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

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

(Stock Code: 1542)

(1) PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR AND MEMBER OF NOMINATION COMMITTEE; (2) PROPOSED ISSUANCE OF DEBT FINANCING NOTES THROUGH PRIVATE PLACEMENT; (3) PROPOSED AUTHORISATION TO THE BOARD OR THE EXECUTIVE DIRECTORS TO DEAL WITH THE MATTERS RELATING TO THE ISSUE OF THE 2025 PRIVATE PLACEMENT NOTES; (4) PROPOSED INCREASE IN REGISTERED CAPITAL TO A SUBSIDIARY; AND (5) MAJOR AND CONNECTED TRANSACTION RELATING TO PROPOSED ESTABLISHMENT OF FUND

PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR AND MEMBER OF NOMINATION COMMITTEE

The Board hereby announces that it proposed to elect Mr. Yang as a non-executive Director for a term commencing from the date of approval of the Shareholders at the EGM until the expiry of the term of the sixth session of the Board, and if his appointment is approved by the Shareholders at the EGM, he will become a member of the Nomination Committee.

PROPOSED ISSUANCE OF DEBT FINANCING NOTES THROUGH PRIVATE PLACEMENT

The Board has resolved to submit to the Shareholders for consideration and approval the proposed re-application for the quota of registration of debt financing notes in the National Association of Financial Market Institutional Investors of the PRC with the registered principal amount of no more than RMB1.0 billion in the PRC and the issue of the 2025 Private Placement Notes in accordance with the Articles of Association, the PRC Company Law, the PRC Securities Law and other relevant laws and regulations and subject to the business development and financial needs of the Company.

PROPOSED AUTHORISATION TO THE BOARD OR THE EXECUTIVE DIRECTORS TO DEAL WITH THE MATTERS RELATING TO THE ISSUE OF THE 2025 PRIVATE PLACEMENT NOTES

In order to improve the efficiency to issue the 2025 Private Placement Notes, the Board has resolved to seek for Shareholders' approval at the EGM and authorise the Board or the executive Directors to deal with the matters relating to the issue of the 2025 Private Placement Notes, effective from the date of the approval at the EGM till the date of completion of the aforesaid matters.

PROPOSED INCREASE IN REGISTERED CAPITAL TO A SUBSIDIARY

The Board has considered and approved the capital increase of RMB300 million by the Company to Binhai Water, with RMB153 million and RMB147 million to be paid by the Company and Taizhou City Water, respectively. Immediately after the Capital Increase, registered capital of Binhai Water shall be increased to RMB600 million.

MAJOR AND CONNECTED TRANSACTION RELATING TO PROPOSED ESTABLISHMENT OF FUND

The Board has resolved to propose that the Company will enter into the Fund Partnership Agreement with Taizhou Jintou Chuangyue, Shanghai Yicun, Taizhou Jintou Equity Investment, Taizhou State-owned Assets Investment and Taizhou Kaitou Investment, for the establishment of the Fund with the initial proposed size of RMB1.01 billion. The proposed capital commitment of the Company is RMB200 million, representing approximately 19.8% of the total committed capital contribution of the Fund.

LISTING RULES IMPLICATIONS

As of the date of this announcement, each of Taizhou Jintou Chuangyue, Taizhou Jintou Equity Investment and Taizhou State-owned Assets Investment is wholly-owned subsidiary of Taizhou Capital Operation, which is interested in 43,250,855 Domestic Shares, representing approximately 28.83% of the total number of Domestic Shares and approximately 21.63% of the total issued share capital of the Company. Accordingly, each of Taizhou Jintou Chuangyue, Taizhou Jintou Equity Investment and Taizhou State-owned Assets Investment is a connected person of the Company. Accordingly, the Fund Partnership Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Fund Partnership Agreement and the transactions contemplated thereunder exceeds 25% but less than 100%, the Fund Partnership Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Company shall be subject to the reporting, announcement and independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

As Mr. Lin Genman and Mr. Shao Aiping are Directors nominated by Taizhou Urban Construction and Investment Development Group Co., Ltd.* (台州市城市建設投資發展集團有限公司), a wholly-owned subsidiary of Taizhou Capital Operation, which is a substantial shareholder of the Company, they are required to abstain from voting on the Board resolution approving the Fund Partnership Agreement and the transactions contemplated thereunder. Save as disclosed, no other Directors has any material interest in the transactions contemplated under the Fund Partnership Agreement.

