relevant risk coefficients data;

10. Bond trading information published on China Bond Information Network (www.chinabond.com.cn);

11. The interest rates of deposit and loan of financial institutions promulgated by the People's Bank of China;

12. Public information of relevant listed companies;

13. The statistical data from Tonghuashun iFinD-financial data terminal;

14. Bond trading information published on China Bond Information Network (www.chinabond.com.cn);

15. The People's Bank of China authorizes the National Interbank Funding Center to publish the loan market quoted interest rate close to the Valuation Reference Date;

16. Technical standards issued by relevant national departments;

17. Recent market transaction price information of machinery, equipment and materials, and inquiry results on the Internet and telephone;

18. Statistical data and technical standards issued by relevant national departments;

19. Balance sheet, profit and loss statement, asset valuation statement and other relevant reporting materials and other valuation-related materials provided by the enterprise;

20. Relevant business forecast data, financial and accounting statements and other financial and operational data provided by the enterprise;

21. Recent market transaction price information of machinery, equipment and materials, and inquiry results on the Internet and telephone;

22. Site investigation, verification and market research materials by the valuers.

II. VALUATION PROCEDURES

(I) Preparation Stage:

1. Identify basic matters and enter into an engagement contract;

2. Develop a valuation plan;

3. Propose a list of information required for the valuation.

(II) Data Collation and Analysis Stage:

1. Obtain the financial information and other operating-related statistical data of the Target Company.

2. Interview the relevant personnel of the Target Company to understand the overall operation, development history and current status of the company and to understand the company's financial system, operating conditions and asset technical operation status.

3. Collect property rights certificates and other required documents and information;

4. Analyze financial forecast data submitted by management, identify issues and provide recommendations, communicate with management and make appropriate adjustments.

(III) Selection of Valuation Methodology and Valuation Calculation Stage:

1. Select valuation methods based on the actual conditions and characteristics of the valuation subject;

2. Collect historical and current industry analysis data, and compile information on industry development prospects;

3. Investigate and analyze similar cases and price information in the capital market;

4. Process data, define valuation parameters and price standards, and perform estimation calculations.

(IV) Valuation Analysis Results Summary and Analysis Stage:

Summarize the preliminary estimation results, analyze the valuation conclusions, make necessary adjustments, modifications and improvements, and draft a valuation analysis report.

(V) Report Review and Submission Stage:

Review and correct the report in accordance with internal control systems and procedures, and then submit a formal valuation analysis report.

III. SELECTION OF VALUATION METHODOLOGY

The type of asset value in this valuation is market value. Therefore, the goal of asset valuation is to reflect the fair market value of assets. As a means to reflect the fair market value of assets, the market approach is undoubtedly the preferred method for asset valuation. Formally, the income approach does not seem to be a direct method to estimate the fair market value of assets, but it is a direct method to assess the value of assets from the perspective of the expected income of assets, which is the basic element of determining the fair market value of assets. It is in line with the value concept under the conditions of market economy. Therefore, the income approach is also a direct method to assess the value of assets. Compared with the market approach and income approach, the asset-based approach reflects the asset value from the perspective of acquisition and construction costs, and its perspective and approach to estimating the fair market value of assets are indirect.

The basic methods of valuation are to show the value of assets from different angles. Whether the value of the valuation subject is obtained by comparing with the market reference object, or by discounting the expected income of the valuation subject, or judging the value of the valuation subject according to the way of asset re-acquisition, it is a description of the value of the valuation subject under certain conditions from a certain point of view, and they are intrinsically related and can be replaced by each other.

Since the Target Company has comprehensive business operation history, the valued assets possess the capacity to generate sustainable income within the foreseeable future. The management of the Target Company can forecast and quantify related income, costs, expenses, as well as investment plans, operating risks and other factors in monetary terms, meaning that the future annual returns and risks of the valuation subject can be estimated and predicted. Therefore, the income approach can be adopted for valuation.

Since the Target Company has complete documentation regarding the acquisition and construction of its various assets and liabilities, its major assets are in continuous use, and market price information for acquiring similar assets is readily available, the requirements for valuation using the asset-based approach are satisfied. The asset-based approach reflects the value of an enterprise from the perspective of its acquisition and construction, and also provides a basis for the management and operation of the Target Company after the economic transaction is completed. Therefore, the asset-based approach can be adopted for valuation.

Therefore, the valuation takes the Target Company as an organic whole and adopts the income approach, which considers the overall asset profitability, and the asset-based approach, which considers the costs of acquisition and construction.

VALUATION ANALYSIS PROCESS USING THE INCOME APPROACH

I. REASONS FOR SELECTION OF INCOME MODEL AND EXPLANATION OF BASIC PARAMETERS

(I) Basic Considerations for Valuation Analysis

According to the valuation findings, asset composition and characteristics of the principal business of the Target Company, this valuation estimates the value of the valuation analysis subject on the basis of the statement analysis of the Target Company. The basic considerations are as follows:

(1) For assets included in the statement, to classify into operating assets, surplus assets, non-operating assets and liabilities, and adjusted into corresponding statements. Surplus assets, non-operating assets and liabilities include the monetary capital required for non-routine operations existing on the reference date, current assets or liabilities such as current accounts generated from non-operating activities of enterprises, non-operating foreign investment, inactive or idle equipment and other non-current assets or liabilities;

(2) For the assets and main businesses included in the corresponding statements of operational assets, the expected income is estimated separately according to the change trend of the operating conditions before and after the reference date and the type of business, and the value of operational assets is calculated using the income approach;

(3) Surplus assets, non-operating assets and liabilities that are not included in the scope of the operating assets statement are not considered in the expected income estimation and the income approach, and their values are separately analyzed and calculated using the market approach or the cost approach;

(4) The overall enterprise value of the Target Company is obtained by adding the above operating assets, surplus assets and non-operating assets and deducting the surplus and non-operating liabilities. After deducting interest-bearing debts and equity interest value of minority shareholders, the entire equity interest value of shareholders of Target Company is obtained.

1. Selection of Income Approach Valuation Model

The specific methods commonly used in income approach include dividend discount method and cash flow discount method. The dividend discount method is a specific method for discounting the expected dividend to determine the value of the valuation analysis subject, which is usually applicable to the valuation analysis of the value of part of the equity of shareholders lacking control. The cash flow discount method usually includes the enterprise free cash flow discount model and the equity free cash flow discount model. The cash flow discount model is properly selected according to the future business model, capital structure, asset use status and future income development trend of the enterprise. As the valuation analysis subject is the entire equity interest value of shareholders of Target Company, it is applicable to the discounted cash flow method (DCF).

Considering the business operation history, capital structure and historical operating conditions of the Target Company, especially the future business model, income stability and development trend, expected changes in capital structure, and asset utilization, we adopt the enterprise free cash flow discount model for analysis and calculation.

2. Calculation Formula for the Income Approach Valuation

The basic calculation formula for the income approach valuation is as follows:

$E = P - D + C$

Wherein: E: Entire equity interest value of shareholders of the Target Company;

P: Value of operating assets of the Target Company;

D: Value of interest-bearing debts of the Target Company;

C: Value of surplus assets, non-operating assets and liabilities of the Target Company.

3. Gains Indicator

The free cash flow of the enterprise is used as the expected gains indicator of the operating assets.

Enterprise free cash flow = income – cost expense – tax + depreciation and amortization + interest expense × (1 – corporate income tax rate) – capital expenditure – change in net working capital

Among them, the expected gains include the distributable but undistributed profits from the realized profits of the Target Company on the valuation reference date and the previous years, the costs and expenses for managing the equity during the period when the owner of the valuation analysis subject holds the equity are not deducted, and the taxes and related expenses that may need to be paid inside the People's Republic of China when obtaining such expected income.

The time point for realizing the expected income is determined by the annual expected income statement, and is set in each calendar year. Based on the Target Company's operating history, combined with future market developments and management forecasts, the free cash flow during its future operating period is estimated. The free cash flow in the future operating period is discounted and added to calculate the value of operating assets of the enterprise.

4. Discount Rate

As the income approach valuation model adopts the enterprise free cash flow discount model, the discount rate r is calculated and determined by the weighted average cost of capital (WACC) model according to the principle of unifying the expected income amount and the discount rate. Then:

$$r = r_d \times w_d + r_e \times w_e$$

W_d: Debt ratio of the valuation analysis subject;

$$w_d = \frac{D}{(E+D)}$$

W_e: Equity ratio of the valuation analysis subject;

$$w_e = \frac{E}{(E+D)}$$

r_d: After tax debt cost of the valuation analysis subject;

r_e: Cost of equity capital. In this valuation, the cost of equity capital r_e is determined by the capital asset pricing model (CAPM);

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon$$

Wherein: r_f: Risk-free rate of return;

r_m: Expected market rate of return;

ε : Characteristic risk adjustment coefficient of the valuation analysis subject;

β_e: Expected market risk coefficient of the equity capital of the valuation analysis subject;

$$\beta_e = \beta_u \times (1+(1-t) \times \frac{D}{E})$$

β_u: Unlevered market risk coefficient of comparable companies;

$$\beta_u = \frac{\beta_t}{1+(1-t)\frac{D_i}{E_i}}$$

β_t: Expected market average risk coefficient of stocks of comparable companies;

$$\beta_t = 34\% K + 66\% \beta_X$$

Wherein: K: The average risk value of the stock market in a certain period, for which it normally assumes that K=1;

β_x: Historical market average risk factor of stocks of comparable companies;

D_i, E_i: Interest-bearing debts and equity capital of comparable companies, respectively.

II. DETERMINATION OF INCOME PERIOD AND DEFINITE FORECAST PERIOD

1. Determination of Income Period

The main business of the Target Company is primarily BOT projects, wherein government entities enter into concession agreements with the Target Company for specific public utility projects. These agreements grant the Target Company the right to undertake the investment, financing, construction, and maintenance of such projects. During the concession period stipulated in the agreement, the Target Company is authorized to finance the construction and operation of specific public infrastructure. The Target Company repays loans, recovers investments, and generates profits by collecting fixed returns from the government. Upon expiration of the concession period, the infrastructure shall be transferred to the government department at nil consideration. Pursuant to the relevant provisions on the operating period in the concession agreement signed between the Target Company and the government department, the expected income period shall extend until 31 August 2033.

2. Determination of Definite Forecast Period

The definite forecast period refers to the period from the valuation reference date to the time when the enterprise reaches a relatively stable operating condition.

Based on the current development state of the industry in which the Target Company operates, its actual operating conditions and scale, it is expected that the Target Company's operating performance will experience steady growth in the coming years. Furthermore, based on typical corporate growth cycles, we believe that the Target Company will enter a relatively stable operating state within the next 5 years or so. Accordingly, the forecast period is set from 2025 to 2029, with income levels for subsequent years projected to remain unchanged from the 2029 level.

III. DETERMINATION OF DISCOUNT RATE

(I) Risk-free Rate of Return rf

After consulting the website of China Appraisal Society, the yields of treasury bonds are provided by China Central Depository & Clearing Co., Ltd. (CCDC) published on the website.

The yield to maturity of the treasury bonds with a remaining maturity of 10 years or more is used as the risk-free interest rate. The yield of 10-year treasury bonds is used as the risk-free interest rate in this valuation, that is, $r_f = 1.68\%$

(II) Expected Market Rate of Return rm

Market risk premium refers to the expected excess return required by investors for equity investment with the same average risk as the overall market, that is, the risk compensation that exceeds the risk-free interest rate. The market risk premium can usually be measured by using the historical risk premium data of the market. In this valuation, the long-term average rate of return of China's A-share market index is taken as the expected market rate of return r_m, and the part of the expected market rate of return that exceeds the risk-free interest rate is taken as the market risk premium.

When calculating the market risk premium by using China's securities market index, representative indexes shall be selected in general, such as the Shanghai and Shenzhen 300 Index, Shanghai Composite Index, etc.; when calculating the excess rate of return of the index in a historical period, the time span can be more than 10 years, the data frequency can be weekly or monthly, and the calculation method can be arithmetic average or geometric average.

According to the follow-up study on China's A-share market conducted by the Research Institute of Allied Asset Appraisal Group, and in combination with the provisions of the above guidelines, in the valuation analysis process, the representative Shanghai Composite Index is selected as the underlying index, the weekly and monthly basis is selected as the data frequency, the arithmetic average is used to calculate and annualized to the annual rate of return. Thereafter, the arithmetic average, geometric average and harmonic average are calculated respectively, and the expected market rate of return is determined after comprehensive analysis, that is, r_m=9.24%

(III) Determination of Capital Structure

The enterprise operates in the manufacturing sector and is currently in a stable development period. The future development of the enterprise is closely related to its financing capabilities. The profit forecasts made by the enterprise's management are influenced by both its financing capabilities and its financing plans for future years. Therefore, this valuation analysis is based on the financing plans established by the enterprise's management, employing a variable capital structure. When calculating the capital structure, the equity and debt values for each year are estimated based on their market values.

(IV) β e Value

Based on the shares of Shanghai and Shenzhen listed companies in iFinD, considering the comparability of the Target Company and comparable companies in terms of business type, business size, profitability, growth, industry competitiveness, development stage and other factors, the valuers selected appropriate comparable companies, and took the Shanghai Composite Index as the underlying index. After consulting the iFinD financial terminal, based on the market price as of the valuation reference date, the valuers calculated and got the estimated β_u of the expected risk coefficient without financial leverage of shares of comparable companies according to the calculation period of 60 months before the valuation reference date, and the expected market risk coefficient β_e of the equity capital of the Target Company according to the enterprise's own capital structure.

(V) Determination of Characteristic Risk Coefficient

When determining the discount rate, it is necessary to consider the differences between the valuation analysis subject and listed companies in terms of business size, business development stage, core competitiveness, dependence on key customers and key suppliers, financing capacity and financing cost, and stability of profit forecast, so as to determine the specific risk coefficient. During the valuation analysis process, the valuation analysts compared and analyzed the enterprise and the comparable listed companies, and obtained the characteristic risk coefficient, that is, $\varepsilon = 1.20\%$.

(VI) Determination of Expected Rate of Return on Debts rd

The expected rate of return on debts represents the capital costs of debt financing of the enterprise. The capital structure adopted in this valuation is the capital structure of the Target Company. Following the principle of matching the debts cost and the capital structure, the expected rate of return on debts is determined with the weighted average capital costs of debts of the enterprise.

(VII) Determination of Discount Rate r (WACC)

The above parameters are then substituted into the formulas to get the discount rates as follows:

Discount rate	2025	2025	2026	2027	2028	2030	2031	2032	January to August 2033
WACC	6.10%	6.10%	6.20%	6.30%	6.40%	6.50%	6.70%	6.80%	7.10%

IV. VALUE OF OPERATING ASSETS P

Substituting the expected free cash flow into the above formula, the value of operating assets of the Target Company is obtained as 731,804,500.

V. VALUE OF SURPLUS OR NON-OPERATING ASSETS

Surplus assets refer to the surplus assets that are not directly related to the income of the Target Company and exceed the business needs of the Target Company. After analysis, the Target Company has no surplus assets.

Non-operating assets refer to the assets that are not directly related to the income of the Target Company and do not generate benefits, net of non-operating liabilities. After analysis, the non-operating assets of the Target Company mainly include uncollected accounts receivables aged over one year, related-party transactions under other receivables, provisional construction payables, dividends payable, other payables, and other assets and liabilities. Non-operating assets and liabilities were mainly valued using the cost approach.

As of the valuation reference date, the Target Company had non-operating assets with a valuation conclusion of 85,343,500 and non-operating liabilities with a valuation conclusion of 80,741,200.

VI. VALUATION ANALYSIS RESULTS OF INCOME APPROACH

(I) Overall Value of the Enterprise B

Overall value of the enterprise B = value of operating assets P + value of surplus assets + non-operating assets − non-operating liabilities C
= 731,804,500 + 0.00 + 85,343,500 − 80,741,200
= 736,406,800 (RMB)

(II) Value of Interest-bearing Debt D

As of the reference date, the interest-bearing debt of the Target Company was valued at 401,148,600 (RMB).

(III) Value of Minority Interests

As of the reference date, the Target Company had no minority interests.

(IV) Entire Equity Interest Value of Shareholders E

According to the above valuation analysis work, the entire equity interest value of shareholders of the Target Company is:

Entire equity interest value of shareholders = overall value of the enterprise B − value of interest-bearing debt D − value of minority interests M
= 736,406,800 − 0.00 − 401,148,600
= 335,258,300 (RMB)

VALUATION ANALYSIS PROCESS USING THE ASSET-BASED APPROACH

I. MONETARY FUNDS

Monetary funds are bank deposits. The enterprise maintained accounts at banking institutions including Bank of China Yangjiang Jiangcheng Sub-branch, Bank of China Yangjiang Mojiang Road Sub-branch, Industrial and Commercial Bank of China Yangjiang Jiangcheng Sub-branch and Industrial and Commercial Bank of China Yangjiang Jiangwan Sub-branch, and GDH Finance Co., Ltd., with a total carrying amount of 56,490,800.

The valuation analysis of bank deposits adopted the method of reconciliation with the bank statement balance. If any unreconciled items are found, a bank reconciliation statement is first prepared to ensure that the accounts and actual balances are consistent; secondly, if the unreconciled items affect net assets, the carrying amount is adjusted accordingly. The valuation analysts reviewed bank statements and bank deposit balance reconciliation statements, and confirmed with the corresponding banks for bank accounts with large amounts. The results of their review and confirmation are consistent with the enterprise's book records, and the verified carrying amount is used as the valuation.

The valuation analysis result of bank deposits is 56,490,800, with no increase or decrease in valuation.

II. RECEIVABLES ASSETS

Receivables assets include accounts receivables and other receivables. The valuation analysis process for each item is as follows:

(I) Accounts Receivables

Accounts receivables represented BOT project availability fees and operational performance service fees due from Yangjiang City Finance Bureau*. The balance of carrying value is 200,281,500, with bad debt provisions of 0.00, and a total carrying amount of 200,281,500. According to the bad debt provision policy of the Target Company, no bad debt provision for accounts receivables was made on the valuation reference date.

1. Determining the Balance of Carrying Value of Accounts Receivables

The valuation analysts first classified the contents of each receivable under the accounts receivables account. For external receivables, in addition to reconciling with statements, confirmation letters were sent for significant receivables to verify the balance of carrying value of accounts receivables at 200,281,500.

2. Confirmation of Identified Bad Debt Losses

Upon verification, based on the information provided by the Target Company, there were no identified bad debt losses for accounts receivables of the Target Company as at the valuation reference date.

3. Determining Estimated Risk Losses

The valuation analysts categorized the contents of each receivable asset and assessed the possibility of recovering the receivables based on the business dealings between the enterprise and the debtors and the debtors' creditworthiness. Upon review, the recovery of all receivables is generally normal, and no provision for bad debts is required.

Therefore, the valuation of accounts receivables is 200,281,500, with no increase or decrease in valuation.

(II) Other Receivables

Other receivables are amounts due from Guangdong Yuehai Water Co., Ltd. for related party transactions. The balance of carrying value is 10,740,000, with bad debt provisions of 0.00, and a total carrying amount of 10,740,000. According to the bad debt provision policy of the Target Company, no bad debt provision for accounts receivables is made on the valuation reference date.

1. Determining the Balance of Carrying Value of Other Receivables

The valuation analysts first classified the contents of each receivable under the other receivables account. For external receivables, in addition to reconciling with statements, confirmation letters were sent for significant receivables to verify the balance of carrying value of other receivables at 10,740,000.

2. Confirmation of Identified Bad Debt Losses

Upon verification, based on the information provided by the Target Company, there are no identified bad debt losses for other receivables of the Target Company as at the valuation reference date.

3. Determining Estimated Risk Losses

The valuation analysts categorized the contents of each receivable asset and assessed the possibility of recovering the receivables based on the business dealings between the enterprise and the debtors and the debtors' creditworthiness. Upon review, the recovery of all receivables is generally normal, and no provision for bad debts is required.

Therefore, the valuation of other receivables is 10,740,000, with no increase or decrease in valuation.

III. PREPAYMENTS

Prepayments primarily consist of prepaid fuel fees for Guangdong Yangjiang Petroleum Branch of Sinopec Sales Company Limited and phone and data charges for China Mobile Communications Group Guangdong Co., Ltd., with a carrying amount of 16,200.

Based on the verification of prepayments, the valuation analysts, with the help of historical data and current investigation, conducted a detailed analysis of the amounts, timing and reasons for outstanding balances, recovery status, and the financial condition, creditworthiness, and operational management status of debtors, and no evidence is found indicating that suppliers were bankrupt, dissolved, or unable to deliver goods as stipulated in contracts. The verified carrying amount is therefore taken as the valuation.

The valuation of prepayments is 16,200, with no increase or decrease in valuation.

IV. NON-CURRENT ASSETS DUE WITHIN ONE YEAR

The carrying amount of non-current assets due within one year is 56,624,800, which represented reclassified long-term receivables. According to the financial asset valuation model for BOT projects, a portion of long-term receivables would be written off annually after revenue recognition. This portion represented the amount of long-term receivables expected to be written off within one year.

The valuation analysts verified the relevant model adjustments, book records, and examined supporting documentation such as original vouchers, and verified the authenticity and accuracy of the reclassification adjustments, thereby recognizing the verified carrying amount as the valuation.

The valuation of non-current assets due within one year is 56,624,800, with no increase or decrease in valuation.

V. LONG-TERM RECEIVABLES

The carrying amount of long-term receivables is 534,089,100, actually representing the operating right of the sewage interception and drainage pipeline network BOT assets. Pursuant to the "PPP Project Contract for Five Projects including the Old Town District Sewage Interception and Drainage Network Renovation Project and the City North District Sewage Interception and Drainage Pipeline Network Renovation Project" signed between Yangjiang Qingyuan and Yangjiang City City Management And Integrated Bureau Enforcement Bureau, Yangjiang Qingyuan receives fixed annual payments from the government as operating revenue. Upon expiry of the concession period, the relevant facilities shall be transferred to the government at nil consideration. Under this business model, the Target Company does not actually hold ownership of the pipeline network assets, but rather possesses the right to receive payments determined during the future concession period. Pursuant to the Interpretation No. 2 of Accounting Standards for Business Enterprises issued by the Ministry of Finance, the right to receive consideration based on the definite amount of charges in PPP projects constitutes an unconditional right to receive a definite amount and should be recognized as a financial asset. Therefore, BOT assets should be accounted for under the long-term receivables account.

The valuation analysts verified the relevant model adjustments, book records, and examined supporting documentation such as original vouchers and PPP project contracts, and verified the authenticity of asset recognition, the current status of assets, operating conditions, and risks associated with equity recovery. The asset item is deemed to operating well with normal collection of accounts receivables. Its carrying amount will be correspondingly offset upon recognition of operating income, thereby recognizing the verified carrying amount as the valuation.

The valuation of long-term receivables is 534,089,100, with no increase or decrease in valuation.

VI. EQUIPMENT FIXED ASSETS

(I) Overview of Machinery and Equipment to be Appraised

1. Vehicle Overview

The vehicles subject to this valuation consist of 2 items, mainly including a Jiangxi Isuzu multi-purpose truck and a GAC Toyota Highlander, both purchased in 2021. Currently, these vehicles are in normal operation, maintenance and usage with no encumbrances such as mortgages or pledges.

2. Electronic Equipment Overview

The electronic equipment subject to this valuation consist of 116 items, mainly including office equipment and furniture used by the enterprise, such as laptops, air conditioners, and dining tables.

Office electronic equipment was procured between 2018 and 2024. Management of electronic equipment is handled by the respective user departments, which maintains records and implements a system of dynamic maintenance and regular servicing. Currently, the electronic equipment is operating normally.

(II) Valuation Analysis Methods

Equipment assets include electronic equipment and vehicles. For equipment exceeding its economic useful life, the market approach is used for valuation, while the remaining equipment is valued using the replacement cost approach.

The market approach is a method for determining asset value based on the prevailing market prices (excluding taxes) of comparable assets in the real market. For electronic equipment whose useful life exceeded its economic useful life, the production date is too distant from the valuation reference date, and the replacement cost could not be calculated by obtaining the new purchase price. Since there are secondary complete machine recycling market quotations for such electronic equipment, the market approach could be used for valuation analysis.

Value of valuation analysis subject=quoted price in the secondary complete machine recycling market

The replacement cost approach involved first estimating the full replacement cost of the equipment as at the valuation reference date, and then deduction of its physical depreciation, possible functional depreciation, economic depreciation and other depreciation according to the current status of equipment operation and maintenance and projections of its future usage, in order to determine the valuation of the equipment to be valued. The various depreciations of the equipment can be comprehensively calculated using the newness rate. The formula for calculating the replacement cost approach is:

Valuation of equipment= full replacement cost × comprehensive newness rate

1. Full Replacement Cost

(1) Full Replacement Cost of Transportation Vehicles

Based on recent vehicle market price data, such as local vehicle market sales information, the prevailing purchase price of transportation vehicles is determined. On this basis, the vehicle purchase tax, new vehicle registration and licensing fees, etc. are included in accordance with the Vehicle Purchase Tax Law of the People's Republic of China, to determine its full replacement cost. The calculation formula is as follows:

Full replacement cost=current purchase price＋vehicle purchase tax＋new vehicle registration and licensing fees

A. The current purchase price is primarily derived from prevailing quotation in the local vehicle market; this purchase price excluded deductible input value-added tax;

B. New vehicle registration and licensing fees are calculated in accordance with local traffic management regulations of the place where the vehicle is located.

(2) Full Replacement Cost of Electronic Equipment

Based on recent vehicle market price data, such as local market information, the full replacement cost is determined according to its recent purchase price. The full replacement cost of electronic equipment excluded deductible input value-added tax.

2. Comprehensive Newness Rate

The comprehensive newness rate of equipment is determined through on-site inspection to comprehensively assess factors such as the original manufacturing quality, current operational status, usage and maintenance history, as well as performance upgrades and technological advancements in comparable equipment. This comprehensive newness rate is established by considering the physical depreciation, functional depreciation, and potential economic depreciation of the equipment.

In the specific calculation, the newness rate over useful life and the on-site inspection newness rate are determined based on the equipment's economic useful life and the results of the on-site inspection respectively. These rates are then weighted to derive the comprehensive newness rate. The calculation formula is as follows:

Comprehensive newness rate=newness rate over useful life ×40%＋on-site inspection newness rate ×60%

In particular:

The newness rate over useful life is calculated based on the ratio of the equipment's consumed useful life to its total life, with the total life determined based on national and industry-related regulations or relevant statistical data. For general equipment, the useful life can be calculated by time unit (useful life); for vehicles, the useful life can be calculated by mileage. The calculation formula of newness rate over useful life:

Newness rate over useful life =Remaining useful life/(actual years of use + remaining useful life) × 100%

The on-site inspection newness rate is derived by valuation analysts through on-site inspection, analyzing, summarizing, and concluding the obtained equipment condition information, and then judging the degree of wear and tear and depreciation rate of the equipment based on experience.

(III) Valuation Analysis Case Studies

1. Vehicle Valuation Analysis Case Study

(1) Basic Information of Vehicle:

Vehicle name and number: Business management vehicle (item 2 in schedule 4-8-6)

License plate: Yue Q0W880

Specifications: GAC Toyota/Highlander-GTM6492HWM

Approved passenger capacity: 7 persons

Manufacturer: GAC Toyota Motor Co., Ltd.

Mileage traveled: 156,188.00 kilometers

Purchase date: August 2021

Commissioning date: November 2021

Original carrying amount: 295,851.81

Net carrying amount: 211,534.05

(2) Vehicle Main Technical Parameters:

Vehicle model: Toyota brand-GTM6492HWM

Engine Number: 4582077

Fuel type: gasoline

Front wheel track: 1635(mm)

Rear wheel track: 1630(mm)

Dimensions: 4890 × 1925 × 1715(mm)

Gross weight: 2KG

Vehicle Inspection Findings:

The vehicle is mainly used for daily official duties and undergoes scheduled maintenance. It was manufactured to a high standard. As of the valuation reference date, the vehicle has been in service for approximately 3.08 years, with a mileage of approximately 156,188.00 kilometers. It has not been involved in any serious traffic accidents and has not undergone any major repairs. After on-site inspection of the main components of the vehicle, including the engine, chassis, suspension system, steering mechanism, and cooling system, the valuation analysts concluded that the vehicle has accumulated significant mileage, possesses complete mechanical components, and is in generally normal overall condition. The engine functions normally, and the interior is in normal condition.

(3) Determination of the Original Replacement Value

A. Vehicle purchase price:

Based on the price information on the valuation reference date and inquiries with the car dealer, the tax-exclusive purchase price of the vehicle on the valuation reference date was 261,800.

B. Vehicle purchase tax:

Vehicle purchase tax =261,800 × 10% =26,200

C. License fees and other necessary expenses

License fees and other necessary expenses are 500.

Therefore, the original replacement value	= tax-exclusive vehicle purchase price+ purchase tax +license fees and other necessary expenses
	= 261,800＋26,200＋500
	= 288,400 (rounded)

(4) Calculation of Newness Rate

According to the Provisions on Compulsory Scrapping Standards for Motor Vehicles (Ministry of Commerce, Development and Reform Commission, Ministry of Public Security and Ministry of Environmental Protection Order 2012 No. 12), the vehicle is a non-operating vehicle, with both its service life and mileage falling within the scope stipulated by national regulations.

A. Determination of theoretical newness rate

a. Newness rate over useful life

The vehicle is a non-operating vehicle. As of the valuation reference date, it has been in use for 3.08 years, with a remaining useful life of 11.92 years. The vehicle remains in overall good condition and the valuation analysts determined the remaining useful life of the equipment based on its actual usage and economic life:

Newness rate over useful life = remaining useful life/(actual years of use + remaining useful life)
= 11.92／（3.08+11.92）
= 79% (rounded)

b. Mileage newness rate

The vehicle has a specified mileage of 600,000 kilometers and has traveled 156,188 kilometers.

Mileage newness rate = (specified mileage – mileage traveled)-specified mileage ×100%
= (600,000 – 156,188.00)÷600,000×100%
= 74% (rounded)

The theoretical newness rate is determined to be 74% based on the lower principle.

B. Determination of on-site inspection newness rate

The results of the on-site inspection conducted by the valuation analyst on the vehicle are as follows:

	Item name	Achievement level	Reference score	Rating	Status description	
Inspection approach	Whole vehicle (20 points)	Brand new	16–20			
		Better	11–15	15	Overall good condition, interior intact	
		Average	6–10			
		Poor	0–5			
	Frame (15 points)	Brand new	13–15			
		Better	9–12	12	Minor rust on the frame	
		Average	4–8			
		Poor	0–3			
	Front and rear axles (15 points)	Brand new	13–15			
		Better	9–12	12	Basically intact	
		Average	4–8			
		Poor	0–3			
	Engines (30 points)	Brand new	24–30			
		Minor wear	16–23	23	High mileage, with some wear and tear	
		Moderate wear	8–15			
		Severe wear	0–7			
	Transmission (10 points)	Brand new	9–10			
		Minor wear	6–8	8	Slightly worn	
		Moderate wear	3–5			
		Severe wear	0–2			
	Steering and braking systems (10 points)	Brand new	9–10	10	Functions basically normal	
		Minor wear	6–8			
		Moderate wear	3–5			
		Severe wear	0–2			
Total			100	80	On-site inspection newness rate weight	60%

In summary, the vehicle's on-site inspection newness rate is 80%.

C. Comprehensive newness rate

Based on the findings of the on-site inspection, the comprehensive analysis method is used for estimation, which is based on the theoretical newness rate and comprehensively determined by considering various factors affecting the value of motor vehicles. The calculation formula is as follows:

Comprehensive newness rate = theoretical newness rate × weight (40%) + on-site inspection newness rate × weight (60%)
= 74% × 40% + 80% × 60%
= 78% (rounded)

(5) Determination of Valuation

Valuation = original replacement value × newness rate
= 288,400 × 78%
= 225,000 (rounded)

2. Electronic Equipment Valuation Analysis Case Study

(1) Basic Information of Equipment:

Equipment name and serial number: Laptop computer (item 96 in schedule 4-8-7)

Model: ThinkPad T14p

Manufacturer: Lenovo

Quantity: 1

Purchase date: November 2024

Commissioning date: November 2024

Original carrying amount: 6,016.81

Net carrying amount: 5,921.55

Main technical specifications:

CPU: i5-13500H

Hard drive: 1T solid-state drive

Memory: 16G

(2) Determination of Full Replacement Cost

Based on recent vehicle market price data, such as local market information, the full replacement cost is determined according to its recent purchase price. Upon inquiry, the tax-exclusive market selling price of the electronic equipment on the reference date was 6,000 per unit, inclusive of freight and miscellaneous charges, installation, and commissioning.

Therefore, full replacement cost	= (tax-exclusive equipment purchase price+ freight and miscellaneous charges+ installation and commissioning fees+ capital costs) × quantity
	= (6,000+0.00+0.00+0.00）×1
	= 6,000

(3) Determination of Comprehensive Newness Rate

As of the valuation reference date, the computer has been in use for 0.09 years, with a remaining useful life of 5.91 years. The system is functioning normally, and the equipment is in good overall condition. The valuation analysts determined the remaining useful life of the equipment based on its actual usage and economic life:

Newness rate over useful life	= remaining useful life/(actual years of use + remaining useful life)
	= 0.09/（0.09+5.91）
	= 98% (rounded)

(4) Determination of Valuation

Valuation = full replacement cost × comprehensive newness rate
= 6,000 × 98%
= 5,900 (rounded)

(IV) Valuation Analysis Results

Unit: 0'000

Item name	Carrying amount		Valuation		Value-added amount		Value-added rate %	
	Original value	Net value	Original value	Net value	Original value	Net value	Original value	Net value
Machinery and equipment	0.00	0.00	0.00	0.00	0.00	0.00		
Vehicles	45.99	32.89	45.13	35.53	-0.86	2.64	-1.88	8.03
Electronic equipment	78.05	38.35	63.33	43.63	-14.72	5.28	-18.87	13.77
Less: impairment provision for fixed assets						0.00		
Total equipment	124.04	71.23	108.46	79.16	-15.59	7.92	-12.57	11.12

(V) Analysis of Valuation Increases and Decreases

The decrease in the original valuation of the vehicle is mainly due to the downward trend in the market environment for technological updates, which has led to a decrease in the purchase price of the vehicle in the current market environment, resulting in a decrease in the original valuation. Concurrently, the accounting depreciation period for the vehicle is shorter than the economic useful life, leading to an increase in the net valuation.

The decrease in the original valuation of the electronic equipment is mainly due to technological updates and the decrease in the purchase price of the electronic equipment under the current market environment, resulting in a decrease in the original valuation. Concurrently, the accounting depreciation period for the electronic equipment is shorter than the economic useful life, leading to an increase in the net valuation.

VII. CONSTRUCTION IN PROGRESS

(I) Scope of Valuation Analysis

There was 1 construction in progress – civil engineering construction, specifically the scientific research project on monitoring and remote control of pipeline network pump station operation. The total carrying amount of construction in progress is 252,900.

(II) Valuation Analysis Methods and Explanations

Based on the characteristics, value type, and data collection status of the construction in progress, the cost approach is employed for valuation.

The valuation analysts verified on-site the relevant detailed ledgers, accounting vouchers, project initiation reports, and budget estimates, confirming that the progress of the construction in progress subject to valuation was generally on schedule, with actual payments matching book records and substantially reflecting the acquisition and construction costs on the valuation reference date. Given the relatively short reasonable construction period for construction in progress, minimal fluctuations in capital costs and prices, and upon confirming the reasonableness of the project budget, and on the basis of comprehensively verifying the enterprise's accounts for construction in progress, in order to avoid duplicate valuation of assets and omission of asset values, and in conjunction with the characteristics of this construction in progress, the following methods are adopted to determine the valuation based on the type and specific circumstances of the construction in progress:

For normal construction in progress projects that commenced within six months from the reference date, based on the declared amount of construction in progress, the remaining value after reconciling book records with actual accounts and excluding unreasonable expenditures shall serve as the valuation.

(III) Valuation Analysis Case Study Calculations

Taking the construction in progress – equipment installation construction – scientific research project on monitoring and remote control of pipeline network pump station operation (item 1 of the "Detailed Valuation Schedule for Construction in Progress – Equipment Installation Construction") as an example, the valuation measurement process is illustrated as follows:

Overview of Valuation Analysis Subject:

Construction contractors: Shenzhen Zhengcheng Environmental Technology Co., Ltd.*(深圳征程環境科技有限公司)and Guangdong New Cooperation Construction Co., Ltd.*(廣東新協力建設有限公司);

Commencement date: October 2024;

Carrying amount: 252,899.28;

According to the relevant information including accounting vouchers and original vouchers, provided by the client, the carrying amount is the prepaid equipment payments incurred, which had been verified as reasonable expenses. Therefore, the valuation is determined based on the actual amount paid by the enterprise plus the capital cost (as the construction involved equipment for the enterprise's own use, investment profit was not considered). The calculation formula is as follows:

Valuation of construction in progress= costs paid (carrying amount) + capital cost

The carrying amount of construction in progress is 252,900, representing prepaid equipment payments and other related expenses. As of the valuation reference date of 31 December 2024, the construction period for the construction in progress was approximately 0.17 years, and its reasonable construction period was verified to be 0.25 years. Given its short commencement time and reasonable construction period, the capital costs are not calculated, resulting in a capital cost of 0.00.

Valuation of construction in progress = 252,900 + 0.00= 252,900

(IV) Valuation Analysis Results

The valuation of construction in progress is 252,900, with no increase or decrease in valuation.

VIII. PAYABLES

Accounts payables mainly represented estimated construction payments due from the Target Company to China First Metallurgical Group Co., Ltd., Hunan Excellence Construction Co., Ltd.*（湖南卓越建設有限公司）and Dongguan Construction Supervision Co., Ltd.*（東莞市建設監理有限公司）, with a carrying amount of 78,157,400.

The valuation analysts verified the relevant account books and documents related to accounts payables, selected transactions involving larger or unusual amounts for sampling of their original vouchers, and concurrently conducted analysis of the underlying transactions and contracts for reasonableness alongside necessary confirmation procedures. On this basis, the authenticity of accounts payables is established, with the verified carrying amount serving as the valuation.