EGM

An EGM will be convened to consider, and if thought fit, to approve (i) the proposed election of Mr. Yang as a non-executive Director; (ii) the issue of the 2025 Private Placement Notes; (iii) the authorization to the Board and the executive Directors to deal with the matters relating to the issue of the 2025 Private Placement Notes; (iv) the increase in registered capital of Binhai Water; and (v) the Fund Partnership Agreement and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors, Taizhou Urban Construction and Investment Development Group Co., Ltd.* (台州市城市建設投資發展集團有限公司), which is interested in an aggregate of 21.63% of the total issued share capital of the Company as at the date of this announcement, and its associates, will abstain from voting at the EGM regarding the Fund Partnership Agreement and the transactions contemplated thereunder (including the establishment of the Fund). To the best of the knowledge, information and belief of the Directors, and saved as disclosed above, no other Shareholder is required to abstain from voting at the EGM as at the date of this announcement.

A circular containing, among other things, (i) details of the proposed election of Mr. Yang; (ii) details of the issue of the 2025 Private Placement Notes; (iii) details of the proposed authorization to the Board or the executive Directors to deal with the matters relating to the issue of the 2025 Private Placement Notes; (iv) further information on the Fund Partnership Agreement and the transactions contemplated thereunder; (v) further information on the proposed increased in registered capital of Binhai Water; (vi) the recommendation from the Independent Board Committee to the Independent Shareholders with respect to the Fund Partnership Agreement; (vii) the advice and recommendation from the Independent Financial Adviser with respect to the Fund Partnership Agreement and the transactions contemplated thereunder; and (viii) a notice convening the EGM together with the proxy form and the reply slip, will be despatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed and shall advise the Independent Shareholders in respect of the Fund Partnership Agreement and the transactions contemplated thereunder. Red Sun Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

It should be noted that the entering into of the Fund Partnership Agreement is subject to the approval of the Fund Partnership Agreement and the transactions contemplated thereunder (including the establishment of the Fund) by the Independent Shareholders in the EGM, which may or may not be fulfilled. The transactions contemplated under the Fund Partnership Agreement may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the respective securities of the Company.

1. PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR AND MEMBER OF NOMINATION COMMITTEE

The Board hereby announces that it proposed to elect Mr. Yang Feng (楊峰) ("**Mr. Yang**") as a non-executive Director for a term commencing from the date of approval of the Shareholders at the EGM until the expiry of the term of the sixth session of the Board, and if his appointment is approved by the Shareholders at the EGM, he will become a member of the Nomination Committee. Mr. Yang has confirmed that he has no disagreement on such nomination.

The biographical details of Mr. Yang which are disclosed pursuant to Rule 13.51(2) of the Listing Rules are as follows:

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

As of the date of this announcement, Mr. Yang is interested in 51% of the shares of Qufeng Holdings Limited, which in turn holds 10,058,338 Domestic Shares of the Company, representing approximately 5.03% of the total issued Shares of the Company.

Save as disclosed above, Mr. Yang confirmed that, (1) he does not hold any other positions in the Company or any of its subsidiaries and also has not served as a director nor a supervisor in any other listed companies in the past three years; (2) he does not have any relationship with any other directors, supervisors, senior management or substantial or controlling shareholders of the Company or any of its subsidiaries; and (3) he does not have any interest in any shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as at the date of this announcement.

Save as disclosed above, Mr. Yang confirmed that, there is no other information that needs to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules, and there are no other matters concerning the appointment of Mr. Yang as a non-executive Director that need to be brought to the attention of the Shareholders.

If the proposed appointment of Mr. Yang as a non-executive Director is approved by the Shareholders at the EGM, the Company will enter into relevant director's service contract with him for a term of service running from the date of his appointment until the end of the term of the current session of the Board. Mr. Yang's remuneration for his term of office will be determined by the Board as to be authorised by the Shareholders at the EGM in accordance with the remuneration policy of the Company. The information regarding the relevant director's service contract will be announced as appropriate.

2. PROPOSED ISSUANCE OF DEBT FINANCING NOTES THROUGH PRIVATE PLACEMENT

In order to optimize the capital structure of the Company, reduce the financial costs, and further improve the comprehensive strength of the Company, the issuance of debt financing notes through private placement was approved by the Shareholders by way of special resolution at the extraordinary general meeting of the Company held on 23 December 2022 (the "**2022 Private Placement Notes**"). In June 2023, the 2022 Private Placement Notes received approval by the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) of the PRC, with a registered principal amount not exceeding RMB1.0 billion. As of the date of this announcement, the Group has issued a total of three private placement notes, each amounting to RMB150 million. There remains one outstanding debt financing note due on 7 January 2026.

Given that the approvals for the issuance of private placements notes from the National Association of Financial Market Institutional Investors and the Shareholders have expired in June 2025, in order to ensure the smooth operation of the Group's subsequent financing channels and meet the capital requirements for business development, on 5 December 2025, the Board has resolved to submit to the Shareholders for consideration and approval the proposed re-application for the quota of registration of debt financing notes in the National Association of Financial Market Institutional Investors of the PRC with the registered principal amount of no more than RMB1.0 billion in the PRC and the issue of such debt financing notes through private placement (i.e. the 2025 Private Placement Notes) in accordance with the Articles of Association, the PRC Company Law, the PRC Securities Law and other relevant laws and regulations and subject to the business development and financial needs of the Company.