The valuation of accounts payables is 78,157,400, with no increase or decrease in valuation.

IX. EMPLOYEE BENEFITS PAYABLES

Employee benefits payables represented the compensation provided by the enterprise for services rendered by employees, primarily comprising salaries, bonuses, allowances, subsidies, and labor union fees payable to employees by the Target Company, with the carrying amount of 9,690,400.

The valuation analysts obtained information on the enterprise's provision and payment of employee compensation, verified the relevant accounting records, and took the verified carrying amount as the valuation.

The valuation of employee benefits payables is 9,690,400, with no increase or decrease in valuation.

X. TAX PAYABLES

Tax payables mainly include value-added tax, income tax, and individual income tax withheld and paid on behalf of others, with a carrying amount of 4,520,700.

The valuation analysts verified the accuracy of the relevant data and the authenticity of the remittance by understanding the contents of the taxable items of the Target Company, and took the verified carrying amount as the valuation.

The valuation of tax payables is 4,520,700, with no increase or decrease in valuation.

XI. OTHER PAYABLES

The carrying amount of other payables is 9,312,300, mainly comprising dividends payables and other payables, including:

(I) Dividends payables

The carrying amount of dividends payables is 7,582,000. According to the Board Resolution (Yangyue Qingyuan Dong [2023] No. 1) made by Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.* on 25 May 2023, Yangjiang Qingyuan distributed dividends to shareholders based on the undistributed profits of 2022, allocating 7,427,300 to Guangdong Water Holdings Limited* and 154,700 to China First Metallurgical Group Co., Ltd..

The valuation analysts obtained the enterprise's profit distribution policy and the audited profit amount for the profit distribution year, and cross-checked them with the relevant dividends payables distribution documents that had undergone the profit distribution procedure and been signed by the enterprise, to verify the consistency between them. Upon verification, all profits payables are profits approved for distribution to relevant investors or shareholders on the reference date.

The valuation of dividends payables is 7,582,000, with no increase or decrease in valuation.

(II) Other payables

The carrying amount of other payables is 1,730,300, mainly comprising deposits and guarantees payables, canteen expenses, BOT project payments – land acquisition payments, and other payments.

The valuation analysts verified the relevant account books and documents, and conducted research on various other payables, and particularly focused on investigating significant other payables or unusual items, checking their original vouchers to confirm their authenticity and accuracy. The valuation is confirmed based on the verified carrying amount.

The valuation of other payables is 1,730,300, with no increase or decrease in valuation.

XII. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

Non-current liabilities due within one year are liabilities arising from the reclassification of long-term borrowings and accrued but unpaid interest on long-term borrowings, with a carrying amount of 41,396,400.

The valuation analysts verified the accuracy of the accounting treatment and the actual liabilities to be assumed, and took the verified carrying amount as the valuation.

The valuation of non-current liabilities due within one year is 41,396,400, with no increase or decrease in valuation.

XIII. LONG-TERM BORROWINGS

Long-term borrowings represented long-term borrowings with a term exceeding 5 years obtained by the Target Company from Industrial and Commercial Bank of China Limited Yangjiang Jiangcheng Sub-branch and Bank of China Limited Yangjiang Branch, with a carrying amount of 359,776,000.

The valuation analysts checked the loan contracts and conducted on-site verification through spot checks of relevant accounting records. The accounting records are found to be accurate, and interest payments are made promptly. They took the verified carrying amount as the valuation.

The valuation of long-term borrowings is 359,776,000, with no increase or decrease in valuation.

XIV. DEFERRED INCOME TAX LIABILITIES

Deferred income tax liabilities represented liabilities incurred by the Target Company due to differences in the asset amortization policy of concession rights between the enterprise and the tax authority. They are income tax liabilities arising from taxable temporary differences recognized in accordance with income tax standards, with a carrying amount of 20,677,400.

The valuation analysts verified the relevant accounting basis, understood the reasons for its formation and the expected future payments, and took the verified carrying amount as the valuation after confirming its authenticity.

The valuation of deferred income tax liabilities is 20,677,400, with no increase or decrease in valuation.

VALUATION CONCLUSION

Based on the aforementioned valuation work, within the valuation assumptions and limiting conditions, the valuation conclusion for the valuation subject and scope described in this report is as follows:

I. VALUATION ANALYSIS RESULTS OF DIFFERENT VALUATION METHODS

1. Valuation results using income approach

The discounted cash flow method (DCF) is used for valuation, and the valuation analysis results are as follows:

The carrying amount of shareholders' equity is RMB335,677,100 and the valuation is RMB335,258,300, representing a decrease of RMB418,900 and a decrease rate of 0.12%.

2. Valuation results using assets-based approach

The asset-based approach is used for valuation, and the valuation analysis results are as follows:

The carrying amount of total assets is RMB859,207,700, with a valuation of RMB859,286,900, representing an increase of RMB79,200 and an increase rate of 0.01%;

The carrying amount of total liabilities is RMB523,530,500, with a valuation of RMB523,530,500, with no increase or decrease in valuation;

The carrying amount of shareholders' equity is RMB335,677,100, with a valuation of RMB335,756,400, representing an increase of RMB79,200 and an increase rate of 0.02%.

Summary Table of Asset Valuation Analysis Results

Valuation reference date: 31 December 2024

Valuation analysis unit: Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.* Unit: 0'000

Item		Carrying amount	Valuation	Value Added/ Deducted	Value-added Rate
		A	B	C=B-A	D=C/A×100
Current assets	1	32,415.33	32,415.33	0.00	0.00
Non-current assets	2	53,505.44	53,513.36	7.92	0.01
Of which: debt investments	3	0.00	0.00	0.00	
Other debt investments	4	0.00	0.00	0.00	
Long-term receivables	5	53,408.91	53,408.91	0.00	0.00
Long-term equity investments	6	0.00	0.00	0.00	
Investments in other equity instruments	7	0.00	0.00	0.00	
Other non-current financial assets	8	0.00	0.00	0.00	
Investment properties	9	0.00	0.00	0.00	
Fixed assets	10	71.23	79.16	7.92	11.12
Construction in progress	11	25.29	25.29	0.00	0.00
Productive biological assets	12	0.00	0.00	0.00	
Oil and gas assets	13	0.00	0.00	0.00	
Right-of-use assets	14	0.00	0.00	0.00	
Intangible assets	15	0.00	0.00	0.00	
Development expenditures	16	0.00	0.00	0.00	
Goodwill	17	0.00	0.00	0.00	
Long-term deferred expenses	18	0.00	0.00	0.00	
Deferred income tax assets	19	0.00	0.00	0.00	
Other non-current assets	20	0.00	0.00	0.00	
Total Assets	21	**85,920.77**	**85,928.69**	**7.92**	0.01
Current liabilities	22	14,307.71	14,307.71	0.00	0.00
Non-current liabilities	23	38,045.34	38,045.34	0.00	0.00
Total Liabilities	24	**52,353.05**	**52,353.05**	**0.00**	**0.00**
Net Assets (Owner's Equity)	25	**33,567.71**	**33,575.64**	**7.92**	**0.02**

II. ANALYSIS OF VALUATION CONCLUSION

Valuation analysis was conducted using both the income approach and the asset-based approach, and the results differed by 498,100, representing a difference rate of 0.15%.

The valuation analysis results derived from different valuation methods are relatively close and can be mutually validated.

III. DETERMINATION OF VALUATION CONCLUSION

The income approach valuation uses the asset's expected income as the value benchmark, reflecting the magnitude of its earning capacity. This earning capacity is typically influenced by the characteristics of the municipal drainage industry where the Target Company operates, specifically including: the Target Company's core assets are the concession-based interception and drainage pipeline network assets. As the financial audit and settlement of the project have not yet been completed, future revenues are significantly influenced by factors such as the government payment mechanism. Relatively, the asset-based approach is more robust, objectively reflecting the market value of the Target Company possessing the current production scale from the perspective of asset construction. The asset-based valuation approach uses the replacement cost of assets as the value benchmark, reflecting the socially necessary labor expended in asset investment (acquisition and construction costs). This approach is relatively easy to validate in the market and involves fewer future uncertainties. It provides the most fundamental reference for the acquisition and construction cost value in equity transfers of shareholders of the Target Company. Choosing the valuation analysis results from the asset-based approach lays the foundation for the Target Company's future business operations and the achievement of profit targets. Therefore, the valuation analysis results of the asset-based approach are adopted as the valuation analysis conclusion for this valuation analysis. That is:

The carrying amount of total assets is RMB859,207,700, with a valuation of RMB859,286,900, representing an increase of RMB79,200 and an increase rate of 0.01%;

The carrying amount of total liabilities is RMB523,530,500, with a valuation of RMB523,530,500, with no increase or decrease in valuation;

The carrying amount of shareholders' equity is RMB335,677,100, with a valuation of RMB335,756,400, representing an increase of RMB79,200 and an increase rate of 0.02%.

Summary Table of Asset Valuation Analysis Results

Valuation reference date: 31 December 2024

Valuation analysis unit: Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.* Unit: 0'000

Item		Carrying amount	Valuation	Value Added/ Deducted	Value-added Rate
		A	B	C=B-A	D=C/A×100
Current assets	1	32,415.33	32,415.33	0.00	0.00
Non-current assets	2	53,505.44	53,513.36	7.92	0.01
Of which: debt investments	3	0.00	0.00	0.00	
Other debt investments	4	0.00	0.00	0.00	
Long-term receivables	5	53,408.91	53,408.91	0.00	0.00
Long-term equity investments	6	0.00	0.00	0.00	
Investments in other equity instruments	7	0.00	0.00	0.00	
Other non-current financial assets	8	0.00	0.00	0.00	
Investment properties	9	0.00	0.00	0.00	
Fixed assets	10	71.23	79.16	7.92	11.12
Construction in progress	11	25.29	25.29	0.00	0.00
Productive biological assets	12	0.00	0.00	0.00	
Oil and gas assets	13	0.00	0.00	0.00	
Right-of-use assets	14	0.00	0.00	0.00	
Intangible assets	15	0.00	0.00	0.00	
Development expenditures	16	0.00	0.00	0.00	
Goodwill	17	0.00	0.00	0.00	
Long-term deferred expenses	18	0.00	0.00	0.00	
Deferred income tax assets	19	0.00	0.00	0.00	
Other non-current assets	20	0.00	0.00	0.00	
Total Assets	21	**85,920.77**	**85,928.69**	**7.92**	0.01
Current liabilities	22	14,307.71	14,307.71	0.00	0.00
Non-current liabilities	23	38,045.34	38,045.34	0.00	0.00
Total Liabilities	24	**52,353.05**	**52,353.05**	**0.00**	**0.00**
Net Assets (Owner's Equity)	25	**33,567.71**	**33,575.64**	**7.92**	**0.02**

The entire equity interest value of the 51% shareholders of Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.* is 155,979,100.

Notes: (1) After communication with the client, the calculation process for the entire equity interest value of the 51% shareholders of Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.* is confirmed as follows: Considering that only Guangdong Yuehai Water Co., Ltd. (hereinafter referred to as "Water Co.") has not completed its capital contribution, while all other shareholders have completed their contributions, the shareholder equity held by Water Co. is calculated according to the following formula:

51% of equity interest value = (entire equity interest value of equity + amount subscribed but not contributed by all shareholders) × 51% – amount subscribed but not contributed corresponding to 51% equity

(2) The value of the 51% shareholder's entire equity interest value in Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.* does not account for premiums and discounts arising from factors such as controlling interests or minority equity interests.

IV. VALIDITY PERIOD OF VALUATION CONCLUSION

Given that factors affecting the Target Company's operations, such as the economic environment, market conditions, and technological advancements, are constantly changing, and considering the Target Company's actual circumstances, it is generally recommended that the valuation analysis results remain valid for the Target Company within one year of the submission of the valuation report, specifically from 31 December 2024 to 30 December 2025. Beyond this timeframe, it is recommended to conduct a revaluation.

V. EXPLANATION OF VALUATION CONCLUSION

1. This valuation conclusion did not consider the impact on value of any tax arrears owed by the valuation subject and related assets, nor various transaction taxes, fees, and other expenses that may be payable at the time of transaction, nor did it make any tax adjustment provisions for the asset appreciation amount.

2. The valuers were aware that the partial equity interest value of the shareholders was not necessarily equal to the product of the entire equity interest value of the shareholders and the equity proportion. Due to the unavailability of information on transactions in the industry and related equity, and subject to the constraints of current pricing regulations for property rights transactions, premiums and discounts arising from factors such as controlling interests and minority interests were not considered in this valuation.

3. The valuers were aware that the liquidity of the assets might have a significant impact on the value of the valuation subject. However, due to the unavailability of information on transactions in the industry and related asset property rights and the lack of analysis basis for asset liquidity, the impact of asset liquidity on the valuation subject was not considered in this valuation.

4. Our responsibility was to exercise professional judgment regarding the asset value determined for the valuation purpose described in this report and did not involve making any judgment on the rationality of the corresponding economic activities. Whether to implement such economic activities should be determined at the Company's discretion.

5. The valuation work relied to a large extent on the information provided by the Company, the Target Company and other related parties in regard of the valuation subject. Therefore, the valuation was based on the information provided by the Company and the Target Company. The authenticity, completeness and legality of such materials may impact the valuation conclusion. The valuers have diligently conducted on-site investigations of the valuation subject, collected various information and conducted verification, analysis and collation as the basis for the valuation. However, they did not rule out the possibility that unknown factors may affect the valuation conclusion and assumed no liability for any legal matters concerning the property rights of the assets involved in the valuation subject.

SPECIAL MATTERS

The following matters may affect the use of the valuation conclusion. The Company should pay special attention to the impact of the following matters on the valuation conclusion when referring to this report:

I. INCOMPLETE OR DEFECTS IN OWNERSHIP AND OTHER MATERIAL INFORMATION

We were not informed of, and did not discover during on-site due diligence, any ownership defects in the assets of the Target Company, nor did we consider the impact of any possible ownership defects in the assets of the Target Company on the valuation conclusion.

II. GUARANTEES, LEASES AND ITS CONTINGENT LIABILITIES (CONTINGENT ASSETS)

As of the valuation reference date, Yangjiang Qingyuan had the following pledged loans and guarantees:

1. Yangjiang Qingyuan and Industrial and Commercial Bank of China Yangjiang Jiangcheng Sub-branch (hereinafter referred to as "ICBC Yangjiang Jiangcheng Sub-branch") entered into the Fixed Asset Loan Contract (No.: 0201400004-2018 (Project) 0003), the Pledge Contract (Contract No.: 0201400004-2018 (Guangdong Qingyuan) Pledge 0001) and the Accounts Receivables Pledge Registration Agreement (No.: 0201400004-2018 (Guangdong Qingyuan) Receivables 0001), and subsequent supplemental agreements to the Loan Contract (No.: 0201400004-2018 (Project Supplement) 0003-01, 0201400004-2020 (Project Supplement) 0003-01, 0201400004-2021 (Guangdong Qingyuan Project Supplement) 0003-01, 0201400004-2023 (Guangdong Qingyuan Project Supplement) 0003-01) on 17 January 2019, stipulating that ICBC Yangjiang Jiangcheng Sub-branch shall lend 600,000,000 to Yangjiang Qingyuan for a term of 15 years. The loan would be used for the construction of five PPP projects, including the Yangjiang Old Town District Sewage Interception and Drainage Network Renovation Project and the City North District Sewage Interception and Drainage Pipeline Network Renovation Project. Yangjiang Qingyuan would provide pledge guarantees to ICBC Yangjiang Jiangcheng Sub-branch with the right to revenue under the PPP project contracts.

2. Yangjiang Qingyuan and Bank of China Limited Yangjiang Branch (hereinafter referred to as "BOC Yangjiang Branch") entered into the Fixed Asset Loan Contract (No.: GDK47680012021003), the Maximum Amount Pledge Contract (No.: 2021 Gao Zhi Zi No. 001), the Accounts Receivables Pledge Registration Agreement (No.: 2021 Zhi Ya Deng Zi No. 001) on 9 April 2021, and the Supplemental Contract to the Fixed Asset Loan Contract (No.: GDK47680012021003-002) on 22 July 2024, stipulating that BOC Yangjiang Branch shall lend 574,000,000 to Yangjiang Huanbao for a term of 180 months. The loan was specifically designated for the construction of 5 PPP projects under the "Yangjiang Urban Sewage Interception and Drainage Network Renovation Project" with a total investment of approximately 820,000,000 or for replacing existing loans from other financial institutions used for the same purpose. In addition, Yangjiang Qingyuan provided a maximum pledge guarantee to BOC Yangjiang Branch with the accounts receivables legally held by Yangjiang Qingyuan in proportion to its credit line of BOC Yangjiang Branch (i.e., the proportion of the pledgor's outstanding loan balance to the pledgee relative to its outstanding loan balance across all financial institutions).

3. Yangjiang Qingyuan, based on the "PPP Project Contract for Five Projects including the Old Town District Sewage Interception and Drainage Network Renovation Project and the City North District Sewage Interception and Drainage Pipeline Network Renovation Project", issued a Construction Project Performance Bond (No.: 00020001020927658) in the amount of 20,000,000 to Yangjiang City City Management And Integrated Bureau Enforcement Bureau, valid from 22 February 2019 to 31 October 2021, and a Performance Bond for the operation and maintenance period (No.: 0201400004-2021 (BG) 00005) in the amount of 5,000,000, valid from 31 July 2023 to 31 July 2025. As of the date of this report, they have all expired and become invalid.

The potential impact of the aforementioned matters on the value of the valuation analysis subject was not considered in the valuation analysis.

III. UNCERTAINTIES SUCH AS UNRESOLVED MATTERS, LEGAL DISPUTES, AND RESTRICTED VALUATION PROCEDURES

We have not been informed of, nor have we identified matters such as default liabilities, pending litigation or legal disputes involving the Target Company during on-site due diligence, and the potential impact of any possible breaches, litigation liabilities, or similar factors on the valuation conclusion has not been considered in valuation.

IV. IMPACT OF SIGNIFICANT SUBSEQUENT EVENTS AND ECONOMIC ACTIVITIES

As of the date of this report, we have not been informed of, nor have we identified, any significant subsequent events that would affect the valuation conclusion.

V. OTHER MATTERS REQUIRING CLARIFICATION

1. According to Article 13.2 of the "PPP Project Contract for Five Projects including the Old Town District Sewage Interception and Drainage Network Renovation Project and the City North District Sewage Interception and Drainage Pipeline Network Renovation Project", "From the commencement of commercial operation of this project until the Yangjiang City Finance Bureau* reviews and approves the project construction investment, both parties agree to temporarily pay the availability payment based on the winning bid amount (specified amount is in lowercase: ¥122,207,000 per year) as the monthly availability payment to Party B. In the month following the financial audit and settlement approval, both parties agree to calculate the future monthly availability payment according to the formula in Annex 6, with payments start being executed from the following month, with cumulative difference between the adjusted amount and originally paid availability payments shall be settled within one year based on the principle of more refunds and less compensation." Pursuant to Annex 6 of the "PPP Project Contract for Five Projects including the Old Town District Sewage Interception and Drainage Network Renovation Project and the City North District Sewage Interception and Drainage Pipeline Network Renovation Project", "when the financial audit construction investment amount is less than 95% (excluding 95%) of the winning bid construction investment amount; or when the financial audit construction investment exceeds 105% (excluding 105%) of the winning bid construction investment due to reasons attributable to the government of Yangjiang City (including increased project costs due to changes requested by the government or other government departments, or increased investment costs for Party B due to changes in the government's or other government departments' systems, regulations, or laws), the availability payment shall be adjusted according to the following formula":

$$A = P_1 \times \frac{i_1 \times (1+i_1)^n}{(1+i_1)^n - 1} + P_2 \times \frac{i_2 \times (1+i_2)^n}{(1+i_2)^n - 1}$$

As of the valuation reference date, since the PPP Project has not yet completed its financial audit settlement, operating revenue is provisionally calculated at 125,678,000 per annum (including 9% value-added tax, comprising availability payments of 122,207,000 per annum and operational performance service fees of 3,471,000 per annum). As the Target Company is unable to determine the final investment amount subject to financial audit settlement, this analysis is calculated based on the operating fees of the current contract. Should subsequent changes occur in operating revenue and fees, the valuation analysis results shall be adjusted accordingly.

2. The registered capital of Target Company's is 273,333,400. As of the valuation reference date, the Target Company's paid-in capital was 242,197,300, with an outstanding registered capital of 31,136,100. On 7 November 2024, all shareholders of the Target Company revised the Articles of Association and extended the payment deadline for Guangdong Yuehai Water Co., Ltd. capital contribution obligation of 31,136,100 to 11 April 2026. According to "The State Council's Rules in Relation to the Implementation of the 'Company Law of the People's Republic of China' on the Registration and Management System of Registered Capital*" (Order No. 784 of the State Council of the People's Republic of China), for companies registered and established before 30 June 2024, if the remaining subscription period for a company with limited liability exceeds 5 years as of 1 July 2027, the remaining period for subscribed capital contributions shall be adjusted to within 5 years and recorded in the Articles of Association by 30 June 2027, and shareholders shall fully pay their subscribed capital contributions within the adjusted period. For companies limited by shares, promoters shall pay the full amount of share capital according to the shares they subscribed by 30 June 2027. The impact of this matter on the valuation analysis results was not considered.

The above special matters are hereby brought to the Company's attention.

VI. RESTRICTIONS ON USE OF THE VALUATION ANALYSIS REPORT

1. This report is intended solely for the purposes specified in the valuation services contract.

2. This report is provided solely for the Company's reference. Beyond this purpose, no person or entity may use or rely upon this report in any manner or for any purpose. We assume no liability to any person or entity for the contents of this report.

3. The valuation conclusion is not equivalent to the realizable price of the valuation subject. The Company should carefully consider its alignment with economic activities, and the valuation conclusion should not be regarded as a guarantee of the realizable price of the valuation subject.

4. The conclusion of this report is based on the valuation principles, pricing basis, valuation methods, and calculations described in the report, and is valid only under the valuation assumptions and basis stated herein.

5. After the issuance of this report, if there are significant subsequent events affecting the value of the valuation subject, including changes in national, local and industry laws and regulations, economic policies, and significant changes in the market value of assets, the conclusion of this report generally cannot be directly applied.

6. This report may contain certain documents for inspection and schedules to facilitate the Company's review and understanding of the valuation conclusion; however, these should be used in conjunction with the main body of this report.

7. Regarding the photocopies of relevant asset ownership documentation provided by the Company/the Target Company in this report, we have exercised reasonable due diligence regarding the legal ownership of the valuation subject and conducted necessary verification of the relevant materials. However, we do not guarantee that we have individually reviewed and verified the originals of all documents and photocopied materials. Unless specifically stated in the report, we have not considered the impact of any ownership defects on the value of the valuation subject.

8. The statements regarding the legal ownership of the valuation subject in this report do not constitute a guarantee or an assurance on the legal ownership of the valuation subject. We are unable to provide any legal guarantee for the ownership status of the assets.

9. The interpretation of the contents of this report shall rest with this institution. Except where explicitly stipulated by national laws and regulations, no other entity or department shall have the right to interpret it.

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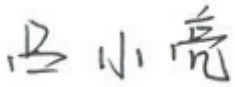
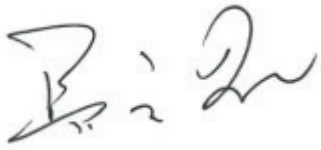
Signature of Valuation Analyst: 

Signature of Valuation Analyst: 

Allied Appraisal Co., Ltd.

19 September 2025

APPENDICES TO VALUATION ANALYSIS REPORT

1. Copies of the audit report of the Target Company	(Forty-eight pages in total)
2. Copies of the business license of the client and the Target Company	(Two pages in total)
3. Copies of major ownership certificates	(Two pages in total)
4. A copy of the business license of the valuation agency	(One page in total)
5. Other important documents	(Two pages in total)
6. Summary table of valuation analysis	(See separate volume)

Valuation Analysis Report in respect of the Entire Equity Interest Value of Shareholders of Shantou Guangdong Water Co., Ltd.*

Allied Appraisal Valuation Report [2025] No. D0121

ALLIED APPRAISAL CO., LTD.

19 September 2025

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LETTER TO THE BOARD OF GUANGDONG WATER HOLDINGS LIMITED

Dear shareholders,

Pursuant to the Valuation Analysis Services Engagement Agreement entered into between us and the subsidiary of the Company, Guangdong Water Investment Co., Ltd., we hereby enclose the valuation analysis report prepared for the Proposed Equity Acquisition of the Company involving the entire equity interest value of Shantou Guangdong Water Co., Ltd.*.

Our report is intended solely for the purposes specified in the valuation analysis service contract. No person or organization may use or rely upon this report in any manner or for any purpose beyond those specified herein, we assume no liability to any person or entity for the contents of this report.

We draw the attention of the Company to the sections titled "Target and Scope of Valuation Analysis", "Valuation Assumptions and Basis", and "Explanations on Special Matters" within the report. These sections detail limitations on our scope of work, data sources, and procedures performed. Our work concluded on the date of the valuation analysis report. We have not performed additional procedures or updated this report for subsequent events.

Our work was constrained by the time and scope permitted, and the information obtained included unaudited financial data. Under such circumstances, we may not have been fully aware of all facts and information deemed relevant by the Company. Furthermore, we performed only a portion of the verification and validation procedures we deemed necessary on the information obtained. Therefore, such information may not be entirely reliable to a certain extent. Furthermore, we assume no responsibility for matters not covered in this report or excluded due to the nature of our work. The valuation analysts involved in this analysis possess relevant professional qualifications and maintained independence throughout the valuation process and have no conflicts of interest with either the client or the Target Company.

Allied Appraisal Co., Ltd.
19 September 2025

SUMMARY OF VALUATION ANALYSIS REPORT

We summarize the key valuation findings for the Target Company as follows, requesting the Company's attention prior to the completion of relevant economic activities.

Target Company: Shantou Guangdong Water Co., Ltd.*. (hereinafter referred to as "**Shantou Water**")

Valuation analysis target: The value of shareholders entire equity interests in Shantou Guangdong Water Co., Ltd.*.

Valuation analysis scope: All assets and related liabilities held by Shantou Guangdong Water Co., Ltd.* as of the valuation reference date, including current assets, fixed assets, non-current assets, and corresponding liabilities, as well as the aggregate intangible assets not recorded on the books.

Value type: Market value.

Valuation reference date: 31 December 2024.

Valuation methods: Income approach and asset-based approach.

Valuation results: Therefore, the valuation analysis results from the asset-based approach are adopted as the conclusion of this valuation analysis. Namely:

The carrying amount of total assets is RMB3,921,260,400, with a valuation of RMB4,332,944,300, representing an increase of RMB411,683,900 and a valuation increase rate of 10.50%;

The carrying amount of total liabilities is RMB744,371,400, with a valuation of RMB744,371,400, showing no change in valuation;

The carrying amount of shareholders' equity is RMB3,176,889,000, with a valuation of RMB3,588,572,900, representing an increase of RMB411,683,900 and an appreciation rate of 12.96%.

SUMMARY TABLE OF ASSET VALUATION ANALYSIS RESULTS

Valuation reference date: 31 December 2024

Valuation analysis unit: Shantou Guangdong Water Co., Ltd.* Unit: 0'000

Item		Carrying amount	Analysis Value Valuation	Value Added/ Deducted	Value-added Rate
		A	B	C=B-A	D=C/A×100
Current assets	1	144,922.51	144,922.51	0.00	0.00
Non-current assets	2	247,203.53	288,371.92	41,168.39	16.65
Of which: debt investments	3	0.00	0.00	0.00	
Other debt investments	4	0.00	0.00	0.00	
Long-term receivables	5	0.00	0.00	0.00	
Long-term equity investments	6	0.00	0.00	0.00	
Investments in other equity instruments	7	0.00	0.00	0.00	
Other non-current financial assets	8	0.00	0.00	0.00	
Investment Properties	9	0.00	0.00	0.00	
Fixed Assets	10	1,945.85	2,563.59	617.74	31.75
Construction in progress	11	0.00	0.00	0.00	
Productive biological assets	12	0.00	0.00	0.00	
Oil and gas assets	13	0.00	0.00	0.00	
Right-of-use assets	14	0.00	0.00	0.00	
Intangible Assets	15	244,142.16	284,692.81	40,550.65	16.61
Development expenditures	16	0.00	0.00	0.00	
Goodwill	17	0.00	0.00	0.00	
Long-term deferred expenses	18	1,115.52	1,115.52	0.00	0.00
Deferred income tax assets	19	0.00	0.00	0.00	
Other non-current assets	20	0.00	0.00	0.00	
Total Assets	21	**392,126.04**	**433,294.43**	**41,168.39**	**10.50**
Current Liabilities	22	49,364.65	49,364.65	0.00	0.00
Non-current liabilities	23	25,072.49	25,072.49	0.00	0.00
Total Liabilities	24	**74,437.14**	**74,437.14**	**0.00**	**0.00**
Net Assets (Owner's Equity)	25	**317,688.90**	**358,857.29**	**41,168.39**	**12.96**

The entire equity interest value of the 2% shareholders of Shantou Guangdong Water Co., Ltd.* is 71,195,000.

Note: (1) After communication with the client, the calculation process for the entire equity interest value of the 2% shareholders of Shantou Water is confirmed as follows: Considering that the government shareholder of Shantou Water has contributed land assets without obtaining the land title certificates, and that the failure to obtain these certificates has resulted in other shareholders not contributing their capital (Water Co. 1,176,500, Guangdong Water 28,823,500), the shareholder equity of Water Co. in Shantou Water, amounting to 2% equity, shall be calculated according to the following formula:

2% of equity interest value = (entire equity interest value of equity + amount subscribed but not contributed by all shareholders) × 2% – amount subscribed but not contributed corresponding to 2% equity

(2) The value of the 2% shareholder's entire equity interest value in Shantou Guangdong Water Co., Ltd.* does not account for premiums and discounts arising from factors such as controlling interests or minority equity interests.

Validity period of valuation results: Given that factors affecting the Target Company's operations, such as the economic environment, market conditions, and technological advancements, are constantly changing, and considering the Target Company's actual circumstances, it is generally recommended that the valuation results remain valid for the Target Company within one year of the submission of the valuation analysis report, specifically from 31 December 2024 to 30 December 2025. Beyond this timeframe, it is recommended to conduct a revaluation.

Special Matters Affecting Valuation Analysis Results:

1. As of the valuation reference date, due to the contribution-in-kind by shareholder Shantou City Construction Development Co., Ltd.*, ownership certificates for the following properties remain unamended: 14,003.00 m^2 of land at the University Road Pressure Pumping Station, 12,412.19m^2 at the Qingzhou Salt Field Pumping Station (18.618 acres), and 40,066.72 m^2 of the "60 acres" land parcel. Pursuant to relevant clauses in the Capital Increase and Joint Venture Agreement of Shantou Water Supply Co., Ltd.*, the other two shareholders of the Target Company stipulated that: only after Shantou City Construction Development Co., Ltd.* completes the transfer of ownership certificates will shareholder Yuehai Water Holdings Co., Ltd. fulfill its remaining capital contribution of RMB28,823,500, and shareholder Guangdong Yuehai Water Co., Ltd. fulfill its remaining capital contribution of RMB1,176,500. As shareholder Shantou City Construction Development Co., Ltd.* has not yet confirmed whether it can complete the corresponding land ownership transfer, the impact of this matter has not been considered in the current calculation process.

2. During this valuation analysis, the Target Company's management, considering the relatively low unit sales price, has submitted a "Request for Adjustment of Tap Water Prices in the Central Urban Area" to the relevant authorities. It is anticipated that the Target Company's water sales price will gradually increase until reaching a stable rate of RMB2.53 per ton by 2027. Should the aforementioned matter fail to materialize, it will impact on the conclusions of the income approach used in this valuation.

3. The following real estate properties are included in this valuation analysis. As the land in question was historically allocated without payment, the state-owned land use rights transfer fees remain outstanding. We have taken note of this situation and deducted the required transfer fees from the valuation conclusions. It should be noted that if the actual amount of land transfer fees paid differs from the estimated amount, the valuation should be adjusted accordingly.

4. During our valuation analysis, we identified that certain immovable properties within the valuation scope lacked formal title documentation. Pursuant to the "Shantou Water Supply Co., Ltd.* Capital Increase and Joint Venture Agreement" executed by all shareholders in 2017, the shareholder Shantou City Construction Development Co., Ltd.* contributed assets in kind and guaranteed that Shantou Water holds ownership rights (land use rights for land) and disposal rights over the contributed assets. There are no ownership disputes, and no outstanding restrictions such as mortgages, pledges, guarantees, or court-imposed freezes or seizures remain unresolved. Regardless of whether the transfer of such assets or the completion of registration procedures has been finalized, or the timing thereof, Shantou City Construction Development Co., Ltd.* warrants that this shall not affect the rights or interests held by Water Co. and Guangdong Water over Shantou Water as stipulated in the "Capital Increase and Joint Venture Agreement", nor shall it affect the rights or interests held by Shantou Water over the contributed assets as per the contractual terms. The shareholder, Shantou City Construction Development Co., Ltd.*, warrants that, from the date of transfer, Shantou Water shall hold full ownership of the contributed assets (land use rights in respect of land), with the right to possess, use, derive benefits from, and dispose of these assets. It shall also have the right to operate normally in accordance with the model then employed by the shareholder, Shantou City Construction Development Co., Ltd.*, without any impediments arising from laws, regulations, policies, or agreements. Should Shantou Water incur losses due to defects in title or inability to use such assets normally, the shareholder Shantou City Construction Development Co., Ltd.* shall be liable for compensation. The valuation analysis unit has provided a written explanation regarding the reasons for the lack of documentation and asserts that this matter does not affect the use of the relevant immovable property. The impact of this title defect on the valuation analysis conclusions has not been considered herein. Furthermore, the area figures employed in the valuation analysis calculations were declared by the valuation analysis unit. Should discrepancies arise with subsequent surveying results from the real estate management authorities, the valuation analysis findings shall be adjusted accordingly.

5. Pursuant to the "Construction Land Planning Permit" ((96) Shan Gui Di Zi No. 104), the '60 acres' land area of the valuation analysis unit, comprising 40,066.72 m^2, includes roadways and green space; Road and green space areas shall not be occupied. Furthermore, the State-Owned Land Use Right Grant Contract (Shan Di Rang [1998] No. 28) records the land area as 32,320.991 m^2. Therefore, this valuation shall be based on the area stated in the State-Owned Land Use Right Grant Contract. Should discrepancies arise with future surveying results from the real estate management authorities, the valuation analysis results shall be adjusted accordingly.

6. The valuation analysis unit was unable to provide specific burial depth parameters for the pipeline trenches in its possession, nor could it furnish data on the pipelines' precise operational duration or condition rating. Given that the vast majority of pipelines are deeply buried underground, valuation analysts were unable to conduct surveys on them. Verification was performed only on certain exposed sections, with the pipelines' actual operational status ascertained through the pipeline operational monitoring system. For pipelines, the valuation analysis process employed theoretical burial depths as parameters for calculations. The comprehensive condition factor was analyzed and calculated based on the recorded service life in the accounts. Should the actual condition factor or burial depth differ significantly from the assumptions made in this valuation analysis, the valuation figure shall be adjusted accordingly.

7. During our valuation analysis, we identified discrepancies between the registered and actual uses of certain real estates within the valuation scope. For properties with registered title deeds, the valuation was conducted based on the registered use. For properties without registered title deeds, the valuation was conducted based on the actual use.

Application of Valuation Results:

Due to the sensitivity of disclosed information, this valuation report and its summary shall not be excerpted, quoted, or disclosed in public media without prior written consent of the valuation analysis institution.

PROFILE OF TARGET COMPANY

Company name: Shantou Guangdong Water Co., Ltd.* (hereinafter referred to as "Shantou Water")

Unified social credit code: 91440500192720773W

Enterprise type: Limited liability company (Hong Kong, Macao and Taiwan investment, non-sole proprietorship)

Registered Address and Place of Business: 60 Jinsha Road, Shantou City

Legal Representative: CHEN Daolai（陳道來）

Registered Capital: 2,949,849,600

Date of establishment: 5 May 1982

Operation period: 5 May 1982 to 9 October 2047

Scope of Business: Production and supply of tap water; water quality testing (testing items restricted to operation by branches); design and installation of differentiated water supply system equipment; municipal engineering construction; maintenance of pressurized pumping stations; installation and repair of water mains; pipeline leak detection; property management; leasing of owned real estate. (Projects subject to statutory approval may only commence operations upon authorization from relevant authorities)

Shareholder Name, Capital Contribution Amount, and Contribution Ratio

Serial number	Name of Shareholders	Subscribed Capital Contribution (RMB0'000)	Subscribed Contribution Ratio (%)	Amount of Paid-in Capital Contribution (RMB0'000)	Paid-in Capital Contribution Ratio (%)
1	Shantou City Construction Development Co., Ltd.*	163,875.25	49.00	163,875.25	/
2	Guangdong Water Holdings Limited	163,875.25	49.00	160,992.90	/
3	Guangdong Yuehai Water Co., Ltd.*	6,688.79	2.00	6,571.14	/
Total		**334,439.29**	**100.00**	**331,439.29**	/

Note: As of the valuation reference date, shareholder Shantou City Construction Development Co., Ltd.* contributed assets in kind, with the following land parcels still pending transfer of ownership certificates: 14,003.00 m^2 at the University Road Boosting Pump Station, 12,412.19 m^2 at the Qingzhou Saltworks Pump Station (18.618 acres), and 40,066.72 m^2 of the '60 acres' site. Shareholder Yuehai Water Holdings Co., Ltd. has yet to complete its capital contribution of RMB28,823,500, while shareholder Guangdong Yuehai Water Co., Ltd. has contributed RMB1,176,500.

I. HISTORICAL DEVELOPMENT (CHANGES IN EQUITY SINCE THE COMPANY'S ESTABLISHMENT, INCLUDING CHANGES IN SHAREHOLDERS AND SHAREHOLDING RATIOS)

(I) ESTABLISHMENT

The predecessor of Shantou Water was Shantou Municipal Waterworks Company*. Following registration in the industrial enterprise census conducted by the industrial and commercial administrative authorities, it was formally established as Shantou Municipal Waterworks Company* in 1982, with the Shantou Municipal Urban Construction Bureau serving as its supervising authority. On 5 May 1982, Shantou Water obtained its Business License under the corporate name Shantou Municipal Waterworks Company*. Its economic nature was defined as wholly state-owned, with registered capital of 8,265,300. Its business scope encompassed primary operations in water supply alongside secondary operations in cement pipes.