The proposed arrangements for the issuance of 2025 Private Placement Notes are as follows:

Issuer:	The Company
Place of issue:	The PRC
Size of issue:	The aggregate principal amount of not more than RMB1.0 billion, in single or multiple tranche(s), issued privately within the PRC upon the registration with the National Association of Financial Market Institutional Investors of the PRC. It was proposed that the Board or the executive Directors shall be granted the authority at the EGM to determine the specific issue size and issue method (including whether to issue in tranches and their respective issue size) of the 2025 Private Placement Notes according to the capital needs of the Company and the market conditions at the time of issue within the aforesaid scope.

Nominal value and issue price:	Nominal value of RMB100 and issue price will be determined based on nominal value.
Maturity:	The term of the 2025 Private Placement Notes shall not exceed three years (three years inclusive), which can either be in a single or mixture of various maturity categories. It was proposed that the Board or the executive Directors shall be granted the authority at the EGM to determine the specific maturity structures of the 2025 Private Placement Notes and the offer size for the 2025 Private Placement Notes with different maturity structures according to the capital needs of the Company and the market conditions at the time of issue.
Coupon rate:	The 2025 Private Placement Notes are in the form of fixed interest rate. The coupon rate will be determined by using the bookbuilding method. It was proposed that the Board or the executive Directors shall be granted the authority at the EGM to determine whether the 2025 Private Placement Notes are accompanied by the option to adjust the coupon rate, the option to sell back and the specific terms according to the capital needs of the Company and the market conditions at the time of issue.
Repayment of principal and interest:	The 2025 Private Placement Notes will bear interest on an annual basis at a simple rate rather than at a compound rate. During the term of interest payment, interest will be paid annually and the total principal will be repaid in one lump sum on the maturity date together with the last interest payment.
Target investors and issue method:	The 2025 Private Placement Notes shall be issued to qualified investors who satisfied the conditions stipulated in the "Special Institutional Investors Selection Rules for Targeted Debt Financing Instruments (2020 Edition)" (《定向債務融資工具專項機構投資人遴選細則(2020版)》) and "List of Investors for Special Institutions for Targeted Debt Financing Instruments" (《定向債務融資工具專項機構投資人名單》) and can participate in bond subscription and transfer (except for those prohibited by national laws and regulations). The bonds will not be preferentially allocated to the current Shareholders.

Guarantee:	It was proposed that the Board or the executive Directors shall be granted the authority at the EGM to determine whether the 2025 Private Placement Notes shall be guaranteed as well as the relevant guarantee arrangement according to the relevant requirements and the market conditions at the time of issue.
Use of proceeds:	After deducting the issue expenses, the proceeds are intended to be used to repay loans of the Company, replenish working capital of the Company and fund projects construction, as well as for other purposes as permitted by applicable laws and regulations. Subject to the granting of authorisation to the Board or the executive Directors at the EGM, the specific use of proceeds shall be determined by the Board or such executive Director in accordance with the actual needs of the Company.
Listing:	Upon completion of the issuance of the 2025 Private Placement Notes, the Company will apply to the National Interbank Funding Center (全國銀行間同業拆借中心) for listing and trading of the 2025 Private Placement Notes. It was proposed that the Board or the executive Directors shall be granted the authority at the EGM to deal with relevant matters pursuant to relevant regulations of the National Association of Financial Market Institutional Investors and the National Interbank Funding Center.
Source of repayment:	The 2025 Private Placement Notes shall be repaid with revenue generating from the business operation of the Company and/or credit facilities granted by financial institutions, etc.
Bond labeling status:	If the issuance of the 2025 Private Placement Notes meets the conditions for labeling as green bonds after review by professional institutions, it will be issued in the form of labeled green bonds, and the corresponding use of raised funds will be adjusted accordingly based on the main project conditions. It was proposed that the Board or the executive Directors shall be granted the authority at the EGM to determine the issuance of labeled green bonds and project selection according to the capital needs of the Company and the market conditions at the time of issue.

The resolution on the issue of the 2025 Private Placement Notes shall be effective from the date of approval at the EGM till 24 months after the date of registration of the issue of the 2025 Private Placement Notes with the National Association of Financial Market Institutional Investors.

The proposed issue of the 2025 Private Placement Notes is, if approved at the EGM, still subject to necessary approvals by and registration with the National Association of Financial Market Institutional Investors and/or other relevant regulatory authorities.

REASONS FOR AND BENEFITS OF THE PROPOSED ISSUE OF THE 2025 PRIVATE PLACEMENT NOTES

The issue of the 2025 Private Placement Notes is to optimize the capital structure of the Company, reduce the financial costs, and further improve the comprehensive strength of the Company. The Board considers that the issuance of 2025 Private Placement Notes will benefit the Company in ensuring the openness of the bond financing channels, optimizing financing structure, reducing financing costs, maintaining financial stability and saving finance costs. Therefore, the Board considers that the proposed issue of the 2025 Private Placement Notes is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. PROPOSED AUTHORISATION TO THE BOARD OR THE EXECUTIVE DIRECTORS TO DEAL WITH THE MATTERS RELATING TO THE ISSUE OF THE 2025 PRIVATE PLACEMENT NOTES

In order to improve the efficiency to issue the 2025 Private Placement Notes, the Board has resolved to seek for Shareholders' approval at the EGM and authorise the Board or the executive Directors to deal with the matters relating to the issue of the 2025 Private Placement Notes. The authorisation shall include but not limit to the following matters:

(1) to formulate the specific issue plan and amend and adjust the issue terms of the 2025 Private Placement Notes in accordance with the relevant laws and regulations and the condition of the Company and the market, including but not limited to all matters in relation to the proposed issue of the 2025 Private Placement Notes such as the issue size, maturity, type, coupon rate of the 2025 Private Placement Notes and its way of determination, listing place, timing of the issue, issue arrangement (including whether the 2025 Private Placement Notes will be issued in tranches, number of tranches and issue size for each tranche), guarantee arrangement, time and ways of repayment of principal and payment of interest, rating arrangement, specific subscription method, specific placing arrangement, whether the repurchase terms or redemption terms will be set and the specific contents thereof, establishment of a custodial account for the proceeds raised, use of proceeds and proportion of proceeds thereof, guarantee measures arrangement and listing of the 2025 Private Placement Notes;

(2) to determine and engage the professional advisers involved in the issue of the 2025 Private Placement Notes;

(3) to select the bond trustee, formulate and execute the bond trustee management agreement and formulate the rules for the bondholders' meeting;

(4) to handle matters in relation to the listing of the 2025 Private Placement Notes upon completion of the issue of the 2025 Private Placement Notes;

(5) to execute contracts, agreements and documents in relation to the issue of the 2025 Private Placement Notes;

(6) to be responsible for implementing the issuance application and the listing of the 2025 Private Placement Notes, including but not limited to the formulation, approval, authorisation, signing, execution, modification and completion of all the documents, contracts, agreements and indentures (including but not limited to the prospectus, underwriting agreement, bond trustee management agreement, fundraising supervision agreement and other announcements and legal documents) and to make appropriate information disclosure in accordance with the relevant laws, regulations and other regulatory documents;

(7) save for matters which are subject to approval by the Shareholders at the general meeting in accordance with the requirements of relevant laws, regulations and the Articles of Association, to make corresponding adjustments to matters in relation to the issue of the 2025 Private Placement Notes based on the new policies and opinions issued by relevant regulatory authorities or new market conditions in case there is any change to the policies or the market conditions regarding the issuance of the 2025 Private Placement Notes;

(8) to determine whether the issue of the 2025 Private Placement Notes shall proceed based on actual circumstances in the event that there is any substantial change to the market environment or the policies and regulations;

(9) to determine whether the 2025 Private Placement Notes shall be guaranteed and formulate the guarantee arrangement, if any, in accordance with the relevant laws and regulations and the condition of the market;

(10) to further improve the Company's assets and liabilities management and the liquidity management, ensuring the source of repayment and its emergency support;

(11) to formulate the debt repayment guarantee mechanism and the dividend distribution limitation measures;

(12) to deal with matters relating to the default liabilities of the Company; and

(13) to determine and deal with any other matters relating to the issue and the listing of the 2025 Private Placement Notes.

The above authority granted to the Board or any one of the executive Directors shall be effective from the date of the approval at the EGM till the date of completion of the aforesaid matters.

4. PROPOSED INCREASE IN REGISTERED CAPITAL TO A SUBSIDIARY

Binhai Water was established on 7 June 2016, with a registered capital of RMB300 million. It is a subsidiary of the Company owned as to 51% by the Company and 49% by Taizhou City Water, as at the date of this announcement. As of the date of this announcement, Binhai Water has a paid-in capital of RMB300 million. It is principally engaged in the financing construction and operation management of the water diversion project in Taizhou (the "**Water Diversion Project**"), which has commenced supply of water since October 2022.

Based on the current operation conditions of Binhai Water, on 5 December 2025, the Board has considered and approved the capital increase of RMB300 million by the Company to Binhai Water (the "**Capital Increase**"), with RMB153 million and RMB147 million to be paid by the Company and Taizhou City Water, respectively. Immediately after the Capital Increase, registered capital of Binhai Water shall be increased to RMB600 million. The Capital Increase shall be subject to approval by the Shareholders by way of ordinary resolution at the EGM.

The Capital Increase will be strategically directed towards upgrading infrastructure, optimizing operational capabilities, and enhancing a variety of water management solutions. The Company believes that the capital investment will significantly strengthen the core operations and management practices associated with the Water Diversion Project, thereby improving overall operational effectiveness, which aligns with the Company's long-term strategic objectives and the overall interests of the Company and the Shareholders as a whole.

5. MAJOR AND CONNECTED TRANSACTION RELATING TO PROPOSED ESTABLISHMENT OF FUND

BACKGROUND

The Board has resolved to propose that the Company will enter into the Fund Partnership Agreement with Taizhou Jintou Chuangyue, Shanghai Yicun, Taizhou Jintou Equity Investment, Taizhou State-owned Assets Investment and Taizhou Kaitou Investment, for the establishment of the Fund with the initial proposed size of RMB1.01 billion. The proposed capital commitment of the Company is RMB200 million, representing approximately 19.8% of the total committed capital contribution of the Fund.

The Board would like to seek the mandate to be granted in advance by the Independent Shareholders at the EGM for the Directors to enter into the Fund Partnership Agreement and the transactions contemplated thereunder (including the establishment of the Fund).

MAJOR TERMS OF THE FUND PARTNERSHIP AGREEMENT

Tentative name of the Fund: Taizhou Merger and Acquisition Parent Fund

Parties:

General Partners

(1) Taizhou Jintou Chuangyue Equity Investment Co., Ltd* (台州市金投創躍股權投資有限公司) ("**Taizhou Jintou Chuangyue**" or "**GP1**"); and

(2) Shanghai Yicun Private Fund Management Co., Ltd* (上海一村私募基金管理有限公司) ("**Shanghai Yicun**") ("**GP2**").

Limited Partners

(1) Taizhou Jintou Equity Investment Co., Ltd* (台州市金投股權投資有限公司) ("**Taizhou Jintou Equity Investment**");

(2) Taizhou State-owned Assets Investment Group Co., Ltd* (台州市國有資產投資集團有限公司) ("**Taizhou State-owned Assets Investment**");

(3) Taizhou Kaitou Investment Capital Operation Co., Ltd* (台州市開投資本運營有限公司) ("**Taizhou Kaitou Investment**"); and

(4) the Company.

(General Partners and Limited Partners, collectively, the "**Partners**")

As at the date of this announcement, Taizhou Jintou Chuangyue, Taizhou Jintou Equity Investment and Taizhou State-owned Assets Investment are wholly-owned subsidiaries of Taizhou Capital Operation, which is interest in 43,250,855 Domestic Shares, representing approximately 28.83% of the total number of Domestic Shares and approximately 21.63% of the total issued share capital of the Company.

To the best knowledge, information and belief of the Directors, each of Shanghai Yicun and Taizhou Kaitou Investment and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Term of the Fund: The duration of the agreement shall be ten (10) years plus one (1) additional year, comprising a four (4) year investment period and a six (6) year exit period, with an optional extension of the investment period for an additional one (1) year, or further extensions as may be approved by the partners.

Initial Capital Commitment and Payment: The proposed initial capital commitment by the Partners to the Fund shall be RMB1.01 billion. The respective capital commitments payable by each of the Partners are as follows:

	Type	Initial Capital Commitment *(RMB)*	Capital Proportion
Taizhou Jintou Chuangyue	General Partner	5,000,000	0.5%
Shanghai Yicun	General Partner	5,000,000	0.5%
Taizhou Jintou Equity Investment	Limited Partner	600,000,000	59.4%
Taizhou State-owned Assets Investment	Limited Partner	100,000,000	9.9%
Taizhou Kaitou Investment	Limited Partner	100,000,000	9.9%
The Company	Limited Partner	200,000,000	19.8%
	Total	1,010,000,000	100%

The initial contribution amount from the general partner is RMB1 million. Subsequent contributions will be determined based on the investment amounts required for projects and the expenses of the partnership. The initial contribution amount from the Limited Partners will be determined according to the minimum initial capital requirement set by the China Securities Investment Fund Industry Association. Subsequent contributions will also be based on the investment requirements and partnership expenses, as specified in the capital contribution notices issued by the fund manager.

The proposed initial capital commitment was determined after arm's length negotiations between the Partners with reference to their respective interests in the Fund as well as the investment objective of the Fund. The Company will finance its capital commitment to the Fund by its internal resources.

Focus of the Fund and Investment Strategy:	The primary investment strategy shall emphasize investments in sub-funds, supplemented by direct project investments, with a particular focus on three categories of mergers and acquisitions: (i) mergers and acquisitions led by industry leaders; (ii) acquisitions of listed company's controlling stake as the carrier of industry acquisition; and (iii) strategic acquisitions to strengthen key elements of the supply chain, focusing on sectors such as automotive, healthcare, new energy, new materials, advanced manufacturing, semiconductors, and Taizhou's competitive industries (including, but not limited to, pumps, valves, and sewing equipment). The investment amount in any single project or sub-fund shall not exceed thirty percent (30%) of the total committed capital of the fund. Any exceptions to this limitation shall require unanimous consent of the partners at a meeting. The fund and any invested sub-funds are prohibited from engaging in guaranteed investments, mortgages, real estate transactions, entrusted loans, or any activities that would increase local government hidden debts.
Management fee:	The Fund shall be managed by Taizhou Jintou Private Equity Fund Management Co., Ltd* (台州市金投私募基金管理有限公司) ("**Taizhou Jintou Private Equity Fund Management**" or the "**Fund Manager**"). The Fund Manager is entitled to an annual management fee of the Fund in an amount equal to 0.5% per annum of the total actual contributions to the Fund during the investment period, and an amount equal to 0.5% per annum of the balance of the paid-up capital of the Fund during the exit period.

Executive partner remuneration:	During the term of the Fund, GP2 shall be entitled to receive the executive partner remuneration in an amount equal to 0.29% per annum of the total actual contributions to the Fund during the investment period, and an amount equal to 0.29% per annum of the balance of the paid-up capital of the Fund during the exit period. The total fees, including the management fee and executive partner remuneration were determined after arm's length negotiation between the Partners with reference to the prevailing market rate.
Investment Decision-making committee:	An investment decision-making committee (the "**Investment Decision-making Committee**") shall be established by the Fund Manager to make professional decisions on project establishment, investment and exit matters, with the approval of no less than four out of five members of the Investment Decision-making Committee. The Investment Decision-making Committee shall consist of five members: two appointed by the Fund Manager, two by the GP1, and one by GP2, with each committee member having one vote. Each of the Limited Partners has the right to appoint one observer to the Investment Decision-making Committee, who can attend meetings, observe the entire process, and access meeting materials, but do not have any voting rights.
Profit distribution and loss sharing:	*Profit distribution* Profits shall first be distributed to all partners based on their paid-in capital until all partners have fully recouped their contributions. Any remaining profits shall be distributed according to a threshold return rate of 6% per annum, calculated on a simple interest basis. After the initial distribution, any further surplus (i.e., excess profits) shall be allocated at a ratio of 90% to limited partners and 10% to general partners with GP1 and GP2 sharing the performance fees equally at a 50% to 50% ratio.

Loss sharing

After the final liquidation of the partnership, the losses and debts of the partnership shall be jointly shared by all contributing partners in proportion to their actual contributions.

Limited Partners are liable for the partnership's debts only up to the amount they have committed to contribute, while general partners bear unlimited joint liability for the partnership's debts.

The Fund is a limited partnership to be established under the laws of the PRC pursuant to the Fund Partnership Agreement. No financial information or past performance of the Fund is available for disclosure as at the date of this announcement.

REASONS FOR AND BENEFITS OF THE FUND PARTNERSHIP AGREEMENT

To fulfil national strategic objectives and solidify its responsibilities as a municipal state-owned enterprise, the Fund acts as an effective tool for attracting industries. It mobilizes social capital to enhance industrial investment and leverages managerial resources for project support. The Fund focuses on key industries like automotive and healthcare, aligning with municipal market reforms to boost the Group's strategic value within the state-owned assets system.

In recent years, national policies have continually released incentives encouraging mergers and acquisitions as vital tools for promoting industrial upgrades and technological innovation. Documents such as the China Securities Regulatory Commission's Six Guidelines on Mergers and Acquisitions (併購六條) and the Policies to Promote High-Quality Development of Venture Capital (Guoban Fa [2024] No. 31) (《促進創業投資高質量發展的若干政策措施》(國辦發[2024]31號)) clearly support listed companies in pursuing mergers around their supply chains. Both Zhejiang Province and Taizhou have introduced supporting policies to encourage the establishment of merger funds that direct state capital toward strategic emerging industries. As a significant source of private economy, Taizhou has 72 A-share listed companies, yet 80% of these have market capitalizations below RMB10 billion and lack hundred-billion-level leading enterprises. This project represents a proactive response from Taizhou's state-owned enterprises to national and local policies, fulfilling corporate responsibilities and promoting high-quality regional industrial development.

The terms of the Fund Partnership Agreement are made after arm's length negotiation among the parties. The Directors (other than the independent non-executive Directors whose view will be given after considering the advice from the Independent Financial Adviser) are of the view that the Fund Partnership Agreement and the transactions contemplated thereunder are on normal commercial terms, and the terms and conditions therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Company

The Company is a leading water supply service provider in Taizhou principally engaged in the supply of raw water and municipal water. The Company also supplies tap water directly to end-users and engages in the installation of the water pipelines for distributing tap water to its end-users in Taizhou.

Taizhou Jintou Chuangyue

Taizhou Jintou Chuangyue is a limited company established in the PRC and a wholly-owned subsidiary of Taizhou Capital Operation. It is principally engaged in equity investment and venture capital. As of the date of this announcement, Taizhou Jintou Chuangyue is ultimately owned by Taizhou People's Government State-owned Assets Supervision and Administration Commission (台州市人民政府國有資產監督管理委員會) as to 90% and Zhejiang Provincial Department of Finance (浙江省財政廳) as to 10%.

Shanghai Yicun

Shanghai Yicun is a limited company established in the PRC and is specialized in mergers and acquisitions combined with industrial investment in high-growth sectors like AI and healthcare. It manages over RMB10 billion in assets and has a strong track record of successful investments. As of the date of this announcement, Shanghai Yicun is owned by Yicun Capital Limited* (一村資本有限公司) as to 99%, which is in turn owned by Wuxi Guolian Industrial Investment Private Equity Fund Management Co., Ltd* (無錫國聯產業投資私募基金管理有限公司) as to approximately 41.9%, which is in turn ultimately owned by the State-owned Assets Supervision and Administration Commission of Wuxi Municipal People's Government (無錫市人民政府國有資產監督管理委員會) as to approximately 92.2%.

Taizhou Jintou Equity Investment

Taizhou Jintou Equity Investment is a limited company established in the PRC and is principally engaged in equity investment and venture capital. As of the date of this announcement, it is a wholly-owned subsidiary of Taizhou Capital Operation, which is in turn ultimately owned by Taizhou People's Government State-owned Assets Supervision and Administration Commission as to 90% and Zhejiang Provincial Department of Finance as to 10%.

Taizhou State-owned Assets Investment

Taizhou State-owned Assets Investment is a limited company established in the PRC and is principally engaged in financial services including equity investment and funds. As of the date of this announcement, it is a wholly-owned subsidiary of Taizhou Capital Operation, which is in turn ultimately owned by Taizhou People's Government State-owned Assets Supervision and Administration Commission as to 90% and Zhejiang Provincial Department of Finance as to 10%.

Taizhou Kaitou Investment

Taizhou Kaitou Investment is a limited company established in the PRC and is principally engaged in equity investment. As of the date of this announcement, Taizhou Kaitou Investment is ultimately owned by Taizhou People's Government State-owned Assets Supervision and Administration Commission as to 90% and Zhejiang Provincial Department of Finance as to 10%.

Taizhou Jintou Private Equity Fund Management

Taizhou Jintou Private Equity Fund Management is a limited company established in the PRC and is principally engaged in the management of private equity funds. As of the date of this announcement, Taizhou Jintou Private Equity Fund Management is a wholly-owned subsidiary of Taizhou Capital Operation, which is in turn ultimately owned by Taizhou People's Government State-owned Assets Supervision and Administration Commission as to 90% and Zhejiang Provincial Department of Finance as to 10%.

LISTING RULES IMPLICATIONS

As of the date of this announcement, each of Taizhou Jintou Chuangyue, Taizhou Jintou Equity Investment and Taizhou State-owned Assets Investment is wholly-owned subsidiary of Taizhou Capital Operation, which is interested in 43,250,855 Domestic Shares, representing approximately 28.83% of the total number of Domestic Shares and approximately 21.63% of the total issued share capital of the Company. Accordingly, each of Taizhou Jintou Chuangyue, Taizhou Jintou Equity Investment and Taizhou State-owned Assets Investment is a connected person of the Company. Accordingly, the Fund Partnership Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Fund Partnership Agreement exceeds 25% but less than 100%, the Company shall be subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Lin Genman and Mr. Shao Aiping are Directors nominated by Taizhou Urban Construction and Investment Development Group Co., Ltd.* (台州市城市建設投資發展集團有限公司), a wholly-owned subsidiary of Taizhou Capital Operation, which is a substantial shareholder of the Company, they are required to abstain from voting on the Board resolution approving the Fund Partnership Agreement and the transactions contemplated thereunder. Save as disclosed, no other Directors has any material interest in the transactions contemplated under the Fund Partnership Agreement.

EGM

An EGM will be convened to consider, and if thought fit, to approve (i) the proposed election of Mr. Yang as a non-executive Director; (ii) the issue of the 2025 Private Placement Notes; (iii) the authorization to the Board and the executive Directors to deal with the matters relating to the issue of the 2025 Private Placement Notes; (iv) the increase in registered capital of Binhai Water; and (v) the Fund Partnership Agreement and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors, Taizhou Urban Construction and Investment Development Group Co., Ltd.* (台州市城市建設投資發展集團有限公司), which is interested in an aggregate of 21.63% of the total issued share capital of the Company as at the date of this announcement, and its associates, will abstain from voting at the EGM regarding the Fund Partnership Agreement and the transactions contemplated thereunder (including the establishment of the Fund). To the best of the knowledge, information and belief of the Directors, and saved as disclosed above, no other Shareholder is required to abstain from voting at the EGM as at the date of this announcement.

A circular containing, among other things, (i) details of the proposed election of Mr. Yang; (ii) details of the issue of the 2025 Private Placement Notes; (iii) details of the proposed authorization to the Board or the executive Directors to deal with the matters relating to the issue of the 2025 Private Placement Notes; (iv) further information on the Fund Partnership Agreement and the transactions contemplated thereunder; (v) further information on the proposed increase in registered capital of Binhai Water; (vi) the recommendation from the Independent Board Committee to the Independent Shareholders with respect to the Fund Partnership Agreement; (vii) the advice and recommendation from the Independent Financial Adviser with respect to the Fund Partnership Agreement and the transactions contemplated thereunder; and (viii) a notice convening the EGM together with the proxy form and the reply slip, will be despatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

6. GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed and shall advise the Independent Shareholders in respect of the Fund Partnership Agreement and the transactions contemplated thereunder. Red Sun Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

It should be noted that the entering into of the Fund Partnership Agreement is subject to the approval of the Fund Partnership Agreement and the transactions contemplated thereunder (including the establishment of the Fund) by the Independent Shareholders in the EGM, which may or may not be fulfilled. The transactions contemplated under the Fund Partnership Agreement may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the respective securities of the Company.

7. DEFINITIONS

"2025 Private Placement Notes"	debt financing notes issued through private placement with an aggregate principal amount of not more than RMB1.0 billion proposed to be approved by the Shareholders by way of special resolution at the extraordinary general meeting of the Company
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Binhai Water"	Taizhou Binhai Water Co., Ltd.* (台州市濱海水務有限公司), a limited liability company established in the PRC on 7 June 2016 and a subsidiary of the Company owned as to 51% by the Company and 49% by Taizhou City Water, the Company's subsidiary, as at the date of this announcement
"Board" or "Board of Directors"	the board of Directors of the Company
"China" or "PRC"	the People's Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to "China" and the "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
"Company"	Taizhou Water Group Co., Ltd.* (台州市水務集團股份有限公司), a joint stock company established in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1542)
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
"EGM"	the extraordinary general meeting of the Company to be convened by the Company to consider, and if thought fit, to approve (i) the proposed election of Mr. Yang as a non-executive Director; (ii) the issue of the 2025 Private Placement Notes; (iii) the authorization the Board and the executive Directors to deal with the matters relating to the issue of the 2025 Private Placement Notes; (iv) the increase in registered capital of Binhai Water; and (v) the Fund Partnership Agreement and the transactions contemplated thereunder

"Fund"	the Taizhou Merger and Acquisition Parent Fund (台州市併購母基金)
"Fund Manager"	the manager of the Fund under the Fund Partnership Agreement
"Fund Partnership Agreement"	the Fund Partnership Agreement to be entered into by Taizhou Jintou Chuangyue, Shanghai Yicun, Taizhou Jintou Equity Investment, Taizhou State-owned Assets Investment, Taizhou Kaitou Investment and the Company
"Group", "we" or "our"	the Company and its subsidiaries
"H Share(s)"	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange and traded in HKD
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board, comprising all five independent non-executive Directors, established to advise the Independent Shareholders in respect of the Fund Partnership Agreement and the transactions contemplated thereunder
"Independent Financial Adviser"	Red Sun Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser that has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Fund Partnership Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders who do not have a material interest in the Fund Partnership Agreement and the transactions contemplated thereunder
"Independent Third Party(ies)"	party(ies) who is (are) not connected person(s) of the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time

"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the Domestic Share(s) and/or the H Share(s)
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary/(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Taizhou"	a city located in Zhejiang Province, the PRC
"Taizhou Capital Operation"	Taizhou State-owned Capital Operation Group Co., Ltd* (台州市國有資本運營集團有限公司)
"Taizhou City Water"	Taizhou City Water Co., Ltd.* (台州城市水務有限公司), a limited liability company established in the PRC on 30 September 2003 and a subsidiary of the Company owned as to 82% by the Company and 18% by Wenling Water Group Co., Ltd.* (溫嶺市水務集團有限公司), respectively, as at the date of this announcement
"%"	per cent

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

Taizhou, the PRC
5 December 2025

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

* *For identification purpose only*