(II) PRINCIPAL CHANGES

1. December 1985: Change of registered capital

The Shantou Municipal Urban Construction Administration issued the 'Certificate of Credit for Company and Centre Funds' on 5 December 1985, certifying that Shantou Water had registered capital of 14,379,800. On 10 December 1985, the Shantou Municipal Urban Construction Administration signed the Articles of Association of Shantou Water.

2. June 1989: Re-registration for business operations

On 22 June 1989, the Shantou Municipal Administration for Industry and Commerce re-registered Shantou Water for commencement of business operations. Its economic nature was defined as a state-owned enterprise; its scope of operations comprised the primary business of tap water supply and the secondary business of cement pipes; its competent authority was the Shantou Municipal Urban Construction Bureau. Pursuant to the review opinions of the Municipal Construction Bureau and Finance Bureau in the 'Certificate of Enterprise Registered Capital Creditworthiness', the registered capital of Shantou Water was confirmed as 30,873,400 as of May 1989.

On 9 September 1989, Shantou Water obtained its Business License under the corporate name Shantou Municipal Waterworks Company*. Its economic nature was defined as wholly state-owned, with registered capital of 30,870,000. Its business scope comprised the primary activities of water production and supply, supplemented by the manufacture and processing of cement pipes.

3. On May 1991, the registered capital was amended.

On 3 May 1991, the Shantou Municipal Urban Construction Administration Bureau endorsed the amendment to Shantou Water's registered capital, approving its increase to 69,091,600.

Pursuant to the review opinions of the Shantou Municipal Urban Construction Administration Bureau and Shantou Municipal Finance Bureau as stated in the Certificate of Credit for Enterprise Registered Capital, Shantou Water's registered capital was confirmed as 69,091,500.

On 16 May 1991, the Shantou Administration for Industry and Commerce issued a new Business License to Shantou Water in accordance with the aforementioned amendment, confirming the registered capital as 69,090,000.

4. July 1995, Change of Name

On 9 June 1995, the Shantou Municipal Urban Construction Administration Bureau endorsed the proposed change of name for Shantou Water, approving the alteration from 'Shantou Municipal Waterworks Company*' to 'Shantou Water Supply Corporation*'.

On 29 June 1995, the Office of the Shantou Municipal People's Government issued the Reply Regarding the Renaming of Shantou Municipal Waterworks Company* (Shan Fu Ban Qi [1995] No. 24), approving the change of name for Shantou Water to 'Shantou Water Supply Corporation*'.

On 10 July 1995, the Shantou Administration for Industry and Commerce issued a new 'Business License for Enterprise Legal Persons' to Shantou Water in accordance with the aforementioned change.

5. April 2011, Change of Investor

On 18 January 2008, the Municipal State-owned Assets Supervision and Administration Commission issued the 'Approval on the Transfer of State-owned Property Rights of the City Water Supply Corporation without Compensation' (Shan Guo Zi Han [2008] No. 4), consenting to the transfer of state-owned property rights in Shantou Water Plant held by the Municipal SASAC to Shantou Construction Development without compensation.

According to the 'State-Owned Enterprise Property Rights Registration Form' reviewed and approved by the Municipal SASAC on 18 January 2008, Shantou Water possessed state capital of 69,090,000. The investor was Shantou Construction Development, with an investment amount of RMB69,090,000 and a 100% equity stake.

On 9 June 2011, Shantou Construction Development, as the investor, signed the Articles of Association of Shantou Water Supply Corporation*.

On 22 April 2011, the Shantou Administration for Industry and Commerce issued a new Business License to Shantou Water in respect of the aforementioned changes.

6. August 2017: Corporate Restructuring

On 20 June 2017, Shantou Water formulated the Implementation Plan for the Corporate Restructuring of Shantou Water Supply Corporation*. The restructuring plan encompassed: the entities involved in this restructuring included Shantou Water Supply Corporation* and its six subsidiary enterprises along with its training school; This restructuring will transform Shantou Water Supply Corporation* into a wholly state-owned limited liability company. Through introducing strategic investors to increase capital and expand shareholding, Yuehai Water Group (Hong Kong) Limited and Guangdong Yuehai Water Co., Ltd. will contribute cash to restructure the wholly state-owned Shantou Water Supply Company (provisional name) into Shantou Guangdong Water Co., Ltd.* (provisional name), a state-controlled Sino-foreign joint venture.

On 28 June 2017, The Municipal State-owned Assets Supervision and Administration Commission issued the 'Approval on the Valuation Project of the Total Equity Value of Shareholders Involved in the Proposed Restructuring of Shantou Water Supply Corporation*' (Shan Guo Zi [2017] No. 161), indicating that it had received the 'Request for Forwarding the Shantou Water Supply Corporation*'s "Request for Approval of the Valuation Report on the Total Value of Shareholders of Shantou Water Supply Corporation*"' (Shan Cheng Jian [2017] No. 15) and the 'Valuation Report on the Entire Equity Value of Shareholders of Shantou Water Supply Corporation* in Connection with Its Proposed Restructuring' (Peng Xin Zi Ping Zi [2017] No. 42) issued by Shenzhen Pengxin Asset Valuation, Land and Property Appraisal Co., Ltd.

On 5 July 2017, Shantou Construction Development signed the Articles of Association of Shantou Water Supply Co., Ltd.* The enterprise type of Shantou Water Supply is: Limited Liability Company (State-Owned Sole Proprietorship); the company's registered capital is 69,090,000. The shareholder name is: Shantou City Construction Development Corporation*.

On 17 July 2017, the Municipal State-owned Assets Supervision and Administration Commission issued the Reply Regarding Approval of the Articles of Association of Shantou Water Supply Corporation* (Shan Guo Zi Han [2017] No. 313).

On 20 July 2017, the Municipal State-owned Assets Supervision and Administration Commission issued the 'Approval on the Implementation Plan for the Restructuring of Shantou Water Supply Corporation*' (Shan Guo Zi Han [2017] No. 320), approving the restructuring of the state-owned enterprise 'Shantou Water Supply Corporation*' into a wholly state-owned limited liability company. This restructuring did not involve employee redeployment, property rights, or capital requirements for asset transactions. All functions, responsibilities, debts and liabilities, and employee labor relations of the original Shantou Water Supply Corporation*were transferred to the restructured company.

According to information disclosed on the National Enterprise Credit Information Publicity System, on 2 August 2017, the enterprise type of Shantou Water was changed to 'Limited Liability Company (State-Owned Sole Proprietorship)' and its name was changed to 'Shantou Municipal Water Supply Co., Ltd.'.

7. October 2017, Increase in Registered Capital and Change of Name

On 26 June 2017, Shenzhen Pengxin Asset Appraisal and Land Property Valuation Co., Ltd. issued the 'Valuation Report on the Entire Equity Interest Value of Shantou Water Supply Corporation* Involved in the Proposed Capital Increase and Share Expansion of Guangdong Water Group (H.K.) Limited' (Peng Xin Zi Ping Zi [2017] No. 27).

On 28 June 2017, the Municipal State-owned Assets Supervision and Administration Commission issued the 'Approval on the Valuation Project of the Entire Equity Interest of Shantou Water Supply Corporation* Involved in the Capital Increase and Share Expansion of Yuehai Water Group (Hong Kong) Co., Ltd.' (Shan Guo Zi [2017] No. 154).

On 7 July 2017, Guangdong Water, Water Co., and Shantou Construction Development signed the 'Contract for Capital Increase and Joint Venture Operation of Shantou Water Supply Co., Ltd.*', stipulating: 1. Shantou Water shall be restructured from a state-owned enterprise into a limited liability company, with Guangdong Water and Water Co. injecting additional capital into Shantou Water Supply Corporation*; 2. Pursuant to the 'Valuation Report on the Entire Equity Interest of Shareholders in Shantou Water Supply Corporation Involved in the Proposed Capital Increase and Share Expansion of Guangdong Water Group (Hong Kong) Limited' (Peng Xin Zi Ping Zi [2017] No. 27), Shantou Construction Development Co. shall contribute the net assets of Shantou Water as capital assets, totaling RMB1,638,752,500. Of this amount, 1,445,426,300 shall be designated as registered capital, and 193,326,200 as capital reserve; Guangdong Water contributed 1,638,752,500 in cash, of which 1,445,426,300 constituted registered capital and 193,326,200 constituted capital reserve; Water Co. contributed 66,887,900 in cash, of which 58,997,000 constituted registered capital and 7,890,900 constituted capital reserve; 3. The first instalment of Guangdong Water shall be 1,609,929,000 and the first instalment of Water Co. shall be 65,711,400; the second instalment of Guangdong Water shall be 28,823,500 and the second instalment of Water Co. shall be 1,176,500. The second instalment shall be paid within 10 working days after completion of the first instalment and fulfilment of all the following conditions.

On 7 July 2017, Guangdong Water, Water Co., and Shantou Construction Development signed the Articles of Association of Shantou Guangdong Water Co., Ltd.*. The company's articles did not stipulate a timeframe for shareholders to make their capital contributions.

On 8 August 2017, Shantou Construction Development, a shareholder of Shantou Water, passed a shareholder resolution approving a capital increase of 1,705,640,400. This was based on the company's shareholder equity, which had been appraised and legally approved (with a reference date of 31 December 2016) at 1,638,752,500. to inject an additional capital of 1,705,640,400. This non-public capital increase would be subscribed by Guangdong Water and Water Co. through cash contributions, with all capital to be fully paid up within the stipulated period in accordance with relevant regulations. The original domestic capital charter would be revoked, and the joint venture operating contract and articles of association were signed by the investors on 7 July 2017.

According to information disclosed on the National Enterprise Credit Information Publicity System, on 13 October 2017, Shantou Water changed its enterprise type to 'Limited Liability Company (Joint Venture between Hong Kong, Macao, Taiwan and Chinese Mainland)' and its corporate name to 'Shantou Guangdong Water Co., Ltd.*'.

On 19 December 2017, Guangdong Zhonglianjian Certified Public Accountants Co., Ltd. issued the Capital Verification Report (Yue Zhong Lian Jian Yan [2017] No. 11), verifying that as at 12 December 2017, Shantou Water had received the first instalment of capital contribution from Guangdong Water totaling 1,609,929,000, of which 1,445,426,300 constituted registered capital and 164,502,700 constituted capital reserve; Water Co. contributed 65,711,400, of which 58,997,000 constitutes registered capital and 6,714,400 constitutes capital reserve; Shantou Construction Development contributed the net asset balance of Shantou Water amounting to 1,638,752,500, of which 1,445,426,300 constituted registered capital and 1,933,262 constituted capital reserve.

According to Shantou Water's statement, as of the date of this report, the second instalment of capital contributions totaling 30,000,000 (comprising 28,823,500 from Guangdong Water and 1,176,500 from Water Co.) remains outstanding.

Based on the company registration records provided by Shantou Water, the equity structure of Shantou Water following this amendment is as follows:

Shareholder Name, Capital Contribution Amount, and Contribution Ratio

Serial number	Name of Shareholders	Subscribed Capital Contribution (RMB0'000)	Subscribed Contribution Ratio (%)	Amount of Paid-in Capital Contribution (RMB0'000)	Paid-in Capital Contribution Ratio (%)
1	Shantou City Construction Development Co., Ltd.*	163,875.25	49.00	163,875.25	/
2	Guangdong Water Holdings Limited	163,875.25	49.00	160,992.90	/
3	Guangdong Yue Hai Water Holdings Limited*	6,688.79	2.00	6,571.14	/
Total		**334,439.29**	**100.00**	**331,439.29**	/

Note: As of the valuation reference date, shareholder Shantou City Construction Development Co., Ltd.* contributed assets in kind, with the following land parcels still pending transfer of ownership certificates: 14,003.00 m^2 at the University Road Boosting Pump Station, 12,412.19 m^2 at the Qingzhou Saltworks Pump Station (18.618 acres), and 40,066.72 m^2 of the '60 acres' site. Shareholder Yuehai Water Holdings Co., Ltd. has yet to complete its capital contribution of 28,823,500, while shareholder Guangdong Yuehai Water Co., Ltd. has contributed 1,176,500.

ECONOMIC ENVIRONMENT AND INDUSTRY ANALYSIS

I. MACROECONOMIC ENVIRONMENT

(I) INTERNATIONAL ASPECTS

In 2025, the global economy continues to move forward amid divergence and uncertainty. The International Monetary Fund (IMF) notes in its latest "World Economic Outlook" that global economic growth is expected to remain at 3.3%, below historical averages. This growth trend masks lies complex divergences: while some economies are experiencing strong growth, others face numerous challenges.

1. Current State and Diverging Trends in Global Economic Growth

In 2025, the global economy is expected to maintain stable growth, but the growth momentum shows significant feature of differentiation. Driven by strong consumption, the US economy is expected to grow by 2.7% in 2025, 0.5 percentage point higher than the forecast in October 2024. However, the Eurozone economy is experiencing weak growth, with its projected growth rate for 2025 being revised downwards to 1.0%, reflecting the negative impact of geopolitical tensions and policy uncertainties on the economy. At the same time, certain Asian economies also face challenges. Although China's economic growth rate has been slightly revised upwards, it is still constrained by the sluggish real estate market and consumer confidence; India's growth slowdown has exceeded expectations, and industrial activity has decelerated significantly.

The divergence in global economic growth is reflected not only between developed economies and emerging markets but also in industry and regional differences within each economy. For example, the technology industry in the United States continues to expand, driven by policy support and market demand, while traditional manufacturing faces pressure from global competition and supply chain adjustments. Among emerging markets, some export-dependent countries face reduced orders and slower economic growth due to uncertainties in global trade policies, while others have achieved relatively stable growth through domestic demand and industrial upgrading.

This trend of divergence poses challenges to the stability and sustainable development of the global economy. On the one hand, economies with strong growth need to guard against overheating risks and the formation of asset bubbles while maintaining growth; on the other hand, economies with weak growth need to stimulate economic recovery through policy adjustments and structural reforms. Under the background of globalization, the economies of various countries are highly interdependent, and the trend of divergence may lead to an increase in global economic imbalance, which in turn affects the long-term stability of the global economy.

2. Global Financial Market Environment and Uncertainties

Global financial markets continued to remain loose in 2025, but uncertainties in the financial environment significantly increased. US stock market continued to rise under expected policies support, but rising long-term interest rates and upside risks to inflation had a certain dampening effect on market sentiment. Financial markets in emerging markets are facing greater pressure, with low stock valuations and a clear trend of capital outflow. The widespread strengthening of the US dollar has further exacerbated the financial distress in emerging markets, leading to currency depreciation and increased debt burdens.

Uncertainty in trade policy is one of the important factors contributing to volatility in financial markets. The escalation of global trade friction and geopolitical tensions has made market participants concerned about the future economic outlook. Investors' preference for risk assets declined, leading to varying degrees of tightening in global financial markets. In addition, political instability in some Asian and European countries has also increased market uncertainty, affecting the stability of financial markets.

Against the backdrop of increasing uncertainty in global financial markets, investors need to assess risks and returns more cautiously. Governments and financial institutions also need to strengthen financial supervision and risk prevention to cope with possible market turmoil. Simultaneously, they increase international cooperation and policy coordination to reduce the negative impact of trade frictions and geopolitical tensions on financial markets is also an important measure to maintain global financial stability.

3. Divergence in Inflation and Monetary Policy

Global inflation is expected to continue to decline in 2025, but there are significant differences in inflation across economies. The inflation rate in the US is expected to approach the target level of 2%, while the inflation situation in the Eurozone is relatively moderate. Inflation in emerging market and developing economies is projected to decline from 7.8% in 2024 to 5.6% in 2025, but will remain higher than in developed economies. This divergence in inflation reflects the different economic structures and policies of various countries.

In terms of monetary policy, divergent approaches have emerged among major global central banks. The Federal Reserve is projected to maintain relatively restrictive monetary policy through 2025 to ensure inflation returns to target levels. By contrast, central banks in the eurozone and certain emerging market economies may adopt more accommodative monetary policies due to sluggish economic growth. This divergence in policy may trigger exchange rate volatility and shifts in capital flows, thereby impacting the stability of the global economy.

The divergence in monetary policy exerts multifaceted effects on the global economy. Firstly, exchange rate fluctuations may influence international trade and investment, particularly for export-dependent economies. Secondly, changes in capital flows could subject emerging markets to capital outflow pressures, subsequently affecting their economic growth and financial stability. Moreover, divergent monetary policies may widen disparities in global interest rates, which will affect the stability of international debt markets.

Amidst increasing global economic fragmentation and uncertainty, central banks of different countries have to enhance policy communication and coordination to mitigate the adverse effects of divergence. Concurrently, nations should adjust monetary policies flexibly according to their respective economic conditions and inflation to achieve the dual objectives of economic growth and price stability.

4. Cross-border Investment Continues to Decline but the Trend is Expected to Ease

Global foreign direct investment (FDI) continued to decline in 2023. According to a UNCTAD report, FDI fell by 2% to USD1,330,000,000,000 in 2023, due to a combination of factors including weak growth prospects, economic fragmentation trends, geopolitical tensions, and supply chain diversification. If the impact of a few European transit economies is excluded, the actual decline in FDI exceeds 10%. Although the global investment environment remains challenging, the downward trend in international investment has eased in 2024. On the one hand, the profit level of multinational corporations remains high, which will be reflected in profit reinvestment, thereby providing strong support for cross-border greenfield investment. On the other hand, after two years of sustained high-interest rates, central banks in developed countries are entering a cycle of interest rate cuts. The improvement in financing conditions will facilitate the recovery of international project financing and the rebound of cross-border merger and acquisition transactions. In the first half of 2024, global FDI investment grew by 1%, with a significant acceleration in FDI inflows to countries such as the United States, Vietnam, Malaysia, Indonesia, and Mexico. New energy and artificial intelligence sectors were key investment areas. Global liquidity is expected to ease in 2025, but the degree of improvement is likely to decrease, with private investment anticipated to show moderate growth. Global FDI inflows may continue to experience low growth. The International Monetary Fund expects global investment to account for 26.4% of GDP in 2025, an increase of only 0.2 percentage points from 2024.

5. Artificial Intelligence (AI) is Leading a New Round of Technological Revolution and Industrial Transformation

The rapid development of AI technology, represented by ChatGPT, has become a significant hot topic in 2024, profoundly impacting the socio-economy. On the one hand, AI is fostering new industries, new business models and new occupations, becoming an important engine for investment in emerging industries. AI has given rise to new industries such as big data, cloud computing and the platform economy, as well as new professions like machine learning specialists and algorithm engineers, driving investment in areas such as chips, infrastructure and large language models. Goldman Sachs estimates that the annual global investment in AI technology will reach USD200,000,000,000 by 2025. On the other hand, AI significantly impacts productivity through multiple channels and is expected to become a new driving force for productivity enhancement. Firstly, AI can improve the work efficiency of low-skilled employees in specific occupations or organizations. For example, AI can enhance the productivity of call center customer service representatives, software developers, and mid-level professionals. Secondly, AI can empower scientific researchers, improving research efficiency and breaking through bottlenecks. For example, in the biomedical field, AI has assisted scientists in understanding the process of protein folding; in the energy sector, AI can be used to optimize the control of plasma in fusion reactors. Third, AI can assist highly skilled workers, thereby improving labor productivity. Taking the medical industry as an example, AI can provide decision-making references for doctors' diagnoses and treatment plans by analyzing medical images, laboratory reports, and physical examination data. It should be noted that AI technology is still in a relatively early stage, and its impact on productivity remains limited. Historical experience indicates that it takes a relatively long time for general-purpose technologies to evolve from nascent stages to widespread adoption, during which the increase in productivity is often a gradual process. The specific path for AI to enhance productivity remains uncertain, necessitating strengthened collaboration among industry, academia and research institutions, promotion of cross-sector integration, acceleration of institutional and mechanism innovation, and establishment of an inclusive and prudent development ecosystem. Only by leveraging institutional advantages, clarifying legal and ethical boundaries, and implementing systematic planning and meticulous governance, can the opportunities and challenges brought by AI be better addressed.

(II) DOMESTIC ASPECTS

In 2024, facing a complex and severe situation with increasing external pressures and growing internal difficulties, under the strong leadership of the Party Central Committee with Comrade Xi Jinping at its core, all regions and departments thoroughly implemented the decisions and deployments of the Party Central Committee and the State Council. They adhered to the general principle of seeking progress while maintaining stability, implemented the new development philosophy fully, accurately and comprehensively, accelerated the construction of a new development paradigm, and solidly promoted high-quality development. The national economy was steady overall, with progress being made amidst stability, and new advancements were achieved in high-quality development. In particular, a series of incremental policies was promptly deployed and introduced, effectively boosting social confidence and leading to a significant economic recovery, thereby successfully completing the main goals and tasks for economic and social development.

According to preliminary estimates, the gross domestic product for the entire year was 13,490,840,000,000, representing a year-on-year increase of 5.0% at constant prices. By industry, the value added of the primary industry was 9,141,400,000,000, an increase of 3.5% over the previous year; the value added of the secondary industry was 49,208,700,000,000, an increase of 5.3%; and the value added of the tertiary industry was 76,558,300,000,000, an increase of 5.0%. Quarterly, the gross domestic product increased by 5.3% year-on-year in the first quarter, 4.7% in the second quarter, 4.6% in the third quarter, and 5.4% in the fourth quarter. On a quarter-on-quarter basis, the gross domestic product grew by 1.6% in the fourth quarter.

1. Grain Production Reached a New Level, and Livestock Production Achieved Stable Growth

The total grain output nationwide for the entire year was 706,500,000 tonnes, an increase of 11,090,000 tonnes from the previous year, representing a growth of 1.60%. Among these, summer grain output was 149,890,000 tonnes, an increase of 2.60%; early rice output was 28,170,000 tonnes, a decrease of 0.60%; and autumn grain output was 528,430,000 tonnes, an increase of 1.40%. By variety, wheat output was 140,100,000 tonnes, an increase of 2.60%; corn output was 294,920,000 tonnes, an increase of 2.10%; rice output was 207,530,000 tonnes, an increase of 0.50%; and soybean output was 20,650,000 tonnes, a decrease of 0.90%. The annual output of pork, beef, mutton and poultry meat was 96,630,000 tonnes, an increase of 0.20% year-on-year; of which, pork output was 57,060,000 tonnes, a decrease of 1.50%; beef output was 7,790,000 tonnes, an increase of 3.5%; mutton output was 5,180,000 tonnes, a decrease of 2.50%; and poultry meat output was 26,600,000 tonnes, an increase of 3.80%. Milk production was 40,790,000 tonnes, a decrease of 2.80%; poultry egg production was 35,880,000 tonnes, an increase of 0.70%. Throughout the year, 702,560,000 live pigs were slaughtered, a decrease of 3.30%; by year-end, the live pig inventory was 427,430,000 head, a decrease of 1.60%.

2. Industrial Production Maintained a Good Growth Momentum, with Equipment Manufacturing and High-tech Manufacturing Experiencing Relatively Rapid Growth

The value added of industrial enterprises above designated size nationwide increased by 5.8% year-on-year for the full year. By three major categories, the value added of the mining industry increased by 3.1%, manufacturing by 6.1%, and the production and supply of electricity, heat, gas and water by 5.3%. The added value of equipment manufacturing increased by 7.7%, and the added value of high-tech manufacturing increased by 8.9%, with growth rates 1.9 and 3.1 percentage points higher than that of industrial enterprises above designated size, respectively. By economic type, the value added of state-controlled enterprises increased by 4.2%; that of joint-stock enterprises increased by 6.1%; that of foreign-invested and Hong Kong, Macao, and Taiwan-invested enterprises increased by 4.0%; and that of private enterprises increased by 5.3%. By product, the output of new energy vehicles, integrated circuits and industrial robots increased by 38.7%, 22.2% and 14.2% respectively. In the fourth quarter, the value added of industrial enterprises above designated size increased by 5.7% year-on-year. In December, the value added of industrial enterprises above designated size increased by 6.2% year-on-year and by 0.64% month-on-month. From January to November, the total profits of industrial enterprises above designated size nationwide reached 6,667,500,000,000, a year-on-year decrease of 4.7%.

3. The Service Industry Continues to Grow and Modern Service Industries are Developing Well

The value added of the service sector for the entire year increased by 5.00% compared to the previous year. Among these, the value added of information transmission, software and information technology services, leasing and business services, transport, storage and postal services, accommodation and catering services, financial services, and wholesale and retail trade increased by 10.90%, 10.40%, 7.00%, 6.40%, 5.60%, and 5.50% respectively. In the fourth quarter, the value added of the service sector increased by 5.80% year-on-year. In December, the production index for the Services Sector increased by 6.50% year-on-year. Among these, the production indices for the leasing and business services sector, financial sector, information transmission, software and information technology services sector, and the transportation, warehousing and postal services sector increased by 9.50%, 9.30%, 8.80%, and 8.30% respectively. From January to November, the operating revenue of service enterprises above designated size increased by 8.20% year-on-year. Among these, the operating revenues of enterprises in the leasing and business services sector, the information transmission, software and information technology services sector, and the transportation, storage, and postal services sector increased by 11.50%, 9.50% and 8.30% respectively.

4. Market Sales Maintained Growth with Online Retail Being Relatively Active

The total retail sales of consumer goods for the entire year amounted to 48,789,500,000,000, an increase of 3.5% compared to the previous year. By location of operating units, retail sales of consumer goods in urban areas amounted to 42,116,600,000,000, an increase of 3.4%; retail sales of consumer goods in rural areas amounted to 6,672,900,000,000, an increase of 4.3%. By consumption type, retail sales of goods amounted to 43,217,700,000,000, an increase of 3.2%; catering revenue was 5,571,800,000,000, an increase of 5.3%. Sales of basic necessities and some upgraded goods showed good growth, with the retail sales of household appliances and audio-visual equipment, sporting and entertainment goods, telecommunication equipment, and grain and oil food products by enterprises above designated size increasing by 12.3%, 11.1%, 9.9%, and 9.9% respectively for the full year. National online retail sales amounted to 15,522,500,000,000, an increase of 7.2% over the previous year. Among these, online retail sales of physical goods amounted to 13,081,600,000,000, an increase of 6.5%, accounting for 26.8% of the total retail sales of consumer goods. In the fourth quarter, the total retail sales of consumer goods increased by 3.8% year-on-year. In December, the total retail sales of consumer goods increased by 3.7% year-on-year and by 0.12% month-on-month. Full-year service retail sales increased by 6.2% year-on-year.

5. The Scale of Fixed Asset Investment Expanded and Investment in High-tech Industries Grew Relatively Fast

Throughout the year, national fixed asset investment (excluding rural households) was 51,437,400,000,000, an increase of 3.2% over the previous year; excluding real estate development investment, national fixed asset investment increased by 7.2%. By sector, infrastructure investment increased by 4.4%, manufacturing investment increased by 9.2%, and real estate development investment decreased by 10.6%. The national new commercial housing sales area was 973,850,000 m^2, a decrease of 12.9%; the sales of new commercial housing amounted to 9,675,000,000,000, a decrease of 17.1%. By industry, investment in the primary industry increased by 2.6%, investment in the secondary industry increased by 12.0%, and investment in the tertiary industry decreased by 1.1%. Private investment decreased by 0.1%; excluding real estate development investment, private investment increased by 6.0%. Investment in high-tech industries increased by 8.0%, with investment in high-tech manufacturing and high-tech services increasing by 7.0% and 10.2% respectively. In high-tech manufacturing, investment in the aviation, spacecraft and equipment manufacturing industry, and the computer and office equipment manufacturing industry increased by 39.5% and 7.1% respectively; in high-tech services, investment in professional technical services and scientific and technological achievement transformation services increased by 30.3% and 11.4% respectively. In December, fixed asset investment (excluding rural households) increased by 0.33% month-on-month.

6. Relatively Rapid Growth in Goods Import and Export, with Continuous Optimization of Trade Structure

The total value of import and export of goods for the entire year was 43,846,800,000,000, an increase of 5.0% over the previous year. Of this, export was 25,454,500,000,000, an increase of 7.1%; import was 18,392,300,000,000, an increase of 2.3%. Import and export to countries co-building the "Belt and Road" increased by 6.4%, accounting for 50.3% of the total import and export value. Export of mechanical and electrical products increased by 8.7%, accounting for 59.4% of total exports. In December, the total value of import and export of goods was 4,067,000,000,000, representing a year-on-year increase of 6.8%. Of this, export amounted to 2,409,900,000,000, an increase of 10.9%; imports amounted to 1,657,000,000,000, an increase of 1.3%.

7. Overall Consumer Prices Remained Stable, with Core CPI Rising Slightly

The annual consumer price index (CPI) increased by 0.2% year-on-year. By category, food, tobacco and alcohol prices decreased by 0.1%, clothing prices increased by 1.4%, housing prices increased by 0.1%, household goods and services prices increased by 0.5%, transportation and communication prices decreased by 1.9%, education, culture and entertainment prices increased by 1.5%, healthcare prices increased by 1.3%, and other goods and services prices increased by 3.8%. Among food, tobacco and alcohol prices, fresh fruit prices decreased by 3.5%, grain prices decreased by 0.1%, fresh vegetable prices increased by 5.0%, and pork prices increased by 7.7%. Core CPI, excluding food and energy prices, rose 0.5%. In December, the consumer price index increased by 0.1% year-on-year and remained unchanged month-on-month. Throughout the year, the ex-factory prices of industrial producers and the purchasing prices both decreased by 2.2% compared to the previous year. In December, industrial producer ex-factory prices and purchasing prices both decreased by 2.3% year-on-year, and both decreased by 0.1% month-on-month.

8. The Employment Situation Remained Generally Stable, with a Decrease in the Urban Unemployment Rate Under Survey

The average unemployment rate under survey in urban areas nationwide for the entire year was 5.1%, a decrease of 0.1 percentage points compared to the previous year. In December, the unemployment rate under survey in urban areas nationwide was 5.1%. The surveyed unemployment rate for local labor force was 5.3%; the surveyed unemployment rate for non-local labor force was 4.6%, of which the agricultural household subgroup was 4.5%. The surveyed unemployment rate in urban areas of 31 major cities was 5.0%. The average weekly working hours for employees in enterprises nationwide was 49.0 hours. The total number of migrant workers throughout the year was 299,730,000, an increase of 2,200,000 from the previous year, representing a growth of 0.7%. Among them, local migrant workers numbered 121,020,000, an increase of 0.1%; migrant workers working outside their hometowns numbered 178,710,000, an increase of 1.2%.

9. Residents' Income Continues to Increase, with Rural Residents' Income Growing Faster Than That of Urban Residents

The per capita disposable income of residents nationwide for the entire year was 41,314.00, representing a nominal increase of 5.3% over the previous year, and a real increase of 5.1% after deducting price factors. By place of residence, the per capita disposable income of urban residents was 54,188.00, representing a nominal increase of 4.6% over the previous year, and a real increase of 4.4% after deducting price factors; the per capita disposable income of rural residents was 23,119.00, representing a nominal increase of 6.6% over the previous year, and a real increase of 6.3% after deducting price factors. The median per capita disposable income of residents nationwide was 34,707.00, representing a nominal increase of 5.1% over the previous year. According to the national residents' income quintile grouping, the per capita disposable income for the low-income group was 9,542.00, for the lower-middle-income group 21,608.00, for the middle-income group 33,925.00, for the upper-middle-income group 53,359.00, and for the high-income group 98,809.00. The national per capita consumption expenditure for the entire year was 28,227.00, representing a nominal increase of 5.3% over the previous year, and a real increase of 5.1% after deducting price factors. The proportion of per capita expenditure on food, tobacco and alcohol in the total per capita consumption expenditure for national residents (Engel's coefficient) was 29.8%, remaining unchanged from the previous year; the per capita expenditure on services for national residents increased by 7.4%, accounting for 46.1% of the total per capita consumption expenditure, an increase of 0.9 percentage points from the previous year.

10. The Total Population has Decreased, and the Urbanization Rate Continues to Increase

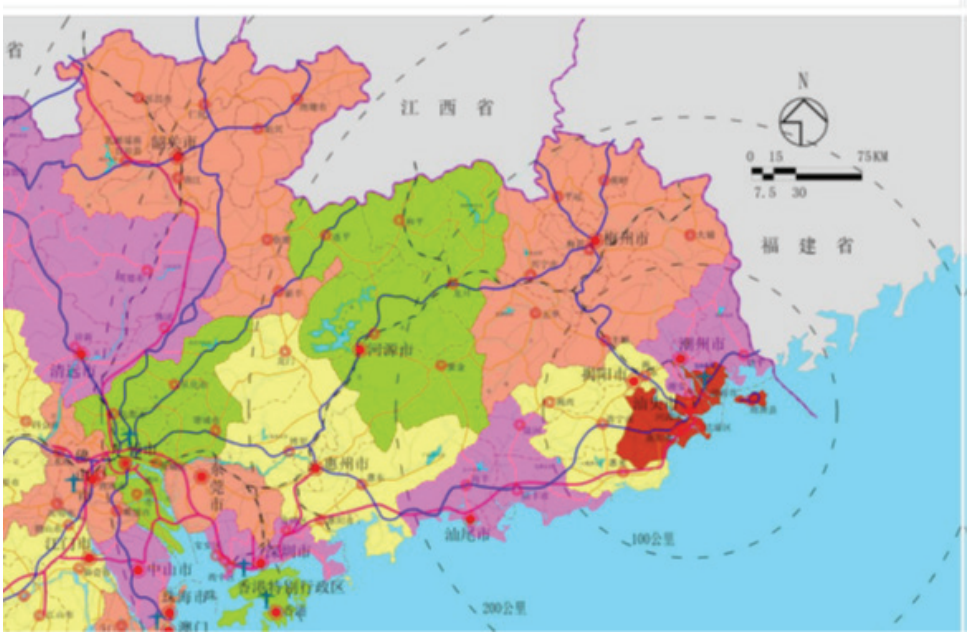
At the end of the year, the national population (including the population of 31 provinces, autonomous regions and municipalities directly under the Central Government and active military personnel (excluding Hong Kong, Macao, and Taiwan residents and foreign nationals residing in the 31 provinces, autonomous regions and municipalities directly under the Central Government) was 1,408,280,000, a decrease of 1,390,000 from the end of the previous year. The number of births for the entire year was 9,540,000, with a birth rate of 6.77‰; the number of deaths was 10,930,000, with a death rate of 7.76‰; and the natural population growth rate was –0.99%‰. From the perspective of gender composition, the male population is 719,090,000, and the female population is 689,190,000, with a sex ratio of 104.34 (with females as 100). In terms of age composition, the population aged 16-59 was 857,980,000, accounting for 60.9% of the total population; the population aged 60 and above was 310,310,000, accounting for 22.0% of the total population, of which the population aged 65 and above was 220,230,000, accounting for 15.6% of the total population. From the perspective of urban-rural composition, the permanent urban population was 943,500,000, an increase of 10,830,000 from the end of the previous year; the permanent rural population was 464,780,000, a decrease of 12,220,000; the proportion of the urban population to the national population (urbanization rate) was 67.0%, an increase of 0.84 percentage points from the end of the previous year.

Overall, in 2024, the national economy operated with general stability and steady progress, high-quality development was solidly advanced, and Chinese modernization took new, firm steps forward. However, it must also be recognized that the current external environment is bringing increasingly adverse impacts, domestic demand is insufficient, some enterprises are facing difficulties in production and operation, and the economy still faces many difficulties and challenges. In the next stage, it is imperative to adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implement the spirit of the 20th National Congress of the Communist Party of China and the Second and Third Plenary Sessions of the 20th Central Committee of the Communist Party of China, and follow the arrangements of the Central Economic Work Conference. We must uphold the general principle of seeking progress while maintaining stability, fully, accurately, and comprehensively implement the new development philosophy, accelerate the construction of a new development paradigm, and solidly promote high-quality development, deepen reform and opening up, implement more proactive and effective macroeconomic policies, expand domestic demand, promote the integrated development of scientific and technological innovation and industrial innovation, stabilize expectations, stimulate vitality, and drive a sustained economic recovery and improvement.

II. ANALYSIS OF REGIONAL ECONOMIC FACTORS

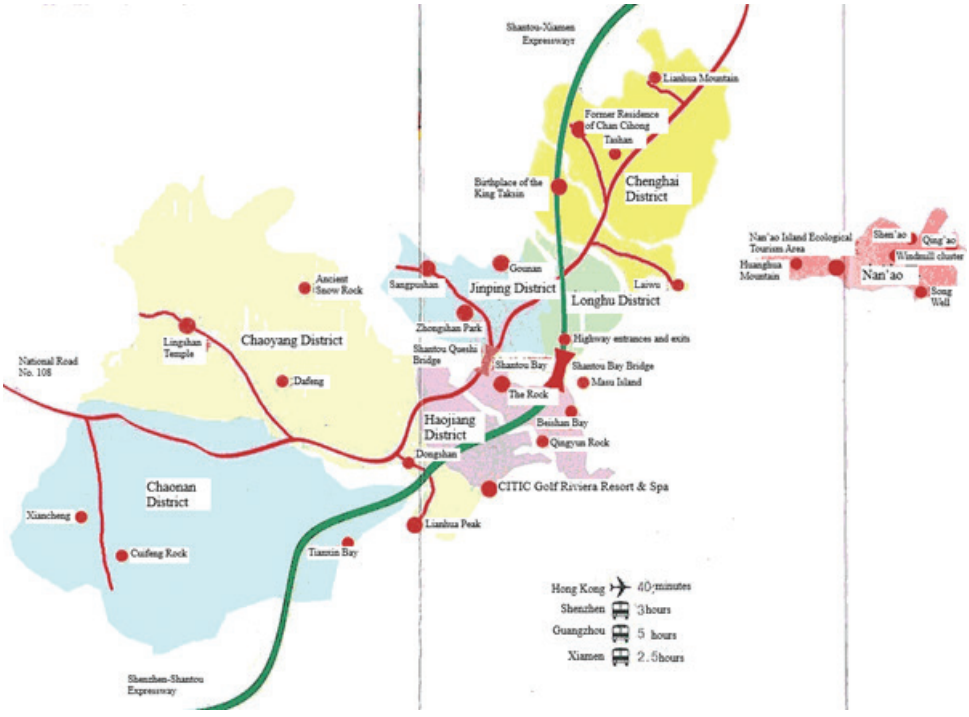
(I) OVERALL REGIONAL OVERVIEW

Shantou is one of China's five special economic zones, a prefecture-level city within the Chaozhou-Shantou region, a major port city on the southeast coast, and the central city of eastern Guangdong. Situated in the eastern part of Guangdong Province at the southern tip of the Han River Delta, it borders Chaozhou to the north, Jieyang to the west, and faces the South China Sea to the southeast. Situated at the southern edge of the Chaozhou-Shantou Plain in eastern Guangdong, its central urban area commands the estuaries of the Han, Rong, and Lian Rivers. The mainland coastline spans 217.70 kilometers, while the island coastline extends 167.37 kilometers. The urban area lies 187.00 nautical miles from Hong Kong and 180.00 nautical miles from Kaohsiung, Taiwan. It serves as a pivotal hub for international shipping routes along the Pacific's western coastline and for China's north-south maritime trade lanes.



Shantou stands as a major port city nationwide, one of China's earliest Special Economic Zones, and a vital component of the West Coast Economic Zone. Serving as the regional hub for the Eastern Guangdong urban cluster and the connecting nexus between the Eastern Coastal and Central urban clusters, it acts as the primary gateway for coastal resources entering Eastern Guangdong. Simultaneously, it functions as Guangdong's principal strategic conduit and bridgehead for integration into the West Coast Economic Circle, earning its reputation as the 'Key Gateway of South China, Portal to Eastern Lingnan' and the 'Seaside Land of Culture and Culinary Delights'. It holds numerous accolades including China's Outstanding Tourism City, China's Top 100 Cities for Investment Environment, China's Brand Economy City, National Intellectual Property Work Demonstration City, National E-commerce Demonstration City, National Information Consumption Pilot City, National Double Support Model City, and China's Stationery Production Base.

According to the seventh national census data, as of 00:00 on 1 November 2020, the permanent resident population of Shantou City stood at 5,502,031.00 persons. Compared with the 5,391,028.00 persons recorded in the Sixth National Population Census of 2010, this represents an increase of 111,003.00 persons over the decade, constituting a growth rate of 2.06%. Within the resident population, males numbered 2,776,205.00, accounting for 50.46%, while females numbered 2,725,826.00, accounting for 49.54%. The population aged 0–14 years stood at 1,226,029.00, representing 22.28%; the 15–59 age group comprised 3,422,367.00 persons, accounting for 62.20%; the 60 and over age group comprised 853,635.00 persons, accounting for 15.52%, of whom 587,052.00 persons were aged 65 and over, accounting for 10.67%. The urban population stands at 3,890,169.00 persons, accounting for 70.70%; the rural population is 1,611,862.00 persons, representing 29.30%. The floating population totals 613,492 persons.

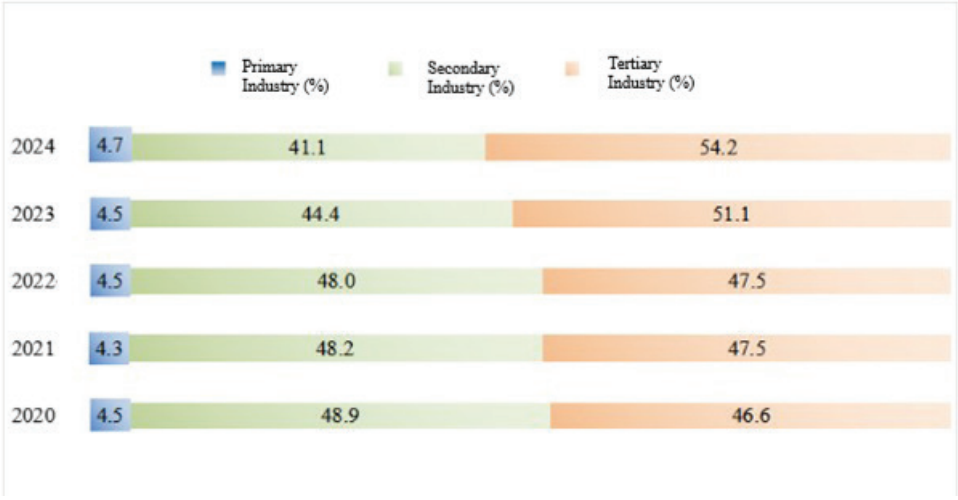


The city boasts a well-developed land, sea and air transport network, featuring the military Shantou Waisha Airport. The urban area of Shantou is approximately 36 kilometers from the Chaoshan-Jieyang Civilian Airport and 36 kilometers from the Chaozhou-Shantou Station on the Xiamen-Shenzhen High-Speed Railway. Shantou Railway Station, situated in the city center, serves as the central hub for the Guangzhou-Meizhou-Shantou Railway in eastern Guangdong. Construction is currently underway on a connecting line from Chaoshan Station to the Xiamen-Shenzhen High-Speed Railway, with Shantou Station undergoing upgrades to accommodate high-speed rail operations. It is anticipated to become a terminus for the Xiamen-Shenzhen High-Speed Railway, with operations expected to commence in 2018. Concurrently, the Guangzhou-Shanwei high-speed rail line (operating at 350.00 km/h), scheduled to commence construction this year, will extend to Shantou, terminating at Shantou Railway Station. This will facilitate interconnectivity with the Guangzhou-Meizhou-Shantou Railway, Meizhou-Shantou High-Speed Railway, Port Access Railway, and Eastern Guangdong Intercity Rail, strengthening Shantou's links with the Pearl River Delta and Eastern Guangdong regions. Expressways including Shenzhen-Shantou, Shenyang-Haikou, Shantou-Meizhou, Shantou-Zhanjiang, and Chaozhou-Huizhou traverse the entire region, establishing expressway connections between Shantou, Shenzhen, and Xiamen – three Special Economic Zones. This has largely formed a modern road network primarily structured around expressways and national highways. Concurrently, Shantou possesses, Shantou Port, the national first-class port, featuring 38 berths with a capacity of 5,000.00 tonnes or above and 16 berths with a capacity of ten thousand tonnes or above. It handles cargo shipments with 272 ports across 58 countries and regions worldwide, serving as a key transport hub for foreign trade goods in Eastern Guangdong, Southwestern Fujian, and Southern Jiangxi. It ranks among the 5 major port clusters along China's coastline and is one of the nation's 20 primary coastal hub ports.

(II) REGIONAL ECONOMIC DEVELOPMENT STATUS

According to the unified accounting of the Guangdong Statistics Department, the gross regional product of Shantou in 2024(preliminary calculation) was 316,797,000,000, an increase of 0.02% over the previous year. Of these, the value added of the primary industry was 14,837,000,000, an increase of 3.2%; the value added of the secondary industry was 130,107,000,000, a decrease of 6.8%; and the value added of the tertiary industry was 171,853,000,000, an increase of 5.5%. The proportion of the three sectors of the economy is 4.7:41.1:54.2. The per capita gross regional product was 56,911.00.

Share of the Tertiary Sector of the Economy's Value Added in Regional GDP 2020–2024



At the end of the year, the city's permanent resident population was 5,575,500, an increase of 18,000 from the end of previous year. The number of births for the entire year was 61,200, with a birth rate of 10.56‰; the number of deaths was 30,300, with a death rate of 5.23‰. The natural increase in population was 30,900, with a natural growth rate of 5.33‰. The city created 44,400 new urban jobs throughout the year. The number of registered urban unemployed at year-end was 21,100.

The annual consumer price index rose by 0.1% compared with the previous year. By category, other goods and services rose by 2.0%, education, culture and entertainment by 1.5%, healthcare by 1.0%, household goods and services by 0.6%, clothing by 0.4%, and food, tobacco and alcohol by 0.1%. Housing costs decreased by 1.0%, while transport and communications fell by 1.5%.

New quality productive forces developed steadily. Within the year's above designated size industrial enterprises, high-tech manufacturing grew by 3.0% year-on-year, accounting for 11.8% of the industrial added value of such enterprises – a 3.3 percentage point increase from the previous year. Advanced manufacturing's share of industrial added value reached 38.4%, up 1.6 percentage points year-on-year. Throughout the year, investment in advanced manufacturing grew by 5.3%. Investment in the new materials industry and the new energy industry increased by 52.3% and 10.7% respectively. A total of 71,400 new business entities were registered during the year, bringing the total number of business entities at year-end to 555,700, a 4.65% increase compared to the previous year-end.

Steady progress was made in promoting coordinated urban-rural and regional development. By year-end, the city's permanent resident urbanization rate stood at 71.52%, an increase of 0.37 percentage points from the previous year. The income ratio between urban and rural residents stood at 1.64 for the year, narrowing by 0.02 compared to the previous year. Regionally, the central urban districts collectively achieved a regional GDP of 151,180,000,000, accounting for 47.7% of the city's total regional GDP. Non-central urban districts collectively achieved a regional GDP of 165,617,000,000, accounting for 52.3% of the city's total regional GDP.

1. Agriculture remains largely stable

The sown area of grain crops for the entire year was 1,033,300 acres; the sown area of vegetables and edible fungi was 716,800 acres, an increase of 1.6%; and the sown area of fruits was 233,500 acres, an increase of 0.9%.

The annual grain output was 462,800 tonnes, an increase of 0.04% over the previous year; vegetable and edible fungi output was 1,857,400 tonnes, an increase of 2.1%; and fruit output was 372,700 tonnes, an increase of 2.3%.

The annual output of pork, beef, lamb and poultry meat was 100,000 tonnes, an increase of 2.2% over the previous year. Of which, pork production was 52,000 tonnes, an increase of 8.2%; poultry production was 47,700 tonnes, a decrease of 3.6%. The year-end live pig stock was 262,100 pigs, a decrease of 10.7%; live pigs slaughtered totaled 642,900 pigs, an increase of 5.1%.

The annual aquatic product output was 482,000 tonnes, an increase of 1.1% over the previous year. Of these, marine products amounted to 384,100 tonnes, an increase of 0.9%; freshwater products amounted to 97,900 tonnes, an increase of 1.7%.

2. Steady growth in industry and construction

The total industrial value-added for the year reached 107,945,000,000, with the value-added of enterprises above designated size amounting to 59,503,000,000. Within the above-designated-size industrial sector, the value-added output of computer, communications and other electronic equipment manufacturing increased by 30.5%, non-metallic mineral products manufacturing by 11.7%, and electricity, heat production and supply by 4.8%; the value-added output of the new-generation electronic information industry grew by 20.5%.

The total profit of industrial enterprises above designated size for the year amounted to 11,560,000,000. The cost per 100 of operating revenue for such enterprises stood at 86.16, with an operating profit margin of 4.56%. The asset-liability ratio of industrial enterprises above designated size at year-end was 49.46%.

The value added of the construction industry for the year reached 22,517,000,000, representing a 4.5% decrease from the previous year. The total construction output value completed by general contracting or specialized contracting construction enterprises reached 48,331,000,000. This comprised: Building construction output value: 37,636,000,000; civil engineering construction output value: 8,224,000,000; building installation output value: 1,867,000,000 – Building decoration, refurbishment and other construction output value: 604,000,000.

3. Rapid growth in foreign trade

Total goods imports and exports for the year amounted to RMB56,306,000,000, representing a 12.0% decrease compared to the previous year. Exports reached RMB46,625,000,000, down 9.2%, while imports stood at RMB9,681,000,000, falling 23.4%. The trade surplus was RMB36,943,000,000. Exports to ASEAN, the United States and the European Union amounted to RMB9,201,000,000, RMB7,408,000,000 and RMB6,864,000,000 respectively, accounting for 19.7%, 15.9% and 14.7% of total exports. Exports to Hong Kong, China reached RMB3,932,000,000, representing a 23.5% increase and constituting 8.4% of the total. Toy exports amounted to RMB12,101,000,000, accounting for 26.0% of total exports; machinery and electrical product exports reached RMB13,049,000,000, representing 28.0%; while high-tech product exports totaled RMB2,738,000,000, constituting 5.9%.

Actual utilization of foreign direct investment for the year amounted to RMB548,000,000, representing a 0.3% increase over the previous year. 70 new investment projects were signed, including 9 projects with an investment scale exceeding US$5,000,000.00.

4. Accelerated Growth in Fiscal Revenue and Expenditure

The city's general public budget revenue for the year reached RMB13,994,000,000, representing a 4.92% increase over the previous year. Within this, tax revenue amounted to RMB7,890,000,000, a decrease of 5.72%. General public budget expenditure for the year totaled RMB38,577,000,000, marking a 6.20% increase. Social security and employment expenditure amounted to RMB7,099,000,000, rising by 8.56%; expenditure on agriculture, forestry and water resources reached RMB2,654,000,000, increasing by 6.57%. Expenditure on people's livelihoods totaled RMB29,766,000,000, growing by 4.67% and accounting for 77.2% of general public budget expenditure.

At year-end, the total deposit balance in domestic and foreign currency held by financial institutions in the city reached RMB564,785,000,000, representing a 4.9% increase from the previous year-end. Within this, household deposits amounted to RMB413,509,000,000, rising by 6.5%, while non-financial enterprise deposits stood at RMB66,173,000,000, declining by 10.1%. At year-end, the outstanding balance of loans in both domestic and foreign currencies from domestic and foreign financial institutions stood at RMB312,952,000,000, representing a 1.9% increase. Within this figure, household loans amounted to RMB139,733,000,000, rising by 8.7%, while loans to enterprises and institutions reached RMB170,314,000,000, increasing by 0.9%.

5. Good growth in goods transport

The value added of wholesale and retail trade for the year reached RMB39,074,000,000, representing a 6.8% increase over the previous year; the value added of transportation, warehousing and postal services amounted to RMB8,847,000,000, growing by 10.6%; the value added of accommodation and food services stood at RMB6,855,000,000, rising by 8.7%; The value added of the financial sector reached RMB17,683,000,000, growing by 9.7%; the value added of the real estate sector amounted to RMB25,859,000,000, declining by 0.2%; the value added of the information transmission, software and information technology services sector stood at RMB10,183,000,000, increasing by 8.7%. The value added of modern services reached RMB86,101,000,000, growing by 4.8%.

Annual operating revenue of enterprises in the service sector above designated size reached RMB38,980,000,000, representing a 6.9% increase year-on-year; total profits amounted to RMB3,103,000,000, marking a 3.3-fold rise. By industry, operating revenue in transportation, warehousing and postal services grew by 13.4%, leasing and business services expanded by 39.9%, while water conservancy, environmental protection and public facilities management increased by 10.5%.

Total freight transport volume for the year reached 80,025,400 tonnes, representing a 5.4% increase over the previous year. Within this, road, waterway and civil aviation transport volumes grew by 5.1%, 11.8% and 26.0% respectively. Freight turnover reached 7,682,000,000 tonnes per kilometres, an increase of 1.8%; of which, waterway and civil aviation freight turnover increased by 8.2% and 31.6% respectively. The port handled a total cargo throughput of 38,036,100 tonnes throughout the year. Container throughput reached 1,776,300 TEUs, representing a 1.0% increase.

6. Consumer price growth remained stable, while the rise in industrial product prices moderated slightly

The city's annual per capita disposable income for residents reached RMB34,847.00, representing a 3.50% increase over the previous year. By place of residence, the per capita disposable income of urban residents was RMB39,289.00, rising by 3.20%; while that of rural residents reached RMB23,891.00, growing by 4.00%.

Annual per capita consumption expenditure for all residents stood at RMB24,253.00, representing a 5.10% increase over the previous year. By place of residence, urban residents' per capita consumption expenditure amounted to RMB26,261.00, growing by 4.50%; while per capita consumption expenditure for rural residents stood at RMB19,300.00, representing a 6.10% increase. The Engel's coefficient for all residents was 42.20%, rising by 0.1 percentage points year-on-year; specifically, it was 41.90% for urban areas and 43.20% for rural areas.

III. INDUSTRY STATUS AND DEVELOPMENT PROSPECTS

The urban water supply sector constitutes a vital component of municipal infrastructure, responsible for providing stable and secure drinking water and domestic water to residents, industrial enterprises, and public facilities. This industry encompasses the entire process from water abstraction at source, through water treatment and distribution, to delivery at the consumer end, forming a complete industrial chain. The upstream segment primarily encompasses water source protection, intake facilities, and water quality monitoring. The midstream comprises core processes such as water treatment, pumping station pressurization, and water distribution network construction. Downstream operations involve water supply services, water quality testing, and customer service. The development of the urban water supply sector not only impacts residents' quality of life but also directly influences a city's economic growth and social stability. Consequently, strengthening management and technological innovation within this sector, alongside enhancing supply efficiency and service quality, holds significant importance for promoting sustainable urban development.

(I) CURRENT STATE AND DEVELOPMENT OVERVIEW OF THE INDUSTRY SECTOR

1. Market Size and Growth

In recent years, the urban water supply industry has witnessed continuous expansion in market scale, driven by accelerated urbanization, population growth, and rising living standards. According to the '2024–2029 China Urban Water Supply Industry Market Analysis and Development Prospects Forecast Report' released by China Research and Consulting Co., Ltd., China's total water consumption has demonstrated steady growth over the past decade. reaching 599,820,000,000 cubic meters in 2022, representing a year-on-year increase of 1.32%. The urban water supply sector has demonstrated particularly strong performance. Research indicates that China's urban water supply market reached RMB1,100,000,000,000 in 2022, growing by 6.8% year-on-year. Projections indicate that by 2025, the market size is expected to further expand to RMB1,500,000,000,000, maintaining a compound annual growth rate of approximately 8.6%. This growth is primarily driven by accelerated urbanization, continuous population growth, and rising living standards among residents, which have significantly increased demand for high-quality water resources.

2. Technological Innovation and Intelligent Development

With the widespread application of technologies such as the Internet of Things, big data, and cloud computing, the urban water supply sector is advancing towards intelligent development. The construction and operation of smart water management platforms have enhanced water supply efficiency and service quality while reducing operational costs. By establishing such platforms to achieve informatized and intelligent management of water supply systems, parameters including water quality, volume, and pressure can be monitored in real time, enabling prompt identification and resolution of issues. Furthermore, the adoption of new water treatment technologies and intelligent management systems has also improved the efficiency and service quality of water supply.

3. Policy Promotion and Enhanced Regulation

The government plays a pivotal role in the development of the urban water supply sector. On the one hand, it encourages private capital participation in the construction and operation of water supply facilities through relevant policies, thereby advancing the marketisation of the water supply industry. On the other hand, it strengthens regulatory oversight to ensure water supply safety and service quality. For instance, the General Office of the Ministry of Housing and Urban-Rural Development, the General Office of the National Development and Reform Commission, and the Comprehensive Department of the National Centre for Disease Control and Prevention jointly issued a notice on enhancing urban water supply security, mandating full compliance with the Sanitary Standards for Drinking Water. Furthermore, the government actively promotes water conservation within the sector, introducing a series of water-saving policies and measures to enhance the efficiency of water resource utilization.

4. Regional Disparities and Development Potential

The market distribution within the water supply sector exhibits regional disparities. Urban areas constitute the primary concentration of the water supply market, whilst the town and village water supply market also holds significant development potential. With the advancement of nationwide urbanization initiatives and the construction of rural water supply and drainage infrastructure, coupled with the accelerating pace of industrialization, water supply and drainage enterprises – serving as upstream and downstream treatment segments for domestic and industrial water use – will witness an expansion in the sector's overall scale. Particularly in remote regions and small towns, demand for water supply facilities will continue to rise alongside economic development and population growth.

(II) ANALYSIS OF THE COMPETITIVE LANDSCAPE IN THE URBAN WATER SUPPLY SECTOR

1. Market Participants

The primary players in the urban water supply sector comprise state-owned water utilities, private enterprises, and foreign-funded companies. These entities vary significantly in scale, ranging from large water groups to small local water suppliers, collectively forming a diverse competitive landscape within the industry.

State-owned water supply enterprises: Typically possessing advantages in scale and resources, these entities leverage government support and stable funding streams to undertake the construction and operation of large-scale water infrastructure. They hold a dominant position in the market, particularly within major cities and key regions.

Private enterprises: Through flexible operational mechanisms and innovative capabilities, private enterprises are gradually making their mark in the urban water supply market. They often adapt more swiftly to market shifts and provide more personalized services, thereby gaining competitive advantages in specific market segments.

Foreign-funded enterprises: Leveraging advanced technology and management expertise, foreign-funded enterprises hold a certain market share within China's urban water supply sector. They typically enter the Chinese market through joint ventures or cooperative arrangements, collaborating with domestic enterprises to deliver water supply services.

2. Market Share and Competitive Landscape

Market share distribution within the urban water supply sector exhibits the following characteristics:

Uneven market share distribution: Due to variations in geography, resources, and policies, market share distribution within the urban water supply sector is uneven. Certain large water utilities leverage their scale and resource advantages to command significant market share across multiple cities and regions; conversely, smaller water supply enterprises are often restricted to operating within their local areas.

Competition is intensifying: With the acceleration of urbanization and rising public expectations for water supply quality, competition within the urban water supply sector is becoming increasingly fierce. Enterprises are enhancing their competitiveness through measures such as improving service quality, optimizing water distribution networks, and reducing operational costs.

Differentiated competition: Within the urban water supply sector, differentiated competition has emerged as a prevailing trend. Certain enterprises distinguish themselves from rivals by delivering superior water quality, personalized services, and intelligent management systems, thereby securing unique competitive advantages in the marketplace.

3. Key Competitive Factors

The key competitive factors within the urban water supply sector primarily encompass the following aspects:

Water Sources and Quality: The stability of water sources and the safety of water quality constitute one of the core competitive strengths within the urban water supply industry. Enterprises must ensure water supply quality by enhancing water source protection and improving water quality monitoring capabilities.

Water Supply Network: The completeness and stability of the water supply network are crucial to an enterprise's competitiveness. Enterprises need to optimize the water supply network by strengthening its construction and maintenance, as well as improving supply efficiency.

Technological Innovation: Technological innovation serves as a vital driving force for the advancement of the urban water supply industry. Enterprises must continually introduce and apply new technologies and equipment to enhance water supply efficiency and service quality. For instance, the implementation of smart water management technologies enables real-time monitoring and management of water supply systems, thereby improving operational efficiency and safety.

Cost Control: Cost control represents a key element in enhancing an enterprise's competitiveness. Companies must reduce operational expenses through optimizing operational processes, lowering energy consumption, and minimizing labor costs, thereby increasing profitability.

Brand Influence: Brand influence is a vital factor for enterprises to gain market share and competitive advantage. Companies must enhance brand influence by strengthening brand development and improving service quality, thereby attracting more customers.

(III) TRENDS IN THE URBAN WATER SUPPLY INDUSTRY

1. Market scale continues to expand

With the acceleration of global urbanization and continuous population growth, demand for water supply continues to rise, thereby driving the expansion of the water supply industry's market scale. Particularly in China, as urbanization rates increase and urban populations grow, the demand for water supply capacity has also risen, further propelling the development of the water supply sector. It is anticipated that the water supply industry will maintain rapid growth in the coming years.

2. Technological Innovation Thrives

With the widespread application of technologies such as the Internet of Things, big data, and cloud computing, the water supply sector is advancing towards intelligent development. By establishing smart water management platforms, the industry achieves informatized and intelligent management of water supply systems, thereby enhancing operational efficiency and service quality. Concurrently, driven by heightened environmental awareness, the sector places greater emphasis on water resource conservation and rational utilization, promoting water recycling and energy-saving emission reduction.

3. Environmental sustainability emerges as the prevailing trend

With heightened environmental awareness and the deepening acceptance of sustainable development principles, environmental sustainability will become the dominant trend in the water supply sector. The industry must strengthen water resource conservation and rational utilization, adopting advanced wastewater treatment technologies and rainwater harvesting techniques to reduce energy consumption and pollutant emissions throughout the water supply process. This will enable the achievement of green, low-carbon, and sustainable development objectives.

4. Water demand continues to rise

Urban water supply not only concerns residents' daily lives but also impacts multiple sectors including commerce, industry, transportation, and public utilities. Demands for water volume, quality, and pressure are increasingly stringent. Particularly during high-temperature seasons and extreme weather events, residential water consumption surges, placing greater demands on the stability and reliability of water supply systems. It is anticipated that with the ongoing advancement of urbanization and improvements in water supply technology, water demand will continue to grow in the future.

5. Enhanced Policy Support

The government has introduced policies to encourage private capital participation in the construction and operation of water supply facilities, thereby advancing the marketisation of the water supply sector. Concurrently, regulatory oversight of the water supply industry has been strengthened to ensure water safety and service quality. The implementation of these policy measures helps standardize market order, promote fair competition, and provides robust safeguards for the sector's development.

6. Smart Water Management Drives Industry Transformation

The development and operation of smart water management platforms will enhance water supply efficiency and service quality while reducing operational costs, thereby providing robust support for the industry's transformation and upgrading. In the future, with the continuous advancement and application of technologies such as the Internet of Things and big data, smart water management will become a key direction for the development of the water supply industry.

(IV) INDUSTRY CHALLENGES AND ENTRY BARRIERS

The state advocates introducing market mechanisms into the water services sector. However, due to the sector's unique characteristics, new entrants still face the following barriers:

1. Policy Barriers

Governments predominantly manage and restrict enterprises entering the water sector through regional franchising arrangements. Simultaneously, as a municipal public utility sector bearing critical implications for national economic development, public welfare, and ecological security, local authorities subject water enterprises to rigorous scrutiny and qualification oversight across multiple dimensions. These encompass investment entities, establishment criteria, development planning, facility standards, operational protocols, tariff structures, safety benchmarks, and environmental compliance standards. Consequently, new entrants to the water sector encounter substantial policy barriers.

2. Regional Barriers

The water services sector falls within the municipal utilities industry, exhibiting characteristics of natural monopoly. When undertaking infrastructure development, water utilities must design and construct systems holistically, taking into account local economic conditions, regional development plans, geographical features, and the distribution of supply and demand. Through extensive, long-term, and locally tailored infrastructure development, water utilities in various regions have established monopolistic advantages within their respective areas. Consequently, new entrants to the water services industry face significant geographical barriers.

3. Capital Barriers

The water services sector is capital-intensive. Investment in this industry is primarily concentrated in municipal infrastructure such as water supply and drainage facilities, requiring substantial capital outlays. Concurrently, as water services fall under the municipal utilities sector, pricing for products and services is subject to regulatory controls, resulting in extended payback periods for such investments. Consequently, new entrants to the water services industry face significant capital barriers.

ANALYSIS OF THE TARGET COMPANY'S OPERATING CONDITIONS

I. BASIC OVERVIEW OF THE TARGET COMPANY

The Target Company is responsible for water supply within Shantou's central urban districts (Jinping District, Longhu District, Haojiang District), encompassing the production and distribution of tap water, installation and maintenance of water mains, leak detection, supply and marketing of Water Plant materials, and vocational training in water supply services. The company operates four water treatment plants with a combined daily capacity of 920,000 cubic meters. Its water distribution network spans over 1,640.02 kilometers (pipes of DN100 and above), serving 460,000 metered households. In 1991, it was honored as a 'Provincial Advanced Enterprise' by Guangdong Province. In 1993, it was classified as a Category II large-scale enterprise by six central government ministries. By 1999, it ranked among Guangdong's top 50 industrial enterprises by capital investment. In 2003, it received the National May 1st Labor Certificate of Award. In 2004, it was recognized as an Advanced Unit for Work Safety in Guangdong Province. In 2006, it was honored as a National Model Unit for Greening and a Major Taxpayer in Shantou City. In 2008, it received the Guangdong Provincial Advanced Unit for Spiritual Civilization Construction and Advanced Grassroots Party Organization awards. In 2009, it was recognized as an Advanced Unit in Shantou City's Campaign for Building Good Leadership Teams. From 2010 to 2011, it was consecutively recognized as an Advanced Unit in Shantou's Poverty Alleviation Development Work for its 'planning to households and responsibility to persons' approach. In 2012, it was awarded the title of 'Advanced Unit in Organizing, Implementing and Managing Key Projects' by Shantou City.

II. TARGET COMPANY'S MAJOR BUSINESS AND RELEVANT QUALIFICATIONS

1. Principal Business of the Target Company

The Target Company principally engages in the production and sale of tap water, currently possessing a total water supply capacity of 920,000 tonnes per day. Its existing facilities comprise the Xinjin Water Plant*, Yuepu Water Plant*, Anbu Water Plant*, and Dongdun Water Plant*.

2. Qualifications of the Target Company

As of the valuation reference date, Shantou Water holds the following principal business qualifications: water abstraction permits, hygiene permits, food operation permits, and discharge-related licenses.

1. Water Abstraction Permits

License Number	Valid Until	Issuing Authority	Water Intake Location	Water Intake Volume (0'000 m^3)	Organization Name
B445103S2020-0098	2028.02.15	Department of Water Resources of Guangdong Province	The Right bank of the Meixi River section in Anbu Town, Chaoan District, Chaozhou City, Guangdong Province	6,205	Shantou Water
C440500S2020-0001	2030.04.30	Shantou Municipal Water Authority	Upstream of Meixi Bridge Sluice, Left Bank of Meixi River, Jinping District, Shantou City, Guangdong Province	4,380	Dongdun Water Plant*
B440507S2023-0011	2026.05.11	Department of Water Resources of Guangdong Province	Xinjiang River, approximately 500 meters upstream of Xiapu Bridge, Longhu District, Shantou City, Guangdong Province	14,514	Shantou Water
B440511S2023-0017	2025.12.31	Department of Water Resources of Guangdong Province	The right bank of the Meixi River section upstream of Qiaozha, Yuepu Township, Jinping District, Shantou City, Guangdong Province	6,583	Shantou Water

2. Sanitation License Approval Documents

License Number	Valid Until	Issuing Authority	Licensed Project	Organization Name
Yue Wei Shui Zheng Zi (2023) No. 051100002	2028.07.20	Jinping District Health and Wellness Bureau, Shantou City	Centralized water supply	Anbu Water Plant*
Yue Wei Shui Zheng Zi (2014) No. 050102	2026.04.23	Jinping District Health and Wellness Bureau, Shantou City	Centralized water supply (municipal)	Dongdun Water Plant*
Yue Wei Shui Zheng Zi (2024) No. 050701	2027.03.02	Longhu District Health and Wellness Bureau, Shantou City	Centralized water supply	Xinjin Water Plant*
Yue Wei Shui Zheng Zi (2023) No. 05110001	2027.03.28	Jinping District Health and Wellness Bureau, Shantou City	Centralized water supply	Yuepu Water Plant*

3. Food Operation License

License Number	Principal business format/ operational projects	Valid Until	Issuing Authority	Organization Name
JY34405110352144	Staff Canteen/Preparation and Sale of Hot Food Items	2028.11.29	Jinping District Market Supervision Administration, Shantou City	Yuepu Water Plant*
JY34405110263955	Staff Canteen/Preparation and Sale of Hot Food Items	2026.06.06	Jinping District Market Supervision Administration, Shantou City	Dongdun Water Plant*
JY34405110229632	Staff Canteen/Preparation of Hot Food Items	2030.07.24	Jinping District Market Supervision Administration, Shantou City	Anbu Water Plant*
JY34405070131189	Staff Canteen/Preparation and Sale of Hot Food Items	2029.03.11	Longhu District Market Supervision Administration, Shantou City	Xinjin Water Plant*

4. Pollution Discharge Licenses

According to documentation and explanations provided by Shantou Water, Anbu Water Plant*, Dongdun Water Plant*, and Xinjin Water Plant* hold Standardized Pollution Discharge Outlet Registration Certificates, while Yuepu Water Plant* holds an Urban Sewage Discharge into Drainage Network Permit. Scanned copies of the original certificates for the aforementioned licenses are provided, with details as follows:

License Title	Organization Name	Validity Period	Issuing Authority	Registration Certificate Number
Standardized Pollution Discharge Outlet Registration Certificate	Anbu Water Plant*	2019.09.03	Shantou Municipal Bureau of Ecological and Environmental Protection Comprehensive Law Enforcement	No.1715
Standardized Pollution Discharge Outlet Registration Certificate	Dongdun Water Plant*	2008.02.19	Shantou Environmental Inspection Unit	No.1221
Standardized Pollution Discharge Outlet Registration Certificate	Xinjin Water Plant*	2008.10.28	Environmental Inspection Branch of Shantou Municipal Environmental Protection Bureau	No.1220
Urban Sewage Discharge into Drainage Network Permit	Yuepu Water Plant*	2023.11.29	Shantou Jinping District Urban Management and Comprehensive Law Enforcement Bureau	Shan Jin Cheng Zong Guan Pai Shui [2023] No. 87

Note: Under current regulatory policies, water treatment plants are no longer required to renew discharge permits for wastewater treatment processes. Consequently, the aforementioned expired discharge-related licenses do not impede production and operations.

Anbu Water Plant*, Dongdun Water Plant*, Xinjin Water Plant*, and Yuepu Water Plant* have all completed fixed pollution source discharge registrations, with details as follows:

License Title	Organization Name	Registration Type	Registration Date	Validity Period	Registration Number
the Receipt of Emission Registration of Stationary Pollution Sources	Anbu Water Plant*	Renewal registration	2025.07.02	2025.08.01-2030.07.31	91440500707893498C001W
the Receipt of Emission Registration of Stationary Pollution Sources	Dongdun Water Plant*	Renewal registration	2025.07.02	2025.07.28-2030.07.27	91440500725983710Y001W
the Receipt of Emission Registration of Stationary Pollution Sources	Xinjin Water Plant*	Renewal registration	2025.07.02	2025.07.31-2030.07.30	91440500725983729U001X
the Receipt of Emission Registration of Stationary Pollution Sources	Yuepu Water Plant*	Renewal registration	2025.04.27	2025.05.29-2030.05.28	91440500724397621C001Z

3. The Target Company's Business Model

(1) Water Production Operations

Primarily encompassing the production and distribution of tap water. Water production constitutes the principal source of the Target Company's operating revenue. Benefiting from enhanced operational efficiency, the realization of economies of scale, and the rapid economic development of Shantou City, water consumption has progressively increased, with its proportion of total operating revenue rising annually.

(2) Engineering Installation Services

Engineering installation services primarily encompass the installation and maintenance of water pipelines. Installation fees are charged for servicing new users and specific pipeline projects. With Shantou's rapid economic growth, increased water demand has correspondingly boosted engineering installation services.

(3) Collection of Sewage Treatment Fees and Domestic Waste Disposal Fees

This business primarily involves handling fees generated from collecting sewage treatment fees and domestic waste disposal fees on behalf of the government.

(4) Other Operating Businesses

This primarily encompasses the leasing of owned properties.

HISTORICAL OPERATING PERFORMANCE OF THE TARGET COMPANY

I. ASSET AND FINANCIAL POSITION FOR THE PAST THREE YEARS

As at the valuation reference date, the consolidated financial statements of Shantou Water present the asset and financial position for the past three years as follows:

Summary Statement of Assets, Liabilities and Financial Position

Unit: RMB0'000

Name of indicator	2022-12-31	2023-12-31	2024-12-31
Total Assets	413,328.96	401,065.42	392,232.05
Total Liabilities	96,172.44	83,688.81	74,437.13
Owners' equity	317,156.52	317,376.61	317,794.91
Equity attributable to parent company	317,156.52	317,376.61	317,794.91
Name of indicator	2022	2023	2024
Operating Revenue	61,220.35	52,473.52	48,647.49
Cost of Sales	45,597.38	38,366.69	34,071.84
Total Profit	9,457.10	5,238.00	5,339.52
Net Cash Flow from Operating Activities	10,480.79	10,960.93	10,243.99
Net Cash Flow from Investing Activities	-58,774.80	-1,004.53	-15,780.00
Net Cash Flow from Financing Activities	-6,697.09	-6,359.93	-3,459.48
Audit Opinion	unqualified	unqualified	unqualified

Note: The 2022 financial data is extracted from the Financial Statements for the Year Ended 31 December 2022 issued by KPMG Huazhen LLP (KPMG Huazhen Special General Partnership) (KPMG Huazhen Sui Shen Zi No. 2300049); The 2023 financial data is extracted from the 'Financial Statements for the Year Ended 31 December 2023' issued by KPMG Huazhen LLP (KPMG Huazhen Sui Shen Zi No. 2400123); The 2024 financial data is extracted from the Financial Statements for the Year Ended 31 December 2024 (KPMG Huazhen Sui Shen Zi Audit No. 2500120) issued by KPMG Huazhen LLP.

As at the valuation reference date, the parent company's assets and financial position for the preceding three years are as follows:

Summary of Assets, Liabilities, and Financial Condition

Unit: RMB0'000

Name of indicator	2022-12-31	2023-12-31	2024-12-31
Total Assets	413,032.23	400,753.01	392,126.04
Total Liabilities	96,137.91	83,659.90	74,437.13
Owners' equity	316,894.32	317,093.11	317,688.90
Name of indicator	2022	2023	2024
Operating Revenue	61,152.19	52,473.52	48,647.49
Cost of sales	45,395.56	38,213.39	33,875.02
Total Profit	9,745.76	5,215.58	5,517.01
Net Cash Flow from Operating Activities	10,694.00	10,945.11	10,310.47
Net Cash Flow from Investing Activities	-58,774.80	-1,004.53	-15,596.22
Net Cash Flow from Financing Activities	-6,697.09	-6,359.93	-3,459.48
Audit Opinion	unqualified	unqualified	unqualified

Note: The 2022 financial data is extracted from the Financial Statements for the Year Ended 31 December 2022 issued by KPMG Huazhen LLP (KPMG Huazhen Special General Partnership) (KPMG Huazhen Sui Shen Zi No. 2300049); The 2023 financial data is extracted from the 'Financial Statements for the Year Ended 31 December 2023' issued by KPMG Huazhen LLP (KPMG Huazhen Sui Shen Zi No. 2400123); The 2024 financial data is extracted from the Financial Statements for the Year Ended 31 December 2024 (KPMG Huazhen Sui Shen Zi Audit No. 2500120) issued by KPMG Huazhen LLP.

II. HISTORICAL FINANCIAL ANALYSIS

(I) PRINCIPAL BUSINESS REVENUE

Primary revenue streams comprise water production and supply, engineering installation settlement income, agency collection fees for sewage treatment charges, agency collection fees for domestic waste disposal charges, and other income. Revenue figures for the past three years are as follows:

Unit: RMB0'000

Year	2022	2023	2024
Water supply revenue	49,080.38	48,548.89	47,648.68
Engineering installation revenue	827.99	700.02	298.74
Water quality testing revenue	68.16	–	–
Materials and equipment sales revenue	35.72	14.54	50.48
BOT construction revenue/PPP construction revenue	10,649.03	2,591.61	–
Rental income	19.55	40.90	60.90
Handling fee income	528.25	577.56	588.69
Other income	11.26	–	–
Operating revenue	**61,220.35**	**52,473.52**	**48,647.49**

The company's principal business income is derived primarily from water supply revenues and handling fees, which together account for over 99% of its total revenue, constituting its main source of income.

(II) COST OF PRINCIPAL BUSINESS

The principal business costs of the Target Company for the past three years are as follows:

The cost structure corresponding to water supply revenue primarily comprises: water resource fees, bridge-lock water service charges, medicine dee, fuel and power fees, labor costs, depreciation and amortization charges, and repair expenses;

The cost corresponding to engineering installation revenue is the engineering installation cost;

The cost corresponding to materials and equipment sales revenue is the cost of materials sold;

The cost corresponding to BOT construction revenue/PPP construction revenue is the construction cost;

The cost of commission revenue has been consolidated with water supply costs and is no longer separately itemized.

(III) Business Tax and Surcharges

Over the past three years, business tax and surcharges amounted to 5,460,900, 5,772,000 and 9,692,500 respectively, primarily comprising urban maintenance and construction tax, education surcharge, local education surcharge, stamp duty, motor vehicle and vessel tax, property tax, land use tax and water resources tax.

The Target Company's urban maintenance and construction tax is levied at 7% of the taxable amount subject to transfer, the education surcharge at 3%, the local education surcharge at 2%, stamp duty at 0.03%, and water resources tax at RMB0.2 per tonne of water extracted.

(IV) Expenses for the Period

1. Selling expenses

Sales expenses primarily comprise wages, welfare expenses, housing provident fund, labor union fund, social insurance fees, labor protection expenses, transportation costs, sales service fees, operational expenses, depreciation expenses, repair costs, and other miscellaneous items (telephone, postage, travel, vehicle expenses, etc.).

2. Administrative Expenses

Administrative expenses primarily comprise wages, welfare expenses, housing provident fund, repair costs, depreciation expenses, labor union fund, social insurances fees, business hospitality expenses, Operational expenses, court fees, agency commission fees, consumption of low-value consumables, non-budgeted expenses (other labor costs), labor union funds, platform service fees – system maintenance and development costs, socialized management of retired personnel, security (property management), landscaping (property management), technical department information fees, disabled employment security funds, retired military cadre subsidies, and other expenses.

3. Finance charge

Financial expenses for the past three years amounted to RMB2,887,100, RMB1,618,700 and RMB254,700 respectively. These expenses primarily comprise interest payments, interest income on deposits, and exchange gains or losses.

(V) INCOME TAX

The company pays corporation tax as a general taxpayer at a rate of 25%.

FINANCIAL FORECAST FOR 2025 TO 5 JULY 2047

I. FINANCIAL FORECAST INFORMATION OF THE TARGET COMPANY

The Target Company provides the following operating financial forecasts for the future forecast period:

Unit: RMB0'000

Item	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
I. Total operating income	52,056.50	55,639.09	63,480.10	64,920.27	66,032.60	66,689.92	66,689.92	66,871.81	66,689.92	66,689.92	66,689.92	66,871.81
Less: Operating cost	29,172.97	29,558.40	29,884.02	30,160.60	30,296.97	30,377.57	30,377.57	30,399.87	30,377.57	30,377.57	30,377.57	30,399.87
Tax and Surcharges	5,929.52	6,152.86	6,347.43	6,482.80	6,587.35	6,649.13	6,649.13	6,666.23	6,649.13	6,649.13	6,649.13	6,666.23
Selling expenses	6,477.38	6,477.38	6,477.38	6,477.38	6,477.38	6,477.38	6,404.92	6,404.92	6,404.92	6,404.92	6,404.92	6,404.92
Administrative expenses	5,366.98	5,366.98	5,366.98	5,366.98	5,366.98	5,366.98	5,262.82	5,262.82	5,262.82	5,262.82	5,262.82	5,262.82
Finance charge												
III. Operating profit	5,109.64	8,083.47	15,404.28	16,432.51	17,303.91	17,818.86	17,995.48	18,137.98	17,995.48	17,995.48	17,995.48	18,137.98
Add: non-operating income												
Less: non-operating expenses												
IV. Total profit	5,109.64	8,083.47	15,404.28	16,432.51	17,303.91	17,818.86	17,995.48	18,137.98	17,995.48	17,995.48	17,995.48	18,137.98
Less: income tax expense	1,277.41	2,020.87	3,851.07	4,108.13	4,325.98	4,454.71	4,498.87	4,534.49	4,498.87	4,498.87	4,498.87	4,534.49
V. Net profit	3,832.23	6,062.60	11,553.21	12,324.39	12,977.93	13,364.14	13,496.61	13,603.48	13,496.61	13,496.61	13,496.61	13,603.48

Item	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	January to July 2047
I. Total operating income	66,689.92	66,689.92	66,689.92	66,871.81	66,689.92	66,689.92	66,689.92	66,871.81	66,689.92	66,689.92	33,984.45
Less: Operating cost	30,377.57	30,377.57	30,377.57	30,399.87	30,377.57	30,377.57	30,377.57	30,399.87	30,342.30	30,342.30	15,462.10
Tax and Surcharges	6,649.13	6,649.13	6,649.13	6,666.23	6,649.13	6,649.13	6,649.13	6,666.23	6,649.13	6,649.13	3,588.32
Selling expenses	6,404.92	6,404.92	6,404.92	6,404.92	6,404.92	6,404.92	6,404.92	6,404.92	6,234.44	6,234.44	3,177.00
Administrative expenses	5,262.82	5,262.82	5,262.82	5,262.82	5,262.82	5,262.82	5,262.82	5,262.82	5,017.77	5,017.77	2,557.00
Finance charge											
III. Operating profit	17,995.48	17,995.48	17,995.48	18,137.98	17,995.48	17,995.48	17,995.48	18,137.98	18,446.27	18,446.27	9,200.02
Add: non-operating income											
Less: non-operating expenses											
IV. Total profit	17,995.48	17,995.48	17,995.48	18,137.98	17,995.48	17,995.48	17,995.48	18,137.98	18,446.27	18,446.27	9,200.02
Less: income tax expense	4,498.87	4,498.87	4,498.87	4,534.49	4,498.87	4,498.87	4,498.87	4,534.49	4,611.57	4,611.57	2,309.89
V. Net profit	13,496.61	13,496.61	13,496.61	13,603.48	13,496.61	13,496.61	13,496.61	13,603.48	13,834.71	13,834.71	6,890.13

II. ANALYSIS OF THE TARGET COMPANY'S FINANCIAL FORECAST DATA

(I) EXPLANATION OF INCOME FROM PRINCIPAL BUSINESS

As of the valuation reference date, the Target Company primarily engaged in water supply operations, engineering installation services, material and equipment sales revenue, rental income, and handling fee income.

Water supply operation revenue refers to the production and sale of tap water. This business constitutes the main source of operating income, benefiting from enhanced operational efficiency and economies of scale, with its proportion of total operating income increasing annually.

Engineering installation services primarily encompass the installation and maintenance of water mains, with installation fees charged for servicing new users and specific pipeline projects.

Handling fee income primarily arises from fees collected on behalf of government authorities for sewage treatment charges and domestic waste disposal fees.

Rental income chiefly derives from the leasing of owned properties.

1. Explanation of Income From Water Supply Business

A. Water Supply Forecast

The Target Company currently operates the Dongdun Water Plant*, Xinjin Water Plant*, Yuepu Water Plant* and Anbu Water Plant*. The Dongdun Water Plant* has a designed daily water supply capacity of 120,000 tonnes per day, the Xinjin Water Plant* supplies 400,000 tonnes per day, the Yuepu Water Plant* 200,000 tonnes per day, and the Anbu Water Plant* 200,000 tonnes per day. As of the valuation reference date, the actual daily water supply capacity was as follows: Dongdun Water Plant* 100,700 tonnes per day, Xinjin Water Plant* 321,300 tonnes per day, Yuepu Water Plant* 145,600 tonnes per day, and Anbu Water Plant* 124,600 tonnes per day. It is evident that none of the Water Plant owned by the Target Company currently achieves their designed daily supply capacity.

Given the ongoing urbanization in the Target Company's service area, the increase in urban population resulting from rising urbanization rates will correspondingly boost demand for municipal tap water. Consequently, this forecast projects the Target Company's water sales volume to maintain a growth rate of 3% to 1% annually between 2025 and 2030. For 2031 and subsequent years, considering that the Target Company's water treatment plants' water intake capacity has largely reached their designed capacity, coupled with the completion of urbanization in Shantou, no further growth is anticipated. Sales volumes are projected to remain at the 2030 level.

B. Water Sales Unit Price

As of the valuation reference date, the tap water price implemented by the Target Company is determined in accordance with the Notice of Shantou Municipal Development and Reform Bureau on Adjusting Tap Water Sales Prices in the Central Urban Area (Shan Shi Fa Gai [2016] No. 536), with the price effective from 1 January 2017. The current metered water tariffs (including tax) are applied as follows: I. Residential water: RMB1.88 per cubic meter (same below); II. Non-residential water: RMB2.64 per cubic meter; III. Special-purpose water: RMB6.5 per cubic meter; IV. Comprehensive water: RMB2.25 per cubic meter. The corresponding average water sales price for the Target Company in 2024 is RMB2.11. In light of the current low sales water rates, the management of the Target Company has submitted a 'Request for Adjustment of Tap Water Prices in the Central Urban Area' to the relevant authorities. It is anticipated that the Target Company's sales water rates will be progressively increased, reaching a stable rate of RMB2.53 per tonne by 2027.

In summary, water supply operation revenue = unit price of water × volume of water sold × number of days

2. Engineering Installation Revenue

The Target Company's engineering installation revenue has exhibited a persistent downward trend in recent years, amounting to approximately RMB2,980,000 as of the valuation reference date. The Target Company's management anticipates that future annual revenue will stabilize at approximately RMB3,000,000.

3. Handling Fee Income

Handling fee income primarily arises from fees collected on behalf of the government for sewage treatment charges and domestic waste disposal fees. This revenue stream exhibits a proportional relationship with water sales volume. Verification indicates that over the past three years, handling fees accounted for 2% to 3% of total water sales volume, a ratio deemed relatively stable. Therefore, for future years, this revenue stream shall be confirmed by multiplying the 2024 fee-to-volume ratio by the projected annual water sales volume.

4. Rental Income

Rental income primarily derives from non-operational assets under the company's ownership, namely buildings and structures. This valuation analysis does not forecast rental income but incorporates it within the valuation assessment of non-operational assets.

5. Operating income forecast

In summary, considering the development trends within the industry where the Target Company's principal business revenue is derived, alongside an analysis of the industry market, the valuer deems the projected revenue to be reasonably substantiated. The projected operating revenue for future years is as follows:

Unit: 0'000

Item	2025	2026	2027	2028	2029	2030
Water supply revenue	51,162.48	54,727.25	62,549.90	63,975.70	65,076.94	65,727.70
Engineering installation revenue	300.00	300.00	300.00	300.00	300.00	300.00
Handling fee income	594.02	611.84	630.20	644.56	655.66	662.21
Total principal business income	52,056.50	55,639.09	63,480.10	64,920.27	66,032.60	66,689.92
Item	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
Water supply revenue	65,727.70	65,907.78	65,727.70	65,727.70	65,727.70	65,907.78
Engineering installation revenue	300.00	300.00	300.00	300.00	300.00	300.00
Handling fee income	662.21	664.03	662.21	662.21	662.21	664.03
Total principal business income	66,689.92	66,871.81	66,689.92	66,689.92	66,689.92	66,871.81
Item	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**
Water supply revenue	65,727.70	65,727.70	65,727.70	65,907.78	65,727.70	65,727.70
Engineering installation revenue	300.00	300.00	300.00	300.00	300.00	300.00
Handling fee income	662.21	662.21	662.21	664.03	662.21	662.21
Total principal business income	66,689.92	66,689.92	66,689.92	66,871.81	66,689.92	66,689.92
Item	**2043**	**2044**	**2045**	**2046**	**January to July 2047**	
Water supply revenue	65,727.70	65,907.78	65,727.70	65,727.70	33,494.12	
Engineering installation revenue	300.00	300.00	300.00	300.00	152.88	
Handling fee income	662.21	664.03	662.21	662.21	337.46	
Total principal business income	66,689.92	66,871.81	66,689.92	66,689.92	33,984.45	

(II) PRINCIPAL BUSINESS COST FORECAST

Operating Costs of the Target Company: Water supply revenue costs, engineering installation costs, commission income costs.

1. Water Supply Revenue Cost Forecast

Water supply revenue costs are primarily categorized as follows: water resource fees, bridge-lock water service charges, medicine fees, fuel and power expenses, labor costs, depreciation and amortization, repair expenses, office expenses, telephone charges, travel expenses, vehicle expenses, workplace safety, outsourced labor services, complimentary meter installation, inspection and testing fees, sludge treatment fees, cleaning fees, and other manufacturing overheads.

Water Resources Fee: Pursuant to the Implementation Measures for the Water Resources Tax Reform Pilot, the water resources fee will transition to a water resources tax commencing November 2024. This cost component will henceforth be projected under taxes and surcharges; consequently, no forecast is provided herein.

bridge-lock taxes and charges: This cost component = the water withdrawal volume × the unit price for bridge-lock water service, with the unit price determined based on the 2024 annual rate.

Medicine fee: This component = unit consumption × composite unit price × water supply volume. The composite unit price and unit consumption shall be determined based on the 2024 rates.

Fuel and power fee: This component = composite unit price × water abstraction volume. The composite unit price shall be determined based on the 2024 rates.

Depreciation and amortization expenses: These are projected based on the annual depreciation and amortization costs corresponding to the Target Company's existing asset base.

Other expenses are relatively stable; hence, this forecasting process utilizes 2024 data for estimation.

2. Engineering Installation Cost Forecast

The gross profit margin for engineering settlement services remains relatively stable. Therefore, this forecast process calculates costs based on the 2024 gross profit margin for this business segment.

3. Handling Fee Cost Forecast

The primary cost associated with handling fees is labor, which has been consolidated with the costs of the water extraction operations. Consequently, it will not be forecast separately.

Cost of Principal Business Operations Forecast Schedule

Amount: 0'000

Business Type	Item	2025	2026	2027	2028	2029	2030
Water supply service revenue	Cost of Sales	29,061.58	29,447.01	29,772.63	30,049.21	30,185.58	30,266.18
Engineering installation revenue	Cost of Sales	111.39	111.39	111.39	111.39	111.39	111.39
Total		29,172.97	29,558.40	29,884.02	30,160.60	30,296.97	30,377.57
Business Type	**Item**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
Water supply service revenue	Cost of Sales	30,266.18	30,288.48	30,266.18	30,266.18	30,266.18	30,288.48
Engineering installation revenue	Cost of Sales	111.39	111.39	111.39	111.39	111.39	111.39
Total		30,377.57	30,399.87	30,377.57	30,377.57	30,377.57	30,399.87
Business Type	**Item**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**
Water supply service revenue	Cost of Sales	30,266.18	30,266.18	30,266.18	30,288.48	30,266.18	30,266.18
Engineering installation revenue	Cost of Sales	111.39	111.39	111.39	111.39	111.39	111.39
Total		30,377.57	30,377.57	30,377.57	30,399.87	30,377.57	30,377.57
Business Type	**Item**	**2043**	**2044**	**2045**	**2046**	**January to July 2047**	
Water supply service revenue	Cost of Sales	30,266.18	30,288.48	30,230.91	30,230.91	15,405.34	
Engineering installation revenue	Cost of Sales	111.39	111.39	111.39	111.39	56.76	
Total		30,377.57	30,399.87	30,342.30	30,342.30	15,462.10	

(III) TAXES AND SURCHARGES

The Target Company's taxes and surcharges comprise urban maintenance and construction tax, education surcharge, local education surcharge, stamp duty, vehicle and vessel use tax, property tax, land use tax, and water resources tax. As the Target Company operates under the simplified taxation scheme, value-added tax within costs is largely non-deductible. Urban Maintenance and Construction Tax is levied at 7%, Education Surcharge at 3%, and Local Education Surcharge at 2%. Stamp Duty is calculated at 0.03% of revenue in accordance with relevant regulations. Water Resources Tax is assessed at ¥0.20 per tonne of water extracted.

The forecast results of taxes and surcharges for future years are shown in the following table:

Tax and Surcharge Forecast Schedule

Unit of Amount: RMB0'000

Item	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Tax and Surcharge	5,929.52	6,152.86	6,347.43	6,482.80	6,587.35	6,649.13
Item	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
Tax and Surcharge	6,649.13	6,666.23	6,649.13	6,649.13	6,649.13	6,666.23
Item	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**
Tax and Surcharge	6,649.13	6,649.13	6,649.13	6,666.23	6,649.13	6,649.13
Item	**2043**	**2044**	**2045**	**2046**	**January to July 2047**	
Tax and Surcharge	6,649.13	6,666.23	6,649.13	6,649.13	3,588.32	

(IV) EXPENSES FOR THE PERIOD

1. Selling Expenses

Selling expenses primarily comprise wages, welfare expenses, housing provident fund, labor union fund, social insurance contributions, labor protection expenses, transportation costs, sales service fees, operational expenses, depreciation expenses, repair costs, and other miscellaneous items (telephone, postage, travel, vehicle expenses, etc.).

Depreciation and Amortization: Depreciation and amortization expenses are projected based on the Target Company's annual depreciation and amortization expenses for its existing assets.

Other expenses are relatively stable, so this forecast is based on 2024 data.

Unit: 0'000

Item	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Total Selling Expenses	6,477.38	6,477.38	6,477.38	6,477.38	6,477.38	6,477.38
Item	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
Total Selling Expenses	6,404.92	6,404.92	6,404.92	6,404.92	6,404.92	6,404.92
Item	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**
Total Selling Expenses	6,404.92	6,404.92	6,404.92	6,404.92	6,404.92	6,404.92
Item	**2043**	**2044**	**2045**	**2046**	**January to July 2047**	
Total Selling Expenses	6,404.92	6,404.92	6,234.44	6,234.44	3,177.00	

2. Administrative Expenses

Administrative expenses primarily comprise wages, welfare expenses, housing provident fund, repair costs, depreciation expenses, labor union fund, social insurance fees, business hospitality expenses, operational expenses, court fees, agency commission fees, consumption of low-value consumables, non-budgeted expenses (other labor costs), labor union funds, platform service fees – system maintenance and development costs, socialized management of retired personnel, security (property management), landscaping (property management), technical department information fees, disabled employment security funds, retired military cadre subsidies, and other expenses.

Depreciation and amortization expenses: These are projected based on the annual depreciation and amortization costs corresponding to the Target Company's existing asset base.

Other expenses are relatively stable; hence, this forecasting process utilizes 2024 data for estimation.

The forecast results for administrative expenses are shown in the table below:

Unit: 0'000

Item	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Total administrative expenses	5,366.98	5,366.98	5,366.98	5,366.98	5,366.98	5,366.98
Item	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
Total administrative expenses	5,262.82	5,262.82	5,262.82	5,262.82	5,262.82	5,262.82
Item	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**
Total administrative expenses	5,262.82	5,262.82	5,262.82	5,262.82	5,262.82	5,262.82
Item	**2043**	**2044**	**2045**	**2046**	**January to July 2047**	
Total administrative expenses	5,262.82	5,262.82	5,017.77	5,017.77	2,557.00	

3. Finance charge

The management of the Target Company has forecast financial expenses based on the Target Company's projected asset scale, capital structure, and average debt cost for future years. Following discussions with valuation analysts and relevant personnel of the Target Company, and incorporating analysis of historical financial statements, it was determined that the Target Company's financial expenses are relatively insignificant. Consequently, these expenses have been excluded from consideration in the present forecasting process.

(V) CREDIT IMPAIRMENT LOSS FORECAST

The management of the Target Company considers that credit impairment losses involve significant uncertainty and therefore excludes subsequent forecasts.

(VI) ASSET IMPAIRMENT LOSS FORECAST

The management of the Target Company considers that credit impairment losses involve significant uncertainty and therefore excludes subsequent forecasts.

(VII) INCOME TAX EXPENSE

This estimation calculates corporate income tax payable at the Target Company's statutory rate of 25%. Based on projected total profit figures for future years, the taxable income for each subsequent year is determined. The corresponding corporate income tax rate is then applied to calculate the income tax expense for each future year of the Target Company.

(VIII) DEPRECIATION AND AMORTIZATION

Depreciation of fixed assets comprises two components: depreciation of existing fixed assets (stock assets) as at the reference date, calculated using the straight-line method in accordance with the enterprise's accounting practices; and depreciation of fixed assets added after the reference date (incremental assets), calculated from the date of conversion to fixed assets, which is the midpoint of the year in which they were completed or acquired.

Annual depreciation charge = Original value of fixed assets × Annual depreciation rate

Amortization of intangible assets primarily relates to franchise rights and land, calculated based on the original book value using the company's amortization method.

Amortization of deferred expenses mainly pertains to renovation projects, calculated based on the remaining amortization value using the company's amortization method.

Amount Unit: RMB0'000

Item	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Depreciation and amortization expenses	10,211.34	10,311.34	10,411.34	10,511.34	10,511.34	10,511.34
Item	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
Depreciation and amortization expenses	10,334.72	10,334.72	10,334.72	10,334.72	10,334.72	10,334.72
Item	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**
Depreciation and amortization expenses	10,334.72	10,334.72	10,334.72	10,334.72	10,334.72	10,334.72
Item	**2043**	**2044**	**2045**	**2046**	**January to July 2047**	
Depreciation and amortization expenses	10,334.72	10,334.72	9,883.92	9,883.92	5,036.74	

(IX) CAPITAL EXPENDITURE

Capital expenditure indicators represent long-term capital investments exceeding one year required by the company without altering current operating conditions, primarily for the renewal of existing assets at the reference date necessary to maintain ongoing operations.

Based on the assumptions and foundations of the revenue forecast, and whilst maintaining the existing scale and condition of assets, future asset renewal expenditure shall be determined by incorporating the company's historical annual asset renewal and depreciation recovery patterns, in accordance with the capital expenditure projections provided by the Target Company.

Capital Expenditure Forecast Schedule

Amount Unit: RMB0'000

Item	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Capital Expenditure	3,000.00	3,000.00	3,018.33	44.88	333.22	365.57
Item	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
Capital Expenditure	372.17	398.46	407.44	407.44	413.82	446.46
Item	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**
Capital Expenditure	450.79	450.79	450.79	450.79	450.79	450.79
Item	**2043**	**2044**	**2045**	**2046**	**January to July 2047**	
Capital Expenditure	450.79	450.79	–	–	–	

(X) NET INCREASE IN WORKING CAPITAL

Valuation analysts forecast the end-of-year balances for each asset, liability, and equity item. They then calculate the working capital at each year-end using the formula: Working Capital = Current Assets – Current Liabilities. The increment in working capital projected for the current year compared to the previous year represents the working capital requirement for that year. Both current assets and current liabilities are forecasted based on their historical turnover rates.

The formula is: Increase in working capital = Current period working capital – Previous period working capital. Based on the working capital-to-revenue ratio for the Target Company's industry, the working capital at the end of each year in the forecast period is estimated. The increment of the estimated working capital over the previous year represents the working capital required to be replenished for that year. Based on information gathered from management interviews with comparable entities, the valuers consider the financial projections provided by the Target Company to be reasonably plausible. The projected additional working capital requirements are summarized in the table below:

Projected Increase in Working Capital Forecast Schedule

Amount Unit: RMB0'000

Item	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Working Capital	1,074.46	-73.14	87.96	-87.65	-30.71	-18.15
Item	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
Working Capital	–	-5.02	5.02	–	–	-5.02
Item	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**
Working Capital	5.02	–	–	-5.02	5.02	–
Item	**2043**	**2044**	**2045**	**2046**	**January to July 2047**	
Working Capital	–	-5.02	21.91	–	8,128.58	

VALUATION ASSUMPTIONS AND BASIS

I. BASIC ASSUMPTIONS

1. Transaction assumptions. Assuming the valuation subject is in the process of being transacted, we have valued by reference to comparable market transactions based on the transaction terms of the valuation subject, and the valuation result is an estimate of the most probable transaction price for the valuation subject.

2. Open market assumption. It is assumed that the assets involved in the valuation are traded in an open market, where buyers and sellers are on equal footing, both have opportunity and time to access sufficient market information, and the transactions between buyers and sellers are conducted voluntarily, rationally, and without coercion.

3. It is assumed that after the economic activity for valuation purposes is realized, the assets involved in the valuation subject will continue to be used at their original location in accordance with their purpose and manner of use on the valuation reference date.

II. ASSUMPTIONS REGARDING THE VALUATION SUBJECT

1. It is assumed that, to the best of our knowledge, the acquisition, procurement, improvement and construction development processes of the assets involved in the valuation subject comply with relevant national laws and regulations.

2. To the best of our knowledge, it is assumed that the assets forming the subject of valuation are free from any encumbrances, liabilities and restrictions affecting their value, and that all associated taxes, duties and outstanding liabilities have been settled.

3. The area, nature, shape and other data concerning the real estate properties covered in the valuation analysis report are based on the records in the property title documents or as provided by the client. The valuers have not conducted any measurements of the boundaries or area of the relevant real estate properties, assuming that these are lawful and accurate.

4. To the best of our knowledge, it is assumed that the land, buildings and other real estate involved in the valuation subject matter have no material defects affecting their continued use, that there are no harmful substances within the relevant assets adversely affecting their value, and that there are no hazardous materials or other harmful environmental conditions at the asset location adversely affecting the value of such assets.

5. The valuers have conducted an external visual inspection of the tangible assets, such as property and equipment, involved in the valuation subject and have diligently inquired about any internal issues. However, due to technical limitations, no specialized technical inspection of the relevant assets' technical data, technical condition, structure, or appurtenances has been organized. It is assumed that, to the best of our knowledge, the machinery, equipment, vehicles involved in the valuation are free from any significant technical defects that would affect their continued use, and their critical components and materials are free from any latent quality defects.

6. Unless otherwise specified in this report, it is assumed that the valuation subject is not affected by existing or future mortgages, encumbrances, special transaction methods, or other factors that may affect its value.

7. It is assumed that the valuation subject will not encounter other force majeure or unforeseen factors that would significantly and adversely affect its value.

8. It is assumed that all assets in this valuation are based on the actual inventory as of the valuation reference date, and the current market price of the relevant assets is based on the effective domestic price as of the valuation reference date.

III. REGARDING BUSINESS OPERATIONS AND FORECAST ASSUMPTIONS

1. It is assumed that there will be no significant changes in the international financial and global economic environment, the national macroeconomic situation or the political, economic and social environments of the countries and regions where the transaction parties are located.

2. It is assumed that there will be no significant changes in the prevailing socio-economic environment, interest rates, exchange rates, tax bases and rates, and policy-related levies.

3. It is assumed that the current policy environment of the country, such as the relevant laws and regulations, administrative policies, industrial policies, financial policies and tax policies remains relatively stable. Unless otherwise stated, it is assumed that the Target Company operates in full compliance with relevant laws and regulations.

4. It is assumed that after the economic activities for valuation purposes are realized, the Target Company will continue to operate in accordance with its original business direction, business model, business scope and management level, under the current industry conditions and market competitive environment during the operating period stipulated in the Articles of association.

5. The valuation is based solely on the Target Company's existing operational capabilities as of the reference date. No consideration is given to the potential expansion of operational capacity due to the management, business strategy, and additional investments in the future, nor to the impact of subsequent changes in production and operations. It is assumed that the Target Company will maintain the total investment and financial leverage levels as of the valuation reference date.

6. It is assumed that the Target Company will continue to operate at the management level as of the valuation reference date, that the management of the Target Company is responsible and diligent, and that the management is relatively stable and capable of performing its duties, without considering the impact of significant future changes in operators or significant changes in management level on future expected earnings.

7. It is assumed that the form of the Target Company's assets differs at any given point during the period of continuous operation.

8. It is assumed that the Target Company's cash inflow and cash outflow after the valuation reference date are average values.

9. It is assumed that the accounting policies to be adopted by the Target Company in the future will remain substantially consistent in material respects with those adopted at the time of preparing this report.

10. The management of the Target Company, considering the current low unit sales price, has submitted a formal request to the relevant authorities entitled 'Request for Adjustment of Tap Water Prices in the Central Urban Area'. Consequently, this valuation analysis assumes that the Target Company's water sales price will gradually increase in future years, reaching a stable price of 2.53 per tonne by 2027.

11. It is assumed that the Target Company fully complies with the relevant laws and regulations that must be observed in the countries and regions where it operates lawfully.

IV. VALUATION BASIS

1. Our valuation is based on the Target Company having provided true, complete and legitimate proof of title, financial and accounting information and other data.

2. Our scope of valuation is determined in accordance with the asset declaration form provided by the Target Company. The valuation conclusion does not consider the impact of contingent assets and contingent liabilities that may exist beyond the asset declaration form.

3. Our valuation calculation is based on the assumption that the acquisition and utilization of the production premises required for the operation of the Target Company will remain consistent with that of the valuation reference date and will not be changed.

When there are changes in the aforementioned valuation assumptions and valuation principles adopted in the valuation, the valuation conclusion will be affected and altered, and the Valuation Analysis Report will become invalid.

VALUATION PROCESS

I. VALUATION SUBJECT AND VALUATION SCOPE

(I) Valuation Subject

According to the engagement, the valuation subject is the entire equity interest value of shareholders of Shantou Guangdong Water Co., Ltd.*.

(II) Valuation Scope

The valuation scope covers all the assets and liabilities owned by Shantou Guangdong Water Co., Ltd.* on the valuation reference date of 31 December 2024, as well as the overall intangible assets not stated in the account.

(III) Off Balance Sheet Assets

Based on the requirements for the scope of valuation analysis related to economic activities, the valuation analysis shall encompass the entirety of a company's intangible assets, including those that cannot be specifically identified.

II. VALUATION REFERENCE DATE

The valuation reference date is 31 December 2024 and the prices adopted in the valuation are all the price standards on the valuation reference date.

III. VALUE TYPE AND ITS DEFINITION

The value type selected for this valuation is market value.

The market value is defined as the estimated amount of the value for which the valuation subject should exchange on the valuation reference date between a willing buyer and a willing seller in a normal and arm's length transaction, where the parties have each acted rationally without compulsion.

IV. BASIS OF VALUATION PRICING

1. Guangdong Provincial Land Price Management Regulations (Guangdong Provincial People's Government Order No. 46);

2. Guangdong Provincial Land Expropriation Compensation and Protection Standards (Guangdong Provincial Land and Resources Regulatory [2016] No. 1);

3. Notice on Issuing and Implementing the Minimum Price Standards for Industrial Land Concessions Nationwide (Land and Resources Regulatory [2006] No. 307);

4. Notice of the Ministry of Land and Resources on the Implementation Policy for Adjusting the Minimum Price Standard for Industrial Land Concessions (Ministry of Land and Resources, 11 May 2009);

5. Regulations on Financial Management of Capital Construction Projects (Cai Jian [2002] No. 394);

6. Notice on Related Issues of Standardizing Environmental Impact Assessment Consultancy Fees (Ji Jia Ge [2002] No. 125);

7. Standards for Assessing the Condition Grading of Buildings (issued by the former Ministry of Housing and Urban-Rural Development and Environmental Protection);

8. The latest version of Quotations for Electromechanical Products (Mechanical Industry Information Research Institute, Mechanical Industry Press);

9. The Price Information Query System for Electromechanical Products (Mechanical Industry Information Research Institute);

10. Interim Regulations of the People's Republic of China on Vehicle Purchase Tax (Decree No. 294 of the State Council);

11. Provisions on Compulsory Scrapping Standards for Motor Vehicles (Ministry of Commerce, Development and Reform Commission, Ministry of Public Security and Ministry of Environmental Protection Order 2012 No. 12);

12. Measures for the Administration of the Collection of Vehicle Purchase Tax (Decree No. 38 of the Ministry of Finance and State Taxation Administration, issued on 28 December 2015);

13. Notice on Reducing the Vehicle Purchase Tax on Passenger Vehicles with 1.6L or Lower Displacement (Cai Shui [2009] No.12);

14. The relevant statistical data from China Economic Monitor Monthly of China Economic Monitoring Center;

15. The latest version of the Enterprise Performance Evaluation Standards formulated by The Statistical Evaluation Bureau of the State-owned Assets Supervision and Administration Commission of the State Council;

16. Manual of Asset Valuation Methods and Parameters published by Beijing Science and Technology Press and relevant risk coefficients data;

17. Bond trading information published on China Bond Information Network (www.chinabond.com.cn);

18. The interest rates of deposit and loan of financial institutions promulgated by the People's Bank of China;

19. Public information of relevant listed companies;

20. The statistical data from Tonghuashun iFinD-financial data terminal;

21. Statistical data and technical standards issued by relevant national departments;

22. Balance sheet, profit and loss statement, asset valuation statement and other relevant reporting materials and other valuation-related materials provided by the enterprise;

23. Relevant business forecast data, financial and accounting statements and other financial and operational data provided by the enterprise;

24. Recent market transaction price information of machinery, equipment and materials, and inquiry results on the Internet and telephone;

25. Property market transaction price information and land acquisition compensation details for the locality where the property is situated;

26. Construction cost information including building and installation engineering budget quotas and cost quotas for building and installation works in the locality where the property is situated;

27. Site investigation, verification and market research materials by the valuers.

V. VALUATION PROCEDURES

(I) Preparation Stage:

1. Identify basic matters and enter into an engagement contract;

2. Develop a valuation plan;

3. Propose a list of information required for the valuation.

(II) Data Collation and Analysis Stage:

1. Obtain the financial information and other operating-related statistical data of the Target Company;

2. Interview the relevant personnel of the Target Company to understand the overall operation, development history and current status of the company and to understand the company's status including financial system, operating conditions and asset technical operation;

3. Collect property rights certificates and other required documents and information;

4. Analyze financial forecast data submitted by management, identify issues and provide recommendations, communicate with management and make appropriate adjustments.

(III) Selection of Valuation Methodology and Valuation Calculation Stage:

1. Select valuation methods based on the actual conditions and characteristics of the valuation subject;

2. Collect historical and current industry analysis data, and compile information on industry development prospects;

3. Investigate and analyze similar cases and price information in the capital market;

4. Process data, define valuation parameters and price standards, and perform estimation calculations.

(IV) Valuation Results Summary and Analysis Stage:

Summarize the preliminary estimation results, analyze the valuation conclusions, make necessary adjustments, modifications and improvements, and draft a valuation analysis report.

(V) Report Review and Submission Stage:

Review and correct the report in accordance with internal control systems and procedures, and then submit a formal valuation analysis report.

VI. SELECTION OF VALUATION METHODOLOGY

The type of asset value in this valuation is market value. Therefore, the goal of asset valuation is to reflect the fair market value of assets. As a means to reflect the fair market value of assets, the market approach is undoubtedly the preferred method for asset valuation. Formally, the income approach does not seem to be a direct method to estimate the fair market value of assets, but it is a direct method to assess the value of assets from the perspective of the expected income of assets, which is the basic element of determining the fair market value of assets. It is in line with the value concept under the conditions of market economy. Therefore, the income approach is also a direct method to assess the value of assets. Compared with the market approach and income approach, the asset-based approach reflects the asset value from the perspective of acquisition and construction costs, and its perspective and approach to estimating the fair market value of assets are indirect.

The basic methods of valuation are to show the value of assets from different angles. Whether the value of the valuation subject is obtained by comparing with the market reference object, or by discounting the expected income of the valuation subject, or judging the value of the valuation subject according to the way of asset re-acquisition, it is a description of the value of the valuation subject under certain conditions from a certain point of view, and they are intrinsically related and can be replaced by each other.

Since the Target Company has comprehensive business operation history, the valued assets possess the capacity to generate sustainable gains within the foreseeable future. The management of the Target Company can forecast and quantify related income, costs, expenses, as well as investment plans, operating risks and other factors in monetary terms, meaning that the future annual returns and risks of the valuation subject can be estimated and predicted. Therefore, the income approach can be adopted for valuation.

Since the Target Company has complete documentation regarding the acquisition and construction of its various assets and liabilities, its major assets are in continuous use, and market price information for acquiring similar assets is readily available, the requirements for valuation using the asset-based approach are satisfied. The asset-based approach reflects the value of an enterprise from the perspective of its acquisition and construction, and also provides a basis for the operation and management of the Target Company after the economic transaction is completed. Therefore, the asset-based approach can be adopted for valuation.

Therefore, the valuation takes the Target Company as an organic whole, and uses a combination of the income approach that considers the profitability of the overall assets and the asset-based method that considers from the perspective of the cost of acquisition and construction.

VALUATION ANALYSIS PROCESS USING THE INCOME APPROACH

I. REASONS FOR SELECTION OF INCOME MODEL AND EXPLANATION OF BASIC PARAMETERS

(I) Basic Considerations for Valuation Analysis

According to the valuation analysis findings, asset composition and characteristics of the principal business of the Target Company, this valuation estimates the value of the valuation analysis subject on the basis of the consolidated statement analysis of the Target Company. The basic considerations are as follows:

(1) For assets included in the statement, to classified into operating assets, surplus assets, non-operating assets and liabilities, and adjusted into corresponding statements. Surplus assets, non-operating assets and liabilities include the monetary capital required for non-routine operations existing on the reference date, other receivables arising from non-operating activities (intercompany balances + interest), other current assets, other payables (project payments); long-term payables, deferred income, deferred tax liabilities and non-current liabilities due within one year;

(2) For the assets and main businesses included in the corresponding statements of operational assets, the expected income is estimated separately according to the change trend of the operating conditions before and after the reference date and the type of business, and the value of operational assets is determined using the income approach valuation analysis;

(3) Surplus assets, non-operating assets and liabilities that are not included in the scope of the operating assets statement are not considered in the expected income estimation and the income approach, and their values are separately valuated and analyzed using the market approach or the cost approach valuation;

(4) The overall enterprise value of the Target Company is obtained by adding the above operating assets, surplus assets/non-operating assets and deducting the surplus and non-operating liabilities. After deducting interest-bearing debts and equity interest value of minority shareholders, the entire equity interest value of shareholders of Target Company is obtained.

1. Selection of Income Approach Valuation Analysis Model

The specific methods commonly used in income approach include dividend discount method and income approach. The dividend discount method is a specific method for discounting the expected dividend to determine the value of the valuation analysis subject, which is usually applicable to the valuation analysis of the value of part of the equity of shareholders lacking control. The cash flow discount method usually includes the enterprise free cash flow discount model and the equity free cash flow discount model. The cash flow discount model is properly selected according to the future business model, capital structure, asset use status and future income development trend of the enterprise. As the valuation analysis subject is the entire equity interest value of shareholders of Target Company, it is applicable to the discounted cash flow method (DCF).

Considering the business operation length, capital structure and historical operating conditions of the Target Company, especially the future business model, gains stability and development trend, expected changes in capital structure, and asset utilization, we adopt the enterprise free cash flow discount model for valuation and analysis.

2. Calculation Formula for the Income Approach Valuation Analysis

$$E = B - D - M \quad (1)$$

Wherein: E: Entire equity interest value of shareholders of the Target Company;
B: Overall enterprise value of the Target Company (consolidated financial statements basis, including minority interests);
D: Value of interest-bearing debts of the Target Company;
M: Equity value of the Target Company's minority interests (adopting consolidated financial statements basis).

$$P = \sum_{(i=1)}^{n} \frac{R_i}{(1+r)^i} + \frac{R_e}{(1+r)^n} \quad (2)$$

Wherein: R_i: Expected earnings (free cash flow) of the valuation subject in the i-th future year;
R_e: Projected liquidation value of the valuation subject at the termination of expected earnings;
R: Discount rate;
n: Future operating period of the valuation analysis subject.
C: Value of surplus and non-operating assets (liabilities) existing at the Target Company's date.

$$C = C_1 + C_2 \quad (3)$$

Wherein: C_1: Value of current surplus/non-operating assets (liabilities) at the reference date;

C_2: Value of non-current surplus/non-operating assets (liabilities) at the reference date.

3. Gains Indicator

The free cash flow of the enterprise is used during this valuation analysis as the expected gains indicator of the operating assets.

Enterprise free cash flow = income – cost expense – tax + depreciation and amortization + interest expense × (1 – corporate income tax rate) – capital expenditure – change in net working capital (4)

Among them, the expected gains include the distributable but undistributed profits from the realized profits of the Target Company on the valuation reference date and the previous years, the costs and expenses for managing the equity during the period when the owner of the valuation analysis subject holds the equity are not deducted, and the taxes and related expenses that may need to be paid inside and outside the People's Republic of China when obtaining such expected income.

4. Discount Rate

As the income approach valuation analysis model adopts the enterprise free cash flow discount model, the discount rate r is calculated and determined by the weighted average cost of capital (WACC) model according to the principle of unifying the expected income amount and the discount rate. Then:

$$r = W_d \times r_d + W_e \times r_e \quad (5)$$

W_d: Debt ratio of the valuation analysis subject;

$$w_d = \frac{D}{(E+D)} \quad (6)$$

W_e: Equity ratio of the valuation analysis subject;

$$w_e = \frac{E}{(E+D)} \tag{7}$$

r_d: After tax debt cost of the valuation analysis subject;

r_e: Cost of equity capital. In this valuation analysis, the cost of equity capital r_e is determined by the capital asset pricing model (CAPM);

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon \tag{8}$$

Wherein: r_f: Risk-free rate of return;

r_m: Expected market rate of return;

ε: Characteristic risk adjustment factor of the valuation analysis subject;

β_e: Expected market risk factor coefficient of the equity capital of the valuation analysis subject;

$$\beta_e = \beta_u \times \left(1+(1-t) \times \frac{D}{E}\right) \tag{9}$$

β_u: Unlevered market risk factor coefficient of comparable companies;

$$\beta_u = \frac{\beta_t}{\left(1+(1-t)\frac{D_i}{E_i}\right)} \tag{10}$$

β_t: Expected market average risk factor coefficient of stocks of comparable companies

$$\beta_t = 34\% K + 66\% \beta_X \tag{11}$$

Wherein: K: The average risk value of the stock market in a certain period, for which it normally assumes that K=1;

β_x: Historical market average risk factor coefficient of stocks of comparable companies;

D_i, E_i: Interest-bearing debts and equity capital of comparable companies, respectively.

II. DETERMINATION OF GAINS PERIOD AND DEFINITE FORECAST PERIOD

According to the "Shantou Municipal People's Government Office Document Approval Form" (Document No.: Zong Si 20170628) provided by the valuation analysis unit, following government leadership approval, the valuation analysis unit was granted water supply operating rights. The Shantou Water Affairs Bureau and Shantou Water Company signed the "Shantou Central Urban Area Water Supply Operating Agreement". On 5 July 2017, the Shantou Water Affairs Bureau and the valuation subject unit executed the "Shantou Central Urban Area Water Supply Operation Agreement", primarily stipulating: The concession term shall be 30 years from the effective date of this Agreement, except where the operation rights terminate under the circumstances specified herein. Concurrently, on 27 September 2021, the Shantou Water Affairs Bureau and the valuation subject unit executed a Supplementary Agreement to the Shantou Central Urban Area Water Supply Operation Agreement, primarily stipulating: Expansion of Shantou Water Company's water supply operation scope: The original agreement's water supply coverage area is expanded to include the Waisha-Xinxi District in Longhu District, Shantou City (i.e., the former administrative areas of Waisha Town and Xinxi Town). The operating period extends from the date of signing this supplementary agreement until 5 July 2047. The detailed forecast period spans from the valuation reference date to 5 July 2047.

III. DETERMINATION OF DISCOUNT RATE

(I) Risk-free Rate of Return rf

The risk-free rate rf is approximated based on the average yield of 10-year government bonds issued by the state as of the valuation reference date, i.e., rf = 1.68%.

(II) Expected Market Rate of Return r_m

According to the follow-up study on China's A-share market conducted by the Research Institute of Allied Asset Appraisal Group, and in combination with the provisions of the above guidelines, in the valuation process, the representative market composite index is selected as the underlying index, the weekly and monthly basis is selected as the data frequency, the arithmetic average is used to calculate and annualized to the annual rate of return. Thereafter, the arithmetic average, geometric average and harmonic average are calculated respectively, and the expected market rate of return is determined after comprehensive analysis, that is, r_m=9.24%

(III) Expected Market Risk Coefficient for Equity Capital β e

The Target Company operates in the blood glucose monitor manufacturing and sales industry. Valuation analysts used WIND to make inquiries regarding the β coefficients of listed companies within the Target Company's industry, primarily focusing on peers in the same sector. After adjusting for financial leverage and market differences, the industry-adjusted beta is 0.5035.

(IV) Determination of Expected Return on Debt rd

The expected return on debt represents the cost of capital for corporate debt financing. This valuation analysis employs the Company's own capital structure, adhering to the principle of matching debt costs with capital structure. The weighted average cost of debt for the Company's debt was used to determine the expected return on debt. Calculations indicate no significant deviation between the Company's weighted capital cost of debt and prevailing market interest rates. The loan interest rate is 3.60%.

(V) Risk Adjustment Coefficient for Valuation Analysis Subjects ε

When determining the enterprise-specific risk adjustment factor, differences between the valuation subject and listed companies in terms of corporate scale, development stage, core competitiveness, and dependence on major customers and key suppliers must be considered. The specific risk factor is set at 1.25%.

(VI) Determination of Discount Rate

The discounted free cash flow rate for the enterprise was calculated at 6.70% by substituting the selected risk-free rate, risk premium, and other parameters into the discount rate estimation formula, weighted by the proportion of each capital component in the enterprise's total capital structure based on comparable companies.

IV. VALUE OF OPERATING ASSETS P

Substituting the expected free cash flow into the above formula, the value of operating assets of the Target Company is obtained as 2,550,907,300.

V. VALUE OF SURPLUS OR NON-OPERATING ASSETS

Surplus assets, non-operating assets, and liabilities include monetary funds required for non-routine operations existing as of the benchmark date.

Surplus assets consist of the Target Company's time deposits totaling 400,000,000.

Other receivables (internal transactions + interest), other current assets, other payables (construction payments), long-term payables, deferred income, deferred income tax liabilities, and non-current liabilities due within one year arising from the enterprise's non-operating activities. After calculation, the valuation conclusion for the enterprise's non-operating assets and liabilities is 468,568,700.

VI. VALUATION ANALYSIS RESULTS OF INCOME APPROACH

(I) Overall Value of the Enterprise B

Overall value of the enterprise B = value of operating assets P + surplus assets +non-operating assets (liabilities) value C
= 2,550,907,300 + 400,000,000 + 468,568,700
= 3,419,000,000 (RMB) (rounded to the nearest million)

(II) Value of Interest-bearing Debt D

As of the reference date, the interest-bearing debt of the Target Company was valued at 0.00 (RMB).

(III) Value of Minority Interests

As of the reference date, the Target Company had no minority interests.

(IV) Entire Equity Interest Value of Shareholders E

According to the above valuation analysis work and substituting each parameter into the formula, the entire equity interest value of shareholders of the Target Company is:

Entire equity interest value of shareholders = overall value of the enterprise B − value of interest-bearing debt D − value of minority interests M
= 3,419,000,000 –0.00-0.00
= 3,419,000,000 (RMB) (rounded to the nearest million)

VALUATION USING THE ASSET-BASED APPROACH

When conducting enterprise value analysis using the asset-based approach, the value of each asset should be determined by selecting an appropriate valuation method based on its specific circumstances. The valuation methods for each asset and liability are explained as follows:

I. MONETARY FUNDS

Monetary assets consist of bank deposits, including demand deposits, time deposits, and accrued interest, all denominated in Renminbi.

The valuation analysis of bank deposits adopted the method of reconciliation with the bank statement balance. If any unreconciled items were found, a bank reconciliation statement was first prepared to ensure that the accounts and actual balances are consistent; secondly, if the unreconciled items affected net assets, the carrying amount was adjusted accordingly. The valuation analysts reviewed bank statements and bank deposit balance reconciliation statements, and confirmed with the corresponding banks for bank accounts with large amounts. The results of their review and confirmation were consistent with the enterprise's carrying records, and the verified carrying amount was used as the valuation.

The enterprise has established accounts with banks and financial institutions including Industrial and Commercial Bank of China Limited Shantou Shanzhang Sub-branch, China Construction Bank Corporation Shantou Jinsha Sub-branch, and GDH Finance Co., Ltd., with a total carrying value of 443,271,700.

The valuation analysis result of bank deposits was 443,271,700, with no increase or decrease in valuation.

II. RECEIVABLES ASSETS

Receivables assets include accounts receivable, other receivables, and contract assets. After thorough verification, valuation analysts, based on confirmed receivables, utilize historical data and current investigative findings to specifically analyze the amounts, duration and reasons for delinquency, collection status, debtors' financial position, creditworthiness, and operational management conditions. Valuation analysts determine risk-weighted losses by distinguishing the following circumstances:

(1) For transactions involving large amounts, extended durations, and conclusive evidence of significant collection risks, the individual assessment method is applied to estimate risk losses through valuation analysis one by one.

(2) For transactions with related parties where there is sufficient justification to believe full recovery is probable, the estimated risk loss is zero.

(3) For all other accounts receivable arising from normal business operations, the aging analysis method is used to estimate valuation risk losses, referencing the enterprise's approach to provisioning for bad debt impairment.

The valuation analysis risk loss is determined based on the above criteria. The valuation is determined by subtracting the valuation analysis risk loss from the carrying amount of receivable assets. The allowance for doubtful accounts is valued at zero in accordance with relevant regulations.

A. Accounts Receivables

Accounts receivable represents water fees owed by customers in Jinping District, Longhu District, and Haojiang District of Shantou City. The balance of the carrying value is 26,683,700, with an allowance for doubtful accounts of 10,046,500, resulting in a total carrying value of 16,637,200.

The valuation analysis result for accounts receivable is 16,637,200, with no increase or decrease in valuation.

B. Other Receivables

Other receivables consist of principal amounts from internal fund transfers, temporary garbage collection fees, sewage treatment fees, and wages paid on behalf of companies such as Guangdong Water Investment Co., Ltd., Guangdong Yuehai Water Co., Ltd., Shantou Urban Development Corporation* (汕頭市城市開發總公司), and Shantou Chaonan Yuehai Environmental Protection Co., Ltd. The balance of carrying value is 984,855,400, with no allowance for doubtful accounts provided. The total carrying amount is 984,855,400.

The valuation analysis of other receivables resulted in 984,855,400, with no increase or decrease in valuation.

C. Contract Assets

Contract assets represent receivables from engineering payments due by National Security Bureau users. The balance of the carrying value is 74,100, with no allowance for doubtful accounts provision recorded. The carrying value is 74,100.

The valuation analysis result for contract assets is 74,100, with no increase or decrease in valuation.

III. PREPAYMENTS

Based on the verification of prepayments, the valuation analysts, with the help of historical data and current investigation, conducted a detailed analysis of the amounts, timing and reasons for outstanding balances, recovery status, and the financial condition, creditworthiness, and operational management status of debtors, and no evidence was found indicating that suppliers are bankrupt, dissolved, or unable to deliver goods as stipulated in contracts. The verified carrying amount was therefore taken as the valuation.

Prepayments primarily consist of advance payments for telecommunications fees, fuel expenses, and project payments to companies including China Telecom Corporation Limited Shantou Branch, China Petroleum & Chemical Corporation Guangdong Shantou Petroleum Branch, and Dalian Free Trade Zone Aotek International Industry and Trade Co., Ltd.*(大連保稅區奧泰克國際工貿有限公司), with a carrying value of 847,800.

The valuation analysis of prepayments resulted in 847,800, with no increase or decrease in valuation.

IV. INVENTORIES

Inventories consist of raw materials and contract fulfillment costs.

For inventory consumed in production and operations–raw materials–the valuation is determined based on the estimated purchase price of equivalent batches of inventory with the same purpose and quality as of the valuation reference date, plus reasonable transportation and miscellaneous fees, losses, inspection and sorting, and warehousing costs, and other reasonable expenses. Deductions are made for any obsolescence, deterioration, damage, scrapping, uselessness, or physical wear and tear of such inventory, thereby establishing the corresponding depreciation amount.

For contract fulfillment costs, verify the relevant costs associated with the project, including direct labor, direct materials and manufacturing overhead. The valuation is determined based on the verified carrying amount.

As the inventory valuations above have reasonably considered the impact of impairment factors, the inventory valuation allowance is zero.

A. Raw materials

Raw materials primarily include dry sludge pumps, liquid level switches, polyaluminum chloride (PAC), vertical rotor wet water meters, and cross valves for water meters. The balance of the carrying value is 5,586,700, with an accumulated impairment provision of 2,078,900, resulting in a net carrying value of 3,507,900.

The valuation analysis of raw materials resulted in 3,507,900, with no increase or decrease in valuation.

B. Contract Performance Costs

Contract performance costs represent the value of materials drawn for the project. The carrying value is 700, and the valuation analysis result is also 700, indicating no increase or decrease in valuation.

V. FIXED ASSETS–BUILDINGS AND STRUCTURES

(1) Selection of Valuation Methods

In accordance with national regulations on asset valuation analysis and adhering to the principles of independence, objectivity, impartiality, and scientific rigor, as well as other generally accepted valuation principles, we conducted necessary verification and technical investigations of the assets within the scope of the valuation analysis. We implemented other procedures deemed necessary and, based on this foundation, analyzed and assessed the applicability of the market approach, income approach, cost approach, and hypothetical development approach. Detailed analysis and assessment are provided in the subsequent discussion.

1. Market Approach

The market approach, also known as the comparative approach or market comparison method, refers to a collective term for valuation analysis methods that determine the value of an asset by comparing it with comparable reference objects, using the market prices of these comparable objects as the basis.

When selecting and applying the market approach, asset valuation professionals should consider the prerequisites for its application:

(1) Comparable properties for the valuation analysis subject have an open market with active transactions;

(2) Necessary information regarding the transactions is obtainable.

The market approach formula is: Comparable price of subject property = Comparable transaction price × Transaction date adjustment factor × Transaction circumstances adjustment factor × Regional conditions adjustment factor× Equity status adjustment factor× Physical condition adjustment factor

2. Income Approach

The income approach refers to a collective term for various valuation analysis methods that determine the value of an asset by capitalizing or discounting its expected future gains.

When selecting and applying the income approach, valuation professionals should consider its prerequisites:

(1) The future gains of the valuation subject can be reasonably anticipated and measured in monetary terms;

(2) The risks associated with the expected income can be quantified;

(3) The income period can be determined or reasonably anticipated.

The formula for the income approach is:

$$V = \sum_{i=1}^{n} \frac{A_i}{(1 + R)^i}$$

Wherein: V = Appraised real estate value;

Ai = Net gains of the appraised real estate in the i-th future year;

R = Real estate rate of return;

n = Number of years over which the appraised real estate can generate future gains.

3. Cost Approach

The cost approach refers to a collective term for valuation methods that follows the idea of rebuilding or replacing the valuation subject, uses the cost of reconstruction or replacement as the basis for determining the value of the valuation subject, and deducting relevant depreciation.

When selecting and applying the cost approach, asset valuation professionals should consider the prerequisites for its application:

(1) The valuation subject is in normal use or operational;

(2) The valuation subject can be obtained through replacement;

(3) The replacement cost of the valuation subject and related depreciation can be reasonably estimated.

The cost approach formula is:

Appraised real estate value = Replacement cost of real estate – Various types of depreciation of real estate

4. Assumption-Based Development Method

Assumption-based development method estimates the objective fair price or value of an appraised asset by subtracting anticipated normal development costs, standard taxes, and reasonable profit from its projected market price or value upon completion.

The formula for the assumption-based development method is:

Real estate value = market value after development completion – subsequent development costs – management expenses – sales expenses – sales taxes – interest – profit.

(II) Selection of Valuation Analysis Methods

1. Market Approach Applicability Analysis

The residential and commercial properties within the valuation analysis subject are situated in a region with a substantial volume of comparable real estate. This area exhibits high market activity, frequent transactions across various property types, and readily available transaction cases, making it suitable for valuation estimation using the market approach.

2. Analysis of the Applicability of the Income Approach

The office property of the valuation subject is located in an area with a substantial volume of comparable properties available for lease. The rental market is highly active, occupancy rates are high, and market rents are readily obtainable. Future property income can be forecasted, making the income approach suitable for valuation.

3. Analysis of Cost Approach Applicability

The production facilities, structures, and pipeline trenches of the valuation analysis unit represent real estate with limited market transactions and unclear income streams. However, indicators such as building-related development costs, taxes, and developer profits can be obtained through relevant documentation or comparison with similar cases. Therefore, the cost approach is suitable for estimation.

4. Analysis of the Applicability of the Assumption-Based Development Method

The assumption-based development method is suitable for valuing real estate with investment development or redevelopment potential. This includes valuing land for development (including raw land, undeveloped land, and cultivated land), valuing cultivated land developed from raw land or undeveloped land, valuing real estate properties pending redevelopment and demolition, valuing older real estate with renovation potential, and valuing construction-in-progress projects. However, for undeveloped properties with planning conditions that remain undetermined, it is difficult to apply the assumption-based development method for valuation.

The subject of this valuation analysis is a completed property that was built and put into use many years ago. It is used in the same manner as comparable properties in the surrounding area and does not require any reconstruction. Therefore, the assumption-based development method is not appropriate.

In summary, this valuation analysis adopts the market approach, income approach, and cost approach for calculation.

(III) Technical Description of Building Valuation

1. Overview of buildings, pipelines and trench systems subject to valuation

The buildings subject to this valuation are owned by Shantou Guangdong Water Co., Ltd.* and located in Shantou City, serving purposes including water supply, office space, and residential use. They comprise 119 housing structures such as the Water Quality Building, Taiye Building Tower A Office Building, and Longyanyuan North District Garage. These buildings function as office buildings and factories for Shantou Guangdong Water Co., Ltd.*, with some of them being supported by property ownership certificates.

Shantou Guangdong Water Co., Ltd.* has laid pipelines comprising seven different materials: ductile iron pipes DN80-DN2000, approximately 212.02 kilometers; UPVC pipes DN100-500, approximately 5.74 kilometers; PE pipes DN25-1000, approximately 182.20 kilometers; Cement pipes DN500-1600, approximately 92.27 kilometers; Steel pipes DN32-2400, approximately 1,979.69 kilometers; Galvanized pipes DN15-200, approximately 39.70 kilometers; Plastic-coated galvanized pipes DN50-300, approximately 544.47 kilometers. Total pipeline network consists of 1,487 pieces, with a combined length of approximately 3,056.12 kilometers. Located in Shantou City, this project currently serves as the primary tap water supplier for Shantou. Its water supply pipelines cover both the urban areas of Shantou City and the central urban districts (Jinping District, Longhu District, and Haojiang District). The primary water supply model involves delivering water to users through water pipelines.

2. Case study of building valuation using the cost approach

This valuation describes the "Water Quality Building" as a case study (Item 19 in the valuation schedule under "Fixed Assets–Buildings (Concession Rights)").

(1) Overview of building case studies

The Water Quality Building was completed in December 2013. It is a six-story reinforced concrete structure with a total floor area of 5,131.00 m^2. The building features a 4-meter ceiling height on the first floor and 3.5-meter ceiling heights on the remaining floors. Its foundation consists of prestressed pipe piles. As of the valuation date, the building was being used as an office building by its owner.

(2) Calculation of the development cost of buildings to be valued (VB)

After market comparison adjustments, the replacement unit price for this building is set at 2,856/m^2.

(3) Calculation of preliminary engineering cost E

Tax-inclusive preliminary cost = 2,856 × 6% = 171/m^2 (rounded to the nearest whole number).

(4) Calculation of construction tax F

The carrying value excludes construction taxes, hence the construction tax is 0.

(5) Calculation of development costs

Tax-inclusive development cost VB	= Tax-inclusive construction cost VB1 + Tax-inclusive pre-construction expenses E + Construction taxes F
	= 3,074.00/m^2

(6) Calculation of investment interest G

Investment interest = (total construction and installation costs + preliminary engineering costs + construction taxes) × interest rate × development cycle/2 = 47/m^2 (rounded to the nearest whole number)

(7) Deductible VAT

Deductible VAT unit price = tax-inclusive construction and installation cost/1.09 × 9% + tax-inclusive preliminary and other expenses (excluding construction enterprise management fees)/1.06 × 6% = 236/m^2 (rounded to the nearest whole number)

(8) Calculation of development profit H

Development profit = (total construction and installation costs + preliminary engineering costs + construction taxes – deductible VAT) × profit margin = 140/m^2

(9) Tax-exclusive replacement unit value

Tax-exclusive building replacement unit value V1 = development cost VB + investment interest G + development profit H – deductible VAT = 2,970/m^2 (rounded to the nearest ten)

Total replacement value = 2,970 × 5,131.00 = 15,239,100.00 (rounded to the nearest hundred)

(10) Building newness rate J

Comprehensive newness rate = newness rate over useful life × 40% + on-site inspection newness rate × 60% = 82% (rounded to two decimal places)

(11) Calculation of market value for buildings under appraisal

Market value (total price) of buildings under appraisal	= replacement cost of the building × newness rate J = 15,239,100.00 × 82% = 12,496,100.00 (rounded to the nearest hundred)

3. Explanation of the market approach valuation for residential real estate

The market comparison method formula is:

Comparable price = comparable transaction price V0 × transaction condition adjustment factor Az × market condition adjustment factor Bz × property condition adjustment factor Fz

Using the direct comparison correction and adjustment formula, namely:

$$V=V_0\times \frac{A}{A_0}\times \frac{B}{B_0}\times \frac{F}{F_0}$$

Wherein: V= comparable price of the valuation subject;

V_0=transaction price of comparable instances;

A= normal real estate market price index;

A_0=actual transaction price index of comparable instances;

B= real estate price index on the valuation analysis benchmark date of the valuation subject;

B_0=real estate price index on the transaction date of comparable instances;

F= price index reflecting the condition of the valuation subject's real estate;

F_0= price index reflecting the condition of comparable instances' real estate.

We take Unit 205 at No. 142 Shanzhang Road, Shantou City, listed as Item 4 in the Property Valuation Analysis Schedule, as an example.

The subject property for valuation analysis has obtained the Real Estate Ownership Certificate, with certificate number "Guangdong (2021) Shantou Real Estate Rights Certificate No. 0066606," registered under the ownership of Shantou Guangdong Water Services Co., Ltd.*. The property's land ownership is classified as state-owned construction land use rights, with a total parcel area of 466.75 m^2. The building area is designated for urban residential use, with the planned property use being residential. The acquisition method is through transfer. The state-owned construction land use right is valid from 11 January 1992 to 10 January 2062. The real estate unit number is 440511008004GB00077 F00010004.

(1) Selection of comparative cases

A. Selection principles

Comparable properties refer to real estate within the same supply-demand zone as the valuation subject, sharing identical or similar characteristics in terms of use, scale, grade, and building structure. The selection principles for reference cases in this valuation analysis primarily adhere to the requirements outlined in the valuation standards.

B. Selection process

Following an investigation of sales transactions for comparable properties in the vicinity of the subject property, we randomly sampled multiple comparable cases within the same supply-demand zone. After screening, the following three cases were ultimately selected as the most closely aligned with the valuation analysis subject's comprehensive factors for use in the valuation calculation:

Comparative case 1: a residential unit in Jinzhangyuan Community, No. 61 Shanzhang Road, Jinping District, Shantou City.

Reasons for selecting this case:

a. Case purpose: both the case and the valuation analysis subject are residential properties;

b. Case structure: both the case and the valuation analysis subject are in buildings that are reinforced concrete structures;

c. Case location: both the case and the valuation analysis subject are located in Jinping District, Shantou City, within the same supply-demand zone;

Comparative case 2: A residential unit at No. 48 Shanzhang Road, Jinping District, Shantou City.

Reasons for selecting this case:

a. Case purpose: both the case and the valuation analysis subject are residential properties;

b. Case structure: both the case and the valuation analysis subject are in buildings that are reinforced concrete construction;

c. Case location: both the case and the valuation analysis subject are located within Jinping District, Shantou City, within the same supply-demand zone;

Comparative case 3: a residential property at No. 104 Guanghua Road, Jinping District, Shantou City.

Reasons for selecting this case:

a. Case purpose: both the case and the valuation analysis subject are residential properties;

b. Case structure: both the case and the valuation analysis subject are in buildings that are reinforced concrete structures;

c. Case location: both the case and the valuation analysis subject are located in Jinping District, Shantou City, within the same supply-demand zone.

(2) Transaction adjustment factor Az (Az＝A/Ao)

For valuation analysis purposes, the transaction status of the subject real estate is set as a normal transaction, with its transaction status index A = 100;

The valuation analysts revised the transaction index of the three comparative cases and the valuation analysis subject based on the on-site inspection and the information they possessed.

(3) Transaction date adjustment Bz（Bz＝B/Bo）

For comparison cases 1, 2, and 3, the listing transaction dates are all December 2024, which is close to the valuation analysis date. Therefore, the price index Bo = 100 is used for the listing transaction dates of comparison cases 1, 2, and 3;

Thus, the listing transaction date adjustment factor Bz (1/2/3) = 100/100 = 1.

(4) Real estate condition adjustment factor Fz

Real estate condition encompasses location status, physical condition, and equity status.

A. Location adjustment

Based on site inspections and available data, the valuation analyst conducted a comparative analysis of the location characteristics between the three comparable cases and the subject property.

B. Physical Condition Adjustments

Based on site inspections and available data, the valuation analyst conducted a comparative analysis of the physical condition between the three comparable cases and the subject property.

C. Equity Conditions Adjustment

Based on site inspections and available data, the valuation analyst conducted a comparative analysis of the equity condition between the three comparable cases and the subject property.

D. Comparable Price Calculation

Case 1: Comparable Price G1 = Comparable Transaction Price V01 × Az1 × Bz1 × Fz1 = 4,012/m^2;

Case 2: Comparable Price G2 = Comparable Transaction Price V02 × Az2 × Bz2 × Fz2 = 4,284/m^2;

Case 3: Comparable Price G3 = Comparable Transaction Price V03 × Az3 × Bz3 × Fz3 = 4,281/m^2.

The Comparable Prices for the three comparison cases above are similar and consistent with market standards. Therefore, the arithmetic average of the three results is used as the market comparison method's calculation result:

Unit price of the case to be assessed = (G1 + G2 + G3) ÷ 3 = 4,200/m^2 (rounded to the nearest ten).

(IV) Valuation Results

The housing and building assets reported by the appraised subject were valued using the cost approach, market approach, and income approach. The valuation results are as follows:

Account Name	Carrying amount		Amount of impairment provision	Valuation		Appreciation Amount	
	Original Value	Net Value		Original Value	Net Value	Original Value	Net Value
Fixed assets – Buildings and structures	3,642,353.36	740,939.75	0	8,851,600.00	8,851,600.00	5,209,246.64	8,110,660.25
Fixed assets – Structures and other auxiliary facilities	475,624.79	424,792.41	0	483,000.00	444,400.00	7,375.21	19,607.59
Total	**4,117,978.15**	**1,165,732.16**	**0**	**9,334,600.00**	**9,296,000.00**	**5,216,621.85**	**8,130,267.84**

Account Name	Carrying amount	Amount of impairment provision	Valuation	Appreciation Amount
Intangible assets – Buildings and structures (franchise rights)	148,189,418.39	0	189,487,900.00	41,298,481.61
Intangible assets – Structures and other auxiliary facilities (franchise rights)	161,474,576.71	0	172,984,800.00	11,510,223.29
Total	**309,663,995.11**	**0**	**362,472,700.00**	**52,808,704.89**

(V) Analysis of Valuation Increases and Decreases

In recent years, the market price of building materials has shown an overall upward trend, leading to an increase in the original valuation of such assets. The accounting depreciation period for the buildings of the valuation subject unit is shorter than the actual period adopted for valuation, resulting in an increase in the valuation of the buildings. Appreciation of pipeline trenches: Due to the early construction time of the pipelines, the rising costs of labor, materials and machinery have led to an increase in replacement costs, resulting in an increase in the original value and net value of the valuation.

Meanwhile, the completion dates for these assets range from 1962 to 2004. In recent years, the overall market prices of construction materials have shown an upward trend, leading to an increase in the original value of such assets. The shorter accounting depreciation period for buildings of the valuation subject compared to the actual period used in the valuation process has also contributed to the increase in valuation of the buildings.

VI. INTANGIBLE ASSETS – LAND USE RIGHTS

A total of 18 land use rights were valued using both the benchmark land price coefficient modification method and the market comparison method.

The benchmark land price coefficient modification method uses the benchmark land price determined and published by the government for the land parcel where the land use rights are held by valuation analysis unit. By analyzing the factors influencing the land price of the parcel being valued and utilizing the parcel price modification system, adjustments are made to transaction date, regional factors, and individual factors. This method estimates the objective value of the land parcel being valued by modifying the benchmark land prices for similar land uses of the same grade or in the same area that have been published in various towns and cities. The basic formula is:

$$V=V_{1b}\times(1\pm\sum K_i)\times K_j$$

Where: V: Land price;

V_{1b}: Base land price for a specific land use at a specific land class;

$\sum$Ki: Land price of land parcel adjustment factor;

K_j: Other adjustment factors such as valuation date, floor area ratio, and land use period.

The market comparison method compares the land parcel to be appraised with similar land transactions that have occurred in the recent period. Based on the known price of the latter, and taking into account the differences in the land transaction conditions, dates, regions, and individual factors, the land price of the land parcel to be appraised on the valuation reference date is adjusted. The basic formula is:

Valuation of the land parcel = comparable price of land parcel × transaction circumstance adjustment Factor × transaction date adjustment factor × regional factor adjustment factor × individual factor adjustment factor × applicable term adjustment factor

(I) Land Use Rights Valuation Scope

18 land use rights parcels were included in this valuation. Their area, acquisition method, original carrying value, and net carrying amount are shown in the table below:

Serial Number	Land Parcel Name	Acquisition method	Area (square meters)	Original carrying value (RMB)	Net carrying amount (RMB)	Remarks
1	103, 105, 107 Shanzhang Road	Allotment	1,599.00	997,425.69	759,499.04	
2	Qingzhou Salt Field Pump Station (18.618 acres)	Transfer	12,412.19	6,922,799.54	5,271,429.06	
3	Land of "60 acres"	Transfer	32,320.99	31,835,012.77	24,241,061.73	
4	Plot 03B4 in the Shengping Second Industrial Zone, Shantou City	Transfer	3,323.81	3,201,820.26	2,438,055.20	
5	Longhu Block 46 (Emergency Water Plant Warehouse)	Allotment	13,500.00	7,155,000.00	5,448,240.26	
6	Shuankouyang Section, Hepu District, Shantou City (Hepu Management Office Booster Station)	Transfer	17,664.20	7,573,556.90	5,766,954.24	
7	Hepu District Central District, Shantou City (Hepu Management Office Land)	Transfer	14,874.70	7,820,425.70	5,954,934.85	
8	In front of Shuangquan Temple, Haojiang (Haojiang Sales Office)	Transfer	6,852.40	3,537,068.00	2,693,332.85	
9	Land of Anbu Water Plant	Requisition	52,900.00	19,438,816.59	14,801,864.68	
10	Kecuowei, Fudongcun Road (Dongdun Water Plant Pumphouse 1)	Allotment	5,788.10	4,989,342.00	3,799,180.06	
11	Dongdun Water Plant, Fenghuangshan Road	Allotment	26,875.30	10,639,956.56	8,101,892.24	
12	North of Xiapu Bridge, Shanzhang Road, Longhu District, Shantou City (Xinjin Water Plant)	Requisition	93,941.00	44,042,309.74	33,536,419.85	
13	West of Yuepu Hudi Road (Yuepu Water Plant)	Transfer	145,223.81	116,286,454.67	88,459,066.79	
14	West of Dangshigongxie (Luoshi Booster Pump Station)	Allotment	13,099.80	3,143,952.00	2,393,990.83	
15	Land of University Road Booster Pump Station	Transfer	14,003.00	10,598,116.32	8,070,032.47	
16	North of the Coal Ash Pond of Huaneng Power Plant (Nanbin Pump Station)	Transfer	21,200.40	11,815,343.30	8,996,901.38	
17	North of Shanda Highway, Luoluyang (Songzaishan Booster Pump Station Land)	Allotment	12,000.00	2,970,805.02	2,303,517.47	
18	Allocated Plot 1 of C01-019 at the Intersection of Taishan Road and Hanjiang Road, and Plot 2 of C01-019 at the Intersection of Taishan Road and Hanjiang Road	Transfer	6,639.05	12,030,798.66	10,733,359.60	
Total			494,217.75	304,999,003.72	233,769,732.60	

(III) Land Use Rights Valuation Process Using the Market Approach

The market comparison method calculation formula is:

Comparable price = comparable transaction price V_0 × transaction adjustment factor Az × market adjustment correction factor Bz × real estate adjustment factor Fz

The direct comparison adjustment and correction formula is as follows:

$$V=V_0\times \frac{A}{A_0}\times \frac{B}{B_0}\times \frac{F}{F_0}$$

Where: V = Comparable price of the valuation subject;

V_0 = Transaction price of the comparable example;

A = Normal real estate market price index;

A_0 = Actual transaction price index of comparable examples;

B = Real estate price index at the valuation time of the subject property;

B_0 = Real estate price index at the transaction date of comparable examples;

F = Price index of the condition of the subject property;

F_0 = Price index of the condition of comparable examples.

1. Selection of Comparative Cases

(1) Selection Principles

For the valuation subject is the land use rights of 145,223.81 m^2 on the west side of Yuepu Hudi Road (Yuepu Water Plant) at No. 13, reference cases should generally be selected from the same supply-demand zone as the valuation subject. These cases should share identical or similar characteristics in terms of use, scale, grade, and building structure.

(2) Selection Process

By searching landchina.com and investigating the sales status of the land parcels with the same or similar uses and consulting with real estate agents, we randomly selected multiple comparative cases within the same supply and demand circle. We then screened and ultimately determined the following three cases that were closest to the comprehensive factors of the valuation subject as comparative cases for calculation:

Comparative Case 1: Guangdong Xinquan Technology Co., Ltd.* (廣東新泉科技有限公司), located in Jinping District, Shantou City.

Reasons for selecting the case:

a. Case Use: The case and the valuation subject share the same industrial land use.

b. Case Scale: The case and the valuation subject are of similar size.

c. Case Location: Both the case and the valuation subject are located in Jinping District, Shantou City, with similar supply and demand zones.

Comparative Case 2: Land used by Guangdong Gaoboer New Materials Co., Ltd.* (廣東高博爾新材料有限公司), located in Jinping District, Shantou City.

Reasons for selecting the case:

a. Case Use: The case and the valuation subject share the same industrial land use.

b. Case Scale: The case and the valuation subject are of similar size.

c. Case Location: Both the case and the valuation subject are located in Jinping District, Shantou City, with similar supply and demand zones.

Comparative Case 3: Shantou Tianfu Food Co., Ltd.* (汕頭市天富食品有限公司) is located in Jinping District, Shantou City.

Reasons for selecting the case:

a. Case Use: The case and the valuation subject share the same industrial land use.

b. Case Scale: The case and the valuation subject are of similar size.

c. Case Location: Both the case and the valuation subject are located in Jinping District, Shantou City, with similar supply and demand zones.

2. Transaction Condition Adjustment Factor Az (Az = A/Ao)

For valuation purposes, the transaction conditions of the real estate being appraised are assumed to be normal, with the transaction condition index A = 100;

According to the investigation, the prices of the comparative cases [1/2/3] are all normal transaction prices, so the transaction condition adjustment factor A = 100;

The valuation analysts revised the transaction condition index of the three comparative cases and the valuation analysis subject based on the on-site inspection and the information they possessed.

3. Transaction Date Adjustment Bz (Bz = B/Bo)

The transaction date of the land parcel to be appraised is relatively close to that of the three comparative examples, and the level of industrial land in Shantou City has been relatively stable in recent years. Therefore, no adjustments are made.

4. Real Estate Condition Adjustment Factor Fz

Real estate conditions include location conditions, physical conditions, and equity conditions.

(1) Location Condition Correction

Based on on-site inspections and available data, the valuer conducted a comparative analysis of the location conditions of the three comparative examples and the valuation subject.

The valuation analysts revised the location condition of the three comparative cases and the valuation analysis subject based on the on-site inspection and the information they possessed.

(2) Physical Condition Adjustments

Based on on-site inspections and available data, the valuer conducted a comparative analysis of the physical conditions between the three comparative cases and the valuation subject.

The valuation analysts revised the physical condition of the three comparative cases and the valuation analysis subject based on the on-site inspection and the information they possessed.

(3) Equity Status Adjustment

The valuation analysts revised the equity condition of the three comparative cases and the valuation analysis subject based on the on-site inspection and the information they possessed.

Comparable Price Calculation

Case 1: Comparable price G1 = Comparable Transaction Price V01 × Az1 × Bz1 × Fz1 = 1,184/square meters;

Case 2: Comparable price G2 = Comparable Transaction Price V02 × Az2 × Bz2 × Fz2 = 1,047/square meters;

Case 3: Comparable price G3 = Comparable Transaction Price V03 × Az3 × Bz3 × Fz3 = 1,012/square meters.

The comparable prices for the three comparative cases are similar and consistent with market standards. Therefore, the arithmetic average of the three results is used as the market comparison method calculation result:

Land unit price calculated using comparable price = (G1 + G2 + G3) ÷ 3 = 1,080/m^2 (rounded to the nearest ten).

5. Land Use Rights Valuation

Total land valuation = land valuation unit price × land area

= 1,080 × 145,223.81

= 156,841,700.00 (dollar, rounded to the nearest hundred)

(IV) Valuation Results

Account Name	Carrying amount		Amount of impairment provision	Valuation		Appreciation Amount	
	Original value	Net value		Original value	Net value	Original value	Net value
Intangible assets – Land use rights	304,999,003.72	233,769,732.60	0	/	364,443,300.00	/	130,673,567.40

(V) ANALYSIS OF VALUATION INCREASES AND DECREASES

The land parcels to be appraised were acquired through transfer and allotment. Having been obtained at an earlier time, the lands have undergone significant appreciation in transaction prices across various land uses over the years. This factor is the main reason for the increase in valuation. According to the land price monitoring data released by the China Land Price Information Service Platform, the land price level in Shantou City for the fourth quarter of 2016 was 2359/square meter (the current carrying value of the Target Company is based on the "Valuation Report on the Entire Equity Interest Value of Shareholders of Shantou Water Supply Co., Ltd.* Involved in the Proposed Capital Increase and Share Expansion of Guangdong Water Group (H.K.) Limited", re-recorded on the valuation reference date of 31 December 2016). The land price level in the third quarter of 2021 prior to the suspension of updates was 3080/square meter, with an increase of 30.56%. Taking the land use right of 145223.81m^2 of West of Yuepu Hudi Road (Yuepu Water Plant) (item 13 in the "Intangible Assets – Land Use Right Valuation Analysis Schedule") as an example, the last valuation selected three cases with transaction prices ranging from 1170/square meter to 1400/square meter.

The valuation reference date is 31 December 2024. During the valuation process, three recent auction, tender, and listing cases from Jinping District, Shantou City, as recorded on China Land Market Network were selected, with transaction prices ranging from 1424.60/square meter to 1667.68/square meter. The increase in land prices has led to an increase in the original valuation of such assets. The shorter accounting amortization period for the land use rights of the valuation subject compared to the period actually used in the valuation also resulted in an increase in the valuation of the land use rights.

VII. OTHER CURRENT ASSETS

Other current assets include overpaid local education surcharges, and vehicle and vessel use taxes, with a total carrying amount of 30,400.

The valuation analysts verified the account records and examined original vouchers and other relevant materials to verify the authenticity and amounts of the items. After confirming that the corresponding assets or rights of the other current assets can be recovered in the future, they were valued at their carrying amount.

The valuation analysis of other current assets resulted in a total of 30,400, indicating no increase or decrease in the valuation.

VIII. EQUIPMENT ASSETS

Equipment assets include machinery, electronic equipment and vehicles. This valuation analysis uses the market approach for computers and vehicles with long service lives, while the replacement cost approach is used for other equipment.

The replacement cost approach first estimates the full replacement cost of the equipment as of the valuation reference date. Based on the equipment's current maintenance status and projected future usage, deductions are made for physical depreciation, as well as potential functional and economic depreciation, to determine the valuation of the equipment. The various depreciation factors can be comprehensively calculated using the newness rate. The formula for the replacement cost method is:

Equipment valuation = full replacement cost × comprehensive newness rate

(1) Full replacement cost

A. Full replacement cost of machinery and equipment

The full replacement cost of machinery and equipment consists of the replacement cost of equivalent or similar equipment, freight and miscellaneous charges, installation and commissioning fees, basic fees, other expenses including process production joint trial operation and preparation fees, necessary preliminary expenses and other preliminary expenses for fixed asset investment, and interest on occupied funds.

Formula for calculating the full replacement cost:

Full replacement cost = replacement cost of equipment itself + freight and miscellaneous charges + installation and commissioning fees + basic fees + preliminary expenses and other expenses + interest

For general-purpose equipment, the replacement cost is generally determined using the current market price. Of which, for equipment where market prices on the valuation date can be obtained by inquiring with manufacturers, agents, or distributors, the market price shall be used to determine its acquisition cost; for equipment for which market prices cannot be obtained through inquiries, the purchase price should be determined by consulting recent electromechanical product price information and online price inquiries.

The replacement cost of the equipment itself does not include deductible input value-added tax.

Equipment freight and miscellaneous charges refer to the transportation costs from the equipment's place of production to the equipment's installation site. The freight and miscellaneous charges rate is based on the equipment's purchase price and varies depending on the distance between the manufacturer and the equipment's installation location. If the replacement cost of the equipment itself already includes freight and miscellaneous charges, they will not be calculated separately.

Installation and commissioning fees, as well as basic fees, include installation engineering fees, equipment commissioning fees, and basic fees. These fees are calculated based on the equipment's process requirements, weight, and installation difficulty, with reference to relevant information including the industry estimates, and are calculated based on the equipment's purchase price (including tax) and different installation and commissioning rates and basic rates.

For small equipment that doesn't require installation, installation and commissioning fees are excluded. For equipment that does not require a separate foundation, basic fees are not considered. If the replacement cost of the equipment itself already includes installation and commissioning fees and basic fees, they will not be calculated separately.

The equipment being appraised is a single unit, and upfront and other costs are excluded.

The equipment to be appraised has a relatively short construction period, so capital costs are excluded.

B. Full Replacement Cost of Transport Vehicles

Based on recent vehicle market price data, including local automobile market sales information, determine the current purchase price of the transport vehicle. On this basis, the vehicle purchase tax, new vehicle registration and license fees, and other factors are factored into the vehicle purchase tax and new vehicle registration and license fees in accordance with the Vehicle Purchase Tax Law of the People's Republic of China to determine the full replacement cost. The calculation formula is as follows:

Full replacement cost = current purchase price + Vehicle purchase tax + new vehicle registration fees

C. Full Replacement Cost of Electronic Equipment

Based on recent vehicle market price data, such as local market information, the full replacement cost is determined according to its recent purchase price. The full replacement cost of electronic equipment excludes deductible input value-added tax.

(2) Comprehensive Newness Rate

The comprehensive newness rate of equipment is determined through on-site inspection to comprehensively assess factors such as the original manufacturing quality, current operational status, usage and maintenance history, as well as performance upgrades and technological advancements in comparable equipment. This comprehensive newness rate is established by considering the physical depreciation, functional depreciation, and potential economic depreciation of the equipment.

In the specific calculation, the newness rate over useful life and the on-site inspection newness rate are determined based on the equipment's economic useful life and the results of the on-site inspection respectively. These rates are then weighted to derive the comprehensive newness rate. The calculation formula is as follows:

Comprehensive newness rate=newness rate over useful life ×40%＋on-site inspection newness rate ×60%

In particular:

The newness rate over useful life is calculated based on the ratio of the equipment's consumed useful life to its total life, with the total life determined based on national and industry-related regulations or relevant statistical data. For general equipment, the useful life can be calculated by time unit (useful life); for vehicles, the useful life can be calculated by mileage. The calculation formula of newness rate over useful life:

Newness rate over useful life =remaining useful life/(actual years of use + remaining useful life) ×100%

The on-site inspection newness rate is derived by valuation analysts through on-site inspection, analyzing, summarizing, and concluding the obtained equipment condition information, and then judging the degree of wear and tear and depreciation rate of the equipment based on experience. For electronic equipment, given its relatively short useful life, the newness rate over useful life essentially reflected the overall condition of the equipment, so there is no need to additionally consider the on-site inspection newness rate for the electronic equipment in this instance.

The market approach is a valuation analysis method for determining asset value based on the prevailing market prices (excluding taxes) of comparable assets in the real market. The valuation is derived by referencing transaction prices of comparable or similar equipment in the market, conducting a comparative analysis and applying adjustments based on differences in transaction status, transaction date, geographic location, and asset condition between the analysis valuation subject and comparable cases.

Formula for valuation analysis of equipment under the market approach:

Value of valuation analysis subject=∑ (comparable price × weight)

Comparable price = transaction price of comparable cases × transaction status adjustment factor × transaction date adjustment factor × regional adjustment factor × asset condition adjustment factor

(3) Carrying Amount of Equipment Assets and Valuation Analysis Results

A. Machinery and Equipment

The machinery and equipment belong to the water supply industry, and the equipment is mainly electromagnetic flowmeters. The overall technical performance of the machinery and equipment meets the current production needs of the enterprise.

The enterprise currently implements a dynamic maintenance and scheduled maintenance system for equipment. The equipment is well managed and operation are normal. The operating environment for machinery and equipment is favorable, meeting the performance requirements of the equipment.

The original carrying amount of the machinery and equipment is 5,449,800. The carrying amount is 3,887,900 and the valuation analysis result is 3,863,600, with a decrease in valuation of 24,300.

B. Vehicles

The vehicles subject to this valuation consist of 25 items, mainly including Jinbei multi-purpose vans, Baojun 7-seater commercial vehicles, Buick commercial vehicles and Isuzu light trucks, purchased between 2007 and 2024. Currently, the above vehicles are in normal operation, maintenance and usage.

The original carrying amount of the vehicles is 3,680,700. The carrying amount is 1,847,900 and the valuation analysis result is 2,034,700, with an increase in valuation of 186,800.

C. Electronic Equipment

The electronic equipment subject to this valuation consists of 907 items, mainly including office equipment and furniture used by the enterprise, such as computers, air conditioners, and sofas.

Office electronic equipment was procured between 2002 and 2024. Management of electronic equipment is handled by the respective user departments, which maintains records and implements a system of dynamic maintenance and regular servicing. Currently, the electronic equipment is operating normally.

The original carrying amount of the electronic equipment is 20,485,300. The carrying amount is 12,557,000 and the valuation analysis result is 10,441,600, with a decrease in valuation of 2,115,400.

(4) Machinery and Equipment Valuation Analysis Case Study

A. Equipment Overview

Name and serial number: Electromagnetic flowmeter with remote transmission and pressure (item 2 in schedule 4-8-5)

Specification model: Twinsun DN50

Manufacturer: Twinsun DN50

Original carrying amount: 19,185.13

Net carrying amount: 5,600.46

Purchase date: January 2017

Commissioning date: January 2017

Quantity: 1

Main technical specifications: Inner diameter 50mm, outer diameter 56mm, wall thickness 3mm

B. Determination of Full Replacement Cost

Upon inquiry with the supplier, the tax-inclusive market selling price for the electromagnetic flowmeter on the valuation reference date was 19,298.00, namely:

C1=19,298.00/1.13=17,100.00 (rounded to the nearest hundred)

Based on the actual condition of the equipment subject to valuation, the purchase price of the equipment included freight and miscellaneous charges, so the freight and miscellaneous charges will not be considered separately, that is:

C2=0.00

Based on the actual condition of the equipment subject to valuation, the purchase price of the equipment does not include installation and commissioning fees. Therefore, the installation and commissioning fee rate is separately considered to be 5%, that is:

C3=19,298.00 × 5%/1.06=910.28

Other expenses include various design fees, management fees, training fees, etc., incurred for the acquisition, construction, and commissioning of the equipment subject to valuation. Based on the actual condition of the equipment subject to valuation, other expenses are no longer considered, that is:

C4=0.00

The construction period for the equipment to be valued is relatively short, and capital costs are not considered.

Full Replacement Cost = (C1+C2+C3+C4+C5) × quantity
= (17,100.00+0.00+910.28+0.00+0.00) × 1
=18,000.00 (rounded to nearest hundred)

C. Determination of Newness Rate

The newness rate is determined by the theoretical useful life method and the on-site inspection method, calculating the theoretical newness rate over useful life N1 and the on-site inspection newness rate N2 and then obtaining the newness rate N by weight average, that is:

N=N1 × 40%+N2 × 60%

As of the valuation reference date, the equipment has been in use for 7.94 years, with a remaining useful life of 7.06 years. The valuation analysts determined\ the remaining useful life of the equipment based on its actual usage and economic life:

Newness rate over useful life = remaining useful life/(actual years of use + remaining useful life)
= 7.06/(7.94+7.06)
= 47% (rounded)

The valuation analysts conducted on-site investigations with equipment operators and maintenance personnel, performed on-site tests to determine if the equipment was operating normally, visually inspected key components of the equipment to be valued and combined factors such as the original manufacturing quality, usage, wear and tear, maintenance, major repairs, technical modifications, physical life, working environment, current technical condition, integrity rate, and failure rate of the equipment learned on-site. They compared the equipment to be valued with its brand-new state, examined the impact of wear and tear from usage and natural deterioration on the asset's functionality and operational efficiency, and comprehensively determined the on-site newness rate by scoring the main components.

Item	Technical condition	Standard score	Appraisal score
Equipment appearance	Equipment appearance was generally acceptable	30	15
Function of the equipment	The equipment functioned normally, with normal flow detection	30	15
Equipment control	The equipment operated normally under standard control conditions and functioned properly within normal temperature and humidity ranges	40	15
Total		100	45

The overall functionality of the equipment is relatively complete. Therefore, the valuation analysis disregards any potential functional depreciation factors. The equipment is primarily used within the plant area, and no abnormal idle situations have been found. Hence, the valuation analysis also excludes economic depreciation factors.

In summary, the valuation analysis only considers the physical depreciation factors of the equipment. That is, the comprehensive newness rate of the equipment to be valued is determined through on-site inspection to comprehensively assess factors such as the original manufacturing quality, current operational status, usage and maintenance history of the equipment. The newness rate is established by comprehensively considering the physical depreciation of the equipment.

Comprehensive newness rate = theoretical newness rate over useful life × 40%+ on-site inspection newness rate ×60%
= 47%×40%+45%×60%
= 46%

Valuation =full replacement cost × comprehensive newness rate
=18,000.00×46%
=8,300.00

(5) Vehicle Valuation Analysis Case Study

A. Basic Information of Vehicle:

Vehicle name and number: Buick Business (vehicle item 8 in schedule 4-8-6)

License plate: Yue D290T0

Specification model: SGM6522UBA2 (GL8)

Approved passenger capacity: 7 persons

Manufacturer: Buick

Mileage traveled: 77,963.00 kilometers

Purchase date: December 2019

Commissioning date: December 2019

Original carrying amount: 401,369.00

Net carrying amount: 210,757.61

B. Vehicle Main Technical Parameters:

Vehicle model: SGM6522UBA2 (GL8)

Engine model: 2.0T 260 HP L4

Front wheel track: 1,612mm

Rear wheel track: 1,626mm

Engine power: 191kW

Curb weight: 1,960kg

Vehicle Inspection Findings:

The vehicle is mainly used for daily business reception and undergoes scheduled maintenance. It was manufactured to a high standard. As of the valuation reference date, the vehicle has been in service for approximately 5 years, with a mileage of approximately 77,963.00 kilometers. After on-site inspection of the main components of the vehicle, including the engine, chassis, suspension system, steering mechanism, and cooling system, the valuation analysts concluded that the vehicle possesses complete mechanical components, and is in generally normal overall condition. The engine functions normally, and the interior is in normal condition.

C. Determination of the Original Replacement Value

Based on the price information on the valuation reference date and inquiries with the car dealer, the tax-exclusive purchase price of the vehicle on the valuation reference date was 327,300.00.

Vehicle purchase tax =327,300.00 × 10%=2,730.00

License fees and other necessary expenses were 500.00.

Therefore, the original replacement value = tax-exclusive vehicle purchase price+ purchase tax +license fees and other necessary expenses
= 327,300.00+2,730.00+500.00
= 360,500.00 (rounded to the nearest hundred)

D. Calculation of Newness Rate

According to the Provisions on Compulsory Scrapping Standards for Motor Vehicles (Ministry of Commerce, Development and Reform Commission, Ministry of Public Security and Ministry of Environmental Protection Order 2012 No. 12), the vehicle is a non-operating vehicle, with both its service life and mileage falling within the scope stipulated by national regulations.

The vehicle is a non-operating vehicle. As of the valuation reference date, it has been in use for 5 years, with a remaining useful life of 10 years. The vehicle remains in overall good condition and the valuation analysts determine the remaining useful life of the equipment based on its actual usage and economic life:

Newness rate over useful life = remaining useful life/(actual years of use + remaining useful life)
= 10/(5+10)
= 67% (rounded)

The vehicle has a specified mileage of 600,000 kilometers and has traveled 77,963.00 kilometers.

Mileage newness rate = (specified mileage – mileage traveled)-specified mileage × 100%
= (600,000-77,963.00) ÷ 600,000 × 100%
= 87% (rounded)

The theoretical newness rate is determined to be 67% based on the lower principle.

The results of the on-site inspection conducted by the valuation analyst on the vehicle are as follows:

	Item name	Achievement level	Reference score	Rating	Status description
Inspection approach	Whole vehicle (20 points)	Brand new	15－20		
		Better	11－15	12	Whole vehicle in relatively good condition
		Average	6－10		
		Poor	0－5		
	Frame (15 points)	Brand new	13－15		
		Better	9－12	10	Minor rust on the frame
		Average	4－8		
		Poor	0－3		
	Front and rear axles (15 points)	Brand new	13－15		
		Better	9－12	10	Front and rear axles in relatively good condition
		Average	4－8		
		Poor	0－3		
	Engines (30 points)	Brand new	24－30		
		Minor wear	16－23	18	Minor wear on the engine
		Moderate wear	8－15		
		Severe wear	0－7		
	Transmission (10 points)	Brand new	9－10		
		Minor wear	6－8	7	Minor wear on the transmission
		Moderate wear	3－5		
		Severe wear	0－2		
	Steering and braking systems (10 points)	Brand new	9－10		
		Minor wear	6－8	8	Minor wear on the steering and braking systems
		Moderate wear	3－5		
		Severe wear	0－2		
Total		100	65	On-site inspection newness rate weight	65

In summary, the vehicle's on-site inspection newness rate is 65%

Based on the findings of the on-site inspection, the comprehensive analysis method is used for estimation, which is based on the theoretical newness rate and comprehensively determined by considering various factors affecting the value of motor vehicles. The calculation formula is as follows:

Comprehensive newness rate = theoretical newness rate × weight (40%) + on-site inspection newness rate × weight (60%)
= 67%×40%+65%×60%
= 66% (rounded)

E. Determination of Valuation

Valuation = original replacement value × newness rate
= 360,500.00×66%
= 237,900.00 (rounded)

(6) Electronic Equipment Valuation Analysis Case Study

Equipment name and serial number: Gree 3HP inverter cabinet air conditioner (electronic equipment item 196 in schedule 4-8-7)

Model: KFR-72LW

Manufacturer: Gree

Quantity: 1

Purchase date: May 2022

Commissioning date: May 2022

Original carrying amount: 7,650.00

Net carrying amount: 5,303.22

Main technical specifications: 3HP

A. Determination of Full Replacement Cost

Based on recent vehicle market price data, such as local market information, the full replacement cost is determined according to its recent purchase price. Upon inquiry, the tax-exclusive market selling price of the electronic equipment on the reference date was 6,200.00 per unit, inclusive of freight charges, installation, and commissioning.

Therefore, full replacement cost	= tax-exclusive equipment purchase price × quantity = 6,200.00 × 1 = 6,200.00

B. Determination of Comprehensive Newness Rate

As of the valuation reference date, the ventilator has been in use for 2.59 years, with a remaining useful life of 5.41 years. The system is functioning normally, and the equipment is in good overall condition. The valuation analysts determine the remaining useful life of the equipment based on its actual usage and economic life:

Newness rate over useful life	= remaining useful life/(actual years of use + remaining useful life) = 5.41/(2.59+5.41) = 68% (rounded)

C. Determination of Valuation

Valuation	= full replacement cost × comprehensive newness rate = 6,200.00 × 68% = 4,220.00 (rounded)

IX. OTHER INTANGIBLE ASSETS

Other intangible assets are software usage rights

For software licenses purchased by the enterprise and technology usage fees paid, the valuation analysts reviewed relevant supporting documentation to understand the composition of the original carrying amount, the amortization method and period, and inspected the original vouchers. Upon verification, the amounts in the ledger and statements are consistent, and the valuation of software assets is determined based on the current market price of similar software.

The carrying amount of the software usage rights is 4,679,700 and the valuation analysis result is 5,661,800, representing an increase in valuation of 982,100.

This portion of assets represents software usage rights purchased by the enterprise. Initially recorded at historical cost, they are amortized over their useful life, with their carrying value reflecting the amortized cost. During this valuation analysis, the current market price of comparable softwares was used to determine the valuation, resulting in an increase in value.

X. LONG-TERM DEFERRED EXPENSES

The valuation analysts verified the book records and examined supporting documentation such as original vouchers and contracts, and verified the authenticity, aging and amounts of the transactions. After confirming the long-term deferred expenses, based on the verification of expenditures and amortization policies, the valuation is determined by the value of the assets and rights that still existed for the asset owner, contributed to operating gains and did not overlap with other types of assets after achieving valuation purpose.

The carrying amount of long-term deferred expenses is 11,155,200 and the valuation analysis result is 11,155,200, with no increase or decrease in valuation.

XI. LIABILITIES UNDER PAYABLES

Liabilities under payables included accounts payables, other payables and contract liabilities. The valuation analysts verified the relevant account books and documents related to payables, selected transactions involving larger or unusual amounts for sampling of their original vouchers, and concurrently conducted analysis of the underlying transactions and contracts for reasonableness alongside necessary confirmation procedures. On this basis, the authenticity of payables is established, with the verified carrying amount serving as the valuation.

(I) Accounts Payables

Accounts payables primarily represented payments owed by the valuation analysis subject to Shantou Shanyue Municipal Engineering Co., Ltd.*(汕頭市汕粵市政工程有限公司), Guangdong Longming Municipal Engineering Co., Ltd.*(廣東龍銘市政工程有限公司), Shantou Construction and Municipal Engineering Co., Ltd.*(汕頭市建工市政工程有限公司) and other companies for materials, pipeline network maintenance fees, and project costs.

The total carrying amount of accounts payables is 35,012,100 and the valuation analysis result is 35,012,100, with no increase or decrease in valuation.

(II) Other Payables

Other payables primarily represented payments due to Shantou Shanyue Municipal Engineering Co., Ltd.*(汕頭市汕粵市政工程有限公司), Guangdong Yuehai Feilaixia Hydropower Co., Ltd., Guangdong Longming Municipal Engineering Co., Ltd.*(廣東龍銘市政工程有限公司) and other companies for materials, photovoltaic electricity fees and performance bonds.

The total carrying amount of other payables is 410,021,400 and the valuation analysis result is 410,021,400, with no increase or decrease in valuation.

(III) Contract Liabilities

Contract Liabilities mainly represent advance payments received by the valuation analysis subject from Shantou Su'ai Passage Construction Investment and Development Co., Ltd. for project construction.

The total carrying amount of contract liabilities is 6,704,600 and the valuation analysis result is 6,704,600, with no increase or decrease in valuation.

XII. EMPLOYEE BENEFITS PAYABLES

The valuation analysts obtained information on the enterprise's provision and payment of employee compensation, verified the relevant accounting records, and took the verified carrying amount as the valuation.

Employee benefits payables represented the compensation provided by the enterprise for services rendered by employees, primarily comprising salaries, bonuses, allowances, subsidies, and employee welfare expenses payable to employees by the valuation analysis unit.

The total carrying amount of employee benefits payables is 14,242,500 and the valuation analysis result was 14,242,500, with no increase or decrease in valuation.

XIII. TAX PAYABLES

Tax payables represented value-added tax, urban construction tax, education surcharge, corporate income tax, water resources tax, individual income tax, etc. The valuation analysts verified the accuracy of the relevant data and the authenticity of the remittance by understanding the contents of the taxable items of the valuation analysis unit, and took the verified carrying amount as the valuation.

The total carrying amount of tax payables is 26,599,000 and the valuation analysis result is 26,599,000, with no increase or decrease in valuation.

XIV. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

Non-current liabilities due within one year represent long-term employee benefits payables due within one year. The valuation analysts verified the accuracy of the accounting treatment and the actual liabilities to be assumed, and took the verified carrying amount as the valuation.

The carrying amount of non-current liabilities due within one year is 1,066,900 and the valuation analysis result is 1,066,900, with no increase or decrease in valuation.

XV. LONG-TERM PAYABLES

Long-term payables are long-term liabilities arising from long-term employee benefits payables (retirement employee subsidies). The valuation analysts verified the accuracy of the accounting treatment and the actual liabilities to be assumed, and took the verified carrying amount as the valuation.

The carrying amount of long-term payables is 123,380,700 and the valuation analysis result is 123,380,700, with no increase or decrease in valuation.

XVI. DEFERRED GAINS

Deferred gains represent liabilities arising from government appropriations with specific purposes received by the valuation analysis unit, which does not require repayment with assets or by increasing other liabilities, specifically referring to fiscal subsidies for secondary water supply systems directly connected to households in residential communities. The valuation analysts conducted the valuation based on the purpose of the funds as stipulated in the relevant documents, after reviewing the relevant documents and other accounting bases.

Deferred gains constitute a government grant related to assets, and since the relevant asset construction remains uncompleted, the verified carrying amount is recognized as the valuation.

The carrying amount of deferred gains is 6,619,500 and the valuation analysis result is 6,619,500, with no increase or decrease in valuation.

XVII. DEFERRED INCOME TAX LIABILITIES

Deferred income tax liabilities are income tax liabilities arising from taxable temporary differences recognized in accordance with income tax standards. The valuation analysts verified the relevant accounting basis, understood the reasons for its formation and the expected future payments, and took the verified carrying amount as the valuation after confirming its authenticity.

The carrying amount of deferred income tax liabilities is 120,724,700 and the valuation analysis result is 120,724,700, with no increase or decrease in valuation.

VALUATION CONCLUSION

Based on the aforementioned valuation work, within the valuation assumptions and limiting conditions, the valuation conclusion for the valuation subject and scope described in this report is as follows:

I. VALUATION RESULTS OF DIFFERENT VALUATION METHODS

1. Valuation results using income approach

The income approach (DCF) is used for valuation, and the valuation results are as follows:

The carrying amount is RMB3,176,889,000 and the valuation is RMB3,419,000,000, representing an increase in valuation of RMB242,111,000 and an increase rate of 7.62%.

2. Valuation results using asset-based approach

The asset-based approach is used for valuation analysis. The valuation analysis conclusion of the market value of the entire equity interest value of shareholders of Shantou Guangdong Water Co., Ltd.* on the valuation reference date is as follows:

The carrying amount of total assets is RMB3,921,260,400, with a valuation of RMB4,332,944,300, representing an increase in valuation of RMB411,683,900 and an increase rate of 10.50%;

The carrying amount of total liabilities is RMB744,371,400 and the valuation is RMB744,371,400, with no increase or decrease in valuation;

The carrying amount of shareholders' equity is RMB3,176,889,000, with a valuation of RMB3,588,572,900, representing an increase in valuation of RMB411,683,900 and an increase rate of 12.96%.

Summary Table of Asset Valuation Analysis Results

Valuation reference date: 31 December 2024

Valuation analysis unit: Shantou Guangdong Water Co., Ltd.* Unit: 0'000

Item		Carrying amount	Valuation analysis value	Value Added/ Deducted	Value-added Rate
		A	B	C=B-A	D=C/A×100
Current assets	1	144,922.51	144,922.51	0.00	0.00
Non-current assets	2	247,203.53	288,363.92	41,168.39	16.65
Of which: debt investments	3	0.00	0.00	0.00	
Other debt investments	4	0.00	0.00	0.00	
Long-term receivables	5	0.00	0.00	0.00	
Long-term equity investments	6	0.00	0.00	0.00	
Investments in other equity instruments	7	0.00	0.00	0.00	
Other non-current financial assets	8	0.00	0.00	0.00	
Investment properties	9	0.00	0.00	0.00	
Fixed assets	10	1,945.85	2,571.02	625.17	32.13
Construction in progress	11	0.00	0.00	0.00	
Productive biological assets	12	0.00	0.00	0.00	
Oil and gas assets	13	0.00	0.00	0.00	
Right-of-use assets	14	0.00	0.00	0.00	
Intangible assets	15	244,142.16	284,677.38	40,535.22	16.60
Development expenditures	16	0.00	0.00	0.00	
Goodwill	17	0.00	0.00	0.00	
Long-term deferred expenses	18	1,115.52	1,115.52	0.00	0.00
Deferred income tax assets	19	0.00	0.00	0.00	
Other non-current assets	20	0.00	0.00	0.00	

Item		Carrying amount	Valuation analysis value	Value Added/ Deducted	Value-added Rate
		A	B	C=B-A	D=C/A×100
Total Assets	21	**392,126.04**	**433,294.43**	**41,168.39**	**10.50**
Current liabilities	22	49,364.65	49,364.65	0.00	0.00
Non-current liabilities	23	25,072.49	25,072.49	0.00	0.00
Total Liabilities	**24**	**74,437.14**	**74,437.14**	**0.00**	**0.00**
Net Assets (Owner's Equity)	**25**	**317,688.90**	**358,857.29**	**41,168.39**	**12.96**

II. ANALYSIS, DETERMINATION AND APPLICATION OF VALUATION CONCLUSION

Valuation is conducted using both the income approach and the asset-based approach, and the results differ by 169,572,900, representing a difference rate of 4.73%. The conclusion derived from the two valuation methods are similar.

The income approach valuation uses the asset's expected income as the value benchmark, reflecting the magnitude of its earning capacity. This earning capacity is typically influenced by the characteristics of the water supply industry in the city where the Target Company operates, specifically including: the water sales scale, management level and profitability of the Target Company have not reached the designed scale. Future water price adjustments are largely influenced by macroeconomic factors and government regulation. Relatively, the asset-based approach is more robust, objectively reflecting the market value of the Target Company possessing the current production scale from the perspective of asset construction. The asset-based valuation approach uses the replacement cost of assets as the value benchmark, reflecting the socially necessary labor expended in asset investment (acquisition and construction costs). This approach is relatively easy to validate in the market and involves fewer future uncertainties. It provides the most fundamental reference for the acquisition and construction cost value in equity transfers of shareholders of the Target Company. Choosing the valuation analysis results from the asset-based approach lays the foundation for the Target Company's future business operations and the achievement of profit targets. Therefore, the valuation analysis results of the asset-based approach are adopted as the valuation analysis conclusion for this valuation analysis. That is:

The carrying amount of total assets is RMB3,921,260,400, with a valuation of RMB4,332,944,300, representing an increase in valuation of RMB411,683,900 and an increase rate of 10.50%;

The carrying amount of total liabilities is RMB744,371,400 and the valuation is RMB744,371,400, with no increase or decrease in valuation;

The carrying amount of shareholders' equity is RMB3,176,889,000, with a valuation of RMB3,588,572,900, representing an increase in valuation of RMB411,683,900 and an increase rate of 12.96%.

Summary Table of Asset Valuation Analysis Results

Valuation reference date: 31 December 2024

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Non-current assets	2	247,203.53	288,371.92	41,168.39	16.65
Of which: debt investments	3	0.00	0.00	0.00	
Other debt investments	4	0.00	0.00	0.00	
Long-term receivables	5	0.00	0.00	0.00	
Long-term equity investments	6	0.00	0.00	0.00	
Investments in other equity instruments	7	0.00	0.00	0.00	
Other non-current financial assets	8	0.00	0.00	0.00	
Investment properties	9	0.00	0.00	0.00	
Fixed assets	10	1,945.85	2,563.59	617.74	31.75
Construction in progress	11	0.00	0.00	0.00	
Productive biological assets	12	0.00	0.00	0.00	
Oil and gas assets	13	0.00	0.00	0.00	
Right-of-use assets	14	0.00	0.00	0.00	
Intangible assets	15	244,142.16	284,692.81	40,550.65	16.61
Development expenditures	16	0.00	0.00	0.00	
Goodwill	17	0.00	0.00	0.00	
Long-term deferred expenses	18	1,115.52	1,115.52	0.00	0.00
Deferred income tax assets	19	0.00	0.00	0.00	
Other non-current assets	20	0.00	0.00	0.00	

Item		Carrying amount	Valuation analysis value	Value Added/ Deducted	Value-added Rate
		A	B	C=B-A	D=C/A×100
Total Assets	21	**392,126.04**	**433,294.43**	**41,168.39**	**10.50**
Current liabilities	22	49,364.65	49,364.65	0.00	0.00
Non-current liabilities	23	25,072.49	25,072.49	0.00	0.00
Total Liabilities	24	**74,437.14**	**74,437.14**	**0.00**	**0.00**
Net Assets (Owner's Equity)	25	**317,688.90**	**358,857.29**	**41,168.39**	**12.96**

The entire equity interest value of the 2% shareholders of Shantou Guangdong Water Co., Ltd.* 2% is 71,195,000.

Note: (1) After communication with the client, the calculation process for the entire equity interest value of the 2% shareholders of Shantou Water is confirmed as follows: Considering that the government shareholder of Shantou Water has contributed land assets without obtaining the land title certificates, and that the failure to obtain these certificates has resulted in other shareholders not contributing their capital (Water Co. 1,176,500, Guangdong Water 28,823,500), the shareholder equity of Water Co. in Shantou Water, amounting to 2% equity, shall be calculated according to the following formula:

2% of equity interest value = (entire equity interest value of equity + amount subscribed but not contributed by all shareholders) × 2% – amount subscribed but not contributed corresponding to 2% equity

(2) The value of the 2% shareholder's entire equity interest value in Shantou Guangdong Water Co., Ltd.* does not account for premiums and discounts arising from factors such as controlling interests or minority equity interests.

III. VALIDITY PERIOD OF VALUATION RESULTS

Given that factors affecting the Target Company's operations, such as the economic environment, market conditions, and technological advancements, are constantly changing, and considering the Target Company's actual circumstances, it is generally recommended that the valuation results remain valid for the Target Company within one year of the submission of the valuation analysis report, specifically from 31 December 2024 to 30 December 2025. Beyond this timeframe, it is recommended to conduct a revaluation.

IV. EXPLANATION OF VALUATION CONCLUSION

1. This valuation conclusion did not consider the impact on value of any tax arrears owed by the valuation subject and related assets, nor various transaction taxes, fees, and other expenses that may be payable at the time of transaction, nor did it make any tax adjustment provisions for the asset appreciation amount.

2. The valuers were aware that the partial equity interest value of the shareholders was not necessarily equal to the product of the entire equity interest value of the shareholders and the equity proportion. Due to the unavailability of information on transactions in the industry and related equity, and subject to the constraints of current pricing regulations for property rights transactions, premiums and discounts arising from factors such as controlling interests and minority interests were not considered in this valuation.

3. The valuers were aware that the liquidity of the assets might have a significant impact on the value of the valuation subject. However, due to the unavailability of information on transactions in the industry and related asset property rights and the lack of analysis basis for asset liquidity, the impact of asset liquidity on the valuation subject was not considered in this valuation.

4. Our responsibility was to exercise professional judgment regarding the asset value determined for the valuation purpose described in this report and did not involve making any judgment on the rationality of the corresponding economic activities. Whether to implement such economic activities should be determined at the Company's discretion.

5. The valuation work relied to a large extent on the information provided by the Company, the Target Company and other related parties in regard of the valuation subject. Therefore, the valuation was based on the information provided by the Company and the Target Company. The authenticity, completeness and legality of such materials may impact the valuation conclusion. The valuers have diligently conducted on-site investigations of the valuation subject, collected various information and conducted verification, analysis and collation as the basis for the valuation. However, they did not rule out the possibility that unknown factors may affect the valuation conclusion and assumed no liability for any legal matters concerning the property rights of the assets involved in the valuation subject.

SPECIAL MATTERS

The following matters may affect the use of the valuation conclusion. The Company should pay special attention to the impact of the following matters on the valuation conclusion when referring to this report:

I. INCOMPLETE OR DEFECTS IN OWNERSHIP AND OTHER MATERIAL INFORMATION

1. The following real estate properties are included in this valuation analysis. As the land in question was historically allocated without payment, the state-owned land use rights transfer fees remain outstanding. We have taken note of this situation and deducted the required transfer fees from the valuation conclusions. It should be noted that if the actual amount of land transfer fees paid differs from the estimated amount, the valuation should be adjusted accordingly.

2. During our valuation analysis, we identified that certain immovable properties within the valuation scope lacked formal title documentation. Pursuant to the 'Shantou Water Supply Co., Ltd.* Capital Increase and Joint Venture Agreement' executed by all shareholders in 2017, the shareholder Shantou City Construction Development Co., Ltd.* contributed assets in kind and guaranteed that Shantou Water holds ownership rights (land use rights for land) and disposal rights over the contributed assets. There are no ownership disputes, and no outstanding restrictions such as mortgages, pledges, guarantees, or court-imposed freezes or seizures remain unresolved. Regardless of whether the transfer of such assets or the completion of registration procedures has been finalized, or the timing thereof, Shantou City Construction Development Co., Ltd.* warrants that this shall not affect the rights or interests held by Water Co. and Guangdong Water over Shantou Water as stipulated in the Capital Increase and Joint Venture Agreement, nor shall it affect the rights or interests held by Shantou Water over the contributed assets as per the contractual terms. The shareholder, Shantou City Construction Development Co., Ltd.*, warrants that, from the date of transfer, Shantou Water shall hold full ownership of the contributed assets (land use rights in respect of land), with the right to possess, use, derive benefits from, and dispose of these assets. It shall also have the right to operate normally in accordance with the model then employed by the shareholder, Shantou City Construction Development Co., Ltd.*, without any impediments arising from laws, regulations, policies, or agreements. Should Shantou Water incur losses due to defects in title or inability to use such assets normally, the shareholder Shantou City Construction Development Co., Ltd.* shall be liable for compensation. The valuation analysis unit has provided a written explanation regarding the reasons for the lack of documentation and asserts that this matter does not affect the use of the relevant immovable property. The impact of this title defect on the valuation analysis conclusions has not been considered herein. Furthermore, the area figures employed in the valuation analysis calculations were declared by the valuation analysis unit. Should discrepancies arise with subsequent surveying results from the real estate management authorities, the valuation analysis findings shall be adjusted accordingly.

3. Pursuant to the Construction Land Planning Permit ((96) Shan Gui Di Zi No. 104), the '60 acres' land area of the valuation analysis unit, comprising 40,066.72 m^2, includes roadways and green space; road and green space areas shall not be occupied. Furthermore, the State-Owned Land Use Right Grant Contract (Shan Di Rang [1998] No. 28) records the land area as 32,320.991 m^2. Therefore, this valuation shall be based on the area stated in the State-Owned Land Use Right Grant Contract. Should discrepancies arise with future surveying results from the real estate management authorities, the valuation analysis results shall be adjusted accordingly.

4. During our valuation analysis, we identified discrepancies between the registered and actual uses of certain real estates within the valuation scope. For properties with registered title deeds, the valuation was conducted based on the registered use. For properties without registered title deeds, the valuation was conducted based on the actual use.

II. GUARANTEES, LEASES AND ITS CONTINGENT LIABILITIES (CONTINGENT ASSETS)

None.

III. UNCERTAINTIES SUCH AS UNRESOLVED MATTERS, LEGAL DISPUTES, AND RESTRICTED VALUATION PROCEDURES

We have not been informed of, nor have we identified matters such as default liabilities, pending litigation or legal disputes involving the Target Company during on-site due diligence, and the potential impact of any possible breaches, litigation liabilities, or similar factors on the valuation conclusion has not been considered in valuation.

IV. IMPACT OF SIGNIFICANT SUBSEQUENT EVENTS AND ECONOMIC ACTIVITIES

As of the date of this report, we have not been informed of, nor have we identified, any significant subsequent events that would affect the valuation conclusion.

1. As of the valuation reference date, due to the contribution-in-kind by shareholder Shantou City Construction Development Co., Ltd.*, ownership certificates for the following properties remain unamended: 14,003.00 m^2 of land at the University Road Pressure Pumping Station, 12,412.19 m^2 at the Qingzhou Salt Field Pumping Station (18.618 acres), and 40,066.72 m^2 of the "60 acres" land parcel. Pursuant to relevant clauses in the Capital Increase and Joint Venture Agreement of Shantou Water Supply Co., Ltd.*, the other two shareholders of the Target Company stipulated that: only after Shantou City Construction Development Co., Ltd.* completes the transfer of ownership certificates will shareholder Yuehai Water Holdings Co., Ltd. fulfill its remaining capital contribution of 28,823,500, and shareholder Guangdong Yuehai Water Co., Ltd. fulfill its remaining capital contribution of 1,176,500. As shareholder Shantou City Construction Development Co., Ltd.* has not yet confirmed whether it can complete the corresponding land ownership transfer, the impact of this matter has not been considered in the current calculation process.

2. During this valuation analysis, the Target Company's management, considering the relatively low unit sales price, has submitted a "Request for Adjustment of Tap Water Prices in the Central Urban Area" to the relevant authorities. It is anticipated that the Target Company's water sales price will gradually increase until reaching a stable rate of 2.53 per ton by 2027. Should the aforementioned matter fail to materialize, it will impact on the conclusions of the income approach used in this valuation.

   The above special matters are hereby brought to the Company's attention.

V. RESTRICTIONS ON USE OF THE VALUATION ANALYSIS REPORT

1. This report is intended solely for the purposes specified in the valuation services contract.

2. This report is provided solely for the Company's reference. Beyond this purpose, no person or entity may use or rely upon this report in any manner or for any purpose. We assume no liability to any person or entity for the contents of this report.

3. The valuation conclusion is not equivalent to the realizable price of the valuation subject. The Company should carefully consider its alignment with economic activities, and the valuation conclusion should not be regarded as a guarantee of the realizable price of the valuation subject.

4. The conclusion of this report is based on the valuation principles, pricing basis, valuation methods, and calculations described in the report, and is valid only under the valuation assumptions and basis stated herein.

5. After the issuance of this report, if there are significant subsequent events affecting the value of the valuation subject, including changes in national, local and industry laws and regulations, economic policies, and significant changes in the market value of assets, the conclusion of this report generally cannot be directly applied.

6. This report may contain certain documents for inspection and schedules to facilitate the Company's review and understanding of the valuation conclusion; however, these should be used in conjunction with the main body of this report.

7. Regarding the photocopies of relevant asset ownership documentation provided by the Target Company in this report, we have exercised reasonable due diligence regarding the legal ownership of the valuation subject and conducted necessary verification of the relevant materials. However, we do not guarantee that we have individually reviewed and verified the originals of all documents and photocopied materials. Unless specifically stated in the report, we have not considered the impact of any ownership defects on the value of the valuation subject.

8. The statements regarding the legal ownership of the valuation subject in this report do not constitute a guarantee or an assurance on the legal ownership of the valuation subject. We are unable to provide any legal guarantee for the ownership status of the assets.

9. The interpretation of the contents of this report shall rest with this institution. Except where explicitly stipulated by national laws and regulations, no other entity or department shall have the right to interpret it.

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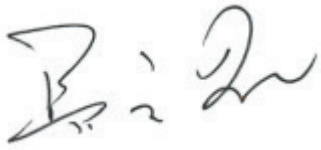
Signature of Valuation Analyst: 

Signature of Valuation Analyst: 

Allied Appraisal Co., Ltd.

19 September 2025

APPENDICES TO VALUATION ANALYSIS REPORT

1. Copies of the audit report of the Target Company	(Ninety-nine pages)
2. Copies of the business license of the client and the Target Company	(Two pages in total)
3. Copies of major ownership certificates	(Eighty pages in total)
4. A copy of the business license of the valuation agency	(One page in total)
5. Other important documents	(Two pages in total)
6. Summary table of valuation analysis	(See separate volume)

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) 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 the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

I. Interests and short positions in the Company

Interests in ordinary Shares

Name of Director	Capacity/ Nature of interests	Number of ordinary Shares held	Long/Short position	Approximate percentage of interests held *(Note)*
Chan Cho Chak, John	Personal	5,450,000	Long position	0.083%
Cheng Mo Chi, Moses	Personal	2,268,000	Long position	0.035%

Note: The approximate percentage of interests held was calculated on the basis of 6,537,821,440 ordinary Shares of the Company in issue as at the Latest Practicable Date.

II. Interests and short positions in Guangdong Land Holdings Limited

Interests in ordinary shares

Name of Director	Capacity/ Nature of interests	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held *(Note)*
Chan Cho Chak, John	Personal	1,051,850	Long position	0.061%
Cheng Mo Chi, Moses	Personal	1,037,724	Long position	0.061%

Note: The approximate percentage of interests held was calculated on the basis of 1,711,536,850 ordinary shares of Guangdong Land Holdings Limited in issue as at the Latest Practicable Date.

III. Interests and short positions in GDH Guangnan (Holdings) Limited

Interests in ordinary shares

Name of Director	Capacity/ Nature of interests	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held *(Note)*
Tsang Hon Nam	Personal	300,000	Long position	0.033%

Note: The approximate percentage of interests held was calculated on the basis of 907,593,285 ordinary shares of GDH Guangnan (Holdings) Limited in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) 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 the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interests	Number of ordinary Shares held	Long/Short Position	Approximate percentage of interests held *(Note 1)*
Guangdong Holdings *(Note 2)*	Interest in controlled corporation	3,809,237,546	Long position	58.26%
GDH	Beneficial owner	3,809,237,546	Long position	58.26%

Notes:

1. The approximate percentage of interests held was calculated on the basis of 6,537,821,440 ordinary Shares of the Company in issue as the Latest Practicable Date.

2. The attributable interest which Guangdong Holdings has in the Company is held through its 100% direct interest in GDH.

As at the Latest Practicable Date, so far as is known to the Directors, Ms. Bai Tao was the chairman and a director of each of Guangdong Holdings and GDH.

Save as disclosed above, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no other person (other than a Director or chief executive of the Company) was directly or indirectly interested in 10% or more of the issued shares carrying rights to vote in all circumstances at general meetings of other members of the Group or had any option in respect of such issued shares:

Name of subsidiary of the Company	Name of shareholder interested in 10% or more of the subsidiaries of the Company	Long/Short position	Percentage of interests held by that shareholder
Target Company (Shantou)	Shantou City Construction Development Co. Ltd.	Long position	49%
高州粵海水務有限公司(Gaozhou Yuehai Water Service Co., Ltd.*)	高州市城鄉基礎設施建設投資有限公司(Gaozhou Urban and Rural Infrastructure Construction Investment Co., Ltd.*)	Long position	49%
雲浮粵海水務有限公司 (Yunfu Yuehai Water Service Co., Ltd.*)	雲浮市高新自來水有限公司 (Yunfu High tech Water Supply Co., Ltd.*)	Long position	29.9958%
海南儋州粵海水務有限公司 (Hainan Danzhou Yuehai Water Service Co., Ltd.*)	儋州濱海新區建設投資有限公司 (Danzhou Binhai New Area Construction Investment Co., Ltd.*)	Long position	23.8%
恩施粵海水務有限公司 (Enshi Yuehai Water Service Co., Ltd.*)	恩施市自來水有限責任公司 (Enshi Municipal Water Supply Co., Ltd.*)	Long position	20%
儀征粵海水務有限公司 (Yizheng Yuehai Water Service Co., Ltd.*)	儀征市水交投資有限公司 (Yizheng Shuijiao Investment Co., Ltd.*)	Long position	40%
高郵粵海水務有限公司 (Gaoyou Yuehai Water Service Co., Ltd.*)	高郵市自來水有限公司 (Gaoyou City Water Supply Co., Ltd.*)	Long position	40%
寶應粵海水務有限公司 (Baoying Yuehai Water Resources Co.,Ltd.*)	寶應縣宏安自來水有限公司 (Baoying County Hongan Waterworks Co., Ltd.*)	Long position	30%
肇慶高新區粵海水務有限公司 (Zhaoqing High New Area Yuehai Water Co.,Ltd.*)	肇慶大旺產城融合投資有限公司 (Zhaoqing Dawang Industry City Integration Investment Co., Ltd.*)	Long position	30%

Name of subsidiary of the Company	Name of shareholder interested in 10% or more of the subsidiaries of the Company	Long/Short position	Percentage of interests held by that shareholder
梧州粵海環保發展有限公司 (Wuzhou Yuehai Environmental Protection Development Co., Ltd.*)	梧州市東泰國有資產經營有限公司 (Wuzhou Dongtai State-Owned Asset Operation Co.,Ltd.*)	Long position	13.0435%
廣州南沙粵海水務有限公司 (Guangzhou Nansha Yuehai Water Co.,Ltd.*)	廣州南沙開發建設集團有限公司 (Guangzhou Nansha Development and Construction Group Co., Ltd.*)	Long position	40%
廣州南穗投資有限責任公司 (Guangzhou Nansui Investment Co., Ltd.*)	國開發展基金有限公司 (CDB development fund co., LTD.*)	Long position	49.0036%
梅州粵海水務有限公司 (Meizhou Yuehai Water Service Co., Ltd.*)	梅州市嘉河自來水有限公司 (Meizhou Jiahe Water Supply Co., Ltd.*)	Long position	30%
梅州梅穗投資有限責任公司 (Meizhou Meisui Investment Co., Ltd.*)	國開發展基金有限公司 (CDB development fund co., LTD.*)	Long position	49.0016%
廣州南粵市政工程有限公司 (Guangzhou Nanyue Municipal Engineering Co., Ltd.*)	廣州南沙開發建設集團有限公司 (Guangzhou Nansha Development and Construction Group Co., Ltd.*)	Long position	40%
汕尾粵海環保有限公司 (Shanwei Yuehai Environmental Protection Co., Ltd.*)	汕尾高新區投資開發有限公司 (Shanwei High tech Zone Investment and Development Co., Ltd.*)	Long position	20%
遂溪粵海水務有限公司 (Suixi Yuehai Water Service Co., Ltd.*)	遂溪縣自來水公司 (Suixi County Water Supply Company*)	Long position	30%

Name of subsidiary of the Company	Name of shareholder interested in 10% or more of the subsidiaries of the Company	Long/Short position	Percentage of interests held by that shareholder
豐順粵海水務有限公司 (Fengshun Yuehai Water Service Co., Ltd.*)	豐順縣供排水服務中心 (Fengshun Water Supply and Drainage Service Centre*)	Long position	30%
盱眙粵海水務有限公司 (Xuyi Yuehai Water Service Co., Ltd.*)	盱眙縣天源控股集團有限公司 (Xuyi Tianyuan Holdings Group Co., Ltd.*)	Long position	27.029%
荔浦粵海水務有限公司 (Lipu Yuehai Water Co., Ltd.*)	荔浦源水投資有限公司 (Lipu Yuanshui Investment Co., Ltd.*)	Long position	10%
昆明粵海水務有限公司 (Kunming Yuehai Water Service Co., Ltd.*)	昆明陽宗海開發有限公司 (Kunming Yangzonghai Development Co., Ltd.*)	Long position	28.7213%
韶關粵海綠源環保有限公司 (Shaoguan Yuehai Green Source Environmental Protection Co., Ltd.*)	仁化縣生活污水處理廠有限公司 (Renhua County Domestic Sewage Treatment Plant Co., Ltd.*)	Long position	10%
信宜粵海水務有限公司 (Xinyi Yuehai Water Service Co., Ltd.*)	信宜市財政局 (Xinyi Finance Bureau*)	Long position	39%
	廣東信宜開源股份有限公司 (Guangdong Xinyi Kaiyuan Co., Ltd.*)	Long position	10%
汕尾粵海水務有限公司 (Shanwei Yuehai Water Service Co., Ltd.*)	汕尾市水務集團有限公司 (Shanwei Water Group Co., Ltd.*)	Long position	49%

Name of subsidiary of the Company	Name of shareholder interested in 10% or more of the subsidiaries of the Company	Long/Short position	Percentage of interests held by that shareholder
清遠市龍塘粵海水務有限公司 (Qingyuan Longquan Water Supply Co.,Ltd.*)	清遠市清城區國有資產監督管理局 (Qingyuan City Qingcheng District State-owned Assets Supervision and Administration Commission*)	Long position	38.0025%
	清遠市清城區龍塘房地產開發公司 (Qingyuan City Qingcheng District Longtang Real Estate Development Company*)	Long position	10.9986%
中山市橫欄粵海水務有限公司 (Zhongshan Henglan Yuehai Water Service Co., Ltd.*)	中山公用水務投資有限公司 (Zhongshan Public Water Investment Co., Ltd.*)	Long position	49%
中山市南鎮粵海水務有限公司 (Zhongshan Nanzhen Yuehai Water Co., Ltd.*)	中山公用水務投資有限公司 (Zhongshan Public Water Investment Co., Ltd.*)	Long position	49%
中山市新涌口粵海水務有限公司 (Zhongshan Xinyongkou Yuehai Water Service Co., Ltd.*)	中山公用水務投資有限公司 (Zhongshan Public Water Investment Co., Ltd.*)	Long position	49%
清遠粵海水務有限公司 (Qingyuan Yuehai Water Service Co., Ltd.*)	清遠市水務投資集團有限公司 (Qingyuan Water Investment Group Co., Ltd.*)	Long position	49%
雲浮市雲安粵海城鄉供水有限公司 (Yunfu Yunan Yuehai Urban and Rural Water Supply Co., Ltd.*)	廣東省鯤鵬城市建設投資集團有限公司 (Guangdong Kunpeng Urban Construction Investment Group Co., Ltd.*)	Long position	35%
梧州粵海江河水務有限公司 (Wuzhou Yuehai Jianghe Water Resources Co., Ltd.*)	江河水務有限公司 (Jianghe Water Affairs Investment Co., Ltd.*)	Long position	49%

Name of subsidiary of the Company	Name of shareholder interested in 10% or more of the subsidiaries of the Company	Long/Short position	Percentage of interests held by that shareholder
東莞市粵海東原水務有限公司 (Dongguan Yuehai Dongyuan Water Co., Ltd.*)	東莞市東江原水有限公司 (Dongguan Dongjiang Raw Water Co., Ltd.*)	Long position	49%
東莞市清溪粵海水務有限公司 (Dongguan Qingxi Yuehai Water Service Co., Ltd.*)	東莞發展控股股份有限公司 (Guangdong Fudi Science And Technique Joint-Stock Co.,Ltd.*)	Long position	10%
東莞市清粵市政工程有限公司 (Dongguan Qingyue Municipal Engineering Co., Ltd.*)	廣東金信資本投資有限公司 (Guangdong Jinxin Asset Investment Co., Ltd.*)	Long position	10%
開平粵海水務有限公司 (Kaiping Yuehai Water Affairs Co., Ltd.*)	廣州市政園建設管理有限公司 (Guangzhou Municipal Horticulture Management Co., Ltd.*)	Long position	45.7143%
六盤水粵海環保有限公司 (Liupanshui Yuehai Environmental Protection Co., Ltd.*)	六盤水市水利開發投資有限責任公司 (Liupanshui City Water Development Investment Co., Ltd.*)	Long position	10%
惠來粵海清源環保有限公司 (Huilai Yuehai Qingyuan Environmental Protection Co., Ltd.*)	廣東省建築工程集團有限公司 (Guangdong Construction Engineering Group Co., Ltd.*)	Long position	30.0001%
惠來粵海綠源環保有限公司 (Huilai Yuehai Green Source Environmental Protection Co., Ltd.*)	廣東省建築工程集團有限公司 (Guangdong Construction Engineering Group Co., Ltd.*)	Long position	30%
雲浮市粵海水務發展有限公司 (Yunfu Yuehai Water Development Co., Ltd.*)	雲浮市城區污水處理有限公司 (Yunfu Urban Sewage Treatment Co., Ltd.*)	Long position	20%

Name of subsidiary of the Company	Name of shareholder interested in 10% or more of the subsidiaries of the Company	Long/Short position	Percentage of interests held by that shareholder
湛江市鶴地供水營運有限公司 (Zhanjiang Hedi Water Supply Operation Co., Ltd.*)	湛江交投資產運營管理有限公司 (Zhanjiang Jiaotou Asset Operation Management Co., Ltd.*)	Long position	35%
邳州粵海水務有限公司 (Pizhou Yuehai Water Service Co., Ltd.*)	邳州銀杏湖水務發展有限公司 (Pizhou Ginkgo Lake Water Development Co., Ltd.*)	Long position	23.5309%
廣東粵海韶投水務有限責任公司 (Guangdong Yuehai Shaotou Water Service Co., Ltd.*)	韶關市水務投資集團有限公司 (Shaoguan Water Investment Group Co., Ltd.*)	Long position	49%
湘陰粵海水務有限公司 (Xiangyin Yuehai Water Service Co., Ltd.*)	湘陰縣城市發展集團有限公司 (Xiangyin County Urban Development Group Co., Ltd.*)	Long position	25%
普寧粵海水務有限公司 (Puning Yuehai Water Service Co., Ltd.*)	普寧市國有資產管理中心 (Puning State-owned Assets Management Center*)	Long position	49%
揭陽粵海國業水務有限公司 (Jieyang Yuehai Guoye Water Service Co., Ltd.*)	揭陽大南海石化工業區國業投資開發有限公司 (Jieyang Danhai Petrochemical Industrial Zone Guoye Investment and Development Co., Ltd.*)	Long position	14.9977%
	中交第四航務工程局有限公司 (China Communications Fourth Navigation Engineering Bureau Co., Ltd.*)	Long position	33.9014%
平遠粵海水務有限公司 (Pingyuan Yuehai Water Co., Ltd.*)	平遠縣國有自來水有限責任公司 (Pingyuan County State owned Tap Water Co., Ltd.*)	Long position	20%
揭西粵海水務有限公司 (Jiexi Yuehai Water Co., Ltd.*)	揭西縣國有資產管理辦公室 (Jiexi County State-owned Assets Management Office*)	Long position	49%

Name of subsidiary of the Company	Name of shareholder interested in 10% or more of the subsidiaries of the Company	Long/Short position	Percentage of interests held by that shareholder
揭陽粵海水務有限公司 (Jieyang Yuehai Water Co., Ltd.*)	揭陽市水務集團有限公司 (Jieyang Water Group Co., Ltd.*)	Long position	40%
揚州粵港市政工程有限公司 (Yangzhou Guangdong Hong Kong Municipal Engineering Co., Ltd.*)	儀征市水交投資有限公司 (Yizheng Shuijiao Investment Co., Ltd.*)	Long position	40%
高郵市港郵工程有限公司 (Gaoyou Port Post Engineering Co., Ltd.*)	高郵市自來水有限公司 (Gaoyou City Water Supply Co., Ltd.*)	Long position	40%
肇慶高新區粵旺工程有限公司 (Zhaoqing High tech Zone Yuewang Engineering Co., Ltd.*)	肇慶大旺產城融合投資有限公司 (Zhaoqing Dawang Industry City Integration Investment Co., Ltd.*)	Long position	30%
寶應悅寶工程有限公司 (Baoying Yuebao Engineering Co., Ltd.*)	寶應縣宏安自來水有限公司 (Baoying County Hong'an Waterworks Co., Ltd.*)	Long position	30%
遂溪粵港市政工程有限公司 (Suixi Guangdong Hong Kong Municipal Engineering Co., Ltd.*)	遂溪縣自來水公司 (Suixi County Water Supply Company*)	Long position	30%
廣西梧州自來水工程有限公司 (Wuzhou Running Water Company*)	江河水務有限公司 (Jianghe Water Affairs Investment Co., Ltd.*)	Long position	49%
江蘇港淮市政工程有限公司 (Jiangsu Ganghuai Municipal Engineering Co., Ltd.*)	陳冠平 (CHEN Guangping)	Long position	27.6%
汕頭市汕粵市政工程有限公司 (Shantou Shanyue Municipal Engineering Co., Ltd.*)	汕頭市建築工程有限公司 (Shantou Construction Engineering General Company*)	Long position	49%

Name of subsidiary of the Company	Name of shareholder interested in 10% or more of the subsidiaries of the Company	Long/Short position	Percentage of interests held by that shareholder
廣東海電建材有限公司 (Guangdong Haidian Building Materials Co., Ltd.*)	中國水利水電第十四工程局有限公司 (Sinohybro Bureau 14 Co.,Ltd.*)	Long position	30%
南昌縣贛渤水務有限公司 (Nanchang Ganbo Water Service Co., Ltd.*)	南昌縣水利投資有限公司 (Nanchang County Water Resources Investment Co., Ltd.*)	Long position	30%
豐城市劍邑供水有限責任公司 (Fengcheng Jianyi Water Supply Co., Ltd.*)	江西豐礦集團有限公司 (Jiangxi Fengkuang Group Co., Ltd.*)	Long position	22.5124%
河源市粵海水務有限公司 (Heyuan Qinchengda Water Resources Co., Ltd.*)	河源市水務投資運營有限公司 (Heyuan Water Investment and Operation Co., Ltd.*)	Long position	22.9458%
無錫德寶水務投資有限公司 (WUXI DEPPEL WATER INVESTMENT CO.,LTD.*)	江蘇利德投資有限公司 (Jiangsu Lide Investment Co., Ltd.*)	Long position	25%
茂名粵海環保有限公司 (Maoming Yuehai Environmental Protection Co., Ltd.*)	茂名市小東江流域污水管網建設工程有限公司 (Maoming Xiaodongjiang River Basin Sewage Pipeline Construction Engineering Co., Ltd.*)	Long position	35%
隴西縣博華污水處理有限公司 (Longxi County Bohua Sewage Treatment Co., Ltd.*)	隴西縣潤通給排水有限公司 (Longxi County Runtong Water Supply and Drainage Co., Ltd.*)	Long position	32.2388%
河北粵海水務集團有限公司 (Hebei Yuehai Water Group Co., Ltd.*)	渤海水業股份有限公司 (Bohai Water Industry Co., Ltd.*)	Long position	34%
	李華青 (LI Huaqing)	Long position	13%

Name of subsidiary of the Company	Name of shareholder interested in 10% or more of the subsidiaries of the Company	Long/Short position	Percentage of interests held by that shareholder
沙河市嘉誠環境工程有限公司 (Shahe Jiacheng Environmental Engineering Co., Ltd.*)	渤海水業股份有限公司 (Bohai Water Industry Co., Ltd.*)	Long position	40%
嘉誠(焦作)水務有限公司 (Jiacheng (Jiaozuo) Water Co., Ltd.*)	天津市潤達環境治理服務有限公司 (Tianjin Runda Environmental Governance Service Co., Ltd.*)	Long position	30%
Guangdong Power (International) Limited	Upper Horn Investments Limited	Long position	49%
Guangdong Power Investment Limited	Upper Horn Investments Limited	Long position	51%
中山粵海能源有限公司 (Zhongshan Yuehai Energy Co., Ltd.*)	中山興中集團有限公司 (Zhongshan Xingzhong Group Co., Ltd.*)	Long position	20.185%
Teem Holdings Limited	廣州市城市建設開發集團有限公司 (Guangzhou Urban Construction and Development Group Co., Ltd.*)	Long position	12.978%
廣州粵海動漫星城有限公司 (Guangzhou Yuehai Animation Star City Co., Ltd.*)	廣州粵海仰忠匯置業有限公司 (Guangzhou Yuehai Yangzhonghui Real Estate Co., Ltd.*)	Long position	15%
廣州粵海天河城投資有限公司 (Guangzhou Yuehai Tianhecheng Investment Co., Ltd.*)	Guangdong Holdings	Long position	40%
廣州粵海萬亞投資發展有限公司 (Guangzhou Yuehai Wanya Investment Development Co., Ltd.*)	廣州市番禺信息技術投資發展有限公司 (Guangzhou Panyu Information Technology Investment Development Co., Ltd.*)	Long position	32%

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement which was subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

6. COMPETING INTERESTS OF DIRECTORS AND CLOSE ASSOCIATES

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the interests of Directors or their respective close associates in the businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed were as follows:

I. Core business activities of the Group

(1) Water resources

(2) Property investment and development

(3) Department store operation

(4) Hotel ownership, operation and management

(5) Investments in energy projects

(6) Road and bridge operation

II. Interests in Competing Business

Name of Director	Name of company	Nature of interests	Competing Business
Bai Tao	Guangdong Holdings	Chairman	(1), (2)&(4)
	GDH	Chairman	(1), (2)&(4)

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective close associates had an interest in any business that competes with or is likely to compete with the business of the Group.

7. EXPERTS AND CONSENT OF EXPERTS

The following are the qualifications of the experts who had given opinion or advice which is contained herein:

Name	Qualification
Altus Capital Limited	a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activity as defined under the SFO
Allied Appraisal Co., Ltd.	Professional valuer

As at the Latest Practicable Date, each of the above experts had given and had not withdrawn its written consent to the issue of this circular with the inclusion herein a copy of its letter/reports dated the date of this circular and references to its names in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts had any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interests in any assets which had been, since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. GENERAL

In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

10. DOCUMENTS ON DISPLAY

An electronic copy of each of the Equity Transfer Agreements will be published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (www.gdi.com.hk) for a period of 14 days from the date of this circular.

Set out below are the personal particulars of Mr. LI Wenchang and Mr. HE Zhifeng, who has offered himself for re-election at the EGM:

Mr. LI Wenchang, aged 43, graduated from South China University of Technology, the PRC and obtained a Bachelor's degree in Administration and Management. He also obtained a Master's degree in Business Administration from South China University of Technology, the PRC. Mr. Li has extensive experience in investment and capital operations. From 2006 to 2022, he held various positions at 廣州富力地產股份有限公司 (Guangzhou R&F Properties Co., Ltd.*) ("**R&F Properties**"), the shares of which are listed on the Hong Kong Stock Exchange. He successively served as the general manager of the personnel administration centre of the Malaysia company of R&F Properties, the deputy general manager of the group investment department of R&F Properties and the general manager of the group capital operations centre and the securities affairs representative of R&F Properties. Mr. Li joined 廣東粵海控股集團有限公司 (Guangdong Holdings Limited*) ("**Guangdong Holdings**") in May 2022 and is the deputy general manager of the investment and capital operations department of both Guangdong Holdings and GDH Limited ("**GDH**"). He is currently a director of 廣東省水利電力勘測設計研究院有限公司 (Water Conservancy Electric Power Survey and Design Institute Company Limited*, "**Water Conservancy Design Institute**"). In addition, he is currently a director and non-executive director of 廣東粵海資本集團有限公司 (GDH Capital Group Co., Ltd.*, "**GDH Capital Group**") and Guangdong Land Holdings Limited ("**GDL**") (which the shares of which are listed on the Hong Kong Stock Exchange), respectively, both of which are subsidiaries of GDH. He served as an executive director of GDL from July 2022 to December 2024. Guangdong Holdings and GDH are the ultimate controlling shareholder and the direct controlling shareholder of the Company, respectively.

Other than as stated above, Mr. Li is not related to any Director, senior management or substantial shareholder or controlling shareholder of the Company and in the last three years, he has not held any directorship in any other listed company.

As at the Latest Practicable Date, Mr. Li did not have any interest in shares and/or underlying shares of the Company or its associated corporations within the meaning of Part XV of the SFO.

There is a letter of appointment entered into between the Company and Mr. Li. Pursuant to the Articles of Association of the Company, Mr. Li, if re-elected, will hold office as Director for a term of not more than three years effective from the date of re-election to the earlier of (i) the conclusion of the Company's annual general meeting to be held in 2028 or (ii) 30 June 2028, subject to earlier determination in accordance with the Articles of Association of the Company and/or any applicable laws and regulations.

In accordance with the Articles of Association of the Company, Mr. Li is entitled to such director's fee as may be approved by the Board as the Company in general meeting determines. Remuneration (if any) for Mr. Li will be determined in accordance with the Company's policy on Directors' remuneration by reference to the responsibilities involved and the remuneration offered for similar positions in comparable companies. At present, Mr. Li is not receiving any remuneration from the Company.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the shareholders of the Company in relation to the re-election of Mr. Li as a Director of the Company and there is no information which is discloseable nor is/was Mr. Li involved in any matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules.

Mr. HE Zhifeng, aged 47. He holds a Bachelor's degree in Economics (majoring in International Business Management) and a Doctoral Degree in Laws (majoring in Economic Sociology) from Sun Yat-sen University, PRC. From December 2006 to July 2017, he held various positions including Office Manager, Senior Office Manager and Deputy General Manager of Trust Management Department I at 廣東粵財投資控股有限公司 (Guangdong Yuecai Investment Holdings Limited*, "**Yuecai Holdings**"), as well as President Deputy General Manager at its subsidiary 中銀粵財股權投資基金管理(廣東)有限公司 (BOC & UTRUST Private Equity Fund Management (Guangdong) Co., Ltd.*). He also concurrently served as General Manager of Guangdong Yuecai Venture Investment Co., Ltd., another subsidiary of Yuecai Holdings, from July 2015 to May 2016. From July 2017 to September 2020, he served as the Board Secretary and Director of the Board Office, as well as General Manager of the Capital Operation and Investment Development Department of 廣東省廣播電視網絡股份有限公司 (Guangdong Radio Television Network Co., Ltd. *). He also concurrently served as Chairman of 廣東弘圖投資有限公司 (Guangdong Hongtu Radio and Television Investment Co., Ltd.*) from July 2017 to July 2018. Subsequently, he served as the Chairman of 粵海置業投資(國際)有限公司 (Yuehai Property Investment. (International) Limited*, "**Yue Hai Property**") from September 2020 to June 2023, and as the Chairman of 廣東粵海園區投資控股有限公司 (Guangdong Yue Hai Industrial Park Investment Holdings Co., Ltd.*, "**Yue Hai Industrial Park Investment**"), a subsidiary of Yue Hai Property, from June 2023 to March 2025. He is currently a Designated External Director of 廣東省水利電力勘測設計研究院有限公司 (Water Conservancy Electric Power Survey and Design Institute Company Limited*, "**Water Conservancy Design Institute**") and 廣東粵海資本集團有限公司 (GDH Capital Group Co., Ltd.*, "**GDH Capital Group**"). Yue Hai Property, Yue Hai Industrial Park Investment and Water Conservancy Design Institute are all subsidiaries of Guangdong Holdings, while GDH Capital Group is a subsidiary of GDH. Guangdong Holdings and GDH are the ultimate controlling shareholder and the direct controlling shareholder of the Company, respectively.

Other than as stated above, Mr. He is not related to any Director, senior management or substantial shareholder or controlling shareholder of the Company and in the last three years, he has not held any directorship in any other listed company.

As at the Latest Practicable Date, Mr. He did not have any interest in shares and/or underlying shares of the Company or its associated corporations within the meaning of Part XV of the SFO.

There is a letter of appointment entered into between the Company and Mr. He. Pursuant to the Articles of Association of the Company, Mr. He, if re-elected, will hold office as Director for a term of not more than three years effective from the date of re-election to the earlier of (i) the conclusion of the Company's annual general meeting to be held in 2028 or (ii) 30 June 2028, subject to earlier determination in accordance with the Articles of Association of the Company and/or any applicable laws and regulations.

In accordance with the Articles of Association of the Company, Mr. He is entitled to such director's fee as may be approved by the Board as the Company in general meeting determines. Remuneration (if any) for Mr. He will be determined in accordance with the Company's policy on Directors' remuneration by reference to the responsibilities involved and the remuneration offered for similar positions in comparable companies. At present, Mr. He is not receiving any remuneration from the Company.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the shareholders of the Company in relation to the re-election of Mr. He as a Director of the Company and there is no information which is discloseable nor is/was Mr. He involved in any matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules.

GUANGDONG INVESTMENT LIMITED
(粵 海 投 資 有 限 公 司)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00270)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Guangdong Investment Limited (the "**Company**") will be held on Monday, 8 December 2025 at 4:00 p.m., by way of virtual meeting, for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT** the Equity Transfer Agreement (Yangjiang) and the Proposed Acquisition (Yangjiang) contemplated thereunder be and are hereby approved and confirmed."

2. "**THAT** the Equity Transfer Agreement (Shantou) and the Proposed Acquisition (Shantou) contemplated thereunder be and are hereby approved and confirmed."

3(i). "**THAT** Mr. LI Wenchang be and is hereby re-elected as a Director of the Company."

3(ii). "**THAT** Mr. HE Zhifeng be and is hereby re-elected as a Director of the Company."

By Order of the Board
Guangdong Investment Limited
TSANG Hon Nam
Director

Hong Kong, 20 November 2025

Registered office:
28th and 29th Floors
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

Notes:

(i) A shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and, on a poll, vote in his place and such proxy needs not be a shareholder of the Company.

(ii) To be valid, the form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be delivered to the Company's share registrar, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated website (https://evoting.vistra.com) by using the username and password provided on the notification letter sent by the Company's share registrar, not less than 48 hours (excluding any part of a day that is a public holiday) before the time fixed for holding the EGM or any adjourned meeting (as the case may be). The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the EGM or any adjourned meeting if he so wishes. If a shareholder who has lodged a form of proxy attends the EGM, his form of proxy will be deemed to have been revoked.

(iii) In the case of joint shareholders, the vote of the senior who tenders a vote, whether in person, or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the Company's register of members in respect of the joint holding.

(iv) The record date (being the last date for registration of any share transfer given that there will be no book closure) for determining the eligibility of the Shareholders to attend and vote at the EGM will be 5 December 2025. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 5 December 2025.

(v) Pursuant to Rule 13.39(4) of the Listing Rules, the resolutions set out in this notice will be voted by way of a poll.

(vi) In case Typhoon Signal No. 8 or above is hoisted, or a Black Rainstorm Warning Signal or "extreme conditions caused by a super typhoon" announced by the Hong Kong Government is/are in force in Hong Kong at or at any time after 12:00 noon on the date of the EGM, the EGM will be adjourned. The Company will post an announcement on its website (www.gdi.com.hk) and the HKEXnews website (www.hkexnews.hk) to notify shareholders of the date, time and place of the adjourned meeting. The EGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather conditions bearing in mind their own situation.

(vii) All registered shareholders of the Company will be able to join the EGM via the Vistra eVoting Portal. The Vistra eVoting Portal can be accessed from any location with access to the internet via smartphone, tablet device or computer. Through the Vistra eVoting Portal, registered shareholders of the Company will be able to view the live video broadcast and participate in voting, call to raise questions and submit questions online by using the username and password provided on the notification letter sent by the Company. Login details and information regarding the Vistra eVoting Portal are included in the Company's notification letters to registered shareholders of the Company. Registered shareholders of the Company are requested to provide a valid email address of himself/herself/itself or his/her/its proxy (except for the appointment of the chairperson of the meeting) for the proxy to receive the login access code to participate in the meeting by electronic means through the Vistra eVoting Portal. Shareholders of the Company and their proxies are advised to keep the login credentials in safe custody and shall not disclose them to any other person.

(viii) Non-registered shareholders of the Company whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to attend the meeting, vote, call to raise questions and submit questions online. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements.