北控水務集團有限公司
BEIJING ENTERPRISES WATER GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 371)

ANNUAL REPORT 2025

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Xiong Bin *(Chairman)*
Mr. Zhou Min *(Chief Executive Officer)*
Mr. Li Haifeng
Ms. Li Yining
Mr. Zhang Wenjiang
Ms. Zhou Xueyan
Mr. Tung Woon Cheung Eric

Non-executive Director

Mr. Yuan Jianwei

Independent Non-executive Directors

Mr. Shea Chun Lok Quadrant
Mr. Guo Rui
Mr. Chau On Ta Yuen
Mr. Dai Xiaohu
Ms. Chan Siu Chee Sophia

AUDIT COMMITTEE

Mr. Shea Chun Lok Quadrant *(Chairman)*
Mr. Guo Rui
Mr. Chau On Ta Yuen

NOMINATION COMMITTEE

Mr. Xiong Bin *(Chairman)*
Mr. Shea Chun Lok Quadrant
Ms. Chan Siu Chee Sophia

REMUNERATION COMMITTEE

Mr. Guo Rui *(Chairman)*
Mr. Tung Woon Cheung Eric
Mr. Shea Chun Lok Quadrant

SUSTAINABILITY COMMITTEE

Ms. Li Yining *(Chairman)*
Mr. Tung Woon Cheung Eric
Mr. Guo Rui

COMPANY SECRETARY

Mr. Tung Woon Cheung Eric

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor
35/F, One Pacific Place
88 Queensway, Hong Kong

STOCK CODE

371

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PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

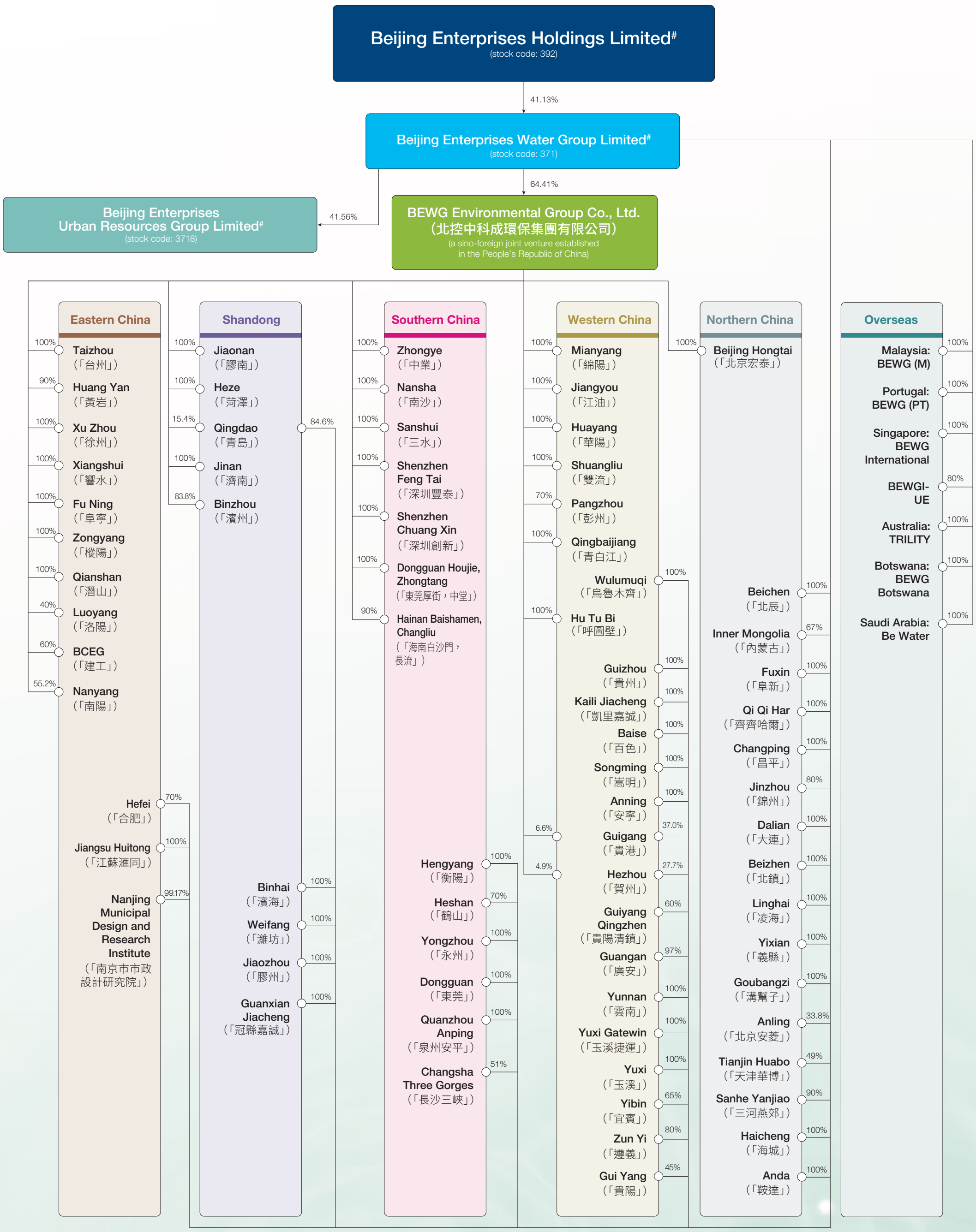
PRINCIPAL BANKERS

In Hong Kong:
Agricultural Bank of China Limited Hong Kong Branch
Bank of China (Hong Kong) Limited
Bank of Communications Co., Limited
DBS Bank Ltd., Hong Kong Branch
Industrial and Commercial Bank of China (Asia) Limited

In Chinese Mainland:
Agricultural Bank of China
Bank of Beijing Co., Limited
Bank of Communications Co., Limited
Bank of China Limited
China Construction Bank Corporation
China Development Bank
Industrial and Commercial Bank of China Limited
The Export-Import Bank of China

GROUP STRUCTURE

31 December 2025



\# *Listed on the Main Board of The Stock Exchange of Hong Kong Limited*

Note: The above group chart only lists out major subsidiaries, associates and joint ventures

CHAIRMAN'S STATEMENT

Dear shareholders,

The year 2025 marked a pivotal juncture as the People's Republic of China brought the 14th Five-Year Plan to a successful close and fully mapped out the blueprint for the 15th Five-Year Plan. It was also a year of determined progress for Beijing Enterprises Water Group Limited (the "Company", together with its subsidiaries, collectively the "Group" or "BEWG") as it pushed ahead with its strategic transformation all around. In the face of a complex and severe environment both at home and abroad, the Group remained steadfast in its strategic focus, placed cash flow at the core of its priorities, upheld the fundamentals of its operations, continued to step up its transition towards an asset-light model, accelerated the development of differentiated water services capabilities fit for the future, actively fostered new growth drivers through innovation, and made every effort to steer towards steady and sustainable development.

PERFORMANCE REVIEW

Performance Overview

The Group achieved a new daily design capacity of 698,796 tons for the twelve months ended 31 December 2025, with a total daily design capacity of 42,964,839 tons. Revenue was RMB22,062,151,000, which decreased by 9.1% year-on-year. Profit attributable to shareholders of the Company was RMB1,561,531,000, which decreased by 6.9% year-on-year. Basic earnings per share for the year amounted to RMB14.55 cents. In recognition of the continuous support from the shareholders of the Company, the board of directors of the Company (the "Board") resolved to distribute a final cash dividend of HK9.25 cents per share to the shareholders, who have the option to receive their cash dividend in Hong Kong dollars and Renminbi.

In response to the positive changes in the national policy environment, the issuance of the Guidance on Regulating the Construction and Operation of Existing Government and Social Capital Cooperation Projects (Guobanhan [2025] No. 84) (《關於規範政府和社會資本合作存量項目的建設和運營的指導意見》(國辦函〔2025〕84號)) has not only laid a foundation for the long-term and steady operation of existing projects, but also is conducive to improving cash flow conditions across the industry and steering the market from scale expansion towards enhanced competition in operational quality, technical efficiency and refined management. At the same time, the upgrading of market demand brought about by urban renewal and systemic governance is driving the sector's evolution from the former single-point approach, centred on "plant construction and standard enhancement", towards an integrated, systematic service model focused on coordinated plant-network optimisation and efficiency improvement. Leveraging its high-quality portfolio of existing assets, outstanding operational efficiency and leading capability in integrated system solutions, the Group is well positioned not only to consolidate its competitive advantages further, but also to capture the strategic opportunities arising from urban renewal and systemic governance, thereby creating more resilient and sustainable long-term value for shareholders.

CHAIRMAN'S STATEMENT

PERFORMANCE REVIEW *(Continued)*

Performance Overview *(Continued)*

In 2025, BEWG closely adhered to its annual operational strategy of "prioritising cash flow above all and safeguarding the fundamental operations base" and continued advancing its work toward the major goals of "refining the core business and optimising existing assets". The Group deepened its efforts to resolve operational challenges and accelerate asset disposal, built a precise "one strategy for each case" operational system, and employed diversified measures to solve historical problems while stepping up settlement finalisation and receivables collection. Existing operations remained stable and continued to improve, the regional intensification reform and the "Cloud – Chain – End" intelligent operation transformation were further advanced, and the effects of cost reduction and efficiency enhancement became increasingly evident. Through coordinated measures focusing on increasing cash inflows, controlling investments and reducing expenditures, free cash flow improved significantly. As a result, the Group further consolidated its operating foundation while enhancing resilience and improving both the quality and efficiency of development, thereby laying a solid groundwork for its strategic transformation.

Beijing Enterprises Urban Resources Group Limited ("BEURG", stock code: 3718), a subsidiary of the Group, fully implemented its high-quality development strategy of "low risk, strong profitability and steady growth", by strengthening cash flow management and reducing debt, resulting in a notable improvement in receivables collection. The Group also stepped up the development of its lean operations system and organisational reform, rolled out a project portfolio management model, and optimised labour and vehicle efficiency and effectively revitalised idle assets. At the same time, it accelerated its presence in higher value-added, innovative sectors, including intelligent environmental hygiene equipment, waste diversion and AI-enabled digital solutions, and actively expanded incremental markets domestically and internationally, thereby effectively driving quality, efficiency and sustainable, growth with high-quality.

In 2025, the asset-light transformation of the Group began to deliver results. Its overseas business successfully won the tender for projects such as Hung Shui Kiu in Hong Kong and achieved breakthroughs in Namibia, Angola, and Kazakhstan. BESWIFT technology also enabled the productisation and scaled application of its solutions, with notable progress in the large-scale application of industrial wastewater treatment technologies and a successful entry into the Serbian market. Meanwhile, the supply chain platform, Beijing Kunning Zhicai Supply Chain Management Services Co., Ltd., took a major step in its transformation from providing internal support to serving the broader industry.

CORPORATE MANAGEMENT AND CONTROL

The Group continued to optimise its three-tier organisational structure comprising headquarters, regions and districts, focusing on regional intensification reform and organisational efficiency enhancement, while maintaining existing operations as the focus to consolidate the fundamentals of its business. During the year, we comprehensively refined the operational layout for our core business assets, built a consensus on differentiated regional operating strategies, and allocated our resources to more precise, targeted priorities, thereby providing a clear strategic direction and execution approach for sustainable growth in the era of existing assets.

CHAIRMAN'S STATEMENT

CORPORATE MANAGEMENT AND CONTROL *(Continued)*

Centred on the deepening of the "Cloud – Chain – End" operational paradigm, the Group systematically advanced the upgrading of its operations framework, accelerating the development of a multi-level profitability model encompassing "cloud platforms, chain services and end-point operations". We strengthened intelligent "cloud" capabilities to enable seamless end-to-cloud control integration, drove AI applications in water services scenarios from decision support to automated execution; refined specialised "chain" capabilities by clarifying end-chain collaborative project management mechanisms and enhancing full-spectrum industrial service capacity; and established standard "end-points" through ongoing standardisation and automation upgrades at water plants, achieving breakthroughs in programmable control ratios while successfully extending internal capabilities to external markets.

In terms of capital management, the Group continued to optimise its medium-term to long-term capital planning in close alignment with the strategic layout of the 15th Five-Year Plan, dynamically coordinating resource allocation. Through a combination of measures, including the renegotiation of domestic loan rates, currency swaps on overseas debt, and the timely issuance of low-interest bonds during favourable market conditions, the Group steadily reduced its overall financing costs.

SUSTAINABLE DEVELOPMENT

The Group has deeply integrated sustainability into its medium-term and long-term strategies, positioning technological innovation as the driver, talent development as the foundation, and risk prevention and control as the safeguard to systematically build a solid foundation for high-quality and sustainable growth.

With regard to technological innovation, the Group has leveraged its technological innovation platforms and focused on the "equipment-oriented + intelligent development" direction to promote the commercialisation and market validation of proprietary technologies and secure major national R&D programmes and key projects in the Beijing-Tianjin-Hebei region. The BESWIFT product was recognised as "internationally leading" in industry evaluations by national associations, including the China Association of Environmental Protection Industry, and several academicians, while supporting the transformation and implementation of over ten projects. Driven by technological needs, BEWG has also established a comprehensive closed-loop process for new technologies, covering identification, validation, decision-making, project screening, promotion, application, and iterative operation. This forms a core product technology collaboration system, with major technologies leading across domains and minor technologies providing support.

CHAIRMAN'S STATEMENT

SUSTAINABLE DEVELOPMENT *(Continued)*

In terms of artificial intelligence and digitalisation, the year 2025 marked the inaugural year of BEWG's AI strategy. Focusing on the three core domains of "AI + employees", "AI + organisation", and "AI + business", the Group successfully validated AI's core value in process control, management efficiency enhancement, and innovation-driven development. Leveraging vast high-quality data, extensive management experience, and top-tier process expert resources, the Group developed the intelligent water process control agent "Enki", which uses continuous closed-loop learning and shifts process control from "end-point control" to "end-point cloud collaboration", injecting new momentum for exponential improvements in operational efficiency. At the same time, with system development and high-quality data governance as dual drivers, the Group advanced its digital transformation. It fully advanced the implementation of the "Cloud – Chain – End" operational paradigm, completed the SaaS upgrade of the sewage operation management system, and fully rolled out the integrated business-finance system to link business processes with financial accounting to achieve data synchronisation and real-time integration, supporting refined operations. The Group also accelerated the development of the industrial interconnection platform "Yunlian Net" to promote data sharing and standardisation certification, and adhered to the philosophy of "driving governance through practical application", continuously refining high-quality datasets and strengthening the digital infrastructure across multiple areas.

In terms of risk management and control, the Group focused on establishing an integrated management and control system covering risk, internal control, compliance, audit, and safety, facilitating the transformation of risk management from passive response to proactive prevention. It continued to refine full-lifecycle investment management and post-evaluation mechanisms, enhanced digital management of legal cases and contracts, applied an AI assistant for intelligent risk control to improve compliance review accuracy and efficiency, and in production safety, rigorously managed hazardous operations by defining operational boundaries, reinforcing accountability, and strengthening the foundation for safe operations. By developing a key risk indicator system and advancing joint risk prevention and control across departments and levels, supported by digital tools, the Group has built a comprehensive risk protection network, providing robust assurance for high-quality development.

In terms of talent development, the Group continued to optimise its talent structure, focusing on building three core teams of "operational management, technical expertise, and skilled labour". It refined management talent reserves and competency evaluation systems, accelerated full coverage of personnel capability certification, and strengthened the deployment of professional talent in AI fields. These efforts support the iteration of differentiated operational paradigms through talent structure upgrades and the injection of core momentum for the Group to navigate industry cycles and maintain competitive advantages.

In terms of stakeholder engagement, BEWG consistently prioritises meeting its stakeholders' expectations. Long-term efforts have been made to build an efficient, stable, and mutually beneficial network of sustainability partnerships, fully integrating sustainability into the complete life-cycle management of its suppliers. Adhering to its "customer-oriented" principle, it aims to deepen customer value creation and enhance customer experience and satisfaction.

CHAIRMAN'S STATEMENT

FUTURE PROSPECT

The road ahead is long, but we move forward with determination. In 2026, we will begin our journey towards the 15th Five-Year Plan. BEWG will maintain strategic confidence, advance with vigour, and build its development on the philosophy of "customer as the source, survival as the basis, and innovation as the path forward". We are fully committed to becoming a trusted, world-leading water environmental service provider.

Lastly, I would like to extend my sincere gratitude to all shareholders, customers, staff and partners for their continual and tremendous support for the Group.

Xiong Bin
Chairman

25 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year attributable to shareholders of the Company decreased by 7% to RMB1,561.5 million. Revenue decreased by 9% to RMB22,062.2 million as a result of decrease in revenue contribution from construction services for water renovation and technical services and sale of machineries.

1. FINANCIAL HIGHLIGHTS

The analysis of the Group's financial results during the year is set out in details below:

	Revenue		**GP ratio**	**Profit attributable to shareholders of the Company**	
	RMB'M	*%*	*%*	*RMB'M*	*%*
1. Water treatment services					
Sewage and reclaimed water treatment services					
China					
– Subsidiaries	8,933.7	41%	57%	3,769.9	66%
– Joint ventures and associates				295.5	5%
				4,065.4	71%
Overseas					
– Subsidiaries	522.8	2%	18%	51.9	1%
	9,456.5	43%		4,117.3	72%
Water distribution services					
China					
– Subsidiaries	2,478.9	11%	38%	513.5	9%
– Joint ventures				175.6	3%
				689.1	12%
Overseas					
– Subsidiaries	528.3	2%	27%	94.9	2%
– Joint ventures				32.4	–
				127.3	2%
	3,007.2	13%		816.4	14%
Subtotal	12,463.7	56%		4,933.7	86%

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

The analysis of the Group's financial results during the year is set out in details below: *(Continued)*

	Revenue		GP ratio	Profit attributable to shareholders of the Company	
	RMB'M	*%*	*%*	*RMB'M*	*%*
2. Construction services for the water renovation					
Construction services for comprehensive renovation projects					
– Projects with completion rate more than 10%[§]	498.1	2%	15%	8.1	–
– Interest income	–	–	–	239.7	4%
	498.1	2%		247.8	4%
Construction of BOT water projects	1,125.8	5%	17%	123.0	2%
Subtotal	1,623.9	7%		370.8	6%
3. Technical services and sale of machineries	1,681.1	8%	45%	332.1	6%
4. Urban resources services	6,293.5	29%	19%	94.2	2%
Business results	22,062.2	100%		5,730.8	100%
Others[#]				(4,169.3)	
Total				1,561.5	

[#] *Others included head office expense and other cost, net, of RMB1,775.1 million, share of results of joint ventures and associates of RMB62.7 million, finance costs of RMB2,332.3 million and profit attributable to holders of perpetual capital instruments of RMB124.6 million. Others represented items that cannot be allocated to the operating segments.*

[§] *Profit attributable to shareholders of the Company included share of losses of joint ventures and associates of RMB47.3 million.*

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

The analysis of the Group's financial results during the last year is set out in details below:

	Revenue		GP ratio	Profit attributable to shareholders of the Company	
	RMB'M	*%*	*%*	*RMB'M*	*%*
1. Water treatment services					
Sewage and reclaimed water treatment services					
China					
– Subsidiaries	8,748.8	36%	57%	3,605.2	58%
– Joint ventures and associates				268.0	4%
				3,873.2	62%
Overseas					
– Subsidiaries	429.2	2%	15%	42.2	1%
	9,178.0	38%		3,915.4	63%
Water distribution services					
China					
– Subsidiaries	2,527.4	10%	40%	655.8	11%
– Joint ventures				150.5	2%
				806.3	13%
Overseas					
– Subsidiaries	543.8	2%	28%	107.5	2%
– Joint ventures				32.0	–
				139.5	2%
	3,071.2	12%		945.8	15%
Subtotal	12,249.2	50%		4,861.2	78%

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

The analysis of the Group's financial results during the last year is set out in details below: *(Continued)*

	Revenue		GP ratio	Profit attributable to shareholders of the Company	
	RMB'M	*%*	*%*	*RMB'M*	*%*
2. Construction services for the water renovation					
Construction services for comprehensive renovation projects					
– Projects with completion rate more than 10%[§]	828.2	3%	16%	170.5	3%
– Interest income	–	–	–	319.5	5%
	828.2	3%		490.0	8%
Construction of BOT water projects	2,616.0	11%	17%	286.8	4%
Subtotal	3,444.2	14%		776.8	12%
3. Technical services and sale of machineries	2,549.4	11%	42%	499.7	8%
4. Urban resources services	6,027.7	25%	19%	108.5	2%
Business results	24,270.5	100%		6,246.2	100%
Others[#]				(4,568.6)	
Total				1,677.6	

[#] *Others included head office expense and other cost, net, of RMB1,341.3 million, share of loss of joint ventures and associates of RMB3.1 million, finance costs of RMB3,090.4 million and profit attributable to holders of perpetual capital instruments of RMB133.8 million. Others represented items that cannot be allocated to the operating segments.*

[§] *Profit attributable to shareholders of the Company included share of results of joint ventures and associates of RMB134.4 million.*

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

The comparison of the Group's financial results for the year ended 31 December 2025 and 2024 is set out in details below:

	Revenue				Profit attributable to shareholders of the Company			
	2025	2024	Increase/(Decrease)		**2025**	2024	Increase/(Decrease)	
	RMB'M	*RMB'M*	*RMB'M*	*%*	***RMB'M***	*RMB'M*	*RMB'M*	*%*
1. **Water treatment services**								
Sewage and reclaimed water treatment services								
China								
– Subsidiaries	**8,933.7**	8,748.8	184.9	2%	**3,769.9**	3,605.2	164.7	5%
– Joint ventures and associates					**295.5**	268.0	27.5	10%
					4,065.4	3,873.2	192.2	5%
GP ratio	***57%***	*57%*		–				
Overseas								
– Subsidiaries	**522.8**	429.2	93.6	22%	**51.9**	42.2	9.7	23%
GP ratio	***18%***	*15%*		3%				
	9,456.5	9,178.0	278.5	3%	**4,117.3**	3,915.4	201.9	5%
Water distribution services								
China								
– Subsidiaries	**2,478.9**	2,527.4	(48.5)	(2%)	**513.5**	655.8	(142.3)	(22%)
– Joint ventures					**175.6**	150.5	25.1	17%
					689.1	806.3	(117.2)	(15%)
GP ratio	***38%***	*40%*		(2%)				
Overseas								
– Subsidiaries	**528.3**	543.8	(15.5)	(3%)	**94.9**	107.5	(12.6)	(12%)
– Joint ventures					**32.4**	32.0	0.4	1%
					127.3	139.5	(12.2)	(9%)
GP ratio	***27%***	*28%*		(1%)				
	3,007.2	3,071.2	(64.0)	(2%)	**816.4**	945.8	(129.4)	(14%)
Subtotal	**12,463.7**	12,249.2	214.5	2%	**4,933.7**	4,861.2	72.5	1%

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

The comparison of the Group's financial results for the year ended 31 December 2025 and 2024 is set out in details below: *(Continued)*

	Revenue				Profit attributable to shareholders of the Company			
	2025	2024	**Increase/(Decrease)**		**2025**	2024	**Increase/(Decrease)**	
	RMB'M	*RMB'M*	*RMB'M*	*%*	***RMB'M***	*RMB'M*	*RMB'M*	*%*
2. Construction services for the water renovation								
Construction services for comprehensive renovation projects								
– Projects with completion rate more than 10%	**498.1**	828.2	(330.1)	(40%)	**8.1**	170.5	(162.4)	(95%)
– Interest income	**–**	–	–	–	**239.7**	319.5	(79.8)	(25%)
	498.1	828.2	(330.1)	(40%)	**247.8**	490.0	(242.2)	(49%)
GP ratio	***15%***	*16%*		(1%)				
Construction of BOT water projects								
– China	**1,125.8**	2,616.0	(1,490.2)	(57%)	**123.0**	286.8	(163.8)	(57%)
GP ratio	***17%***	*17%*		–				
Subtotal	**1,623.9**	3,444.2	(1,820.3)	(53%)	**370.8**	776.8	(406.0)	(52%)
3. Technical services and sale of machineries	**1,681.1**	2,549.4	(868.3)	(34%)	**332.1**	499.7	(167.6)	(34%)
GP ratio	***45%***	*42%*		3%				
4. Urban resources services	**6,293.5**	6,027.7	265.8	4%	**94.2**	108.5	(14.3)	(13%)
GP ratio	***19%***	*19%*		–				
Business results	**22,062.2**	24,270.5	(2,208.3)	(9%)	**5,730.8**	6,246.2	(515.4)	(8%)
Others					**(4,169.3)**	(4,568.6)	399.3	(9%)
Total					**1,561.5**	1,677.6	(116.1)	(7%)

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW

The principal businesses of the Group include operations in water treatment business, construction service for the water renovation, technical services and sale of machineries and urban resources services. The coverage of the Group's water plants has extended to 20 provinces, 5 autonomous regions and 4 municipalities all across Chinese Mainland.

2.1 Water treatment services

As at 31 December 2025, the Group entered into service concession arrangements and entrustment agreements for a total of 1,313 water plants and town-size sewage treatment facilities including 1,067 sewage treatment plants and town-size sewage treatment facilities, 172 water distribution plants, 73 reclaimed water treatment plants and a seawater desalination plant. Total daily design capacity for new projects secured for the year was 698,796 tons including Build-Operate-Transfer ("BOT") projects of 50,000 tons and entrustment operation projects of 648,796 tons.

Due to different reasons such as expiration of entrustment operation projects, the Group exited projects with aggregate daily design capacity of 1,469,055 tons during the year. As at 31 December 2025, total daily design capacity was 42,964,839 tons.

During the year, the Group entered into a service concession arrangement for town-size sewage treatment projects with aggregate daily capacity of 3,900 tons.

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

Analysis of projects on hand is as follows:

	Sewage treatment	Reclaimed water treatment	Water distribution	Seawater desalination	Total
(Tons)					
China					
In operation	19,737,451	2,351,096	10,111,137	–	32,199,684
Not yet commenced operation/ Not yet transferred	4,460,060	1,745,100	2,673,377	–	8,878,537
Subtotal	24,197,511	4,096,196	12,784,514	–	41,078,221
Overseas					
In operation	255,260	268,450	1,062,908	300,000	1,886,618
Not yet commenced operation/ Not yet transferred	–	–	–	–	–
Subtotal	255,260	268,450	1,062,908	300,000	1,886,618
Total	24,452,771	4,364,646	13,847,422	300,000	42,964,839
(Number of water plants and town-size sewage treatment facilities)					
China					
In operation	865	48	120	–	1,033
Not yet commenced operation/ Not yet transferred	140	19	13	–	172
Subtotal	1,005	67	133	–	1,205
Overseas					
In operation	62	6	39	1	108
Not yet commenced operation/ Not yet transferred	–	–	–	–	–
Subtotal	62	6	39	1	108
Total	1,067	73	172	1	1,313

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

	Number of plants and town-size sewage treatment facilities	Design capacity *(Tons/Day)*	Actual processing volume during the year* *(Tons (M))*	Revenue *(RMB'M)*	Profit attributable to shareholders of the Company *(RMB'M)*
Sewage and reclaimed water treatment services:					
Chinese Mainland:					
– Southern China	189	4,712,100	1,439.2	1,868.3	795.5
– Western China	323	2,790,810	820.7	1,596.5	717.5
– Shandong	65	2,961,050	979.3	1,395.1	604.2
– Eastern China	202	5,936,887	1,639.8	2,034.6	777.3
– Northern China	134	5,687,700	1,345.0	2,039.2	1,170.9
	913	22,088,547	6,224.0	8,933.7	4,065.4
Overseas	68	523,710	113.8	522.8	51.9
Subtotal	981	22,612,257	6,337.8	9,456.5	4,117.3
Water distribution services:					
Chinese Mainland	120	10,111,137	2,166.6	2,478.9	689.1
Overseas§	40	1,362,908	169.5	528.3	127.3
Subtotal	160	11,474,045	2,336.1	3,007.2	816.4
Total	1,141	34,086,302	8,673.9	12,463.7	4,933.7

* *Excluded entrustment operation contracts with fixed service fee*

§ *Included a seawater desalination plant*

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

2.1.1 Sewage and reclaimed water treatment services

2.1.1a Chinese Mainland:

As at 31 December 2025, the Group had 865 sewage treatment plants and town-size sewage treatment facilities and 48 reclaimed water plants in operation in Chinese Mainland. Total daily design capacity in operation of sewage treatment plants and town-size sewage treatment facilities and reclaimed water plants reached to 19,737,451 tons (31 December 2024: 19,647,006 tons) and 2,351,096 tons (31 December 2024: 2,087,450 tons), respectively. The average daily processing volume is 17,127,353 tons* and average daily treatment rate is 79%*. The actual average contracted tariff charge of water treatment was approximately RMB1.57 per ton (31 December 2024: RMB1.54 per ton) for water plants. The actual aggregate processing volume for the year was 6,224.0 million tons, of which 5,649.0 million tons was contributed by subsidiaries and 575.0 million tons was contributed by joint ventures and associates. Total revenue for the year was RMB8,933.7 million. Net profit attributable to shareholders of the Company was RMB4,065.4 million, of which RMB3,769.9 million was contributed by subsidiaries and RMB295.5 million was contributed by joint ventures and associates. The information of sewage and reclaimed water treatment services in Chinese Mainland is as follows:

Southern China

Plants in Southern China were mainly located in Guangdong Province, Hunan Province, Fujian Province and Shaanxi Province. As at 31 December 2025, there were 189 plants and town-size sewage treatment facilities with total daily design capacity of 4,712,100 tons, representing an increase of 78,495 tons or 2% as compared with last year. The actual aggregate processing volume for the year amounted to 1,439.2 million tons. The operating revenue and profit attributable to shareholders of the Company were RMB1,868.3 million and RMB795.5 million respectively during the year.

* *Excluded entrustments operation contracts with fixed service fee*

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

2.1.1 Sewage and reclaimed water treatment services *(Continued)*

2.1.1a Chinese Mainland: *(Continued)*

Western China

Plants in Western China were mainly located in Yunnan Province, Guangxi Province, Sichuan Province and Guizhou Province. As at 31 December 2025, there were 323 sewage treatment plants and town-size sewage treatment facilities with total daily design capacity of 2,790,810 tons, representing a decrease of 76,600 tons per day or 3% as compared with last year. The actual processing volume for the year was 820.7 million tons. The operating revenue of RMB1,596.5 million was recorded during the year. Profit attributable to shareholders of the Company amounted to RMB717.5 million.

Shandong

There were 65 plants and town-size sewage treatment facilities in Shandong region. The total daily design capacity of Shandong region is 2,961,050 tons, representing an increase of 167,700 tons per day or 6% as compared with last year. The actual processing volume for the year was 979.3 million tons contributing operating revenue of RMB1,395.1 million during the year. Profit attributable to shareholders of the Company was RMB604.2 million.

Eastern China

There were 202 water plants and town-size sewage treatment facilities in Eastern China which were mainly located in Zhejiang Province, Jiangsu Province, Henan Province and Anhui Province. As at 31 December 2025, the total daily design capacity of Eastern China is 5,936,887 tons. The actual processing volume for the year amounted to 1,639.8 million tons and operating revenue was RMB2,034.6 million during the year. Profit attributable to shareholders of the Company was RMB777.3 million.

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

2.1.1 Sewage and reclaimed water treatment services (Continued)

2.1.1a Chinese Mainland: *(Continued)*

Northern China

Currently, the Group has 134 plants and town-size sewage treatment facilities under operation in Northern China. They are mainly located in Liaoning Province and Beijing. The daily design capacity of Northern China is 5,687,700 tons, representing an increase of 177,625 tons per day or 3% as compared with last year. The projects achieved actual processing volume of 1,345.0 million tons for the year. The operating revenue was RMB2,039.2 million during the year. Profit attributable to shareholders of the Company was RMB1,170.9 million.

2.1.1b Overseas:

As at 31 December 2025, the Group had 62 sewage treatment plants and 6 reclaimed water plants in Portugal, Singapore, Australia, New Zealand and Saudi Arabia. Total daily design capacity in operation was 523,710 tons. The actual processing volume for the year is 113.8 million tons. Total revenue for the year was RMB522.8 million. Profit attributable to shareholders of the Company was RMB51.9 million.

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

2.1.2 Water distribution services

2.1.2a Chinese Mainland:

As at 31 December 2025, the Group had 120 water distribution plants in operation. Total daily design capacity in operation was 10,111,137 tons (31 December 2024: 10,241,137 tons). The plants were located in Guizhou Province, Fujian Province, Guangdong Province, Hunan Province, Hebei Province, Shandong Province, Henan Province, Guangxi Province and Inner Mongolia Autonomous Region. The actual average contracted tariff charge of water distribution is approximately RMB2.13 per ton (31 December 2024: RMB2.15 per ton). The aggregate actual processing volume is 2,166.6 million tons, of which 1,288.8 million tons was contributed by subsidiaries, which recorded revenue of RMB2,478.9 million and 877.8 million tons was contributed by joint ventures. Profit attributable to shareholders of the Company was RMB689.1 million, of which profit of RMB513.5 million was contributed by subsidiaries and a profit of RMB175.6 million in aggregate was contributed by joint ventures.

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

2.1.2 Water distribution services(Continued)

2.1.2b Overseas:

As at 31 December 2025, the Group had 39 water distribution plants and a sea desalination plant which supplies drinking water in Portugal, Australia and Saudi Arabia. Total daily design capacity in operation was 1,362,908 tons. The actual processing volume for the year is 169.5 million tons of which 84.2 million tons was contributed by subsidiaries and 85.3 million tons was contributed by joint ventures. Total revenue for the year was RMB528.3 million. Profit attributable to shareholders of the Company was RMB127.3 million.

2.2 Construction services for the water renovation

2.2.1 Construction services for comprehensive renovation projects

Revenue from comprehensive renovation projects decreased by RMB330.1 million from last year of RMB828.2 million to RMB498.1 million this year.

With the gradual completion of the construction of asset-heavy comprehensive renovation projects in hand or entering into the final stage of construction works, thus, there was a decrease in the construction revenue contributed by these projects.

According to the construction contracts, the Group charges an interest on the trade receivables from the customers with reference to certain mark-up on The People's Bank of China's lending rate for the year from the completion of the construction to time of the receipt of the trade receivables. Interest income from water environmental renovation projects attributable to shareholders of the Company was RMB239.7 million for this year (31 December 2024: RMB319.5 million).

Profit attributable to shareholders of the Company for the comprehensive renovation projects decreased by RMB242.2 million from last year of RMB490.0 million to RMB247.8 million this year.

2. BUSINESS REVIEW *(Continued)*

2.2 Construction services for the water renovation *(Continued)*

2.2.2 Construction of BOT water projects

The Group entered into a number of service concession contracts on a BOT basis in respect of its water treatment business. Under HK(IFRIC)-Int 12 Service Concession Arrangements, the Group recognises the construction revenue with reference to the fair value of the construction service delivered in the building phase. The fair value of such service is estimated on a cost- plus basis with reference to a prevailing market rate of gross margin at the inception date of service concession agreement. Construction revenue is recognised by using the percentage-of-completion method.

During the year, water plants under construction were mainly located in Shandong, Sichuan and Heilongjiang provinces. Total revenue for construction of BOT water projects was RMB1,125.8 million (31 December 2024: RMB2,616.0 million) and profit attributable to shareholders of the Company was RMB123.0 million (31 December 2024: RMB286.8 million). During the year, the Group focus on asset-light projects and decreased in investing in construction of BOT water projects. As such, there was a decrease in revenue and profit attributable to shareholders of the Company during the year.

2.3 Technical services and sales of machineries

The Group has couples of qualification in engineering for consulting and design of water treatment plants. As an integrated water system solution provider, the Group has not only acquired extensive experience in bidding, building and operating sewage water treatment projects, but also successfully marketed its treatment technology and experience in construction services to other operators and constructors.

Revenue from the provision of technical services and sales of machineries was RMB1,681.1 million (31 December 2024: RMB2,549.4 million), representing 8% of the Group's total revenue. Profit attributable to shareholders of the Company was RMB332.1 million (31 December 2024: RMB499.7 million). The decrease was mainly due to a decline in demand for technical services during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.4 Urban resources services

Beijing Enterprises Urban Resources Group Limited ("BEURG") is principally engaged in urban services, hazardous waste treatment business and sale of recycling and reuse products. As at 31 December 2025, BEURG had 251 urban services projects, 10 hazardous waste treatment projects in operation and 2 revenue-generating waste electrical and electronic equipment treatment projects. For the year ended 31 December 2025, BEURG's revenue was RMB6,293.5 million (31 December 2024: RMB6,027.7 million) and the profit attributable to the Group was RMB94.2 million (31 December 2024: RMB108.5 million). The decrease in profit attributable to the Group was mainly due to the impairment loss on non-current assets recognised in BEURG during the year ended 31 December 2025. The impairment loss was on one-off non-cash expenditure and had no impacts on the Group's cash flow.

3. FINANCIAL ANALYSIS

3.1 Revenue

During the year, the Group recorded revenue of RMB22,062.2 million (31 December 2024: RMB24,270.5 million). The decrease was mainly due to the decrease in revenue contribution from construction services for water renovation and technical services and sale of machineries.

3.2 Cost of sales

Cost of sales for the year amounted to RMB13,573.5 million, compared to last year of RMB15,281.4 million. Cost of sales mainly included operating costs of water plants of RMB6,213.5 million and cost of urban resources services of RMB5,077.8 million. The decrease was mainly due to decrease in cost of construction services rendered of RMB1,520.5 million. The construction costs mainly consisted of subcontracting charges. The operating costs mainly included electricity charges of RMB1,451.7 million, staff costs of RMB4,097.7 million and major overhaul charges of RMB324.2 million. Major overhaul charges were the estimated expenditure to be incurred for the restoration of water plants before they are handed over to the grantor at the end of service arrangements. The amount was estimated based on discounted future cash outlays on major overhauls during the service concession periods. The amount was charged to profit or loss based on amortisation method during the service concession periods.

3. FINANCIAL ANALYSIS *(Continued)*

3.3 Gross profit margin

During the year, gross profit margin increased from last year of 37% to 38%. Gross margin increased as there is a change in mix of revenue during this year. The proportion of revenue contribution from water treatment services increased during the year. The gross margin of water treatment services is comparatively higher than the construction services for the water renovation.

Gross margin for sewage and reclaimed water treatment services:

Gross margin for sewage and reclaimed water treatment services in Chinese Mainland was 57% (last year: 57%). Gross margin for sewage and reclaimed water treatment services in Overseas was 18% (last year: 15%). Gross margin in Overseas increased which was mainly due to the entrustment operation project in Saudi Arabia with comparatively higher margin.

Gross margin for water distribution services:

Gross margin for water distribution services in Chinese Mainland was 38% (last year: 40%). The gross margin decreased as there is a change in mix of customer structure during the year. Gross margin for water distribution services in Overseas was 27% (last year: 28%).

Gross margin for construction services for comprehensive renovation projects:

Gross margin for construction services for comprehensive renovation projects was 15% (last year: 16%).

Gross margin for construction of BOT water projects:

Gross margin for construction of BOT water projects was 17% (last year: 17%).

Gross margin for technical services and sale of machineries:

Gross margin for the technical services and sale of machineries was 45% (last year: 42%). The increase in gross profit margin was due to the Group's focus on high-margin technical service projects combined with cost reduction and efficiency improvements.

Gross margin for urban resources services:

Gross margin for urban resources services was 19% (last year: 19%).

3.4 Other income

The Group recorded other income of RMB978.9 million during the year, compared to last year of RMB834.0 million. The amount for this year mainly included sludge treatment income of RMB152.0 million, pipeline installation income of RMB205.8 million, and government grant and subsidies of RMB135.8 million.

3.5 Other operating expenses, net

Other operating expenses, net for the year increased to RMB1,316.0 million, compared to last year of RMB1,281.3 million. The increase was mainly due to impairment losses on non-current assets recognised in BEURG during the current year.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.6 Administrative expenses

Administrative expenses for the year decreased to RMB3,006.0 million, compared to last year of RMB3,070.5 million which decreased by 2%, implying that the related cost control was effective.

3.7 Other gains and losses, net

The Group recorded other losses, net of RMB444.2 million. The amount for this year mainly included loss on disposal of receivables under service concession arrangements.

3.8 Finance costs

The interest on bank and other borrowings were RMB1,881.6 million, which decreased by 31% when compared to last year of RMB2,732.6 million, the decrease was mainly due to the Group's effective control on finance costs by continuously advancing the optimization of its debt structure. Interests on corporate bonds of RMB483.5 million (31 December 2024: RMB481.3 million).

3.9 Share of results of joint ventures

Share of results of joint ventures decreased to RMB505.7 million, compared to last year of RMB525.1 million. The decrease was mainly due to decrease in share of results of the joint ventures which engaged in construction services for comprehensive renovation projects.

3.10 Share of results of associates

Share of results of associates decreased to RMB35.2 million, compared to last year of RMB48.2 million. The decrease was mainly due to decrease in share of results of the associates which engaged in construction services for comprehensive renovation projects.

3.11 Income tax expense

Income tax expense for the year included the current PRC income tax of RMB811.5 million. The effective tax rate for the PRC operation was about 15% which was lower than the PRC standard income tax rate of 25% as some of the subsidiaries enjoyed tax concession benefit. Deferred tax credit for the year was RMB197.1 million.

3.12 Profit attributable to holders of perpetual capital instruments

Amount represented the coupon payments of perpetual bonds with an aggregate principal amount of RMB4,240 million which were issued in 2024.

3.13 Investment properties

Investment properties represented portions of buildings located in Beijing which the Group held to earn rental income during the year. The investment properties were stated at fair value.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.14 Amounts due from contract customers, receivables under service concession arrangements and trade receivables

The Group's total amounts due from contract customers, receivables under service concession arrangements and trade receivables of RMB103,934.7 million (31 December 2024: RMB107,665.9 million) included:

By accounting nature:

	2025			2024		
	Non-current *RMB'M*	**Current** *RMB'M*	**Total** *RMB'M*	Non-current *RMB'M*	Current *RMB'M*	Total *RMB'M*
(i) Amounts due from contract customers	**7,774.8**	**4,998.9**	**12,773.7**	16,884.7	3,186.9	20,071.6
(ii) Receivables under service concession arrangements	**55,482.5**	**10,392.0**	**65,874.5**	55,750.4	9,447.7	65,198.1
(iii) Trade receivables	**13,697.5**	**11,589.0**	**25,286.5**	11,020.3	11,375.9	22,396.2
Total	**76,954.8**	**26,979.9**	**103,934.7**	83,655.4	24,010.5	107,665.9

(i) Amounts due from contract customers of RMB12,773.7 million represent the balances of accumulated construction costs incurred to date plus recognised accumulated gross profits exceeding progress billings arising from BOT projects and comprehensive renovation projects during the phase of construction. Total balance decreased by RMB7,297.9 million (non-current portion decreased by RMB9,109.9 million and current portion increased by RMB1,812.0 million), which was mainly due to reclassification to receivables under service concession arrangement and trade receivables as a result of operation commencement of certain BOT water projects and completion of comprehensive renovation project respectively;

(ii) Receivables under service concession arrangements of RMB65,874.5 million represent the fair value of the specified amount that the grantor contractually guarantees to pay under service concession contracts arising from BOT and TOT projects. The increase in balance by RMB676.4 million (non-current portion decreased by RMB267.9 million and current portion increased by RMB944.3 million) was mainly due to net effect of reclassification from amounts due from contract customers as a result of operation commencement of certain BOT water projects and exited projects; and

3. FINANCIAL ANALYSIS *(Continued)*

3.14 Amounts due from contract customers, receivables under service concession arrangements and trade receivables *(Continued)*

(iii) Trade receivables of RMB25,286.5 million mainly arose from the provision of construction services for comprehensive renovation projects, technical and consultancy services, sewage treatment equipment trading and urban resources services. The balance increased by RMB2,890.3 million (non-current portion increased by RMB2,677.2 million and current portion increased by RMB213.1 million) was mainly due to net effect of reclassification from amounts due from contract customers as a result of completion of comprehensive renovation project and disposal of subsidiaries.

By business nature:

	2025 ***RMB'M***	2024 *RMB'M*
Water treatment services by BOT and TOT projects	**76,083.0**	77,889.1
Construction services of comprehensive renovation projects	**21,887.5**	23,511.5
Technical and consultancy services and other businesses	**2,196.8**	2,276.6
Urban resources services	**3,767.4**	3,988.7
Total	**103,934.7**	107,665.9

Total receivables, which relates to the BOT and TOT projects, recognised under the service concession agreements in accordance with the HK(IFRIC)-Int 12 Service Concession Arrangements were RMB76,083.0 million (31 December 2024: RMB77,889.1 million). Total receivables for the construction service of comprehensive renovation projects were RMB21,887.5 million (31 December 2024: RMB23,511.5 million). Total receivables for technical and consultancy services and other businesses were RMB2,196.8 million (31 December 2024: RMB2,276.6 million). Urban resources services were RMB3,767.4 million (31 December 2024: RMB3,988.7 million).

3.15 Operating concessions

Operating concessions represents rights that the Group can charge users under service concession contracts. It is a non-guarantee receipt right to receive cash because the chargeable amounts are contingent on the extent that the users use the service. The balance arises from BOT and TOT projects in operation. Increase was mainly due to operation commencement of certain BOT and TOT projects during the year.

3. FINANCIAL ANALYSIS *(Continued)*

3.16 Prepayments, deposits and other receivables

Prepayments, deposits and other receivables increased by RMB1,381.3 million, (non-current portion decreased by RMB49.8 million and current portion increased by RMB1,431.1 million), mainly due to increase in deposits and other debtors and due from joint ventures.

3.17 Cash and cash equivalents

Cash and cash equivalents increased by RMB558.5 million which was mainly due to increase in operating cash inflow in BEURG during the year.

3.18 Perpetual capital instrument under the equity attributable to shareholders of the Company

Perpetual capital instruments were issued by the Company on 11 August 2023, 18 April 2024, 7 May 2025 and 28 July 2025 respectively. There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the Company subject to certain conditions. The perpetual capital instruments are classified as equity instruments.

3.19 Perpetual capital instruments

Perpetual capital instruments were issued by a wholly-owned subsidiary of the Company on 25 and 30 January 2024, 22 August 2024, 10 September 2024 and 27 November 2024, respectively. There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the Group subject to certain conditions. The perpetual capital instruments are classified as equity instruments.

3.20 Bank and other borrowings

Bank and other borrowings decreased by RMB4,440.5 million which was mainly due to repayment of bank loans during the year.

3.21 Corporate bonds

Corporate bonds increased by RMB4,696.4 million which was mainly due to the net effect of issuance of new corporate bonds with principal amount of RMB6,700 million, repayment of corporate bonds with principal amount of RMB2,000 million during the year.

3. FINANCIAL ANALYSIS *(Continued)*

3.22 Trade payables

The decrease in trade payables by RMB2,075.3 million was mainly due to decrease in trade payables to subcontractors for certain construction projects during the year.

3.23 Deferred Income

Deferred income mainly represents government subsidies received in respect of the Group's construction of sewage treatment, water distribution facilities and hazardous waste treatment facilities and purchase of certain land.

3.24 Liquidity and financial resources

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are mainly in RMB. Surplus cash is generally placed in short term deposits.

As at 31 December 2025, the Group's cash and cash equivalents amounted to RMB9,567.5 million (31 December 2024: RMB9,009.0 million).

The Group's total borrowings amounted to RMB75,758.1 million (31 December 2024: RMB75,502.2 million) comprised bank and other borrowings of RMB56,490.5 million (31 December 2024: RMB60,931.0 million) and corporate bonds of RMB19,267.6 million (31 December 2024: RMB14,571.2 million). All the corporate bonds bear interest at fixed rates. Over 50% of bank and other borrowings bear interest at floating rates.

As at 31 December 2025, the Group had banking facilities amounting to RMB72.4 billion, of which RMB43.9 billion have not been utilised. The banking facilities are of 1 to 20 years term.

The Group's total equity amounted to RMB56,055.4 million (31 December 2024: RMB55,962.4 million).

The gearing ratio as defined as sum of bank and other borrowings and corporate bonds, net of cash and cash equivalents, divided by the total equity was 1.18 as at 31 December 2025 (31 December 2024: 1.19). The decrease in the gearing ratio as at 31 December 2025 was mainly due to increase in cash and cash equivalents and total equity during the year.

3.25 Capital expenditures

During the year, the Group's total capital expenditures were RMB1,918.7 million (31 December 2024: RMB4,105.0 million), of which RMB737.3 million was incurred for the acquisition of property, plant and equipment, right-of-use assets and intangible assets; RMB1,159.5 million represented the construction and acquisition of water plants; and RMB21.9 million represented the capital injections in joint ventures.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2025, the Group employed 81,250* employees. Total staff cost for the year ended 31 December 2025 was RMB5,817,525,000 (31 December 2024: RMB5,615,717,000). The Group's remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Discretionary bonuses and share awards are awarded to certain employees according to the assessment of individual performance. On 26 September 2019, 1 November 2021, 2 December 2022 and 13 July 2023, the Company had granted 15,374,599 awarded shares, 12,471,409 awarded shares, 21,664,326 awarded shares and 13,261,718 awarded shares respectively pursuant to the share award scheme adopted on 17 December 2018 (the "Share Award Scheme"). All the awarded shares were vested or lapsed. On 14 December 2023, the Board resolved to extend the Share Award Scheme for further five years after the expiry of an initial five-year term until 16 December 2028. During the year ended 31 December 2025, the Company did not grant any awarded share under the Share Award Scheme. The number of awarded shares to be available for grant are 200,932,197 shares as at both 1 January 2025 and 31 December 2025.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the year ended 31 December 2025, the Group had no significant investments and acquisitions of subsidiaries and affiliated companies.

* *Included 63,533 employees under BEURG as at 31 December 2025*

CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings and perpetual capital instruments of the Group as at 31 December 2025 were secured by:

(i) mortgages over certain concession rights (comprising operating concessions and receivables under service concession arrangements) which are under the management of the Group pursuant to the relevant service concession agreements signed with the grantors;

(ii) mortgages over certain right-of-use assets and plant and equipment and investment properties of the Group;

(iii) guarantees given by the Company and/or its subsidiaries;

(iv) pledges over the Group's equity interests in certain subsidiaries;

(v) pledges over certain of the Group's bank balances; and/or

(vi) mortgages over certain of the Group's trade receivables.

Save as disclosed above, at 31 December 2025, the Group did not have any charges on the Group's assets.

FOREIGN EXCHANGE EXPOSURE

The main operating activities of the Group were carried out in PRC with majority of its transactions denominated and settled in RMB. Certain of the subsidiaries of the Group have their assets and liabilities denominated in other currencies including HKD, AUD and EUR. The Directors will continuously to monitor the related foreign exchange exposure and adopt proper measures to reduce the currency risk exposures of the Group based on its operating needs.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain the quality of corporate governance so as to ensure better transparency of the Company, protection of shareholders' and shareholders' rights and enhance shareholders' value.

CORPORATE STRATEGY, BUSINESS MODEL AND CULTURE

The Board has established the Group's purpose, values and strategies and was satisfied that they are aligned with the culture of the Group. Acting with integrity, lead by example, all Directors promote the desired culture to instil and continually reinforce across the values of "acting lawfully, ethically and responsibly" for the Group.

Guided by the requirements of the national strategy and led by its business strategy to achieve "quality growth, valuable assets, cash profits and capable organisation", the Group continued to improve its core capabilities such as quality delivery and smart operation in order to consolidate its fundamentals.

The Group has always adhered to its "customer-oriented and innovation-driven" operation philosophy. Through the reform of its regional companies, the Group has made solid efforts to carry out localised operation in local markets, built up differentiated competitiveness for regional market.

The Group embeds the concept of sustainability development into its medium-term and long-term development strategies, and lays the solid foundations for BEWG's high quality and sustainable development by building up the fundamentals of corporate sustainability in multiple dimensions, such as innovation, data, clients and brands as well as organisational talent sustainability.

The Group actively promotes a culture of integrity for raising business ethics awareness among employees.

The Group will continuously review and adjust, when necessary, its business strategies and keep track of the changing market conditions to ensure prompt and proactive measures that will be taken to respond to the changes and meet the market needs to foster the sustainability of the Group.

Details of the Group's business performance and financial review for the year 2025 are set out in the "Management Discussion and Analysis" section of this annual report. Disclosures on the corporate culture of the Group can be found in the 2025 Sustainability Report which will be available on the website of the Company under the "Sustainability Report" section and the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at the same time as the publication of this annual report.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Board Composition

During the year and up to the date of this annual report, the Board comprises the following directors of the Company ("Director(s)"):

Executive Directors (the "EDs")

Mr. Xiong Bin *(Chairman)*
Mr. Jiang Xinhao *(resigned on 6 January 2025)*
Mr. Zhou Min *(Chief Executive Officer)*
Mr. Li Haifeng
Ms. Li Yining *(appointed on 18 December 2025)*
Ms. Sha Ning *(resigned on 18 December 2025)*
Mr. Zhang Wenjiang
Ms. Zhou Xueyan *(appointed on 5 June 2025)*
Mr. Tung Woon Cheung Eric
Mr. Li Li *(resigned on 18 December 2025)*

Non-executive Directors (the "NED")

Mr. Yuan Jianwei

Independent Non-executive Directors (the "INEDs")

Mr. Shea Chun Lok Quadrant
Mr. Guo Rui
Mr. Chau On Ta Yuen
Mr. Dai Xiaohu
Ms. Chan Siu Chee Sophia

One of the INEDs namely, Mr. Shea Chun Lok Quadrant, has the professional and accounting qualifications required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). There is no relationship among members of the Board in respect of financial, business, family or other material/relevant relationship. The biographical details of the current Directors are set out in the section headed "Directors and Senior Management" in this annual report.

BOARD OF DIRECTORS *(Continued)*

Board Composition *(Continued)*

All Directors are appointed with letters of appointment and subject to retirement by rotation and, being eligible, offer themselves for re-election at the annual general meetings in accordance with the amended and restated bye-laws of the Company ("Bye-laws"). Pursuant to bye-law 99(B) of the Bye-laws, at each annual general meeting, one-third of the Directors (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. Pursuant to bye-law 91 of the Bye-laws, any Director appointed to fill a casual vacancy or as an addition to the Board is subject to re-election at the first annual general meeting after his or her appointment.

Ms. Li Yining, who was appointed as an ED on 18 December 2025 following the resignation of Ms. Sha Ning as an ED, obtained the legal advice referred to in Rule 3.09D of the Listing Rules prior to her appointment on 17 December 2025. Ms. Li Yining has confirmed that she understood her obligations as a director of the Company.

Ms. Zhou Xueyan, who was appointed as an ED on 5 June 2025, obtained the legal advice referred to in Rule 3.09D of the Listing Rules prior to her appointment on 4 June 2025. Ms. Zhou Xueyan has confirmed that she understood her obligations as a director of the Company.

Role and Function

The function of the Board is to formulate and give direction of the corporate strategy of the Group and business development. The Board has met regularly during the year to approve material contracts, connected transactions, director's appointment or reappointment, significant policy and to monitor the financial performance of the Group in pursuit of its strategic goals. Day to day operation of the Company is delegated to the chief executive officer and the management of the Company.

Newly appointed Director will receive a comprehensive induction package covering the statutory and regulatory obligations of a director of a listed company. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company arranged trainings for Directors in the form of seminar and provision of training materials. Guidance notes and memorandum are issued to Directors where appropriate, to ensure awareness of best corporate governance practices.

BOARD OF DIRECTORS *(Continued)*

Role and Function *(Continued)*

According to the records maintained by the Company, the Directors who were held office during the year ended 31 December 2025 received the following training in respect of the roles, functions and duties of a director of a listed company in compliance with the requirement of the Corporate Governance Code (the "CG Code") contained in Appendix C1 of the Listing Rules on continuous professional development during the year ended 31 December 2025.

	Corporate Governance/ Updates on Laws, Rules & Regulations		Accounting/Financial/ Management or Other Professional Skills	
Name of Director	**Read Materials**	**Attended Seminars/ Briefing**	**Read Materials**	**Attended Seminars/ Briefing**
EDs				
Mr. Xiong Bin *(Chairman)*	✓	✓		
Mr. Jiang Xinhao *(resigned on 6 January 2025)*	–	–		
Mr. Zhou Min *(Chief Executive Officer)*	✓	✓		
Mr. Li Haifeng	✓	✓		
Ms. Li Yining *(appointed on 18 December 2025)*	✓	–		
Ms. Sha Ning *(resigned on 18 December 2025)*	✓	✓		
Mr. Zhang Wenjiang	✓	✓		
Ms. Zhou Xueyan *(appointed on 5 June 2025)*	✓	✓		
Mr. Tung Woon Cheung Eric	✓	✓	✓	✓
Mr. Li Li *(resigned on 18 December 2025)*	✓	✓		
NED				
Mr. Yuan Jianwei	✓	✓		
INEDs				
Mr. Shea Chun Lok Quadrant	✓	✓	✓	✓
Mr. Guo Rui	✓	✓		
Mr. Chau On Ta Yuen	✓	✓		
Mr. Dai Xiaohu	✓	✓		
Ms. Chan Siu Chee Sophia	✓	✓		

BOARD OF DIRECTORS *(Continued)*

Board Meeting and General Meeting

The Company held five Board meetings and one general meeting during the financial year ended 31 December 2025 in compliance with provisions set out in the CG Code. Directors present in those Board meetings were either in person or through electronic means of communication. Attendance records of the Board meetings and general meetings for the year ended 31 December 2025 are set out below:

Name of Director	Number of Board meetings attended/held	Number of general meetings attended/held
EDs		
Mr. Xiong Bin *(Chairman)*	5/5	1/1
Mr. Jiang Xinhao *(resigned on 6 January 2025)*	N/A *(note 1)*	N/A *(note 1)*
Mr. Zhou Min *(Chief Executive Officer)*	5/5	1/1
Mr. Li Haifeng	5/5	0/1
Ms. Li Yining *(appointed on 18 December 2025)*	N/A *(note 2)*	N/A *(note 2)*
Ms. Sha Ning *(resigned on 18 December 2025)*	3/5	0/1
Mr. Zhang Wenjiang	5/5	0/1
Ms. Zhou Xueyan *(appointed on 5 June 2025)*	2/2 *(note 3)*	N/A *(note 3)*
Mr. Tung Woon Cheung Eric	5/5	1/1
Mr. Li Li *(resigned on 18 December 2025)*	5/5	0/1
NED		
Mr. Yuan Jianwei	5/5	0/1
INEDs		
Mr. Shea Chun Lok Quadrant	5/5	1/1
Mr. Guo Rui	4/5	0/1
Mr. Chau On Ta Yuen	5/5	0/1
Mr. Dai Xiaohu	5/5	0/1
Ms. Chan Siu Chee Sophia	4/5	1/1

BOARD OF DIRECTORS *(Continued)*

Board Meeting and General Meeting *(Continued)*

Notes:

1. Mr. Jiang Xinhao resigned as an ED on 6 January 2025 without attending the first to fifth board meeting held during the year and the annual general meeting held on 3 June 2025.

2. Ms. Li Yining was appointment as an ED on 18 December 2025 without attending the first to fifth board meeting held during the year and the annual general meeting held on 3 June 2025.

3. Ms. Zhou Xueyan was appointment as an ED on 5 June 2025 without attending the first to third board meeting held during the year and the annual general meeting held on 3 June 2025.

To supplement the formal Board meetings, the chairman of the Board (the "Chairman") held regular gatherings with EDs to consider issues in an informal settings.

During the year, the Chairman held one meeting with the INEDs without the EDs present.

BOARD DIVERSITY POLICY

With a view to enhancing the Board's effectives and corporate governance, the Board believes that increasing diversity at the Board level is essential to maintaining a competitive edge in the evolving market environment.

In accordance with the Listing Rules, the Board adopted a board diversity policy in 2013 which aims to set out the approach to achieve diversity on the Board. The Board endeavours to ensure that it has a balance of skills, experience and diversity of perspectives to the requirements of the business of the Group. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Independent

Under the Board diversity policy, the Board shall include a balanced composition of EDs and INEDs (including NEDs) so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As of 31 December 2025, five out of thirteen directors were INEDs. The board composition remained a definite number of INEDs who are free from any business or other relationship that may interfere with the independent judgement of the INEDs.

Gender

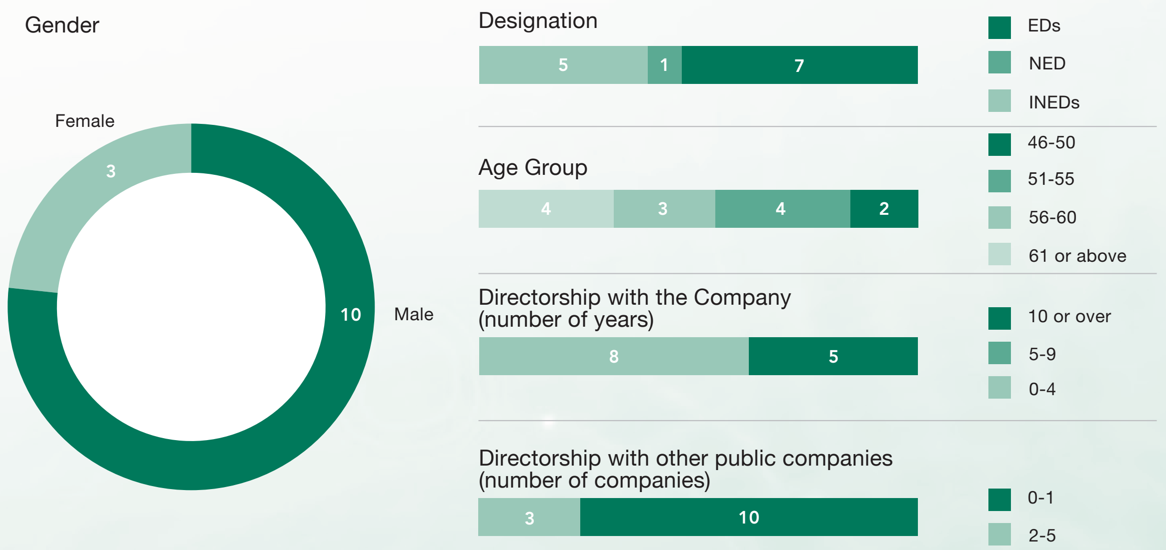
Under the Board diversity policy, the Board targets to appoint and maintain gender diversity in respect of the Board and targets to refrain from having a single gender in respect of the Board. Ms. Li Yining was appointed as an ED on 18 December 2025 while Ms. Zhou Xueyan was appointed as an ED on 5 June 2025 and Ms. Chan Siu Chee, Sophia was appointed as an INED on 15 September 2023. The Board considers that the gender diversity in respect of the Board taking into account the business model and specific needs of the Company is satisfactory.

BOARD DIVERSITY POLICY *(Continued)*

Skill and Experience

To enhance the Board diversity while maintaining an appropriate balance between continuity of experience and Board refreshment and possessing a balance of skills appropriate for the requirements of the business of the Company. Ms. Zhou Xueyan was appointed as ED on 5 June 2025, Ms. Li Yining was appointed as ED on 18 December 2025. The nomination committee of the Company (the "Nomination Committee") took into consideration of their academic background, qualification and extensive experience.

As at the date of this annual report, there are thirteen Directors with extensive experience and/or professional backgrounds to formulate and give direction of the corporate strategy and business development of the Group. The composition, experience and balance of skills on the Board are regularly reviewed by a core of members with longstanding and deep knowledge of the Group alongside new Directors who bring fresh perspectives and diverse experiences to the Board. The process for the nomination of Directors is led by the Nomination Committee that is set out in the section headed "Nomination Committee" in this corporate governance report. The following chart illustrates how the Company achieves diversity on the Board:



The name of the current Directors and their biographies (including their roles, function, terms of office, skills and experience) are set out in this annual report headed "Directors and Senior Management".

BOARD DIVERSITY POLICY *(Continued)*

Skill and Experience *(Continued)*

The Board places emphasis on diversity (including gender diversity) across all levels of the Group. The employee gender ratio of the Group as at 31 December 2025 was approximately 51% male to 49% female. The Group when hiring employees considers a number of factors, including but not limited to gender, age, cultural and education background, qualification, ethnicity, professional experience, skills, knowledge and length of service, and the Group will make sure achieving gender diversity across the workforce. The Board considers that the gender diversity in workforce is currently achieved.

BOARD SUCCESSION

Board succession planning is an ongoing process for the Company. There are regular reviews and discussions on succession planning, complemented by an active search when required for people presenting the right skill and diversity mix. The Nomination Committee manages board succession in light of the Board's overall needs, term limits and retirements.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate directors' and officers' liability insurance for its directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its directors and officers to comply with the requirement of the CG Code. During the year, no claim was made against the directors and officers of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the financial year ended 31 December 2025, the positions of the chairman and the chief executive officer of the Company were held separately. The Chairman is Mr. Xiong Bin and the chief executive officer of the Company (the "Chief Executive Officer") is Mr. Zhou Min. The segregation of duties of the Chairman and the Chief Executive Officer ensures a clear distinction in the Chairman's responsibility to provide leadership for the Board and the Chief Executive Officer's responsibility to manage the business of the Company. Their roles are clearly defined to ensure their respective independence. There is no relationship between the Chairman and Chief Executive Officer in respect of financial, business, family or other material/relevant relationship.

NON-EXECUTIVE DIRECTORS

All NEDs (including INEDs) are appointed with specific term of three years.

Taking into account INEDs' ability to exercise independence of judgment in relation to the affairs of the Company by offering or raising independent advices, the Board considers that the INEDs can provide independent advices on the business strategies, results and management of the Company so as to safeguard the interests of the Company and its shareholders.

The Company has received a written annual confirmation from each of the INEDs confirming his/her independence pursuant to Rule 3.13 of the Listing Rules. INEDs are also required to inform the Company as soon as practicable if there is any change of circumstances which may affect his or her independence. No such notification has been received during the year ended 31 December 2025. The Company considers all of the INEDs are independent during their tenure.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as the code of conduct in respect of securities transactions of the Directors (the "Model Code"). Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year under review.

BOARD COMMITTEES

The Board has established four board committees to strengthen its functions and corporate governance practices, namely, audit committee (the "Audit Committee"), Nomination Committee, remuneration committee (the "Remuneration Committee") and sustainability committee (the "Sustainability Committee"). The Audit Committee, Nomination Committee, Remuneration Committee and Sustainability Committee perform their specific roles in accordance with their respective written terms of reference.

Audit Committee

The Audit Committee currently comprises three INEDs namely, Mr. Shea Chun Lok Quadrant (chairman of the Audit Committee), Mr. Guo Rui and Mr. Chau On Ta Yuen. The Audit Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time.

The Audit Committee is mainly responsible for considering all relationships between the Company and the auditing firm (including the provision of non-audit services), monitoring the integrity of the financial statements of the Company and issues arising from the audit as well as the review of the risk management and internal control systems of the Group whereby the Board had delegated such responsibility to Audit Committee.

In addition, the Audit Committee had been delegated the responsibility to perform the following including:

Corporate Governance Duties

1. to develop and review the policies and practices of the Company on corporate governance and make recommendations to the Board;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the policies and practices of the Company on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

5. to review the compliance with the CG Code and disclosure in the corporate governance report of the Company.

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

Corporate Governance Duties (Continued)

Summary of work done during the year: reviewed the financial statements for the period from 1 January 2025 to 30 June 2025 and for the year ended 31 December 2025, considered and approved the audit work of the auditors, and reviewed the business and financial performance of the Company, the risk management and internal control systems, the compliance with the CG Code and disclosure in the corporate governance report of the Company and reviewed the audit planning provided by Messrs. Deloitte Touche Tohmatsu including their responsibilities, scope of work and the risk assessment. The chairman of the Audit Committee, Mr. Shea Chun Lok Quadrant attended the 2025 annual general meeting and would answer questions raised by the shareholders of the Company in relation to the work done of Audit Committee during the year.

The Audit Committee held three meetings and conducted by way of one unanimous written resolution to resolve audit related matters during the financial year ended 31 December 2025. Details of attendance of each Audit Committee members are as follows:

Name of Audit Committee members	Number of Audit Committee meetings attended/held
Mr. Shea Chun Lok Quadrant *(Chairman of Audit Committee)*	3/3
Mr. Guo Rui	3/3
Mr. Chau On Ta Yuen	3/3

Nomination Committee

The Nomination Committee currently comprises one ED namely, Mr. Xiong Bin (chairman of the Nomination Committee) and two INEDs namely, Mr. Shea Chun Lok Quadrant and Ms. Chan Siu Chee Sophia.

All new appointments and re-appointments to the Board are subject to the approval of the Board. The Nomination Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time.

BOARD COMMITTEES *(Continued)*

Nomination Committee *(Continued)*

The major responsibilities of the Nomination Committee include:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, to assist the Board in maintaining a board skill matrix, and to make recommendations on any proposed changes to the Board to complement the corporate strategy of the Company;

2. to review periodically the nomination policy and the board diversity policy of the Company and to make any recommendation on any proposed changes to the Board and disclose the policy on diversity or a summary of the policy in the corporate governance report of the Company;

3. to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

4. to assess the independence of INEDs and any proposed INEDs to determine their eligibility, the perspective, skills and experience that the proposed INED can bring to the Board, his/her contribution to diversity of the Board and ability to devote sufficient time to the Board and Board committees;

5. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer;

6. to support the regular evaluation of the performance of the Board; and

7. to address and deal with such other matters as may be delegated by the Board to the Nomination Committee.

Summary of work done during the year: reviewed and evaluated the structure, size and composition (including the skills, knowledge and experience) of the Board to complement the corporate strategy of the Company, made recommendation to the Board on new appointments, reviewed and recommended the re-appointment of the retiring Directors at the annual general meeting of the Company and assessed independence of the INEDs, proposed appointment of Ms. Zhou Xueyan as ED, proposed appointment of Ms. Li Yining as ED to fill the casual vacancy arising from Ms. Sha Ning, the change of composition of Nomination Committee, and the change of the chairman of Sustainability Committee. The chairman of the Nomination Committee, Mr. Xiong Bin attended the 2025 annual general meeting and would answer questions raised by the shareholders of the Company in relation to the work done of Nomination Committee during the year.

BOARD COMMITTEES *(Continued)*

Nomination Committee *(Continued)*

The Nomination Committee has adopted in 2019 a nomination policy (the "Nomination Policy") which sets out the selection criteria and procedures of appointment and re-appointment of a Director. In evaluating and selecting candidate(s) for directorship, the Nomination Committee shall follow the criteria of nomination and appointment of the directors set out in Nomination Policy, including but not limited to the integrity, skills and expertise, professional and educational backgrounds; potential time commitment for the Board and/or committee responsibilities; and the ongoing updates of the board diversity policy of the Company. The Nomination Committee shall make recommendation to the Board to appoint the appropriate person among the candidates nominated for directorship. Suitable candidate(s) shall be appointed as director(s) by the Company in accordance with the Bye-laws and the Listing Rules.

During the year, no Nomination Committee meeting was held but by way of three unanimous written resolutions, the Nomination Committee had reviewed nomination related matters.

Remuneration Committee

The Remuneration Committee currently comprises two INEDs namely, Mr. Guo Rui (chairman of the Remuneration Committee), Mr. Shea Chun Lok Quadrant and one ED namely, Mr. Tung Woon Cheung Eric.

The Remuneration Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time. The Remuneration Committee adopted the operation model where it performs an advisory role to the Board and to make recommendations to the Board on the remuneration packages of Directors and senior management with the Board retaining the final authority to approve Directors' and senior management remuneration. It is the policy of the Company to offer remuneration packages which are competitive and sufficient to retain such individuals and no director is involved in decision of his/her own remuneration.

The policy and structure of the Group for employees' remuneration proposals were with reference to the corporate goals, prevailing market rate and duties and responsibilities with the Group.

Summary of work done during the year: made recommendations to the Board regarding assessment and incentive plan for its subsidiary and management bonus of the Company. A member of the Remuneration Committee, Mr. Shea Chun Lok Quadrant and Mr. Tung Woon Cheung Eric attended the 2025 annual general meeting and would answer questions raised by the shareholders of the Company in relation to the work done of Remuneration Committee during the year.

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

During the year, the Remuneration Committee held one meeting and conducted by way of one unanimous written resolutions, the Remuneration Committee had reviewed remuneration related matters. Mr. Shea Chun Lok Quadrant took the chair of the Remuneration Committee meeting in the absence of Mr. Guo Rui, the chairman of the Remuneration Committee. Details of attendance of each Remuneration Committee members are as follows:

Name of Remuneration Committee members	Number of Remuneration Committee meetings attended/held
Mr. Guo Rui *(Chairman of Remuneration Committee)*	0/1
Mr. Tung Woon Cheung Eric	1/1
Mr. Shea Chun Lok Quadrant	1/1

Sustainability Committee

The Sustainability Committee currently comprises two EDs namely Ms. Li Yining (chairman of the Sustainability Committee) and Mr. Tung Woon Cheung Eric and an INED namely Mr. Guo Rui. The Sustainability Committee members performed their duties within written terms of reference formulated by the Company in accordance with expectation from stakeholders. The Sustainability Committee is responsible for monitoring and reporting to the Board on the implementation and effectiveness of the environmental, social and governance ("ESG") management. It also prioritises the material ESG issues, evaluates the risks and opportunity due to climate change, reviews and monitors the achievement of environmental targets and evaluates the impacts of the ESG performances of the Company on its stakeholders, including employees, shareholders, customers, suppliers, business associates and local communities.

BOARD COMMITTEES *(Continued)*

Sustainability Committee *(Continued)*

During the year, the Sustainability Committee held one meeting, the Sustainability Committee had reviewed the environmental, social and governance related matters. Details of attendance of each Sustainability Committee members are as follows

Name of Sustainability Committee members	Number of Sustainability Committee meetings attended/held
Mr. Li Li *(Former chairman of Sustainability Committee)*[(1)]	1/1
Ms. Li Yining *(Chairman of Sustainability Committee)*[(2)]	N/A
Mr. Tung Woon Cheung Eric	1/1
Mr. Guo Rui	1/1

Notes:

(1) Ceased to be the chairman of the Sustainability Committee on 18 December 2025.

(2) Appointed as the chairman of the Sustainability Committee on 18 December 2025.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners. The Company provides a fair and safe workplace, promotes diversity to its staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions. The Group understands that it is important to maintain good relationship with customers and provide the services in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the services so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints and ensure customers' complaints are dealt with in a promptly and timely manner. The Group is also dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stability of the business of the Group.

CORPORATE GOVERNANCE REPORT

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to supporting the environmental sustainability. The Group is committed to maintaining sustainable working practises and pays close attention to ensure all resources are efficiently utilised. The environmental policies and performance of the Company for the year ended 31 December 2025 containing the information required under Appendix C2 to the Listing Rules are set out in 2025 Sustainability Report which will be published on the website of the Stock Exchange and the website of the Company at the same time when the annual report of the Company will be published.

AUDITORS' REMUNERATION

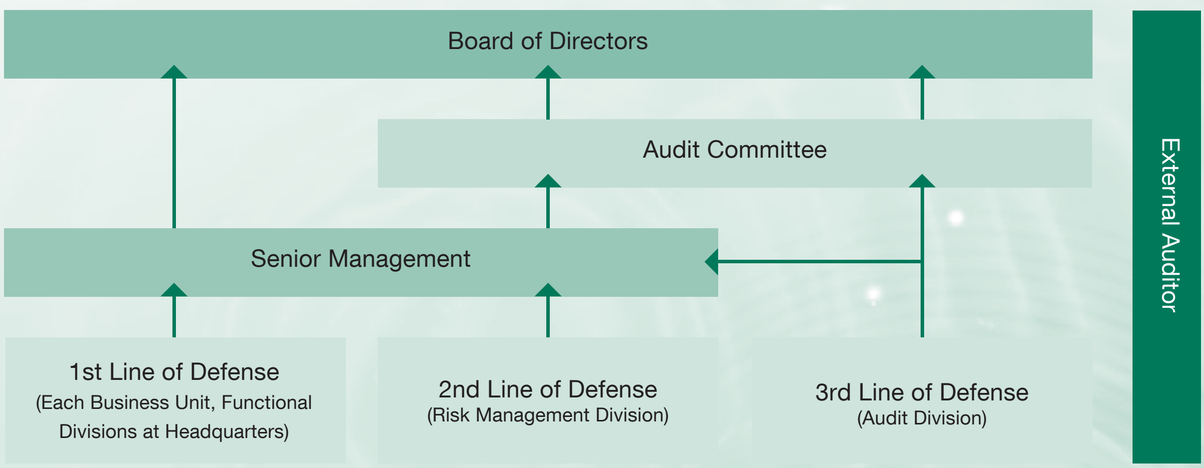
The Audit Committee is responsible for considering the appointment of the external auditors and reviewing the non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, external auditors' remuneration for audit services was approximately HK$10.9 million and for non-audit service assignments was approximately HK$3.1 million, which represented agreed-upon procedures engagement such as for the interim financial report, taxation advisory and compliance services of the Group. The Audit Committee had satisfied that the non-audit services in 2025 did not affect the independence of the external auditors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks that may be exposed to the Group and ensuring that the Group maintains sound and effective risk management and internal control systems in order to safeguard the interest of shareholding and the assets of the Group. The Board had delegated such responsibility to the Audit Committee which shall oversee management in designing, implementing and monitoring the risk management and internal control systems.

The Board has been provided with sufficient explanation and necessary information enabling it to make an informed assessment of financial and other information put before the Board for approval.

The risk management framework of the Group is designed of "Three Layers + Three Lines of Defense" model as shown below:



RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

First Line of Defence

Each business unit and headquarters functional division of the Group, as a responsible entity, identifies, evaluates and monitors its own risk.

Second Line of Defence

The risk management division has set up a risk management mechanism regarding corporate objectives so as to identify, control, acknowledge and manage the risks faced by the Group. In particular, the Group applies strict guidelines and procedures that monitor and control each investing unit for its investment, with the aim to mitigate risk exposure and external impacts and ensure that the risk management process is in line with the relevant objective.

Third Line of Defence

The audit division carries out an independent review of key business process and controls in accordance with its normal procedures. Its recommendations and remedial measures will be taken to rectify the deficiencies accordingly.

The Group has made reference to the Enterprise Risk Management-Integrated Framework set down by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and adopted it as its own framework, which covers risk identification, risk analysis, risk assessment, risk response and reporting.

Any internal audit findings and control deficiencies were communicated with the relevant functional division and business units of the Group. Relevant control activities were enhanced and post-audit reviews were conducted as and when appropriate. Remedial activities were taken by the Group regarding findings and deficiencies for prior year.

Policy and procedures were laid down to cover issues including project development, investment review, financial reporting and human resources and to define clearly the line of authority for each employee. As every functional division and business unit of the Group was required to undertake a series of self-assessment in accordance with the policy and procedures of the Group, the audit division was not aware of any internal withholding of internal control deficiency of the Group during the year under review.

The risk management division assessed the potential risk exposure of the Group by means of interview and questionnaire and discussed with all levels of staff the importance of risk management and internal control systems, shared risk perception and enhanced the effectiveness of the risk management function. Appropriate risk management activities were carried out and implemented by the Group during the year. Every division and business unit of the Group was invited to discuss such potential risks which might affect their ability to achieve the financial, operational, compliance control objectives of the Group and had identified significant risks (including ESG risks) affecting the corporate objectives, namely policy, market competition and government relations.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

Third Line of Defence *(Continued)*

During the year, the risk management division has presented updated reports to the Audit Committee on implementation of risk management and the effectiveness of the risk management (including ESG risks) and internal control systems of the Group. The Audit Committee closely monitored and reported to the Board annually such effectiveness on an ongoing basis.

During the year, the audit division performed the annual audit by adopting a risk-based approach and covered the areas of internal environment, risk assessment, control activities, information and communications as well as internal control.

As at 31 December 2025, both the Audit Committee and the Board were not aware of any material internal control deficiencies and were satisfied that the risk management and internal control systems of the Group are effective and adequate.

During the year, the Board believes that there is an adequacy of resources in term of staff qualifications and experience, training programmes and budget of the Group's internal audit function for the Group as well as those relating to the ESG performance and reporting of the Company.

The Group has set up a whistleblower policy and a set of comprehensive procedures to the employees, business partners and other concerned parties to raises concerns, in confidence, to the Board about possible improprieties within the Group. The identity of the whistleblower will be treated with the strictest confidential.

The Group has set up the inside information policy and procedure for the handling and dissemination of inside information. The inside information policy mainly focuses on the obligations of the Group, external communication guidelines and compliance and reporting procedures. The Group shall take all reasonable measures from time to time to ensure that proper safeguards in existence to prevent any breach of disclosure requirement.

The Group has adopted appropriate measures to review the implementation of the existing continuing connected transactions of the Group. During the year, the relevant companies had monitored strictly pursuant to the pricing policies and terms of the continuing connected transactions in the actual course of business operation and did not exceed those relevant annual caps as disclosed.

WHISTLE-BLOWING SYSTEM

The Group attaches great importance to integrity and compliance work, pays close attention to anti-bribery, anti-corruption, and anti-unfair competition. The Group has established a whistleblowing policy and system to allow our employees and stakeholders to raise concerns on any potential business misconduct and malpractice confidentially. The Discipline Inspection and Supervision Department was also set up to handle matters arising from whistleblower reports in an effective manner. The whistle-blowers are able to raise concern to the Audit Committee. The Group is also committed to ensuring the protection of the whistle-blower against detrimental or unfair treatment.

ANTI-BRIBERY AND ANTI-CORRUPTION SYSTEM

The Group has in place an anti-bribery and anti-corruption policies and systems for all its employees to eliminate bribery, extortion, and other frauds. Employees are required to act with integrity and to report any suspected bribery and corruptions cases to Discipline Inspection and Supervision Department of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the accounts for the year ended 31 December 2025, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The responsibility of Messrs. Deloitte Touche Tohmatsu, the Company's external auditors, is set out on page 86 to 90 of the "Independent Auditors' Report" in this annual report.

COMPANY SECRETARY

Mr. Tung Woon Cheung Eric, as the ED, is also the company secretary of the Company (the "Company Secretary"), reports to the Board and has day-to-day knowledge of the affairs of the Company. The Board has accessed to the advice and services of the Company Secretary at all times. During the year ended 31 December 2025, Mr. Tung has complied with the relevant professional training required under Rule 3.29 of the Listing Rules. The biographical details of Mr. Tung is set out in the section headed "Directors and Senior Management" on page 57 in this annual report.

DIVIDEND POLICY

The Company adopted a dividend policy. It aims to provide shareholders of the Company with stable and sustainable returns.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. Any payment of the dividend by the Company is also subject to any restrictions under the laws of Bermuda, the Bye-laws and any applicable laws, rules and regulations.

The declaration and payment of any dividend shall be determined at the sole discretion of the Board having taken into account, inter alia, the financial performance, retained earnings and distributable reserves of the Group, the working capital requirements and future expansion plans, the liquidity position, general economic conditions, business cycle of the business, contractual restrictions of the Group, the shareholders' and the investors' expectation and any other factors that the Board deems relevant.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Convening a special general meeting by shareholders ("SGM")

1. The Board shall on the written requisition of any one or more shareholders of the Company who hold at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid-up capital of the Company that carries the right of voting at the SGM, forthwith proceed duly to convene the SGM ("Requisition"). The Requisition, which may consist of several documents in like form each signed by one or more requisitionists, must state the objects of the SGM and deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business in Hong Kong at 66/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, for the attention of the Company Secretary.

2. The Requisition will be verified by the branch share registrar of the Company, and if the Requisition is proper and in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the requirements under the Bye-laws to all the registered shareholders. On the contrary, if the Requisition has been verified as not in order, the shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.

3. If the Board does not within 21 days from the date of the deposit of the Requisition proceed duly to convene a SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM in the same manner, as nearly as possible, as that in which SGM may be convened by the Board as a physical meeting at only one location, but any meeting so convened shall not be held after the expiration of three months from the aforesaid date of the deposit of the Requisition.

4. All reasonable expenses incurred by the requisitionists as a result of the failure of the Board to convene such a SGM shall be reimbursed to them by the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries to the Board for the attention of the Company Secretary via email (mailbox@bewg.com.hk) or directed to the head office and principal place of business in Hong Kong of the Company at 66/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Shareholders may also make enquiries with the Board at the general meetings of the Company.

SHAREHOLDERS' RIGHTS *(Continued)*

Procedures for putting forward proposals at shareholders' meetings other than a proposal of a person for election as director

If a shareholder of the Company wishes to put forward proposals at the annual general meeting (the "AGM")/SGM which is to be held, such shareholder, who is duly qualified to attend and vote at such general meeting, shall follow the procedures as set out below which are required in accordance with the Bye-laws and the Listing Rules.

1. Shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the general meeting; or (ii) not less than 100 shareholders, can submit a written request stating the resolution intended to be moved at the AGM; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

2. The written request/statements must be signed by the shareholder(s) concern and deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business in Hong Kong at 66/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, for the attention of the Company Secretary, not less than six weeks before the AGM in the case of a request requiring notice of a resolution and not less than one week before the general meeting in the case of a statement.

3. The request will be verified by the branch share registrar of the Company in Hong Kong, and if the request is proper and in order, the Company Secretary will ask the Board of the Company (i) to include the resolution in the agenda for the AGM; or (ii) to circulate the statement for the general meeting, provided that the shareholder(s) concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the expenses of the Company in serving the notice of the resolution and/or circulating the statement submitted by the shareholder(s) concerned in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the requisition has been verified as not in order or the shareholder(s) concerned have failed to deposit sufficient money to meet the expenses of the Company for the said purposes, the shareholder(s) concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM; or the statement will not be circulated for the general meeting.

For a proposal in relation to the election of a person as a Director of the Company, shareholders may take reference to the procedures made available under headed the "Investor Relations" and "Corporate Governance" section ("Procedures for Shareholders to Propose a Person for Election as a Director") of the website of the Company.

INVESTOR RELATIONS

Shareholders Communication Policy

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders so that they can exercise their rights in an informed manner. Information about the Company is disseminated to the shareholders through the following multi-channels:

1. Delivery of interim, annual reports as well as circulars to all shareholders of the Company;

2. Publication of announcements regarding interim results, annual results or other announcements in accordance with the continuing disclosure obligations under the Listing Rules as well as online sustainability reports and media releases on the websites of the Company and the Stock Exchange;

3. A dedicated investors and analyst briefing call to be conducted immediately following the release of an interim results or annual results;

4. Investor meetings upon request through various channels including but not limited to meetings such as one-on-one/group meeting in person, virtual-conference, conference-calls and emails;

5. Timely updates with research analysts, in order to deliver insights in a fair and objective manner;

6. Publication of latest news and issues of the Company concerned by shareholders or potential investors through the 'Investor Relations' section of official website of the Company and enterprise social media, in order to spread over all kinds of investors especially for medium and small investors; and

7. Convening the annual general meeting or special general meetings is an effective communication channel between the Board and shareholders of the Company.

The aforesaid channels allow the Company to receive feedback from its shareholders and institutional shareholders. In addition, the Company has dedicated email accounts for taking enquiries from shareholders or potential investors.

The Board believes that effective and proper investor relations play an important role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence.

The Audit Committee is responsible for the review of the implementation and effectiveness of the shareholders' communication policy ("Policy"). The Audit Committee had undertaken the review and the implementation and effectiveness of the Policy was confirmed.

INVESTOR RELATIONS *(Continued)*

Communication with shareholders

During the financial year ended 31 December 2025, the Group has proactively taken the following measures in order to ensure effective shareholders' communication and enhance our transparency:

1. A number of the Board members attended the 2025 annual general meeting during the year to provide shareholders with opportunities to understand the latest development of the Group and raise questions;

2. The Group maintained timely and effective contacts with research analysts, institutional shareholders and potential investors through various channels including but not limited to meetings such as virtual-conference meeting, conference-calls and emails; and

3. updated the latest news and developments of the Company regularly through the 'Investor Relations' section of the official website of the Company and enterprise social media, in order to spread over all kinds of investors especially for medium and small investors.

The above measures will provide them with the access to the latest development of the Group as well as the water industry.

Constitutional documents

There is no change on the constitutional documents of the Company since the amendments to the Bye-laws made on 27 June 2023. A consolidated version of the Memorandum of Association and the amended and restated bye-laws of the Company (the "Existing Bye-laws") is available on both the websites of the Company and the Stock Exchange.

The Board proposes certain amendments (the "Proposed Amendments") to the Existing Bye-laws and to adopt the second amended and restated bye-laws of the Company incorporating the Proposed Amendments in substitution for, and to the exclusion of, the Existing Bye-laws.

The Proposed Amendments aim to:

(i) bring the Existing Bye-laws in line with the latest regulatory regime, including the latest legal and regulatory requirements in connection with treasury shares and the electronic dissemination of corporate communications by listed issuers;

(ii) enable the shareholders of the Company to give instructions, receive corporate action proceeds and pay subscription monies for offers to subscribe for new securities by electronic means;

INVESTOR RELATIONS *(Continued)*

Constitutional documents *(Continued)*

(iii) prepare for and reflect the uncertificated securities market regime in accordance with the Information Paper on Rule Amendments to Implement an Uncertificated Securities Market and "Issuer Platform" published by the Stock Exchange in May 2025, by adding provisions to allow shareholders of the Company to hold and transfer shares of the Company in uncertificated form; and

(iv) make certain other consequential and housekeeping amendments.

The Proposed Amendments are subject to the approval of the shareholders of the Company by way of a special resolution at the AGM, and will become effective upon the approval by the shareholders of the Company at the AGM. After the Proposed Amendments come into effect, the full text of the second amended and restated bye-laws of the Company will be published on the websites of the Company and the Stock Exchange.

A circular containing, among other things, details of the Proposed Amendments, together with a notice convening the AGM, will be despatched to the shareholders of the Company in due course

COMPLIANCE WITH REGULATIONS

The Group is not aware of any instances of material breach of or non-compliance with the applicable laws and regulations such as the Hong Kong Companies Ordinance (Cap. 622), Listing Rules, and other applicable local laws and regulations in various jurisdictions during the year ended 31 December 2025.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2025, in the opinion of the Board, the Company complied with all applicable code provisions set out in the Corporate Governance Code as set out in Appendix C1 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Xiong Bin ("Mr. Xiong"), aged 59, was appointed as an executive director and the chairman of the Company in July 2022. Mr. Xiong is also the chairman of nomination committee of the Company. Mr. Xiong is an executive director and the chief executive officer of Beijing Enterprises Holdings Limited (Stock Code: 392), a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and a non-executive director and vice chairman of China Gas Holdings Limited (Stock Code: 384), a company listed on the main board of the Stock Exchange. He also served as an assistant to general manager of Beijing Enterprises Group Company Limited and a director of Beijing Gas Group Co., Ltd. Mr. Xiong is a PRC engineer. He graduated from the Department of Thermal Engineering of the School of Mechanical Engineering of Tongji University, and received an EMBA degree from the School of Economics and Management of the Tsinghua University. Mr. Xiong has joined Beijing Gas Group Co., Ltd. since 1999 from which he has obtained numerous years of experience in public infrastructure facilities management. Mr. Xiong has joined Beijing Enterprises Group Company Limited since 2011 and has enriched his experience in strategic and investment management skills by working at its strategic investment department.

Mr. Zhou Min ("Mr. Zhou"), aged 62, was appointed as an executive director of the Company in August 2008 and the chief executive officer of the Company on 30 March 2016. Mr. Zhou is also an executive director and the chairman of Beijing Enterprises Urban Resources Group Limited (Stock Code: 3718), a company listed on the main board of the Stock Exchange. Mr. Zhou graduated with an EMBA from the Tsinghua University and is the executive chairman of China Environment Chamber of Commerce (全聯環境服務業商會). Mr. Zhou previously worked in the People's Bank of China, Yongkang Branch of Zhejiang Province (浙江省人民銀行永康支行), the Industrial and Commercial Bank of China, Yongkang Branch of Zhejiang Province (浙江省工商銀行永康支行), and was the chairman of Beijing Jingsheng Investment Company Limited (北京景盛投資有限公司). Mr. Zhou is now the chairman of BEWG Environmental Group Co., Ltd.

Mr. Li Haifeng ("Mr. Li"), formerly known as 李海峰, aged 55, was appointed as an executive director and a vice president of the Company in August 2008. Mr. Li is also an executive director of Beijing Enterprises Urban Resources Group Limited (Stock Code: 3718), a company listed on the main board of the Stock Exchange. Mr. Li graduated with a bachelor's degree in Laws from the Peking University. He was an assistant to president of Founder Group (方正集團) and the executive vice president of Founder Xintiandi Software Technology Co. Ltd. (方正新天地軟件科技有限公司). Mr. Li was an executive director and the chairman of the board of Carry Wealth Holdings Limited (Stock Code: 643), a company listed on main board of the Stock Exchange until his resignation in February 2023.

Ms. Li Yining ("Ms. Li"), aged 45, was appointed as an executive director of the Company in December 2025. She is also the chairman of the sustainability committee of the Company. Ms. Li is a vice president of Beijing Enterprises Holdings Limited (Stock Code: 392), a company listed on the main board of the Stock Exchange and also serves as an executive director of Beijing Enterprises Environment Group Limited (Stock Code: 154), a company listed on the main board of the Stock Exchange. She is a senior economist. Ms. Li graduated from the University of Sydney in Australia with a master's degree in logistics management. Ms. Li worked in the reform and development department of Beijing Enterprises Group Company Limited ("BEGCL") from July 2011 to August 2025. From April 2021 to August 2025, she served as a deputy general manager of the reform and development department of BEGCL and was seconded to the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality as deputy director of the property rights management division from September 2022 to September 2023.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(Continued)*

Executive Directors *(Continued)*

Mr. Zhang Wenjiang ("Mr. Zhang"), aged 49, was appointed as an executive director of the Company in February 2024. Mr. Zhang also serves as a general counsel of Beijing Enterprises Holdings Limited (Stock Code: 392), a company listed on the main board of the Stock Exchange. He is a PRC Senior Economist. Mr. Zhang graduated from Shanxi University of Finance and Economics and obtained a doctorate degree in Law from China University of Political Science and Law. Mr. Zhang has extensive working experiences in manufacturing companies, mining companies, investment companies and trade and finance enterprises. He worked as a lawyer at Shanxi Zhong Lv Law Firm and served as a general counsel of 中國黃金集團貿易有限公司(China National Gold Group Trading Co., Ltd.*) and a chief compliance officer in 特變電工集團有限公司 (TEBA Holdings Co. Ltd.*). He has extensive legal professional skills and higher level of management.

Ms. Zhou Xueyan ("Ms. Zhou"), aged 53, was appointed as an executive director of the Company in June 2025. She is also a non-executive director of China Gas Holdings Limited (Stock Code: 384), a company listed on the main board of the Stock Exchange. Ms. Zhou is concurrently the chairman of 北京新景壹號科技有限公司 (Beijing Xinjing Yihao Technology Co., Ltd.*), a director of 北京京城環保股份有限公司 (BMEI Co., Ltd.*) and a director and the general manager of 北京北控制水有限公司 (Beijing Beikong Water Manufacturing Co., Ltd.*). Ms. Zhou graduated from Renmin University of China with a bachelor's degree in Economics and later obtained a master's degree in Economics and PhD in Management. Ms. Zhou has joined Beijing Enterprises Holdings Limited (the "BEHL") (Stock Code: 392), a company listed on the main board of the Stock Exchange since 2011 and served as the deputy manager of the enterprise management department of BEHL from August 2011 to August 2014, the manager of the comprehensive business management department of BEHL from August 2014 to June 2021 and the general manager of the operation management department of BEHL from June 2021 to March 2025.

Mr. Tung Woon Cheung Eric ("Mr. Tung"), aged 55, was appointed as an executive director of the Company in August 2011. Mr. Tung is a member of each of the remuneration committee and the sustainability committee, the chief financial officer and company secretary of the Company. Mr. Tung is also the executive director and the company secretary of Beijing Enterprises Holdings Limited (Stock Code: 392), a company listed on the main board of the Stock Exchange. Mr. Tung is currently an independent non-executive director of South China Financial Holdings Limited (Stock Code: 619) and GR Life Style Company Limited (Stock Code: 108), the shares of all of which are listed on the main board of the Stock Exchange. Mr. Tung was also an independent non-executive director of Jinke Smart Services Group Co., Ltd. (Stock Code: 9666) until the shares of which has been delisted from the Stock Exchange since February 2026. Mr. Tung graduated from York University, Toronto, Canada with a bachelor's honours degree in administrative studies. He is a Hong Kong Certified Public Accountant and a U.S. licensed practice Certified Public Accountant.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(Continued)*

Non-executive Director

Mr. Yuan Jianwei ("Mr. Yuan"), aged 55, was appointed as a non-executive director of the Company in December 2024. Mr. Yuan is the deputy general manager of Yangtze Ecology and Environment Co. Ltd. Mr. Yuan holds a bachelor's degree in Engineering Management from Wuhan University of Hydraulic and Electrical Engineering and a master degree in Materials Science and Engineering from Huazhong University of Science and Technology. He has extensive professional knowledge and senior management experience in performing duties. Mr. Yuan possesses the technical knowledge, management knowledge, financial knowledge and legal knowledge requisited by senior management. He is familiar with domestic and overseas ecological and environmental protection policies, regulations and market systems, and has a strong organizational, coordination and communication skills.

Independent non-executive Directors

Mr. Shea Chun Lok Quadrant ("Mr. Shea"), alias Martin, formerly known as Shea Chi Lap, Quadrant, aged 59, was appointed as an independent non-executive director of the Company in April 2002. Mr. Shea is also the chairman of audit committee, a member of each of the nomination committee and the remuneration committee of the Company. Mr. Shea is currently an independent non-executive director of V & V Technology Holdings Limited (Stock Code: 8113), a company listed on GEM of the Stock Exchange. He was an executive director, the chief financial officer and company secretary of Asia Allied Infrastructure Holdings Limited (Stock Code: 711), a company listed on main board of the Stock Exchange and an executive director of Modern Living Investments Holdings Limited (Stock Code: 8426), a company listed on GEM of the Stock Exchange, until his resignation in December 2024. Mr. Shea graduated from Monash University of Australia with a bachelor's degree in Business and later completed a postgraduate program of Public Finance (Taxation) and obtained a master's degree in Economics from Jinan University, China and a master of Laws degree from Renmin University of China. He is also a fellow member of CPA Australia, a member of Hong Kong Institute of Certified Public Accountants, The Chartered Institute of Management Accountants of the United Kingdom and Institute of Singapore Chartered Accountants and a Chartered Global Management Accountant. Mr. Shea is a former Chartered Tax Adviser of Hong Kong and was a member of The Taxation Institute of Hong Kong and has obtained a Certificate of Pass in Practice Training Examination for Hong Kong Certified Tax Advisers Serving in Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Qianhai, Shenzhen jointly issued by Shenzhen Municipal Office of the State Administration of Taxation and Shenzhen Local Taxation Bureau. Mr. Shea also has been awarded the Certified ESG Planner with the focus on sustainable banking and finance issued by the International Chamber of Sustainable Development. Mr. Shea has substantial experience in accounting and finance in listed companies and worked as a qualified accountant and company secretary in various companies listed on the main board of the Stock Exchange over the years.

Mr. Guo Rui ("Mr. Guo"), aged 58, was appointed as an independent non-executive director of the Company in May 2008. Mr. Guo is also the chairman of the remuneration committee, a member of each of the audit committee and the sustainability committee of the Company. Mr. Guo is the managing director of 北京明銳恒豐管理諮詢有限公司 Beijing MingRui Hengfeng Management & Consulting Co. Ltd., an investment management organisation involving in clean energy, healthcare and pharmaceutics, biotechnology and manufacturing sectors. Mr. Guo was a former senior consultant of Arthur Andersen LLC from 1999 to 2001. Mr. Guo holds a bachelor's degree in computer science from Peking University and a master's degree of Computer Engineering from Northwestern University, U.S.A.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(Continued)*

Independent non-executive Directors *(Continued)*

Mr. Chau On Ta Yuen ("Mr. Chau"), aged 78, was appointed as an independent non-executive director of the Company in April 2021. Mr. Chau is also a member of the audit committee of the Company. Mr. Chau graduated from Xiamen University with a bachelor's degree in Chinese Language and Literature in 1968. Mr. Chau is currently an executive director and the chairman of the board of directors of ELL Environmental Holdings Limited (Stock Code: 1395), a company listed on main board of the Stock Exchange. Mr. Chau is also an independent non-executive director of Redco Properties Group Limited (Stock Code: 1622) and Million Hope Industries Holdings Limited (Stock Code: 1897), the shares of both companies are listed on the main board of the Stock Exchange. Mr. Chau was an independent non-executive director of Come Sure Group (Holdings) Limited (Stock Code: 794) until his resignation in July 2024, the shares of which are listed on main board of the Stock Exchange. Mr. Chau awarded the Bronze Bauhinia Star (BBS) and the Silver Bauhinia Star (SBS) by the government of Hong Kong Special Administrative Region in 2010 and 2016 respectively. Mr. Chau was a Standing Committee Member of the Thirteenth National Committee of the Chinese People's Political Consultative Conference from March 2018 to February 2023. Mr. Chau is currently the honorary consultant of the Hong Kong Federation of Fujian Association.

Mr. Dai Xiaohu ("Mr. Dai"), aged 63, was appointed as an independent non-executive director of the Company in November 2022. Mr. Dai obtained a bachelor's degree in Environmental Engineering from Tongji University in July 1985, and a doctorate degree in environment engineering from Department of Civil Engineering, Ruhr University Bochum, Germany in February 1992. He was an independent non-executive director of China Conch Environment Protection Holdings Limited (Stock Code: 587), a company listed on main board of the Stock Exchange until his resignation in August 2023. Mr. Dai lived and worked in Germany for 23 years and returned to China as a full-time special expert of overseas high-level talents since 2009. Mr. Dai made many pioneering achievements in the fields of environmental engineering, pollution control, solid waste recycling, energy saving and emission reduction. Mr. Dai published more than 340 SCI papers and authorized more than 100 patented inventions. Mr. Dai has been a director of the National Engineering Research Center for Urban Pollution Control of Tongji University since February 2010.

Ms. Chan Siu Chee Sophia ("Ms. Chan"), aged 67, was appointed as an independent non-executive director of the Company in September 2023. She is also a member of the nomination committee of the Company. Ms. Chan obtained master degrees in Education and Public Health from the University of Manchester and the Harvard University respectively and attained a doctorate degree in Philosophy from the University of Hong Kong. Ms. Chan joined in the School of Nursing of the University of Hong Kong as an assistant professor, a founding member of the Department of Nursing Studies in 1995. Afterwards, she focused on teaching, research and administrative management, serving as the professor and the head of the School of Nursing. She became the Assistant Dean of the Medicine of the University of Hong Kong in 2004. Ms. Chan's research has gained international recognition as she was not only awarded the Honorary Fellow qualification by the Faculty of Public Health of the Royal College of Physicians, but also the first nurse in Hong Kong who was awarded the Fellow by the American Academy of Nursing. Ms. Chan served as the Under Secretary for Food and Health in 2012 to 2017, and was appointed as Secretary for Food and Health in 2017 to 2022, to participate in and take charge of the policy making and promotion. Ms. Chan currently is the Professor in the School of Public Health and Senior Advisor in the President's office of the University of Hong Kong.

* *For identification purpose only*

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The Company is an investment company and the holding company of the Group. The Group is principally engaged in (1) construction of sewage and reclaimed water treatment and seawater desalination plants, and provision of construction services for comprehensive renovation projects in the mainland ("Chinese Mainland") of the People's Republic of China (the "PRC"), Malaysia, Australia and the Republic of Botswana; (2) provision of sewage and reclaimed water treatment services in Chinese Mainland, the Republic of Singapore, the Portuguese Republic ("Portugal"), Australia, New Zealand and Saudi Arabia; (3) distribution and sale of piped water in Chinese Mainland, Portugal, Australia and Saudi Arabia; (4) provision of technical and consultancy services and sale of machineries related to sewage treatment and construction services for comprehensive renovation projects in Chinese Mainland and Australia; (5) licensing of technical know-how related to sewage treatment in Chinese Mainland; and (6) provision of urban services and hazardous waste treatment services in Chinese Mainland and Hong Kong. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements.

RESULTS AND FINAL DIVIDEND

The profit of the Group for the year ended 31 December 2025 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 91 to 226. An interim dividend of HK7.35 cents per ordinary share of the Company was paid on 27 October 2025. The Board recommended to pay final dividend of HK9.25 cents per ordinary share of the Company (the "Proposed Final Dividend") to shareholders of the Company for their continuous supports to the Company. This recommendation is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. The Proposed Final Dividend will be paid on or around Monday, 20 July 2026.

The Proposed Final Dividend will be payable in cash to each shareholder in HK Dollars ("HKD") unless an election is made to receive the same in Renminbi ("RMB").

Shareholders will be given the option to elect to receive all (but not part, save in case of HKSCC Nominees Limited, which may elect to receive part of its entitlement in RMB) of the Proposed Final Dividend in RMB at the average benchmark exchange rate of HKD to RMB as published by the People's Bank of China during the five business days prior to and including the date of 27 May 2026, being the date of the forthcoming annual general meeting of the Company ("AGM"). To make such election, shareholders should complete the dividend currency election form, which is expected to be despatched to shareholders in June 2026 as soon as practicable after the record date of 5 June 2026 to determine shareholders' entitlement to the Proposed Final Dividend, and return it to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 3 June 2026.

Shareholders who are minded to elect to receive all (but not part, save in case of HKSCC Nominees Limited, which may elect to receive part of its entitlement in RMB) of their dividends in RMB by cheques should note that (i) they should ensure that they have an appropriate bank account to which the RMB cheques for dividend can be presented for payment; and (ii) there is no assurance that RMB cheques can be cleared without material handling charges or delay in Hong Kong or that RMB cheques will/will not be honoured for payment upon presentation outside Hong Kong. The cheques are expected to be posted to the relevant shareholders by ordinary post on Monday, 20 July 2026 at the shareholders' own risk.

RESULTS AND FINAL DIVIDEND *(Continued)*

If no election is made by a shareholder or no duly completed dividend currency election form in respect of that shareholder is received by branch share registrar of the Company in Hong Kong by 4:30 p.m. on Wednesday, 3 June 2026, such shareholder will automatically receive the Proposed Final Dividend in HKD. All dividend payments in HKD will be made in the usual way on Monday, 20 July 2026.

If shareholders wish to receive the Proposed Final Dividend in HKD in the usual way, no additional action is required.

If any beneficial owners of shares of the Company which are registered in the name of a nominee (e.g. HKSCC Nominees Limited), trustee or registered holder in any other capacity elect to receive all (but not part) of the Proposed Final Dividend in RMB, they should make appropriate arrangements with such nominees, trustees or registered holders in order to effect the receipt of the Proposed Final Dividend in RMB. The Company shall not be responsible for any costs, taxes or duties associated therewith or arising therefrom and such costs will be borne solely by the beneficial owners of such shares of the Company. If no such arrangements are in place, such beneficial owners of shares of the Company (despite having elected to receive the Proposed Final Dividend in RMB) shall receive the Proposed Final Dividend in HKD.

Shareholders should seek professional advice with their own tax advisors regarding any possible tax implications of the proposed dividend payment.

CLOSURES OF REGISTER OF MEMBERS

For Annual General Meeting

The register of members will be closed from Thursday, 21 May 2026 to Wednesday, 27 May 2026 (both days inclusive), during which period no transfer of shares will be registered. The record date will be Wednesday, 27 May 2026. In order to qualify for attending and voting at the AGM to be held on Wednesday, 27 May 2026, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 20 May 2026.

For Entitlement to Proposed Final Dividend

The register of members will be closed from Thursday, 4 June 2026 to Friday, 5 June 2026 (both days inclusive), during which period no transfer of shares will be registered. The record date will be Friday, 5 June 2026. In order to qualify for entitlement to the Proposed Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 3 June 2026. Subject to the approval of shareholders of the Company at the AGM, the Proposed Final Dividend will be paid on or around Monday, 20 July 2026.

REPORT OF THE DIRECTORS

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the chairman's statement on pages 4 to 8 of this annual report. Description of possible risks and uncertainties that the Group may be facing, can be found in the chairman's statement on pages 4 to 6. The financial risk management objectives and policies of the Group can be found in notes 50 and 51 to the financial statements. Particulars of important events affecting the Group that have occurred since the end of the year ended 31 December 2025, if any, are provided in the "Notes to the consolidated financial statements". An analysis of the performance of the Group during the year using financial key performance indicators is provided on pages 9 to 32 of the management discussion and analysis of the Group. In addition, discussions on the environmental policies, relationship with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the chairman's statement on pages 4 to 8 and the corporate governance report on pages 33 to 55 of this annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities and equity of the Group for the last five financial years, as extracted from the audited financial statements and the annual reports of the Company for the financial years ended 31 December 2025, 2024, 2023, 2022, 2021 is set out on pages 227 to 228. This summary does not form part of the audited financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group together accounted for 7% of the revenue and aggregate purchases attributable to the five largest suppliers of the Group accounted for 9% of the total purchases of the Group for the year. Sales to the largest customer accounted for 2% of the revenue and purchases of the Group from the largest supplier accounted for 3% of the purchases of the Group.

During the year, none of the Directors, an associate of the Director or a shareholder of the Company which (to the best knowledge of the Directors) owns more than 5% of the share capital of the Company, had a beneficial interest in any of the five largest customers or suppliers of the Group.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of the principal subsidiaries, joint ventures and associates of the Company at 31 December 2025 are set out in notes 21, 22 and 53 to the financial statements, respectively.

SHARE CAPITAL AND SHARE ISSUED

Details of movements in the share capital of the Company during the year, together with the reasons therefor, are set out in note 31 to the financial statements.

REPORT OF THE DIRECTORS

DEBENTURE ISSUED

As at 31 December 2025, the outstanding principal amounts of medium-term notes issued by the Company was RMB1,000,000,000, with maturity date in January 2029 and interest rate at 4.49% per annum.

As at 31 December 2025, the outstanding principal amounts of medium-term notes issued by a wholly-owned subsidiary of the Company was RMB1,000,000,000, with maturity date in March 2030 and interest rate at 3.98% per annum.

As at 31 December 2025, the outstanding principal amounts of medium-term notes issued by the Company was RMB1,500,000,000, with maturity date in April 2029 and interest rate at 3.98% per annum. Three years prior to the maturity, the Company shall be entitled to adjust the coupon rate of medium-term notes and the note holders shall be entitled to sell back the notes to the Company.

As at 31 December 2025, the outstanding principal amounts of bonds issued by the Company was RMB1,000,000,000, with maturity date in July 2026 and interest rate at 3.64% per annum.

As at 31 December 2025, the outstanding principal amounts of bonds issued by the Company was RMB1,000,000,000, with maturity date in January 2027 and interest rate at 3.38% per annum.

As at 31 December 2025, the outstanding principal amounts of bonds issued by the Company was RMB500,000,000, with maturity date in March 2028 and interest rate at 2.98% per annum. Two years prior to the maturity pursuant to the terms and conditions in the bond subscription agreement, the Company shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Company.

As at 31 December 2025, the outstanding principal amounts of bonds issued by the Company was RMB1,000,000,000, with maturity date in March 2028 and interest rate at 3.50% per annum.

As at 31 December 2025, the outstanding principal amounts of bonds issued by the Company was RMB1,000,000,000, with maturity date in June 2028 and interest rate at 3.06% per annum. Two years prior to the maturity pursuant to the terms and conditions in the bond subscription agreement, the Company shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Company.

As at 31 December 2025, the outstanding principal amounts of extendable notes issued by the Company was RMB500,000,000 with fixed interest rate of 3.25% per annum to be payable for the first three years. After the first three years, the Company shall have a right to adjust the coupon rate for a cycle of every three years, unless and until the Company chooses to repay the outstanding principal amount with accrued interests in full. The note holders shall not be entitled to sell back the notes to the Company.

As at 31 December 2025, the outstanding principal amounts of medium-term notes issued by a wholly-owned subsidiary of the Company was RMB1,000,000,000, with maturity date in September 2028 and interest rate at 3.35% per annum.

DEBENTURE ISSUED *(Continued)*

As at 31 December 2025, the outstanding principal amounts of medium-term notes issued by a wholly-owned subsidiary of the Company was RMB1,000,000,000, with maturity date in October 2028 and interest rate at 3.30% per annum.

As at 31 December 2025, the outstanding principal amounts of medium-term notes issued by the Company was RMB1,000,000,000, with maturity date in March 2027 and interest rate at 2.62% per annum.

As at 31 December 2025, the outstanding principal amounts of extendable notes issued by the Company was RMB500,000,000 with fixed interest rate of 2.68% per annum to be payable for the first five years. After the first five years, the Company shall have a right to adjust the coupon rate for a cycle of every five years, unless and until the Company chooses to repay the outstanding principal amount with accrued interests in full. The note holders shall not be entitled to sell back the notes to the Company.

As at 31 December 2025, the outstanding principal amounts of medium-term notes issued by the Company was RMB500,000,000, with maturity date in July 2027 and interest rate at 2.10% per annum.

As at 31 December 2025, the outstanding principal amounts of medium-term notes issued by the Company was RMB500,000,000, with maturity date in July 2034 and interest rate at 2.52% per annum.

As at 31 December 2025, the outstanding principal amounts of extendable bonds issued by a wholly-owned subsidiary of the Company was RMB600,000,000 with fixed interest rate of 2.13% per annum to be payable for the first three years. After the first three years, a wholly-owned subsidiary of the Company shall have a right to adjust the coupon rate for a cycle of every three years, unless and until a wholly-owned subsidiary of the Company chooses to repay the outstanding principal amount with accrued interests in full. The bond holders shall not be entitled to sell back the bonds to a wholly-owned subsidiary of the Company.

As at 31 December 2025, the outstanding principal amounts of extendable bonds issued by a wholly-owned subsidiary of the Company was RMB400,000,000 with fixed interest rate of 2.25% per annum to be payable for the first five years. After the first five years, a wholly-owned subsidiary of the Company shall have a right to adjust the coupon rate for a cycle of every five years, unless and until a wholly-owned subsidiary of the Company chooses to repay the outstanding principal amount with accrued interests in full. The bond holders shall not be entitled to sell back the bonds to a wholly-owned subsidiary of the Company.

As at 31 December 2025, the outstanding principal amounts of extendable bonds issued by a wholly-owned subsidiary of the Company was RMB500,000,000 with fixed interest rate of 2.28% per annum to be payable for the first three years. After the first three years, a wholly-owned subsidiary of the Company shall have a right to adjust the coupon rate for a cycle of every three years, unless and until a wholly-owned subsidiary of the Company chooses to repay the outstanding principal amount with accrued interests in full. The bond holders shall not be entitled to sell back the bonds to a wholly-owned subsidiary of the Company.

DEBENTURE ISSUED *(Continued)*

As at 31 December 2025, the outstanding principal amounts of extendable bonds issued by a wholly-owned subsidiary of the Company was RMB1,000,000,000 with fixed interest rate of 2.46% per annum to be payable for the first five years. After the first five years, a wholly-owned subsidiary of the Company shall have a right to adjust the coupon rate for a cycle of every five years, unless and until a wholly-owned subsidiary of the Company chooses to repay the outstanding principal amount with accrued interests in full. The bond holders shall not be entitled to sell back the bonds to a wholly-owned subsidiary of the Company.

As at 31 December 2025, the outstanding principal amounts of extendable notes issued by a wholly-owned subsidiary of the Company was RMB800,000,000 with fixed interest rate of 3.895% per annum to be payable for the first five years. After the first five years, a wholly-owned subsidiary of the Company shall have a right to adjust the coupon rate for a cycle of every five years, unless and until a wholly-owned subsidiary of the Company chooses to repay the outstanding principal amount with accrued interests in full. The note holders shall not be entitled to sell back the notes to the Company.

As at 31 December 2025, the outstanding principal amounts of extendable notes issued by a wholly-owned subsidiary of the Company was RMB500,000,000 with fixed interest rate of 3.895% per annum to be payable for the first five years. After the first five years, a wholly-owned subsidiary of the Company shall have a right to adjust the coupon rate for a cycle of every five years, unless and until a wholly-owned subsidiary of the Company chooses to repay the outstanding principal amount with accrued interests in full. The note holders shall not be entitled to sell back the notes to the Company.

As at 31 December 2025, the outstanding principal amounts of extendable notes issued by a wholly-owned subsidiary of the Company was RMB440,000,000 with fixed interest rate of 3.51% per annum to be payable for the first ten years. After the first ten years, a wholly-owned subsidiary of the Company shall have a right to adjust the coupon rate for a cycle of every ten years, unless and until a wholly-owned subsidiary of the Company chooses to repay the outstanding principal amount with accrued interests in full. The note holders shall not be entitled to sell back the notes to a wholly-owned subsidiary of the Company.

As at 31 December 2025, the outstanding principal amounts of bonds issued by a wholly-owned subsidiary of the Company was RMB600,000,000, with maturity date in December 2034 and interest rate at 3.05% per annum. Three years prior to the maturity pursuant to the terms and conditions in the bond subscription agreement, a wholly-owned subsidiary of the Company shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to a wholly-owned subsidiary of the Company.

As at 31 December 2025, the outstanding principal amounts of medium-term notes issued by the Company was RMB600,000,000, with maturity date in January 2030 and interest rate at 1.8% per annum.

As at 31 December 2025, the outstanding principal amounts of medium-term notes issued by the Company was RMB400,000,000, with maturity date in January 2035 and interest rate at 2.2% per annum.

DEBENTURE ISSUED *(Continued)*

As at 31 December 2025, the outstanding principal amounts of medium-term notes issued by a wholly-owned subsidiary of the Company was RMB700,000,000, with maturity date in February 2030 and interest rate at 1.97% per annum.

As at 31 December 2025, the outstanding principal amounts of medium-term notes issued by a wholly-owned subsidiary of the Company was RMB500,000,000, with maturity date in February 2035 and interest rate at 2.30% per annum.

As at 31 December 2025, the outstanding principal amounts of extendable bonds issued by the Company was RMB1,300,000,000 with fixed interest rate of 2.21% per annum to be payable for the first three years. After the first three years, the Company shall have a right to adjust the coupon rate for a cycle of every three years, unless and until the Company chooses to repay the outstanding principal amount with accrued interests in full. The bond holders shall not be entitled to sell back the bonds to the Company.

As at 31 December 2025, the outstanding principal amounts of extendable bonds issued by the Company was RMB1,200,000,000 in aggregate with fixed interest rate of 2.42% per annum to be payable for the first five years. After the first five years, the Company shall have a right to adjust the coupon rate for a cycle of every three years, unless and until the Company chooses to repay the outstanding principal amount with accrued interests in full. The bond holders shall not be entitled to sell back the bonds to the Company.

As at 31 December 2025, the outstanding principal amounts of bonds issued by the Company was RMB1,500,000,000, with maturity date in June 2028 and interest rate at 1.82% per annum.

As at 31 December 2025, the outstanding principal amounts of medium-term notes issued by the Company was RMB1,000,000,000, with maturity date in November 2028 and interest rate at 1.96% per annum.

As at 31 December 2025, the outstanding principal amounts of medium-term notes issued by the Company was RMB1,000,000,000, with maturity date in November 2030 and interest rate at 2.11% per annum.

As at 31 December 2025, the outstanding principal amounts of medium-term notes issued by the Company was RMB1,000,000,000, with maturity date in December 2030 and interest rate at 2.24% per annum.

The reasons for issuance of the above bonds or notes are used for the construction, operation or acquisition of certain water projects and/or "green project" and/or for general working capital purpose.

The above bonds and notes are included in notes 34 and 36 to the financial statements.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2025, the reserves of the Company available for distribution to shareholders of the Company amounted to RMB4,762,400,000.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution to the shareholders of the Company. However, the Company cannot declare or pay a dividend, or make a distribution out of these reserves if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS

The Directors during the year were and up to the date of this annual report are:

Executive Directors (the "EDs")

Mr. Xiong Bin *(Chairman)*
Mr. Jiang Xinhao *(resigned on 6 January 2025)*
Mr. Zhou Min *(Chief Executive Officer)*
Mr. Li Haifeng
Ms. Li Yining *(appointed on 18 December 2025)*
Ms. Sha Ning *(resigned on 18 December 2025)*
Mr. Zhang Wenjiang
Ms. Zhou Xueyan *(appointed on 5 June 2025)*
Mr. Tung Woon Cheung Eric
Mr. Li Li *(resigned on 18 December 2025)*

Non-executive Directors (the "NED")

Mr. Yuan Jianwei

Independent Non-executive Directors (the "INEDs")

Mr. Shea Chun Lok Quadrant
Mr. Guo Rui
Mr. Chau On Ta Yuen
Mr. Dai Xiaohu
Ms. Chan Siu Chee Sophia

DIRECTORS *(Continued)*

Ms. Li Yining was appointed as an ED on 18 December 2025 and Ms. Zhou Xueyan was appointed as an ED on 5 June 2025. Pursuant to Bye-law 91 of the amended and restated bye-laws of the Company ("Bye-laws"), Ms. Li Yining and Ms. Zhou Xueyan shall hold office until the first annual general meeting of the Company after their appointment and, being eligible, will offer themselves for re-election.

In accordance with Bye-law 99(B) of the Bye-laws, Mr. Xiong Bin, Mr. Li Haifeng, Mr. Zhang Wenjiang, Mr. Shea Chun Lok Quadrant and Ms. Chan Siu Chee Sophia shall retire by rotation from office as Directors at the forthcoming AGM, being eligible, will offer themselves for re-election.

The Company has received annual confirmations of independence from each of the INEDs pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules during the financial year and up to the date of this annual report.

BOARD CHANGES

Since the date of the interim report 2025 of the Company and up to date of this annual report, there are changes to the Board as follows:

(1) Ms. Li Yining was appointed as an ED and the chairman of sustainability committee of the Company ("Sustainability Committee") with effect from 18 December 2025.

(2) Ms. Sha Ning resigned as an ED with effect from 18 December 2025 due to the reach of her retirement age. Ms. Sha has confirmed that she has no disagreement with the Board and there are no matters in respect of her resignation that need to be brought to the attention of the Shareholders.

(3) Mr. Li Li resigned as the chief operating officer of the Company with effect from 24 October 2025 and subsequently resigned as an ED and the chairman of Sustainability Committee with effect from 18 December 2025 due to the need of strategic development of the Company and his devotion more time to the business development of the Group. Mr. Li has confirmed that he has no disagreement with the Board and there are no matters in respect of his resignation that need to be brought to the attention of the Shareholders.

REPORT OF THE DIRECTORS

CHANGES IN INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

Changes in information of Directors since the date of the interim report 2025 of the Company and up to the date of this annual report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

– Mr. Tung Woon Cheung Eric, being an ED, is an independent non-executive director of Jinke Smart Services Group Co., Ltd. (Stock Code: 9666) until the shares of which has been delisted from the Stock Exchange since February 2026.

– Mr. Shea Chun Lok Quadrant, being an INED, is a former Chartered Tax Adviser of Hong Kong and was a member of The Taxation Institute of Hong Kong.

Directors' updated biographies are available on the website of the Company.

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the "Directors and Senior Management" of the Company are set out on pages 56 to 59 of this annual report.

The director who is a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under Part XV of the SFO as at 25 March 2026 (i.e. the date of this annual report) are set out as follows:

Name of Director	Names of companies which had such disclosable interest or short position	Position within such companies
Mr. Xiong Bin	Beijing Enterprises Holdings Limited ("BEHL")	Executive director, chief executive officer
	Beijing Enterprises Group Company Limited ("BEGCL")	Assistant to general manager
	Beijing Enterprises Investments Limited ("BEIL")	Director
	Modern Orient Limited ("MOL")	Director
Ms. Li Yining	BEHL	Vice president
Mr. Zhang Wenjiang	BEHL	General counsel
Mr. Tung Woon Cheung Eric	BEHL	Executive director, company secretary
Mr. Yuan Jianwei	Yangtze Ecology and Environment Co. Ltd. ("YEE")	Deputy general manager

DIRECTORS' SERVICE CONTRACTS

All Directors (including EDs, NED and INEDs) had entered into letters of appointment with the Company for a term of three years but are subject to retirement by rotation and re-election in accordance with the Bye-laws. No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' remunerations are subject to the approval from the shareholders of the Company at general meetings. Upon the approval from shareholders of the Company, Directors' remuneration are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee of the Company. Further details of the Directors' remuneration of the Company are set out on pages 143 to 146 of this annual report.

Further details of summary of work done during the year for the remuneration committee of the Company are set out in the corporate governance report on pages 44 to 45 of this annual report.

DISCLOSURE OF INTERESTS

Directors' Interests in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As at 31 December 2025, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code"), were as follows:

(i) Long positions in the shares and/or underlying shares of the Company

Name of Directors	Capacity	Total Interests in number of ordinary shares of the Company	Approximate percentage of the issued share capital of the Company *(Note 2)*
Mr. Zhou Min	*Note 1*	370,958,118	3.69237%
Mr. Li Haifeng	Beneficial Owner	1,740	0.00002%
Mr. Tung Woon Cheung Eric	Beneficial Owner	590,404	0.00588%

DISCLOSURE OF INTERESTS *(Continued)*

Directors' Interests in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations *(Continued)*

(ii) Long positions in the shares and/or underlying shares of the associated corporation

Associated corporation	Name of Directors	Capacity	Total Interests in number of ordinary shares of the associated corporation	Approximate percentage of the issued share capital of the associated corporation *(Note 5)*
Beijing Enterprises Urban Resources Group Limited ("BEURG")	Mr. Zhou Min	*Note 3*	2,439,980,777	68.60%
	Mr. Li Haifeng	*Note 4*	2,439,980,777	68.60%

Notes:

1. Mr. Zhou Min was deemed (by virtue of the SFO) to be interested in 370,958,118 ordinary shares of HK$0.10 each in the share capital of the Company ("Shares") as at 31 December 2025. These shares were held in the following capacity:

   a. 60,167,240 Shares were held in a beneficial owner capacity.

   b. 307,676,110 Shares and 3,114,768 Shares were held by Tenson Investment Limited and Star Colour Investments Limited ("Star Colour"), respectively, both of which are wholly and beneficially owned by Mr. Zhou Min, the chief executive officer of the Company and an ED.

2. The percentage represented the number of Shares over the total issued Shares of the Company as at 31 December 2025 of 10,046,609,871 Shares.

3. Mr. Zhou Min was deemed (by virtue of the SFO) to be interested in 2,439,980,777 ordinary shares of BEURG of HK$0.10 each ("BEURG Shares") as at 31 December 2025. These BEURG Shares were held in the following capacity:

   a. 490,476,000 BEURG Shares were held by Star Colour which is wholly and beneficially owned by Mr. Zhou Min, the chief executive officer of the Company and an ED.

   b. 1,949,504,777 BEURG Shares were held by Star Colour which entered into an acting in concert agreement (the "AIC Agreement") with the Company, Beijing Holdings Limited ("BHL"), Long March Holdings Limited, Zhihua Investments Limited, Maolin Investments Limited ("MIL"), Mr. Li Haifeng, Mr. Zhou Chen and ZGC International Holding Limited (together referred to as the "Concert Parties") on 10 May 2022. Pursuant to the AIC Agreement, the Concert Parties are acting in concert in respect of their interests in BEURG and therefore each of the Concert Parties is deemed to be interested in all the shares held by them in aggregate under the SFO. As at 31 December 2025, each of the Concert Parties were interested in an aggregate of 2,439,980,777 BEURG Shares, representing approximately 68.60% of the issued share capital of the BEURG. Details of the AIC Agreement are set out in the announcement of the Company dated 10 May 2022.

DISCLOSURE OF INTERESTS *(Continued)*

Directors' Interests in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations *(Continued)*

(ii) Long positions in the shares and/or underlying shares of the associated corporation (Continued)

Notes: (Continued)

4. Mr. Li Haifeng was deemed (by virtue of the SFO) to be interested in 2,439,980,777 BEURG Shares as at 31 December 2025. These BEURG Shares were held in the following capacity:

    a. 1,840,000 BEURG Shares were held in a beneficial owner capacity.

    b. 48,960,000 BEURG Shares were held by MIL which is wholly and beneficially owned by Mr. Li Haifeng, an ED.

    c. 2,389,180,777 BEURG Shares were held by Mr. Li Haifeng and MIL which entered into the AIC Agreement with the Company, BHL, Star Colour, Long March Holdings Limited, Zhihua Investments Limited, Mr. Zhou Chen and ZGC International Holding Limited on 10 May 2022. Pursuant to the AIC Agreement, the Concert Parties are acting in concert in respect of their interests in BEURG and therefore each of the Concert Parties is deemed to be interested in all the shares held by them in aggregate under the SFO. As at 31 December 2025, each of the Concert Parties was interested in an aggregate of 2,439,980,777 BEURG Shares, representing approximately 68.60% of the issued share capital of the BEURG. Details of the AIC Agreement are set out in the announcement of the Company dated 10 May 2022.

5. The percentage represented the number of BEURG Shares over the total issued shares of BEURG as at 31 December 2025 of 3,556,664,000 shares.

(iii) Long positions in awarded shares of the Company

The interests of the Directors in the awarded Shares of the Company are separately disclosed in the section "Share Award Scheme" below.

Save as disclosed above, as at 31 December 2025, there were no interest or short position of the directors or chief executives of the Company in the Shares, the underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), that are required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

SHARE AWARD SCHEME

The Company had adopted a share award scheme (the "Share Award Scheme") on 17 December 2018. The purpose of the Share Award Scheme was to recognise the contributions by certain employees, directors and consultants of the Group and encourage them for the continual operation and development of the Group, and attract excellent talent for further development of the Group.

The Share Award Scheme would be valid and effective for a term of five years commencing on the adoption date and ending on the expiry of the trust period which may be extended by the Board at its absolute discretion. On 14 December 2023, the Board resolved to extend the Share Award Scheme for further five years after the expiry of an initial five-year term until 16 December 2028. As at the date of this annual report, the remaining life of the Share Award Scheme is approximately two years and nine months.

SHARE AWARD SCHEME *(Continued)*

Pursuant to the Share Award Scheme, the Company shall cause to pay the trustee the sum for the purchase of the existing awarded Shares and the related expenses. The trustee shall purchase the existing Shares from the market and shall hold such Shares until they are vested in accordance with the scheme rules. The trustee shall not exercise the voting rights in respect of any Shares held by it under the trust (including but not limited to the awarded Shares). Subject to the terms and conditions of the Share Award Scheme and the fulfillment of all vesting conditions (i.e. performance targets) to the vesting of the awarded Shares, the awarded Shares shall be held by the trustee on behalf of the selected participants until the end of the vesting period. The selected participants are not required to pay any purchase price for the vested Shares. The awarded Shares will be transferred by the trustee to the selected participants.

The maximum aggregate number of Shares which can be held by the trustee under the Share Award Scheme at any single point in time shall not exceed 2% of the total issued share capital of the Company from time to time. 18,499,494 Shares, representing approximately 0.18% of the ordinary Shares of the Company in issue as at the date of this annual report (i.e. 25 March 2026), were held by the trustee pursuant to the Share Award Scheme. Accordingly, the number of Shares that the trustee may further purchase from the open market for the purpose of the Share Award Scheme as at 25 March 2026 was 182,432,703 Shares, representing approximately 1.82% of the ordinary Shares of the Company in issue as at the date of this annual report.

The maximum number of existing Shares which may be awarded to a selected participant under the Share Award Scheme in any 12-month period shall not exceed 1% of the total issued share capital of the Company from time to time. If the selected participant, who is a director of the Company or service provider (if applicable), the maximum number of existing Shares which may be awarded to him/her under the Share Award Scheme in any 12-month period shall not exceed 0.1% of the total issued share capital of the Company from time to time.

The number of awarded Shares to be available for grant are both 200,932,197 Shares as at 1 January 2025 and 31 December 2025.

During the year ended 31 December 2025, no awarded Shares were outstanding, granted, vested, cancelled or lapsed in accordance with the terms of the Share Award Scheme. The number of Shares that may be issued in respect of awarded Shares granted under the Share Award Scheme during the year ended 31 December 2025 divided by the weighted average number of Shares in issue during the year ended 31 December 2025 was therefore not applicable.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Directors' Interests in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations" and "Share Award Scheme", at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debenture of the Company granted to any director or their respective spouse or children under the age of 18, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the transactions as disclosed in the sections headed "Related Party Transactions" and "Connected Transactions" below, there were no other transactions, arrangements or contracts of significance to which the Company, any of its holding companies of the Company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, none of the directors of the Company had interest in any business constituting competing business to the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2025, so far as was known to the directors or chief executives of the Company, the following persons (not being a director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the Shares and/or underlying Shares of the Company

Substantial Shareholders	Capacity	Total Interests in number of ordinary shares of the Company	Approximate percentage of the issued share capital of the Company *(Note 8)*
Beijing Enterprises Environmental Construction Limited ("BE Environmental")	Beneficial Owner	4,121,604,070	41.03%
BEHL	Beneficial Owner/Interest of controlled corporation	4,132,107,070 *(Note 1)*	41.13%
MOL	Interest of controlled corporation	4,132,107,070 *(Note 2)*	41.13%
BEIL	Interest of controlled corporation	4,132,107,070 *(Note 2)*	41.13%
Beijing Enterprises Group (BVI) Company Limited ("BE Group (BVI)")	Interest of controlled corporation	4,132,107,070 *(Note 3)*	41.13%
BEGCL	Interest of controlled corporation	4,169,739,070 *(Note 4)*	41.50%
Three Gorges Capital Holdings (HK) Co., Limited ("TGC HK")	Beneficial Owner	515,952,000	5.14%
Three Gorges Capital Holdings Co., Ltd ("TGC")	Interest of controlled corporation	515,952,000 *(Note 5)*	5.14%
Yangtze Ecology and Environment (HK) Investment Limited ("YEE HK")	Beneficial Owner	872,121,436	8.68%
YEE	Interest of controlled corporation	872,121,436 *(Note 6)*	8.68%
China Three Gorges Corporation ("CTG")	Interest of controlled corporation	1,588,495,436 *(Note 7)*	15.81%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

(Continued)

Long positions in the Shares and/or underlying Shares of the Company *(Continued)*

Notes:

(1) The interest disclosed comprises 10,503,000 Shares directly owned by BEHL and 4,121,604,070 Shares owned by BE Environmental. BE Environmental beneficially holds 4,121,604,070 Shares (representing approximately 41.03% in the share capital of the Company). BE Environmental is a wholly-owned subsidiary of BEHL. Accordingly, BEHL is deemed to be interested in the Shares owned by BE Environmental.

(2) The interest disclosed comprises 10,503,000 Shares directly owned by BEHL and 4,121,604,070 Shares owned through BE Environmental. MOL and BEIL are the immediate shareholders of BEHL and collectively hold approximately 20.97% of the issued share capital of BEHL. Accordingly, each of MOL and BEIL is deemed to be interested in the Shares owned by BEHL through BE Environmental.

(3) The interest disclosed comprises the Shares owned by BEIL and MOL (through BEHL and BE Environmental). BEHL is held directly as to approximately 41.19% by BE Group (BVI). MOL is a wholly-owned subsidiary of BEIL, which is in turn directly held as to approximately 72.72% by BE Group (BVI). Accordingly, BE Group (BVI) is deemed to be interested in the Shares indirectly owned by BEIL and MOL (through BEHL and BE Environmental).

(4) The interest disclosed comprises the Shares owned by BE Group (BVI) as detailed in note (3) above and 37,632,000 Shares owned by BHL. BE Group (BVI) and BHL are wholly-owned subsidiaries of the BEGCL. Accordingly, BEGCL is deemed to be interested in the Shares indirectly owned by BE Group (BVI) and BHL.

(5) The interest disclosed comprises the Shares owned by TGC HK which beneficially holds 515,952,000 Shares (representing approximately 5.14% in the share capital of the Company). TGC HK is a wholly-owned subsidiary of TGC. Accordingly, TGC is deemed to be interested in the Shares owned by TGC HK.

(6) The interest disclosed comprises the Shares owned by YEE HK which beneficially holds 872,121,436 Shares (representing approximately 8.68% in the share capital of the Company). YEE HK is a wholly-owned subsidiary of YEE. Accordingly, YEE is deemed to be interested in the Shares owned by YEE HK.

(7) The interest disclosed comprises (i) 515,952,000 Shares owned by TGC HK, a direct wholly-owned subsidiary of TGC which is in turn directly held as to 30% by CTG, 40% by China Three Gorges Investment Management Co., Ltd., 10% by China Three Gorges Technology Co. Ltd. and 10% by China Yangtze Power Co., Ltd. ("CYP"). CYP is directly held as to 43.23% by CTG, 3.60% by China Three Gorges Construction Engineering Corporation ("CTG Construction") and 1.86% by CTG Logistics Management (Beijing) Co., Ltd. ("CTG Management"), both CTG Construction and CTG Management are direct wholly-owned subsidiaries of CTG; (ii) 200,422,000 Shares owned by China Yangtze Power International (Hongkong) Co., Ltd., a direct wholly-owned subsidiary of CYP; and (iii) 872,121,436 Shares held by YEE HK, a direct wholly-owned subsidiary of YEE, which is in turn directly held as to 100% by CTG.

(8) The percentage represented the number of Shares over the total issued Shares of the Company as at 31 December 2025 of 10,046,609,871 Shares.

Save as disclosed above, as at 31 December 2025, the Company had not been notified by any persons (other than the directors or the chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

REPORT OF THE DIRECTORS

PURCHASE, SALE AND REDEMPTION OF ITS SECURITIES BY THE GROUP

Redemption of RMB1,000,000,000 2.97% medium-term Notes Due 2027

During the year ended 31 December 2025, the Company redeemed and cancelled the two years prior to the maturity date all the outstanding principal amount of RMB1,000,000,000 2.97% medium-term notes due 2027 issued by the Company at the redemption amount of RMB1,000,000,000 plus accrued interest which was paid.

Redemption of RMB1,000,000,000 3.43% medium-term Notes Due 2028

During the year ended 31 December 2025, the Group redeemed and cancelled the three years prior to the maturity date all the amount of RMB1,000,000,000 3.43% medium-term notes due 2028 issued by a wholly-owned subsidiary of the Company at the redemption amount of RMB1,000,000,000 plus accrued interest which was paid.

Redemption of RMB1,000,000,000 4.00% extendable Notes

During the year ended 31 December 2025, the Company redeemed and cancelled the amount of RMB1,000,000,000 4.00% extendable notes issued by the Company at the redemption amount of RMB1,000,000,000 plus accrued interest which was paid.

Redemption of RMB1,000,000,000 3.03% extendable Notes

During the year ended 31 December 2025, the Company redeemed and cancelled the amount of RMB1,000,000,000 3.03% extendable notes issued by the Company at the redemption amount of RMB1,000,000,000 plus accrued interest which was paid.

Redemption of RMB500,000,000 2.93% extendable Notes

During the year ended 31 December 2025, the Company redeemed and cancelled the amount of RMB500,000,000 2.93% extendable notes issued by the Company at the redemption amount of RMB500,000,000 plus accrued interest which was paid.

Save as the above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2025.

EMOLUMENT POLICY

The emolument of each of Directors and employees of the Group is on the basis of their merit, qualification, competence and experience in the industry, the profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the Laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the total issued capital of the Company was held by the public as at the date of this annual report.

RELATED PARTY TRANSACTIONS

The Group entered into certain activities with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to the activities in the ordinary course of the business of the Group and were negotiated on normal commercial terms and an arm's length basis. Certain transactions set out in note 48 to the financial statements were connected transactions as defined under the Listing Rules and were exempt and complied with the requirements of Chapter 14A of the Listing Rules. The disclosures required by Rule 14A.71 of the Listing Rules during the year are provided in the paragraph headed "Connected Transactions" as identified below.

CONNECTED TRANSACTIONS

The Group entered into the following connected transactions during the year under review:

Continuing Connected Transactions

(I) 2024 DEPOSIT SERVICES MASTER AGREEMENT WITH BEIJING ENTERPRISES GROUP FINANCE CO., LTD. ("BG FINANCE")

On 20 December 2023, the Company and BG Finance entered into 2024 deposit services master agreement ("2024 Deposit Services Master Agreement") pursuant to which, the Group might, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time during the period from 1 January 2024 to 31 December 2026. The cumulative daily outstanding deposits balance placed by the Group with BG Finance (including any interest accrued thereon) during the terms of the 2024 Deposit Services Master Agreement would not exceed RMB710,000,000 for each of the three years ending 31 December 2024, 2025 and 2026 (the "Existing Annual Cap(s)").

In order to improve the efficiency of the use of its funds through higher and stable interest income and lower costs of financing, the Company and BG Finance on 18 February 2025 entered into a supplemental agreement (the "2025 Supplemental Agreement") pursuant to which, the Company and BG Finance agreed to revise the Existing Annual Cap(s) of RMB980,000,000 during the remaining terms of the 2024 Deposit Services Master Agreement for the each of two years ending 31 December 2025 and 2026 (the "BG Finance Annual Cap"). The Group also expected to be in a better position to manage the security of its funds since BG Finance was not considered to be exposed to any significant capital risk.

The rate at which interest would accrued on any deposit placed by the Group with BG Finance under the 2024 Deposit Services Master Agreement (as amended by the 2025 Supplemental Agreement) was not lower than the following:

i. the benchmark interest rate prescribed by the People's Bank of China for the same type of deposits at the same period;

CONNECTED TRANSACTIONS *(Continued)*

Continuing Connected Transactions *(Continued)*

(I) 2024 DEPOSIT SERVICES MASTER AGREEMENT WITH BEIJING ENTERPRISES GROUP FINANCE CO., LTD. ("BG FINANCE") (Continued)

ii. the interest rates offered by commercial banks in Hong Kong and the PRC to the Group for the same type of deposits at the same period; and

iii. the interest rates offered by BG Finance to other members of BEGCL for the same type of deposits at the same period.

On 20 December 2023 and 18 February 2025, each of BEGCL and BEHL was a connected person of the Company under the Listing Rules by virtue of each being a controlling shareholder of the Company. As each of BEGCL and BEHL beneficially owns not less than 30% equity interest in BG Finance, BG Finance was an associate of each of BEGCL and BEHL, therefore, the entering into of the 2024 Deposit Services Master Agreement and 2025 Supplemental Agreement would constituted continuing connected transactions of the Company which was subject to the reporting, announcement and annual review requirements but exempt from circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The above continuing connected transaction was carried out within the BG Finance Annual Cap(s), details of which are set out in note 48 to the financial statements.

(II) DEPOSIT SERVICES PROVIDED BY MEMBERS OF AGRICULTURAL BANK OF CHINA LIMITED

On 13 January 2020, upon completion of capital injection by ABC Financial Asset Investment Co., Ltd.* (農銀金融資產投資有限公司) ("ABC Financial") in Beijing Enterprises (Guangxi) Holdings Co., Ltd.* (北控水務(廣西)集團有限公司)("Bei Kong Guangxi"), a subsidiary of the Company, Bei Kong Guangxi was held as to 45.55% equity interests by ABC Financial, ABC Financial and its associates, including Agricultural Bank of China Limited and its members ("ABC Group"), became connected persons at the subsidiary level of the Company since then.

ABC Group being one of the principal banking partners of the Group, the Group engaged ABC Group in respect of deposit services on a continuing and recurring basis. The maximum daily balance of deposit services (including accrued interests) of the Group with ABC Group ("ABC Deposit Services") would not exceed RMB3 billion for each of the three years ended 31 December 2020, 2021 and 2022. As the annual cap expired on 31 December 2022 and in order to regulate ABC Deposit Services that would continue to take place after 31 December 2022, the Board resolved to renew and set the annual caps for ABC Deposit Services for the three financial years ending 31 December 2023, 2024 and 2025 and the maximum daily balance of ABC Deposit Services (including accrued interests) would not exceed RMB3 billion for each of the three years ended 31 December 2023, 2024 and 2025 (the "ABC Group Annual Cap(s)").

* *For identification purpose only.*

CONNECTED TRANSACTIONS *(Continued)*

Continuing Connected Transactions *(Continued)*

(II) DEPOSIT SERVICES PROVIDED BY MEMBERS OF AGRICULTURAL BANK OF CHINA LIMITED (Continued)

The ABC Group Annual Cap(s) would expire on 31 December 2025 and in order to provide the ABC Deposit Services that continue to take place after 31 December 2025, the Board resolved to renew and set the annual caps for ABC Deposit Services for the three financial years ending 31 December 2026, 2027 and 2028 and the maximum daily balance of ABC Deposit Services (including accrued interests) would not exceed RMB3 billion for each of the three financial years ending 31 December 2026, 2027 and 2028.

The provision of ABC Deposit Services was essential to the Group in terms of facilitating the daily operating cash flows and securing stable and reliable financing support to the Group, therefore maintaining the financial health and assisting the business expansion of the Group in the coming years.

Pricing Principles

When determining the ABC Deposit Services, the interest rates for deposit placed by the Group with ABC Group were negotiated on arm's length terms and by reference to (a) the interest rate offered by People's Bank of China (if applicable) and/or (b) the interest rates offered by other commercial banks for the same type of deposit during the same period provided to the Group.

Pursuant to the Listing Rules, the Company was required to enter into a written agreement for continuing connected transactions. However, no such written agreement had been entered into due to certain difficulties. In consideration of the difficulties in entering into a written master agreement with ABC Group, the Company had applied for, and the Stock Exchange had granted, a waiver from strict compliance with the written agreement requirement under the Listing Rules, which would apply to each continuing connected transaction in respect of deposit services, on the basis that the Company would then set annual caps for the continuing connected transactions in accordance with the Listing Rules.

The ABC Deposit Services would constitute continuing connected transactions of the Company which was subject to the reporting, announcement and annual review requirements but exempt from circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The above continuing connected transaction was carried out within the ABC Group Annual Cap(s), details of which are set out in note 48 to the financial statements.

(III) REVIEW BY INDEPENDENT NON-EXECUTIVE DIRECTORS AND THE AUDITORS OF THE COMPANY

Pursuant to Rule 14A.55 of the Listing Rules, the continuing connected transactions set out above had been reviewed by the independent non-executive Directors, who confirmed that the aforesaid continuing connected transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

CONNECTED TRANSACTIONS *(Continued)*

Continuing Connected Transactions *(Continued)*

(III) REVIEW BY INDEPENDENT NON-EXECUTIVE DIRECTORS AND THE AUDITORS OF THE COMPANY (Continued)

(b) on normal commercial terms; and

(c) according to the interest rates for deposit placed by the Group based on the agreement or without agreement that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditors, Deloitte Touche Tohmatsu, were engaged to report on the continuing connected transaction of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 (Revised) *Auditor's Letter on Continuing Connected Transactions under the Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter had been provided to the Board.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution and discharge of the duties of his/her office or otherwise in relation thereto. No Director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his/her office or in relation thereto, provided that this Bye-laws shall only have effect in so far as its provisions are not avoided by the Companies Act 1981 of Bermuda (as amended).

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately RMB3,474,000.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year.

REPORT OF THE DIRECTORS

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

As at the date of this report, details of the agreements (the "Agreement(s)") with covenants relating to specific performance of the controlling shareholder which constituted disclosure obligation pursuant to Rules 13.18 and 13.21 of the Listing Rules are as follows:

Date of the Agreement(s)/ Issuance of Notes	Nature of the Agreement(s)/Notes	Aggregate Amount *(million)*	Final Maturity	Specific Performance Obligations
11 January 2019	Issuance of medium-term notes	RMB1,000	January 2029	*Note 1*
20 January 2022	Issuance of medium-term notes	RMB1,000	January 2027	*Note 5*
16 December 2022	Green loan facilities with a bank	RMB3,764	December 2027	*Note 2*
23 March 2023	Issuance of medium-term notes	RMB500	March 2028 *Note 4*	*Note 5*
23 March 2023	Issuance of medium-term notes	RMB1,000	March 2028	*Note 5*
2 June 2023	Issuance of medium-term notes	RMB1,000	June 2028 *Note 4*	*Note 5*
11 August 2023	Issuance of medium-term notes	RMB500	3+N years *Note 7*	*Note 5*
12 March 2024	Issuance of medium-term notes	RMB1,000	March 2027	*Note 5*
18 March 2024	Green loan facilities with a bank	RMB2,650 *Note 9*	1+2 years *Note 8*	*Note 2*
18 April 2024	Issuance of medium-term notes	RMB500	5+N years *Note 3*	*Note 5*
4 July 2024	Issuance of medium-term notes	RMB500	July 2027	*Note 5*
4 July 2024	Issuance of medium-term notes	RMB500	July 2034	*Note 5*
6 November 2024	Facilities with a Bank	RMB2,400	November 2026	*Note 2*

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER *(Continued)*

Date of the Agreement(s)/ Issuance of Notes	Nature of the Agreement(s)/Notes	Aggregate Amount *(million)*	Final Maturity	Specific Performance Obligations
9 January 2025	Issuance of medium-term notes	RMB600	January 2030	*Note 5*
9 January 2025	Issuance of medium-term notes	RMB400	January 2035	*Note 5*
13 November 2025	Issuance of medium-term notes	RMB1,000	November 2028	*Note 5*
13 November 2025	Issuance of medium-term notes	RMB1,000	November 2030	*Note 5*
5 December 2025	Issuance of medium-term notes	RMB1,000	December 2030	*Note 5*

Notes:

1. (i) BEHL owns or controls at least 35% of the voting rights in the Company; (ii) BEHL supervises the Company; (iii) BEHL is directly or indirectly the single largest shareholder of the Company; and/or (iv) the nominees of BEHL comprise the majority of the Board.

2. (i) BEHL owns, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of voting rights in the Company, free from any security; (ii) BEHL supervises the Company and/or have management control over the Company; (iii) BEHL is directly or indirectly the single largest shareholder of the Company; (iv) BEGCL owns, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any security; (v) BEGCL is directly or indirectly the single largest shareholder of BEHL or supervises BEHL; and (vi) BEGCL is effectively wholly-owned, supervised and controlled by the People's Government of Beijing Municipality* (北京市人民政府) ("Beijing Municipality").

3. The reset date of each coupon rate is the redemption date. The Company has the right to choose to redeem the principal at the face value plus accrued interest on the first reset date of the coupon rate of the medium-term note and every subsequent interest payment date. The reset date of coupon rate is the corresponding day of every five years from the first reset date of coupon rate. The end of the fifth interest-bearing year is the first reset date of coupon rate. From the sixth interest bearing year, the coupon rate is reset every five years.

4. Two years prior to the maturity pursuant to the terms and conditions in the medium-term notes, the Company shall be entitled to adjust the coupon rate of the medium-term notes and the note holders shall be entitled to sell back the medium-term notes to the Company.

5. (i) BEGCL owns or controls, directly or indirectly, at least 35% of the voting rights of the Company; (ii) BEGCL supervises the Company; (iii) BEGCL is directly or indirectly the single largest shareholder of the Company; and (iv) the nominees of BEGCL comprise the majority of the members of the Board.

6. The reset date of each coupon rate is the redemption date. The Company has the right to choose to redeem the principal at the face value plus accrued interest on the first reset date of the coupon rate of the medium-term note and every subsequent interest payment date. The reset date of coupon rate is the corresponding day of every two years from the first reset date of coupon rate. The end of the second interest-bearing year is the first reset date of coupon rate. From the third interest-bearing year, the coupon rate is reset every two years.

* *For identification purposes only*

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER *(Continued)*

Notes: (Continued)

7. The reset date of each coupon rate is the redemption date. The Company has the right to choose to redeem the principal at the face value plus accrued interest on the first reset date of the coupon rate of the medium-term note and every subsequent interest payment date. The reset date of coupon rate is the corresponding day of every three years from the first reset date of coupon rate. The end of the third interest-bearing year is the first reset date of coupon rate. From the fourth interest-bearing year, the coupon rate is reset every three years.

8. The maturity date of each tranche of the facilities is 364 days after the first utilization date of each tranche of facilities, and each tranche of the facilities is extendable twice for one-year term at the discretion of the bank.

9. The aggregate amount of the facilities had been subsequently increased in accession mechanism for an additional amount of RMB300,000,000 from RMB2,350,000,000 to RMB2,650,000,000 in accordance with the terms of the facilities agreement.

According to the respective terms and conditions of the Agreements, breach of the above specific performance obligations will constitute events of default. If an event of default occurs, (a) the bank or syndicate of banks may declare any commitment under the Agreements to be cancelled and/or declare all outstanding amounts together with interest accrued thereon and all others sums to be immediately due and payable or payable on demand; or (b) the Company may be required to redeem the medium-term notes after conclusion of the meeting of the noteholders; or (c) holders of medium-term notes may have the option to sell back the medium-term notes to the Company.

CORPORATE GOVERNANCE

The Company is committed to maintaining the quality of corporate governance so as to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhance shareholder value. During the year ended 31 December 2025, in the opinion of the Board, the Company complied with all code provisions set out in the Corporate Governance Code as set out in Appendix C1 of the Listing Rules.

The corporate governance report is set out on pages 33 to 55 of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, the Company confirms that all of the Directors have complied with, for any part of the accounting period covered by this annual report, the required standard set out in the Model Code.

REPORT OF THE DIRECTORS

AUDITORS

Ernst & Young resigned as the auditor of the Company with effect from 31 October 2024. Deloitte Touche Tohmatsu ("Deloitte") was appointed as the auditor of the Company to fill the casual vacancy. Save as disclosed above, there have been no other changes of auditors of the Company in any of the preceding three years.

The consolidated financial statements for the year ended 31 December 2025 has been audited by Deloitte, who will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

EVENT AFTER THE REPORTING PERIOD

There is no significant event after the reporting period of the Group.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Group for the year ended 31 December 2025 were approved by the board of directors on 25 March 2026.

On behalf of the Board

Xiong Bin
CHAIRMAN

Hong Kong
25 March 2026

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

To the shareholders of Beijing Enterprises Water Group Limited
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Enterprises Water Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 91 to 226, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

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

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses on receivables under service concession arrangements, trade receivables and amounts due from contract customers	
We identified provision for expected credit losses ("ECL") on receivables under service concession arrangements, trade receivables and amounts due from contract customers (the "Relevant Assets") as a key audit matter due to the significance of the Relevant Assets to the Group's consolidated financial position and the involvement of judgement and estimates in evaluating the ECL at the end of the reporting period. The aggregate carrying amount of the Relevant Assets amounted to approximately RMB103.9 billion, which represented 63.0% of the Group's total assets as at 31 December 2025. The provision for ECL of these assets carried as at 31 December 2025 was approximately RMB2.6 billion in aggregate. The Group engaged an independent specialist to assist the Group in the calculation of the ECL. The Group considers the available information which includes information about past events, current conditions and are adjusted for supportable forward-looking information, including macroeconomic indicator, to estimate the ECL, without undue costs or effort. Relevant disclosures are included in notes 4, 19, 26 and 27 to the consolidated financial statements.	Our procedures in relation to the provision for ECL on the Relevant Assets included: • Understanding the credit risk assessment process of the ECL and assessing the risk of material misstatement arising from the disaggregation of categories of assessment and susceptibility to bias; • Evaluating basis and judgement applied by the Group in determining the ECL as at 31 December 2025, including the disaggregation of categories into different stages by credit risk for ECL assessment of the Relevant Assets; and • Obtaining and reviewing the valuation established by the Group with the support of external specialists and evaluating the valuation of ECL including the inspection of the parameters applied with reference to external available data sources.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is POON, Kam Chuen (practising certificate number: P06225).

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
REVENUE	6	**22,062,151**	24,270,499
Cost of sales		**(13,573,498)**	(15,281,401)
Gross profit		**8,488,653**	8,989,098
Interest income	7	**449,254**	793,043
Other income	7	**978,895**	834,008
Other operating expenses, net		**(1,316,011)**	(1,281,335)
Administrative expenses		**(3,005,974)**	(3,070,481)
Other gains and losses, net	7	**(444,193)**	(28,217)
PROFIT FROM OPERATING ACTIVITIES	8	**5,150,624**	6,236,116
Finance costs	9	**(2,332,256)**	(3,090,387)
Share of results of joint ventures		**505,722**	525,099
Share of results of associates		**35,184**	48,152
PROFIT BEFORE TAX		**3,359,274**	3,718,980
Income tax expense	12	**(666,940)**	(812,083)
PROFIT FOR THE YEAR		**2,692,334**	2,906,897
ATTRIBUTABLE TO:			
Shareholders of the Company		**1,561,531**	1,677,600
Holders of perpetual capital instruments		**124,562**	133,785
Non-controlling interests		**1,006,241**	1,095,512
		2,692,334	2,906,897
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	14		
		RMB cents	RMB cents
– Basic		**14.55**	15.63
– Diluted		**14.55**	15.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	**2025** **RMB'000**	2024 RMB'000
PROFIT FOR THE YEAR		**2,692,334**	2,906,897
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Items that may be reclassified to profit or loss:			
– Exchange differences arising on translation of foreign operations		**70,749**	(1,079,650)
– Fair value change on derivative financial instruments	*23*	**(65,457)**	28,923
– Loss/(gain) reclassified to profit or loss on hedged items	*23*	**27,215**	(10,801)
		32,507	(1,061,528)
Items that will not be reclassified to profit or loss:			
– Exchange differences on translation of the Company from functional currency to presentation currency		**–**	259,878
– Share of other comprehensive expense of a joint venture		**(1,677)**	(8,863)
– Changes in fair value of equity investments designated at fair value through other comprehensive income		**5,570**	(69,632)
		3,893	181,383
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF INCOME TAX		**36,400**	(880,145)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,728,734**	2,026,752
ATTRIBUTABLE TO:			
Shareholders of the Company		**1,580,516**	841,317
Holders of perpetual capital instruments		**124,562**	133,785
Non-controlling interests		**1,023,656**	1,051,650
		2,728,734	2,026,752

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**8,841,596**	9,246,157
Right-of-use assets	*17*	**813,382**	805,904
Investment properties	*16*	**423,197**	459,320
Goodwill	*18*	**3,505,144**	3,635,579
Operating concessions	*19*	**12,037,138**	11,203,736
Other intangible assets	*20*	**352,628**	427,129
Investments in joint ventures	*21*	**10,570,380**	10,517,236
Investments in associates	*22*	**3,320,698**	3,327,057
Equity investments designated at fair value through other comprehensive income	*24*	**607,276**	690,903
Financial assets at fair value through profit or loss		**538**	10,105
Amounts due from contract customers	*26*	**7,774,840**	16,884,707
Receivables under service concession arrangements	*19*	**55,482,455**	55,750,341
Trade receivables	*27*	**13,697,453**	11,020,336
Prepayments, deposits and other receivables	*28*	**604,217**	653,992
Deferred tax assets	*39*	**735,882**	555,444
Derivative financial instruments	*23*	**–**	11,762
Total non-current assets		**118,766,824**	125,199,708
Current assets			
Inventories	*25*	**340,878**	359,487
Amounts due from contract customers	*26*	**4,998,893**	3,186,867
Receivables under service concession arrangements	*19*	**10,392,044**	9,447,741
Trade receivables	*27*	**11,589,007**	11,375,905
Prepayments, deposits and other receivables	*28*	**9,190,537**	7,759,427
Derivative financial instruments	*23*	**–**	17,161
Restricted cash and pledged deposits	*30*	**181,730**	216,336
Cash and cash equivalents	*30*	**9,567,491**	9,008,971
Total current assets		**46,260,580**	41,371,895
TOTAL ASSETS		**165,027,404**	166,571,603

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital	*31*	**834,250**	834,250
Perpetual capital instruments	*34*	**3,489,535**	3,488,929
Reserves		**26,821,044**	26,847,916
		31,144,829	31,171,095
Perpetual capital instruments	*34*	**4,235,019**	4,235,019
Non-controlling interests		**20,675,515**	20,556,316
		24,910,534	24,791,335
TOTAL EQUITY		**56,055,363**	55,962,430
Non-current liabilities			
Other payables and accruals	*41*	**865,581**	766,476
Bank and other borrowings	*35*	**41,864,328**	47,785,821
Corporate bonds	*36*	**15,269,346**	12,573,666
Lease liabilities		**130,529**	145,598
Provision for major overhauls	*37*	**760,642**	644,880
Deferred income	*38*	**634,220**	577,224
Deferred tax liabilities	*39*	**4,847,262**	4,846,702
Total non-current liabilities		**64,371,908**	67,340,367

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Current liabilities			
Trade payables	*40*	**16,974,195**	19,049,467
Other payables and accruals	*41*	**7,602,541**	7,631,530
Income tax payables		**1,327,381**	1,402,863
Bank and other borrowings	*35*	**14,626,205**	13,145,188
Corporate bonds	*36*	**3,998,254**	1,997,543
Derivative financial instruments	*23*	**36,534**	–
Lease liabilities		**35,023**	42,215
Total current liabilities		**44,600,133**	43,268,806
TOTAL LIABILITIES		**108,972,041**	110,609,173
TOTAL EQUITY AND LIABILITIES		**165,027,404**	166,571,603

The consolidated financial statements on pages 91 to 226 were approved and authorised for issue by the board of directors of the Company on 25 March 2026 and are signed on its behalf by:

Xiong Bin
DIRECTOR

Zhou Min
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

		Attributable to shareholders of the Company																	
	Notes	Issued capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Shares held under share award scheme RMB'000 (note 33)	Share option and share award reserve RMB'000 (note a)	Capital reserve RMB'000	Property revaluation reserve RMB'000	Fair value reserve RMB'000	Defined benefit plan reserve RMB'000	Exchange fluctuation reserve RMB'000	PRC reserve funds RMB'000 (note b)	Hedging reserve RMB'000	Retained profits RMB'000	Perpetual capital instruments RMB'000	Total RMB'000	Perpetual capital instruments RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2025		834,250	2,323,393	3,028,266	(45,233)	9,744	(1,470,010)	104,285	(602,203)	(45,848)	(3,604,971)	4,187,790	18,122	22,944,581	3,488,929	31,171,095	4,235,019	20,556,316	55,962,430
Profit for the year		–	–	–	–	–	–	–	–	–	–	–	–	1,459,230	102,301	1,561,531	124,562	1,006,241	2,692,334
Other comprehensive income/(expense) for the year:																			
Exchange fluctuation reserve of foreign operations		–	–	–	–	–	–	–	–	–	53,334	–	–	–	–	53,334	–	17,415	70,749
Exchange fluctuation reserve of the Company		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Changes in fair value of equity investments designated at fair value through other comprehensive income		–	–	–	–	–	–	–	5,570	–	–	–	–	–	–	5,570	–	–	5,570
Share of other comprehensive income of a joint venture		–	–	–	–	–	–	–	–	(1,677)	–	–	–	–	–	(1,677)	–	–	(1,677)
Fair value changes on derivative financial instruments		–	–	–	–	–	–	–	–	–	–	–	(65,457)	–	–	(65,457)	–	–	(65,457)
Losses reclassified to profit or loss on hedged items		–	–	–	–	–	–	–	–	–	–	–	27,215	–	–	27,215	–	–	27,215
Total comprehensive income/(expense) for the year		–	–	–	–	–	–	–	5,570	(1,677)	53,334	–	(38,242)	1,459,230	102,301	1,580,516	124,562	1,023,656	2,728,734
Repurchase of its own shares by a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(50,033)	(50,033)
Disposal of subsidiaries	*43*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(75,727)	(75,727)
Issuance of perpetual capital instruments	*34*	–	–	–	–	–	–	–	–	–	–	–	–	–	2,503,350	2,503,350	–	–	2,503,350
Repayment of perpetual capital instruments	*34*	–	–	–	–	–	–	–	–	–	–	–	–	–	(2,502,744)	(2,502,744)	–	–	(2,502,744)
Dividends paid to non-controlling equity holders		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(822,807)	(822,807)
Distributions declared to holders of perpetual capital instruments	*34*	–	–	–	–	–	–	–	–	–	–	–	–	–	(102,301)	(102,301)	(124,562)	–	(226,863)
Final 2024 cash dividends paid	*13*	–	–	–	–	–	–	–	–	–	–	–	–	(831,960)	–	(831,960)	–	–	(831,960)
Interim 2025 cash dividends paid	*13*	–	–	–	–	–	–	–	–	–	–	–	–	(673,127)	–	(673,127)	–	–	(673,127)
Transfer to reserves		–	–	–	–	–	–	–	–	–	–	396,297	–	(396,297)	–	–	–	–	–
Capital contributions from non-controlling equity holders		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	44,110	44,110
At 31 December 2025		834,250	2,323,393*	3,028,266*	(45,233)*	9,744*	(1,470,010)*	104,285*	(596,633)*	(47,525)*	(3,551,637)*	4,584,087*	(20,120)*	22,502,427*	3,489,535	31,144,829	4,235,019	20,675,515	56,055,363

* These reserve accounts comprise the consolidated reserves of RMB26,821,044,000 (2024: RMB26,847,916,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

		Attributable to shareholders of the Company																	
	Notes	Issued capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Shares held under share award scheme RMB'000 *(note 33)*	Share option and share award reserve RMB'000 *(note a)*	Capital reserve RMB'000	Property revaluation reserve RMB'000	Fair value reserve RMB'000	Defined benefit plan reserve RMB'000	Exchange fluctuation reserve RMB'000	PRC reserve funds RMB'000 *(note b)*	Hedging reserve RMB'000	Retained profits RMB'000	Perpetual capital instruments RMB'000	Total RMB'000	Perpetual capital instruments RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2024		834,250	2,323,393	3,028,266	(45,233)	13,645	(1,451,076)	104,285	(532,571)	(36,985)	(2,842,704)	3,713,953	–	23,282,182	2,991,002	31,382,407	2,485,377	20,265,691	54,133,475
Profit for the year		–	–	–	–	–	–	–	–	–	–	–	–	1,567,694	109,906	1,677,600	133,785	1,095,512	2,906,897
Other comprehensive income/(expense) for the year:																			
Exchange fluctuation reserve of foreign operations		–	–	–	–	–	–	–	–	–	(1,035,788)	–	–	–	–	(1,035,788)	–	(43,862)	(1,079,650)
Exchange fluctuation reserve of the Company		–	–	–	–	–	–	–	–	–	259,878	–	–	–	–	259,878	–	–	259,878
Changes in fair value of equity investments designated at fair value through other comprehensive income		–	–	–	–	–	–	–	(69,632)	–	–	–	–	–	–	(69,632)	–	–	(69,632)
Share of other comprehensive income of a joint venture		–	–	–	–	–	–	–	–	(8,863)	–	–	–	–	–	(8,863)	–	–	(8,863)
Fair value changes on derivative financial instruments		–	–	–	–	–	–	–	–	–	–	–	28,923	–	–	28,923	–	–	28,923
Gains reclassified to profit or loss on hedged items		–	–	–	–	–	–	–	–	–	–	–	(10,801)	–	–	(10,801)	–	–	(10,801)
Total comprehensive income/(expense) for the year		–	–	–	–	–	–	–	(69,632)	(8,863)	(775,910)	–	18,122	1,567,694	109,906	841,317	133,785	1,051,650	2,026,752
Repurchase of its own shares by a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(20,746)	(20,746)
Disposal of subsidiaries	*43*	–	–	–	–	–	–	–	–	–	13,643	–	–	–	–	13,643	–	(88,880)	(75,237)
Issuance of perpetual capital instruments	*34*	–	–	–	–	–	–	–	–	–	–	–	–	–	497,927	497,927	4,240,000	–	4,737,927
Repayment of perpetual capital instruments	*34*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(2,490,358)	–	(2,490,358)
Share of reserves of associates		–	–	–	–	–	(18,934)	–	–	–	–	–	–	–	–	(18,934)	–	–	(18,934)
Dividends paid to non-controlling equity holders		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(651,399)	(651,399)
Lapse of share options		–	–	–	–	(3,901)	–	–	–	–	–	–	–	3,901	–	–	–	–	–
Distributions declared to holders of perpetual capital instruments	*34*	–	–	–	–	–	–	–	–	–	–	–	–	–	(109,906)	(109,906)	(133,785)	–	(243,691)
Final 2023 cash dividends paid	*13*	–	–	–	–	–	–	–	–	–	–	–	–	(792,417)	–	(792,417)	–	–	(792,417)
Interim 2024 cash dividends paid	*13*	–	–	–	–	–	–	–	–	–	–	–	–	(642,942)	–	(642,942)	–	–	(642,942)
Transfer to reserves		–	–	–	–	–	–	–	–	–	–	473,837	–	(473,837)	–	–	–	–	–
At 31 December 2024		834,250	2,323,393*	3,028,266*	(45,233)*	9,744*	(1,470,010)*	104,285*	(602,203)*	(45,848)*	(3,604,971)*	4,187,790*	18,122*	22,944,581*	3,488,929	31,171,095	4,235,019	20,556,316	55,962,430

Notes:

a. The share option and share award reserve comprises the fair value of share options and share awards vested which are yet to be exercised and the share awards granted, The amount will either be transferred to the share premium account when the related share options are exercised and to the retained profits when the related share awards are exercised, or transferred to retained profits should the related share options or share awards lapse or be forfeited.

b. The PRC reserve funds are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's subsidiaries, joint ventures and associates. None of the Group's PRC reserve funds as at 31 December 2025 and 2024 were distributable in the form of cash dividends.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,359,274**	3,718,980
Adjustments for:			
Bank interest income	*7*	**(84,212)**	(213,403)
Interest income on trade and other receivables with extended credit periods	*7*	**(354,920)**	(550,015)
Interest income on loans to joint ventures	*7*	**(10,122)**	(29,625)
Dividend income from equity investments at fair value through other comprehensive income	*7*	**(14,498)**	(25,818)
Fair value loss on investment properties	*7*	**36,123**	2,873
Gain on disposal of subsidiaries, net	*7, 43*	**(42,338)**	(34,835)
Loss on disposal of joint ventures, net	*7*	**642**	–
Loss on disposal of receivables under service concession arrangements	*7*	**398,070**	15,399
Loss on disposal of items of property, plant and equipment, net	*7*	**64,303**	37,280
Loss (gain) on modification of a lease	*7*	**2,875**	(2,037)
Depreciation of right-of-use assets	*8*	**61,370**	74,757
Depreciation of property, plant and equipment	*8*	**853,104**	931,076
Amortisation of operating concessions	*8*	**671,937**	651,848
Amortisation of other intangible assets	*8*	**67,842**	58,259
Impairment on financial assets under expected credit loss model, net of reversal	*8*	**734,536**	823,953
Impairment of property, plant and equipment	*15*	**204,315**	–
Impairment of other intangible assets	*20*	**13,022**	–
(Reversal of write-down) write-down of inventories to net realisable value	*8*	**(668)**	1,998
Provision for major overhauls	*8*	**324,220**	316,327
Finance costs	*9*	**2,438,260**	3,284,405
Share of results of joint ventures		**(505,722)**	(525,099)
Share of results of associates		**(35,184)**	(48,152)
Operating cash flow before movements in working capital		**8,182,229**	8,488,171
Decrease (increase) in inventories		**20,168**	(8,233)
Decrease (increase) in amounts due from contract customers		**839,802**	(290,988)
Decrease (increase) in receivables under service concession arrangements		**575,154**	(1,464,945)
Increase in trade receivables		**(739,121)**	(1,094,317)
(Increase) decrease in prepayments, deposits and other receivables		**(1,002,849)**	830,162
Decrease in trade payables		**(1,186,717)**	(2,567,521)
Increase (decrease) in other payables and accruals		**274,038**	(813,026)
Utilisation of provision for major overhauls		**(273,143)**	(245,629)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Cash generated from operations		**6,689,561**	2,833,674
Chinese mainland corporate income tax paid		**(878,283)**	(696,961)
Overseas taxes paid		**(72,084)**	(51,993)
Net cash from operating activities		**5,739,194**	2,084,720
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(576,113)**	(753,523)
Purchases of leasehold land		**–**	(69,878)
Additions of operating concessions		**(528,463)**	(152,782)
Additions of other intangible assets		**(26,718)**	(61,706)
Acquisition of subsidiaries	*42*	**25**	(5,226)
Disposal of subsidiaries	*43*	**99,944**	59,742
Proceeds from disposal of other intangible assets		**–**	7,564
Proceeds from disposal of items of property, plant and equipment		**174,308**	81,176
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**31,888**	8,807
Decrease (increase) in investments in joint ventures		**28,533**	(26,483)
Decrease in investments in associates		**16,224**	–
Purchases of equity investments designated at fair value through other comprehensive income		**–**	(30,045)
Decrease in time deposits with maturity of more than three months when acquired		**–**	14,455
Decrease in restricted cash and pledged deposits		**34,606**	27,851
Dividends received from joint ventures		**125,811**	68,398
Dividends received from associates		**15,932**	8,672
Dividends received from equity instruments at fair value through other comprehensive income		**14,498**	25,818
Bank interest received	*7*	**84,212**	213,403
Net cash used in investing activities		**(505,313)**	(583,757)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank and other borrowings		**(23,028,948)**	(33,423,108)
New bank and other borrowings		**18,594,156**	33,442,625
Interest paid		**(2,273,542)**	(3,058,512)
Dividends paid		**(1,505,087)**	(1,435,359)
Repayment of corporate bonds		**(2,000,000)**	(2,000,000)
Issuance of corporate bonds		**6,700,000**	2,592,765
Repayment of perpetual capital instruments	*34*	**(2,502,744)**	(2,490,358)
Issuance of perpetual capital instruments	*34*	**2,503,350**	4,737,927
Distributions to holders of perpetual capital instruments	*34*	**(239,119)**	(244,536)
Principal portion of lease payments		**(54,987)**	(70,038)
Repurchase of its own shares by a subsidiary		**(50,033)**	(20,746)
Capital contributions by non-controlling equity holders		**44,110**	–
Interest element of lease payments		**(9,491)**	(15,462)
Dividends paid to non-controlling equity holders		**(822,807)**	(651,399)
Payments arising from net settlement of cross currency rate swap		**(44,155)**	–
Net cash used in financing activities		**(4,689,297)**	(2,636,201)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**544,584**	(1,135,238)
Cash and cash equivalents at beginning of year		**9,008,971**	10,200,706
Effect of foreign exchange rate changes, net		**13,936**	(56,497)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**9,567,491**	9,008,971

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL INFORMATION

Beijing Enterprises Water Group Limited (the "Company" or "BEWG") is a limited liability company incorporated in Bermuda and shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company and its subsidiaries (collectively the "Group") were involved in the following principal activities:

- construction of sewage and reclaimed water treatment and seawater desalination plants, and provision of construction services for comprehensive renovation projects in the mainland ("Chinese Mainland") of the People's Republic of China (the "PRC"), Malaysia, Australia and the Republic of Botswana;
- provision of sewage and reclaimed water treatment services in Chinese Mainland, the Republic of Singapore ("Singapore"), the Portuguese Republic ("Portugal"), Australia, New Zealand and Saudi Arabia;
- distribution and sale of piped water in Chinese Mainland, Portugal, Australia and Saudi Arabia;
- provision of technical and consultancy services and sale of machineries related to sewage treatment and construction services for comprehensive renovation projects in Chinese Mainland and Australia;
- licensing of technical know-how related to sewage treatment in Chinese Mainland; and
- provision of urban services and hazardous waste treatment services in Chinese Mainland and Hong Kong.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to an HKFRS Accounting Standard as issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21	*Lack of Exchangeability*

The application of the amendments to an HKFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

(Continued)

New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKAS 21	*Translation to a Hyperinflationary Presentation Currency*[3]
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to HKFRS 9 and HKFRS 7	*Contracts Referencing Nature-dependent Electricity*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS Accounting Standards	*Annual Improvements to HKFRS Accounting Standards – Volume 11*[2]
HKFRS 18	*Presentation and Disclosure in Financial Statements*[3]

1 Effective for annual periods beginning on or after a date to be determined

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

3 Effective for annual periods beginning on or after 1 January 2027

Except as described below, the directors of the Company anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 "Presentation and Disclosure in Financial Statements"

HKFRS 18 "Presentation and Disclosure in Financial Statements", which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 "Presentation of Financial Statements". This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and HKFRS 7 "Financial Instruments". Minor amendments to HKAS 7 "Statement of Cash Flows" and HKAS 33 "Earnings per Share" are also made. HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards as issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance. Prior year disclosures have been represented to conform with current year presentation for certain line items.

Despite that the Group's net current assets of RMB1.7 billion are not sufficient to cover capital commitments of approximately RMB15.8 billion (comprising the Group's capital commitments and the Group's share of joint ventures own capital commitment) in aggregate as at 31 December 2025, as detailed in note 47 to the consolidated financial statements, the directors consider that the Group will have adequate funds available to enable it to operate as a going concern, based on the Group's cash flow projection which, inter alia, has taken into account the historical operating performance of the Group and the following:

(a) the existing banking facilities available to the Group as at 31 December 2025 and on the assumption that such facilities will continue to be available from the Group's principal bankers;

(b) certain of the above-mentioned total capital commitments are expected to be fulfilled by the Group after 2026 with reference to the terms of the respective agreements and the current status of the respective projects; and

(c) the Company will consider equity financing when necessary.

Accordingly, these financial statements have been prepared on the going concern basis which assumes, inter alia, the realisation of assets and satisfaction of liabilities in the normal course of business.

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

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

3.2 Material accounting policy information *(Continued)*

Basis of consolidation (Continued)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

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

3.2 Material accounting policy information *(Continued)*

Goodwill

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

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

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

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

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

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

3.2 Material accounting policy information *(Continued)*

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The associate and joint venture uses accounting policies that differ from those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's and the joint venture's accounting policies to those of the Group. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

3.2 Material accounting policy information *(Continued)*

Investments in associates and joint ventures (Continued)

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

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Changes in the Group's interests in associates and joint ventures

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Revenue from contracts with customers

Information about the Group's accounting policies relating to revenue from contracts with customers is provided in note 6.

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

3.2 Material accounting policy information *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

3.2 Material accounting policy information *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income". Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

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

3.2 Material accounting policy information *(Continued)*

Equity compensation benefits

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all nonmarket vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to retained profit. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained profits. When shares granted are vested, the amount previously recognised in sharebased payments reserve will be transferred to share premium.

Other employee benefits

Defined contribution plans

The employees of the Group's subsidiaries which operate in Chinese Mainland, Singapore, Portugal and Malaysia are required to participate in central pension schemes operated by the local governments, the assets of which are held separately from those of the Group. Contributions are made by the subsidiaries based on a percentage of the participating employees' salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes. The employer contributions vest fully once made.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme in Hong Kong (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

3.2 Material accounting policy information *(Continued)*

Other employee benefits (Continued)

Defined benefit plan

Employees of a joint venture can enjoy other retirement benefits after retirement such as supplementary medical reimbursement, allowance and beneficiary benefits pursuant to a defined benefit plan of the joint venture. These benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method and is charged to the statement of profit or loss so as to spread the costs over the average service lives of the relevant employees in accordance with the actuarial report which contains valuation of the obligations for the year. The obligation is measured at the present value of the estimated future cash outflows using the interest rates of the PRC government bonds which have terms similar to those of related liabilities. Actuarial gains and losses are recognised in other comprehensive income immediately when they arise.

The past service costs are recognised as an expense on the straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, the pension plan, past service costs are recognised immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognised and less the fair value of plan assets out of which the obligations are to be settled.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

3.2 Material accounting policy information *(Continued)*

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

3.2 Material accounting policy information *(Continued)*

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than freehold lands and construction in progress as described below. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Depreciation is recognised so as to write off the cost of assets other than freehold land and properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

3.2 Material accounting policy information *(Continued)*

Service concession arrangements

Consideration given by the grantor

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

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service.

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

Construction or upgrade services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out for "Revenue recognition" below.

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for revenue recognition in note 6. Costs for operating services are expensed in the period in which they are incurred.

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licence, that is (a) to maintain the sewage and reclaimed water treatment and water distribution plants it operates to a specified level of serviceability and/or (b) to restore the plants to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the sewage and reclaimed water treatment and water distribution plants, except for upgrade element, are recognised and measured in accordance with the policy set out for "Provisions" below.

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

3.2 Material accounting policy information *(Continued)*

Operating concessions

Operating concessions representing the rights to operate sewage and reclaimed water treatment and water distribution plants are stated at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is provided on the straight-line basis over the respective periods of the operating concessions granted to the Group of 20 to 40 years.

Impairment on property, plant and equipment, operating concessions, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, operating concessions, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, operating concessions and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

3.2 Material accounting policy information *(Continued)*

Impairment on property, plant and equipment, operating concessions, right-of-use assets, contract costs and intangible assets other than goodwill (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

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

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

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Contract assets

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

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

3.2 Material accounting policy information *(Continued)*

Contract liabilities

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

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

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

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, and is transferred to retained profits/continues to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, receivables under service concession arrangements and amounts due from contract customers), and other items (deposits and other receivables) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of past events and current conditions at the reporting date as well as the forecast of future economic conditions.

The Group always recognises lifetime ECL for trade receivables and amounts due from contract customers without significant financing component.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

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

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

(i) Significant increase in credit risk *(Continued)*

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are past due more than certain days, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(Continued)*

(v) Measurement and recognition of ECL *(Continued)*

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Lifetime ECL for certain trade receivables/amounts due from contract customers are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and amounts due from contract customers and deposits and other receivables, where the corresponding adjustment is recognised through a loss allowance account.

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets *(Continued)*

Derecognition/modification of financial assets

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

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but continues to be held in the FVTOCI reserve.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity *(Continued)*

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including bank and other borrowings, corporate bonds, trade payables, other payables and accruals and others are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Hedge accounting *(Continued)*

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses, net' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Perpetual capital instruments

Perpetual capital instruments with no contractual obligation to repay the principal or to pay any distribution are classified as part of equity.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Construction work and service contracts

The Group recognises revenue for construction work and service contracts according to the percentage of completion of the individual contracts of construction work or service. The Group's management estimates the percentage of completion of construction work and service based on the actual cost incurred over the total budgeted cost, where corresponding contract revenue is also estimated by management. Because of the nature of the activity undertaken in construction and service contracts, the date at which the activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction contract and service contract as the contract progresses.

Determination of fair value of contract revenue in respect of the construction services rendered

Revenue from the construction of sewage and reclaimed water treatment and seawater desalination plants under the terms of a Build-Operate-Transfer ("BOT") contract is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the date of agreement applicable to similar construction services rendered in a similar location, and is recognised on the percentage-of-completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

The construction margin is determined based on the gross profit margins of market comparables by identifying relevant peer groups, which are listed on various stock exchanges in the world. Criteria for selection include:

(i) the peer firm must be in the field of the construction of infrastructure, majoring in sewage and reclaimed water treatment and seawater desalination facilities in the PRC; and

(ii) information of the peer firm must be available and from a reliable source.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the relevant business units to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The total carrying amount of goodwill as at 31 December 2025 was RMB3,505,144,000 (2024: RMB3,635,579,000) in aggregate, details of which are set out in note 18 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Provision for expected credit losses on receivables under service concession arrangements, trade receivables and amounts due from contract customers

The policy for provision for expected credit losses on receivables under service concession arrangements, trade receivables and amounts due from contract customers of the Group is based on an ECL model. A considerable amount of estimation is required in assessing the available information which includes information about past events, current conditions and forecasts future economic conditions to estimate the ECL. The carrying amounts of receivables under service concession arrangements, trade receivables and amounts due from contract customers carried as assets in the consolidated statement of financial position as at 31 December 2025 were RMB65,874,499,000 (2024: RMB65,198,082,000), RMB25,286,460,000 (2024: RMB22,396,241,000) and RMB12,773,733,000 (2024: RMB20,071,574,000), respectively, further details of which are set out in notes 19, 26 and 27 to the financial statements.

Current tax and deferred tax

The Group is mainly subject to income taxes in Hong Kong, Chinese Mainland, Portugal, Botswana and Australia. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly.

However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations, of which the ultimate tax determination is uncertain, during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made. The carrying amount of current income tax payable carried as a liability in the consolidated statement of financial position as at 31 December 2025 was RMB1,327,381,000 (2024: RMB1,402,863,000).

Deferred tax assets relating to certain deductible temporary differences and tax losses are recognised as management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed. The carrying amounts of deferred tax assets and liabilities carried as assets and liabilities in the consolidated statement of financial position as at 31 December 2025 were RMB735,882,000 (2024: RMB555,444,000) and RMB4,847,262,000 (2024: RMB4,846,702,000), respectively, details of which are set out in note 39 to the consolidated financial statements.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Particulars of the Group's reportable operating segments are summarised as follows:

(a) the sewage and reclaimed water treatment and construction services segment engages in the construction and operation of sewage and reclaimed water treatment plants and the provision of construction services for comprehensive renovation projects;

(b) the water distribution services segment engages in the distribution and sale of piped water and the provision of related services;

(c) the technical and consultancy services and sale of machineries segment engages in the provision of consultancy services and sale of machineries related to sewage treatment, and the licensing of technical know-how related to sewage treatment; and

(d) the urban resources services segment engages in the provision of urban environmental governance services and construction services, hazardous waste treatment services, waste electrical and electronic equipment treatment services and sale of recycling and reuse products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit for the year attributable to shareholders of the Company. The profit for the year attributable to shareholders of the Company is measured consistently with the Group's profit for the year attributable to shareholders of the Company, except interest income on loans to joint ventures, loss on disposal of subsidiaries, loss on disposal of receivables under service concession arrangements, finance costs, share of results of certain joint ventures and associates, provision of impairment losses, as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude corporate and head office assets as these assets are managed on a group basis.

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2025

	Sewage and reclaimed water treatment and construction services *RMB'000*	Water distribution services *RMB'000*	Technical and consultancy services and sale of machineries *RMB'000*	Urban resources services *RMB'000*	Total *RMB'000*
Segment revenue *(note 6)*	11,080,377	3,007,245	1,681,060	6,293,469	22,062,151
Cost of sales	(5,652,744)	(1,915,612)	(927,331)	(5,077,811)	(13,573,498)
Gross profit	5,427,633	1,091,633	753,729	1,215,658	8,488,653
Segment results:					
The Group	5,031,317	907,167	399,804	525,730	6,864,018
Share of results of:					
Joint ventures	274,366	208,252	(396)	2,063	484,285
Associates	(4,092)	(227)	(1,744)	–	(6,063)
	5,301,591	1,115,192	397,664	527,793	7,342,240
Corporate and other unallocated income and expenses, net					(1,713,394)
Share of results of joint ventures and associates					62,684
Finance costs					(2,332,256)
Profit before tax					3,359,274
Income tax expense					(666,940)
Profit for the year					2,692,334
Profit for the year attributable to shareholders of the Company:					
Operating segments	4,488,070	816,437	332,095	94,218	5,730,820
Corporate and other unallocated items					(4,169,289)
					1,561,531

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2025 *(Continued)*

	Sewage and reclaimed water treatment and construction services *RMB'000*	Water distribution services *RMB'000*	Technical and consultancy services and sale of machineries *RMB'000*	Urban resources services *RMB'000*	Total *RMB'000*
Segment assets:					
Operating segments	110,279,098	22,726,268	9,395,829	8,594,588	150,995,783
Corporate and other unallocated items					14,031,621
					165,027,404
Other segment information:					
Capital expenditure*					
– Operating segments	1,727,001	202,287	2,390	183,475	2,115,153
– Amount unallocated					13,854
					2,129,007
Depreciation					
– Operating segments	127,437	197,768	41,071	417,813	784,089
– Amount unallocated					69,015
					853,104
Amortisation of operating concessions	421,428	189,729	–	60,780	671,937
Amortisation of other intangible assets					
– Operating segments	11,610	10,698	2,334	4,054	28,696
– Amount unallocated					39,146
					67,842
Impairment/(reversal of impairment) of segment assets, net**					
– Operating segments	570,566	(15,253)	193,620	203,289	952,222
– Amount unallocated					(349)
					951,873
Provision for major overhauls	288,648	33,877	–	1,695	324,220

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2024

	Sewage and reclaimed water treatment and construction services *RMB'000*	Water distribution services *RMB'000*	Technical and consultancy services and sale of machineries *RMB'000*	Urban resources services *RMB'000*	Total *RMB'000*
Segment revenue *(note 6)*	12,622,214	3,071,217	2,549,372	6,027,696	24,270,499
Cost of sales	(7,030,267)	(1,898,291)	(1,473,982)	(4,878,861)	(15,281,401)
Gross profit	5,591,947	1,172,926	1,075,390	1,148,835	8,989,098
Segment results:					
The Group	5,281,375	1,054,418	646,318	546,186	7,528,297
Share of results of:					
Joint ventures	383,717	182,611	7,223	(930)	572,621
Associates	12,320	(151)	(8,446)	–	3,723
	5,677,412	1,236,878	645,095	545,256	8,104,641
Corporate and other unallocated income and expenses, net					(1,292,181)
Share of results of joint ventures and associates					(3,093)
Finance costs					(3,090,387)
Profit before tax					3,718,980
Income tax expense					(812,083)
Profit for the year					2,906,897
Profit for the year attributable to shareholders of the Company:					
Operating segments	4,692,215	945,753	499,714	108,461	6,246,143
Corporate and other unallocated items					(4,568,543)
					1,677,600

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2024 *(Continued)*

	Sewage and reclaimed water treatment and construction services *RMB'000*	Water distribution services *RMB'000*	Technical and consultancy services and sale of machineries *RMB'000*	Urban resources services *RMB'000*	Total *RMB'000*
Segment assets:					
Operating segments	110,285,623	22,798,075	10,820,602	8,612,963	152,517,263
Corporate and other unallocated items					14,054,340
					166,571,603
Other segment information:					
Capital expenditure*					
– Operating segments	1,345,438	954,837	45,054	553,944	2,899,273
– Amount unallocated					85,330
					2,984,603
Depreciation					
– Operating segments	136,117	196,273	44,010	488,716	865,116
– Amount unallocated					65,960
					931,076
Amortisation of operating concessions	394,796	184,056	–	72,996	651,848
Amortisation of other intangible assets					
– Operating segments	5,921	9,166	1,417	2,030	18,534
– Amount unallocated					39,725
					58,259
Impairment/(reversal of impairment) of segment assets, net**					
– Operating segments	405,658	(21,476)	588,752	31,000	1,003,934
– Amount unallocated					(179,981)
					823,953
Provision for major overhauls	281,621	33,052	–	1,654	316,327

* *Capital expenditure consists of additions to property, plant and equipment, operating concessions and other intangible assets, excluding assets from the reassessment of post-closure provision for landfills, acquisition of subsidiaries and associates.*

** *These amounts are recognised in the consolidated statement of profit or loss and included impairment loss recognised/(reversal) on receivables under service concession arrangements, amounts due from contract customers, trade receivables and other receivables under the expected credit loss model, impairment loss recognized on property, plant and equipment and other intangible assets.*

5. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

	2025	2024
	RMB'000	*RMB'000*
Revenue from external customers:		
Chinese Mainland	**20,015,650**	22,475,399
Elsewhere	**2,046,501**	1,795,100
	22,062,151	24,270,499

The revenue information by geographical area is based on the location of the customers.

Majority of the Group's non-current assets were located in the Chinese Mainland, the place of domicile of the relevant group entities that hold those assets. There were no non-current assets excluded financial instruments in foreign countries that exceeds 10% of the Group's total non-current assets.

Information about major customers

During the year ended 31 December 2025 and 2024, the Group had no transaction with any single external customer which contributed over 10% of the Group's total revenue for the year.

6. REVENUE

An analysis of the Group's revenue is as follows:

	2025	2024
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sewage and reclaimed water treatment services	**9,456,476**	9,178,030
Construction services	**1,623,901**	3,444,184
Water distribution services	**3,007,245**	3,071,217
Technical and consultancy services and sale of machineries	**1,681,060**	2,549,372
Urban services	**5,495,087**	5,310,493
Hazardous waste treatment services and sale of recycling and reuse products	**798,382**	717,203
	22,062,151	24,270,499

Imputed interest income under service concession arrangements amounting to RMB2,855,700,000 (2024: RMB3,100,665,000) is included in the above revenue.

Performance obligations for contracts with customers and revenue recognition policies

Construction services

The Group's performance in respect of construction services creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the surveyors' assessment of work performed and the costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Revenue from the construction services under a service concession arrangement is estimated on a cost plus basis with reference to a prevailing market rate of gross margin at the date of the agreement applicable to similar construction services rendered.

Sewage and reclaimed water treatment services and technical and consultancy services

The Group recognises revenue from sewage and reclaimed water treatment services and technical and consultancy services, upon the transfer of outcome to the customers. The performance obligation is satisfied upon delivery of related service outcome to the customers.

6. REVENUE *(Continued)*

Performance obligations for contracts with customers and revenue recognition policies *(Continued)*

Sales of water, machineries, recycling and reuse products

Revenue from the sales of water, machineries, recycling and reuse products is recognised at the point in time when control of the asset is transferred to the customer, generally when the customer obtains the physical possession or the legal title of the water, completed machineries, recycling and reuse products and the Group has a present right to payment and the collection of the consideration is probable.

Provision of urban services

Revenue from the provision of urban services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Provision of hazardous waste treatment services

Revenue from the provision of hazardous waste treatment services is recognised at the point in time when the services are provided to the customers.

Transaction price allocated to the remaining performance obligation for contracts with customers

The aggregate amount of the transaction prices allocated to the performance obligations that are unsatisfied (or partially unsatisfied) of BOT and Transfer-Operate-Transfer ("TOT") arrangements as at 31 December 2025 was RMB280 billion (2024: RMB294 billion). The performance obligations expected to be satisfied in more than one year relate to the services of BOT and TOT arrangements. The amounts disclosed above do not include variable consideration which is constrained.

7. INTEREST INCOME, OTHER INCOME, OTHER GAINS AND LOSS, NET

	2025 RMB'000	2024 RMB'000
Interest income		
Bank interest income	**84,212**	213,403
Interest income on trade and other receivables with extended credit periods	**354,920**	550,015
Interest income on loans to joint ventures	**10,122**	29,625
	449,254	793,043
Other income		
Gross rental income	**16,314**	10,095
Government grants *(Note)*	**135,794**	127,079
Sludge treatment income	**151,991**	148,651
Pipeline installation income	**205,844**	150,788
Dividend income from equity investments at fair value through other comprehensive income	**14,498**	25,818
Others	**454,454**	371,577
	978,895	834,008
Other gains and losses, net		
Loss on disposal of joint ventures, net	**(642)**	–
(Loss) gain on modification of a lease	**(2,875)**	2,037
Foreign exchange loss	**(6,214)**	(4,409)
Loss on disposal of items of property, plant and equipment, net	**(64,303)**	(37,280)
Gain on disposal of subsidiaries, net *(note 43)*	**42,338**	34,835
Loss on disposal of receivables under service concession arrangements	**(398,070)**	(15,399)
Fair value loss on investment properties	**(36,123)**	(2,873)
Others	**21,696**	(5,128)
	(444,193)	(28,217)

Note: The government grants recognised during the current and prior years represented grants received from certain government authorities in respect of the fulfilment of certain specific duties by the Group.

8. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	Notes	2025 RMB'000	2024 RMB'000
Cost of sewage and reclaimed water treatment services rendered		**3,889,776**	3,760,086
Cost of construction services		**1,354,871**	2,875,385
Cost of water distribution services		**1,712,553**	1,714,235
Cost of technical and consultancy services rendered and machineries sold		**927,331**	1,473,982
Cost of urban services		**4,235,506**	4,135,143
Cost of hazardous waste treatment services and sale of recycling and reuse products		**781,524**	670,722
Provision for major overhauls		**324,220**	316,327
(Reversal of write-down)/write-down of inventories to net realisable value		**(668)**	1,998
Depreciation of property, plant and equipment	*15*	**853,104**	931,076
Depreciation of right-of-use assets	*17*	**61,370**	74,757
Amortisation of operating concessions *(Note a)*	*19*	**671,937**	651,848
Amortisation of other intangible assets *(Note a)*	*20*	**67,842**	58,259
Auditor's remuneration		**9,982**	9,874
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**5,094**	4,846
Employee benefit expenses (including directors' remuneration (note 10)):			
Salaries, allowances and benefits in kind		**4,573,396**	4,382,839
Pension scheme contributions *(Note b)*		**710,039**	729,034
Welfare and other expenses		**534,090**	503,844
Total		**5,817,525**	5,615,717

Notes:

a. The amortisation of operating concessions and other intangible assets for the year is included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss, respectively.

b. There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. PROFIT FROM OPERATING ACTIVITIES *(Continued)*

Impairment loss on financial assets under expected credit loss model, net

	Notes	2025 RMB'000	2024 RMB'000
Impairment losses recognised on:			
– receivables under service concession arrangements, net	*19*	**233,524**	84,147
– amounts due from contract customers, net	*26*	**135,292**	87,020
– trade receivables, net	*27(c)*	**363,689**	592,595
– other receivables, net	*28(c)*	**2,031**	60,191
		734,536	823,953

9. FINANCE COSTS

An analysis of finance costs is as follows:

	2025 RMB'000	2024 RMB'000
Interest on bank and other loans	**1,881,555**	2,732,605
Interest on corporate bonds	**483,544**	481,318
Interest on lease liabilities	**9,491**	15,462
Total interest expense	**2,374,590**	3,229,385
Increase in discounted amounts of provision for major overhauls arising from the passage of time *(note 37)*	**63,670**	55,020
Total finance costs	**2,438,260**	3,284,405
Less: Interest included in cost of construction services	**(106,004)**	(194,018)
	2,332,256	3,090,387

10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on the Stock Exchange, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2025	2024
	RMB'000	*RMB'000*
Fees:	**2,173**	2,180
Other emoluments:		
Salaries, allowances and benefits in kind	**10,144**	10,654
Pension scheme contributions	**185**	219
	10,329	10,873
	12,502	13,053

10. DIRECTORS' REMUNERATION *(Continued)*

An analysis of the directors' remuneration, on a named basis, is as follows:

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Year ended 31 December 2025				
Executive directors:				
Mr. Xiong Bin *(Chairman)*	–	–	–	–
Mr. Zhou Min *(Chief Executive Officer)*	218	5,551	16	5,785
Mr. Li Haifeng	218	2,570	84	2,872
Ms. Li Yining *(Note 2)*	–	–	–	–
Mr. Zhang Wenjiang	–	–	–	–
Ms. Zhou Xueyan *(Note 3)*	–	–	–	–
Mr. Tung Woon Cheung Eric	218	–	–	218
Ms. Sha Ning *(Note 1)*	–	–	–	–
Mr. Li Li *(Note 1)*	209	2,023	85	2,317
Mr. Jiang Xinhao *(Note 4)*	–	–	–	–
	863	10,144	185	11,192
Non-executive director:				
Mr. Yuan Jianwei	218	–	–	218
	218	–	–	218
Independent non-executive directors:				
Mr. Shea Chun Lok Quadrant	220	–	–	220
Mr. Guo Rui	218	–	–	218
Mr. Chau On Ta Yuen	218	–	–	218
Mr. Dai Xiaohu	218	–	–	218
Ms. Chan Siu Chee Sophia	218	–	–	218
	1,092	–	–	1,092
Total	2,173	10,144	185	12,502

10. DIRECTORS' REMUNERATION *(Continued)*

Notes:

1. Ms. Sha Ning and Mr. Li Li are resigned as executive director of the Company with effect from 18 December 2025.

2. Ms. Li Yining is appointed as executive director of the Company with effect from 18 December 2025.

3. Ms. Zhou Xueyan is appointed as executive director of the Company with effect from 5 June 2025.

4. Mr. Jiang Xinhao is resigned as executive director of the Company with effect from 6 January 2025.

5. Mr. Yuan Jianwei is appointed as non-executive director of the Company with effect from 6 December 2024.

6. Mr. Li Tianzhi is appointed as non-executive director of the Company with effect from 27 June 2024 and resigned as non-executive director with effect from 6 December 2024.

7. Mr. Wang Dianchang is resigned as non-executive director of the Company with effect from 27 June 2024.

8. Mr. Zhang Wenjiang is appointed as executive director of the Company with effect from 6 February 2024.

9. Mr. Ke Jian is resigned as executive director of the Company with effect from 6 February 2024.

10. Mr. Xiong Bin, Ms. Sha Ning, Mr. Zhang Wenjiang, Mr. Jiang Xinhao, Ms. Li Yining, Ms. Zhou Xueyan and Mr. Ke Jian waived directors' remuneration for the year ended 31 December 2025 amounting to HK$240,000, HK$231,452, HK$240,000, HK$3,945, HK$9,205, HK$138,082 and nil (2024: HK$240,000, HK$240,000, HK$216,329, HK$240,000, nil, nil and HK$23,671), respectively. Except for the above, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. DIRECTORS' REMUNERATION *(Continued)*

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Year ended 31 December 2024				
Executive directors:				
Mr. Xiong Bin *(Chairman)*	–	–	–	–
Mr. Zhou Min *(Chief Executive Officer)*	218	5,304	25	5,547
Mr. Li Haifeng	218	2,091	84	2,393
Ms. Sha Ning	–	–	–	–
Mr. Zhang Wenjiang *(Note 8)*	–	–	–	–
Mr. Tung Woon Cheung Eric	218	–	–	218
Mr. Li Li	218	3,259	110	3,587
Mr. Jiang Xinhao	–	–	–	–
Mr. Ke Jian *(Note 9)*	–	–	–	–
	872	10,654	219	11,745
Non-executive director:				
Mr. Yuan Jianwei *(Note 5)*	18	–	–	18
Mr. Li Tianzhi *(Note 6)*	91	–	–	91
Mr. Wang Dianchang *(Note 7)*	109	–	–	109
	218	–	–	218
Independent non-executive directors:				
Mr. Shea Chun Lok Quadrant	218	–	–	218
Mr. Guo Rui	218	–	–	218
Mr. Chau On Ta Yuen	218	–	–	218
Mr. Dai Xiaohu	218	–	–	218
Ms. Chan Siu Chee Sophia	218	–	–	218
	1,090	–	–	1,090
Total	2,180	10,654	219	13,053

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2024: two directors), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining three (2024: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2025	2024
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**6,396**	6,017
Performance related bonuses	**4,810**	4,807
Pension scheme contributions	**372**	362
	11,578	11,186

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

	Number of employees	
	2025	2024
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**1**	1
HK$5,000,001 to HK$5,500,000	**1**	1
	3	3

12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2025 (2024: 16.5%).

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Chinese Mainland is 25% for both years.

The income tax provisions in respect of operations in Chinese Mainland and other countries are calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of Chinese Mainland, a number of the Company's subsidiaries enjoy income tax exemptions and reductions because (1) these companies are engaged in the operations of environmental protection, energy and water conservation; and/or (2) they have operations in the Western Regions of Chinese Mainland that are qualified for a 15% concessionary corporate income tax rate for a prescribed period of time pursuant to the "Circular of the State Council on Policies and Measures Concerning the Large-scale Development of China's Western Regions" (Guo Fa [2000] No. 33) issued by the State Council of Chinese Mainland.

The Group is operating in certain jurisdictions where the Pillar Two Rules are effective. However, as the Group's estimated effective tax rates of all the jurisdictions in which the Group operates are higher than 15%, after taking into account the adjustments under the Pillar Two Rules based on management's best estimate, the management of the Group has not made relevant disclosures of qualitative and quantitative information about the Group's exposure to the Pillar Two income taxes.

	2025 ***RMB'000***	2024 *RMB'000*
Current – Hong Kong	**8,778**	6,108
Current – Chinese Mainland	**811,464**	748,257
Current – Elsewhere	**49,519**	60,675
Overprovision in prior years	**(5,684)**	(10,039)
Deferred tax *(note 39)*	**(197,137)**	7,082
Total tax charge for the year	**666,940**	812,083

12. INCOME TAX EXPENSE *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2025	2024
	RMB'000	*RMB'000*
Profit before tax	**3,359,274**	3,718,980
Tax at the average income tax rate of 25.4% (2024: 28.6%) *(note)*	**853,118**	1,062,063
Lower tax rates of specific provinces or enacted by local authorities	**(163,309)**	(145,382)
Tax concession	**(365,687)**	(410,962)
Tax effect of share of result of joint ventures and associates	**(88,097)**	(116,841)
Income not subject to tax	**(155,485)**	(215,541)
Expenses not deductible for tax	**447,893**	493,627
Effect of withholding tax of 5% on the distributable profit of the Group's PRC subsidiary and joint ventures	**1,777**	4,078
Tax losses utilised from previous periods	**(53,706)**	(27,652)
Tax losses not recognised	**196,120**	178,732
Overprovision in prior years	**(5,684)**	(10,039)
Tax expense at the Group's effective tax rate	**666,940**	812,083

Note: The average income tax rates for the years ended 31 December 2025 and 2024 represent the weighted average tax rate of the operations in different jurisdictions on the basis of the relative amounts of profit before taxation and the relevant statutory rates.

13. DIVIDENDS

	2025	2024
	RMB'000	*RMB'000*
Interim dividend of 7.35 cents (2024: HK7.00 cents) per ordinary share	**673,127***	642,942
Proposed final dividend of HK9.25 cents (2024: HK9.10 cents) per ordinary share	**854,967**	831,960*
	1,528,094	1,474,902

The proposed final dividend for the year ended 31 December 2025 is subject to the approval of the Company's shareholders at the forthcoming annual general meetings.

* *Dividends for ordinary shares of the Company recognised as distribution during the year amounted to RMB1,505,087,000 (2024: RMB1,435,359,000) in aggregate.*

14. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic and diluted earnings per share amount is based on the profit for the year attributable to shareholders of the Company, adjusted to reflect the distribution related to the perpetual capital instruments, for the year ended 31 December 2025, and the weighted average number of 10,046,609,871 (2024: 10,046,609,871) ordinary shares in issue less the weighted average number of 18,499,494 (2024: 18,499,494) ordinary shares held under the share award scheme of the Company during the year.

14. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(Continued)

The calculations of the basic and diluted earnings per share attributable to shareholder of the Company based on the following data:

	2025	2024
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to shareholders of the Company	**1,561,531**	1,677,600
Distribution related to the perpetual capital instruments	**(102,301)**	(109,906)
Earnings for the purpose of basic earnings per share and diluted earnings per share *(note a)*	**1,459,230**	1,567,694

	2025	2024
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share and diluted earnings per share *(note b)*	**10,028,110,377**	10,028,110,377

Notes:

(a) The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for both 2025 and 2024.

(b) The weighted average number of ordinary shares has been calculated taking into account the shares held under share award scheme.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *RMB'000*	Leasehold improvements *RMB'000*	Machinery, and sewage and water pipelines *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST							
At 1 January 2024	4,874,826	246,245	4,164,368	548,726	1,743,162	573,198	12,150,525
Exchange realignment	(882)	56	(9,580)	(451)	(3,212)	(312)	(14,381)
Additions	236,537	89,441	320,944	46,394	313,300	536,168	1,542,784
Acquisition of subsidiaries *(note 42)*	–	–	–	203	–	–	203
Disposal of subsidiaries *(note 43)*	–	–	–	(47)	(22)	–	(69)
Disposals/write-off	(6,645)	(2,620)	(62,515)	(12,044)	(67,955)	–	(151,779)
Transfers	10,209	11,406	24,814	817	4,533	266,089	317,868
At 31 December 2024	5,114,045	344,528	4,438,031	583,598	1,989,806	1,375,143	13,845,151
Exchange realignment	548	(17)	8,190	353	3,400	649	13,123
Additions	5,437	33,400	65,385	22,965	70,745	424,075	622,007
Acquisition of subsidiaries *(note 42)*	–	–	–	82	127	–	209
Disposal of subsidiaries *(note 43)*	(81,107)	–	(2,497)	(17,398)	(10,009)	(185,873)	(296,884)
Disposals/write-off	(7,698)	(4,977)	(69,489)	(12,765)	(77,553)	(4,121)	(176,603)
Transfers	168,300	6,168	165,297	39,234	400	(243,634)	135,765
At 31 December 2025	5,199,525	379,102	4,604,917	616,069	1,976,916	1,366,239	14,142,768
DEPRECIATION AND IMPAIRMENT							
At 1 January 2024	1,080,713	129,593	1,429,110	267,361	883,743	–	3,790,520
Exchange realignment	(652)	56	(6,432)	(434)	(1,401)	–	(8,863)
Provided for the year	242,109	70,694	280,007	43,418	294,848	–	931,076
Eliminated on disposal/write-off	(3,593)	(1,065)	(38,834)	(12,226)	(58,021)	–	(113,739)
At 31 December 2024	1,318,577	199,278	1,663,851	298,119	1,119,169	–	4,598,994
Exchange realignment	433	(1)	4,392	30	1,858	–	6,712
Provided for the year	199,604	60,737	302,117	46,566	244,080	–	853,104
Impairment loss recognised in profit or loss	–	–	21	40	10	204,244	204,315
Acquisition of subsidiaries (note 42)	–	–	–	64	54	–	118
Disposal of subsidiaries (note 43)	(38,144)	–	(1,629)	(12,745)	(6,073)	(161,173)	(219,764)
Eliminated on disposal/write-off	(6,489)	(2,598)	(65,911)	(11,432)	(55,877)	–	(142,307)
At 31 December 2025	1,473,981	257,416	1,902,841	320,642	1,303,221	43,071	5,301,172
CARRYING VALUES							
At 31 December 2025	3,725,544	121,686	2,702,076	295,427	673,695	1,323,168	8,841,596
At 31 December 2024	3,795,468	145,250	2,774,180	285,479	870,637	1,375,143	9,246,157

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

At 31 December 2025, certain land use rights and certain buildings situated in Chinese Mainland with an aggregate carrying amount of RMB2,170,222,000 (2024: RMB1,399,544,000) were mortgaged to secure certain bank and other loans granted to the Group (note 35).

The above items of property, plant and equipment, except for construction in progress, after taking into account the residual values, are depreciated on a straight-line basis on the following bases:

Leasehold land	Over the lease terms
Buildings	20 to 30 years
Leasehold improvements	Over the lease terms or 5 years, whichever is shorter
Machinery	5 to 10 years
Sewage and water pipelines	10 to 20 years
Furniture, fixtures and office equipment	5 to 10 years
Motor vehicles	3 to 10 years

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

16. INVESTMENT PROPERTIES

The investment properties are leased to third parties and associates under operating lease arrangements, further summary of which are included in note 17 to the consolidated financial statements.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

16. INVESTMENT PROPERTIES *(Continued)*

	2025	2024
	RMB'000	*RMB'000*
Carrying amount at 1 January	**459,320**	462,193
Fair value loss on revaluation	**(36,123)**	(2,873)
Carrying amount at 31 December	**423,197**	459,320
Unrealised loss on property revaluation included in profit or loss (included in other gains and losses)	**(36,123)**	(2,873)

Note:

(a) As at 31 December 2025, one of the Group's investment properties with a carrying amount of RMB380,470,000 (2024: RMB414,190,000) was mortgaged to a bank to secure a bank loan granted to the Group (note 35).

The Group's investment properties were revalued on 31 December 2025 and 2024 by Zenith Assets & Real Estate Appraisal Co.,Ltd and Vocation (Beijing) International Assets Appraisal Co., Ltd, respectively, independent professionally qualified valuers, at RMB423,197,000 (2024: RMB459,320,000). Each year, management decides to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Each year, management has discussions with the valuers on the valuation assumptions and valuation results.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Valuation technique	**Significant unobservable inputs**	**Range**	
		31 December 2025	31 December 2024
Market comparison approach	Market price per square metre (per sq. m)	**RMB32,700 to RMB80,100**	RMB34,700 to RMB62,000

A significant increase/(decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the discount rate in isolation would result in a significant (decrease)/increase in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and an opposite change in the discount rate.

The fair value measurement is categories into Level 3 fair value hierarchy. There were no transfers into or out of Level 3 during the year.

17. LEASES

The Group as a lessee

The Group has lease contracts for office building and various items of machinery, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20-50 years, and no ongoing payments will be made under the terms of these land leases.

Lease terms of different assets generally are as follows:

Office buildings	Over the lease terms or 2-16 years
Office equipment	Over the lease terms or 5-10 years
Machinery, sewage and water pipelines	Over the lease terms or 4-10 years
Motor vehicles	Over the lease terms or 2-15 years

Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. No lease contracts have extension and termination options.

	Office building *RMB'000*	**Office equipment** *RMB'000*	**Leasehold land** *RMB'000*	**Motor vehicles** *RMB'000*	**Machinery, sewage and water pipelines** *RMB'000*	**Total** *RMB'000*
As at 31 December 2025						
Carrying amount	92,013	192	708,390	11,800	987	813,382
As at 31 December 2024						
Carrying amount	113,309	100	678,244	12,826	1,425	805,904
For the year ended 31 December 2025						
Depreciation charge	41,082	56	14,614	5,179	439	61,370
For the year ended 31 December 2024						
Depreciation charge	48,095	6	17,227	8,991	438	74,757

17. LEASES *(Continued)*

The Group as a lessee *(Continued)*

At 31 December 2025, certain of the Group's prepaid land lease payments with a net carrying amount of RMB293,020,000 (2024: RMB331,444,000) were mortgaged to secure certain bank borrowings granted to the Group (note 35).

	2025	2024
	RMB'000	*RMB'000*
Interest on lease liabilities	**9,491**	15,462
Depreciation charge of right-of-use assets	**61,370**	74,757
Expense relating to short-term leases (included in administrative expenses)	**3,687**	5,526
Total amount recognised in profit or loss	**74,548**	95,745
Additions to right-of-use assets	**88,555**	89,164

The total cash outflow for leases is disclosed in the consolidated statement of cash flows.

The Group as a lessor

The Group leases its investment properties consisting of certain floors and portion of its office building and a commercial building in the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB16,314,000 (2024: RMB10,095,000), details of which are included in note 7 to the consolidated financial statements.

At 31 December 2025, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2025	2024
	RMB'000	*RMB'000*
Within one year	**15,446**	16,892
In the second to fifth years, inclusive	**5,802**	14,124
Beyond five years	**1,131**	3,532
	22,379	34,548

18. GOODWILL

	2025	2024
	RMB'000	*RMB'000*
Cost and net carrying amount:		
At 1 January	**3,635,579**	3,617,399
Disposal of subsidiaries *(note 43)*	**(112,706)**	–
Acquisition of subsidiaries *(note 42)*	**–**	6,209
Exchange realignment	**(17,729)**	11,971
At 31 December	**3,505,144**	3,635,579

Impairment testing of goodwill

The carrying amount of the goodwill acquired through acquisitions of subsidiaries is allocated to the relevant business units of the individual operating segments of the Group for impairment testing, which is summarised as follows:

	2025	2024
	RMB'000	*RMB'000*
Sewage and reclaimed water treatment and construction services segment	**1,690,302**	1,716,839
Water distribution services segment	**902,940**	920,669
Technical and consultancy services and sale of machineries segment	**905,693**	991,862
Urban resources services	**6,209**	6,209
	3,505,144	3,635,579

18. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

The recoverable amounts of the relevant business units in sewage and reclaimed water treatment and construction services segment, water distribution services segment and technical and consultancy services and sale of machineries segment as at 31 December 2025 and 2024 have been determined by reference to business valuations performed by Valtech Valuation Advisory Limited, independent professionally qualified valuers, based on fair value less costs of disposal using cash flow projections which are based on financial forecasts approved by senior management covering a period of 10 years and based on the assumption that the sizes of the operations remain constant perpetually. The recoverable amounts of the relevant business units in urban resources services segment as at 31 December 2025 and 2024 have been determined by reference to business valuations performed by Masterpiece Valuation Advisory Limited and Valtech Valuation Advisory Limited, respectively, independent professionally qualified valuers, based on fair value less costs of disposal using cash flow projections which are based on financial forecasts approved by senior management covering a period of 5 years and based on the assumption that the sizes of the operations remain constant perpetually. The pre-tax discount rates applied to the cash flow projections ranged from 11.4% to 14.3% (2024: 11.2% to 14.0%) for the business units of the sewage and reclaimed water treatment and construction services segment, the water distribution services segment, the technical and consultancy services and sale of machineries segment, and the urban resources services segment, which are determined by reference to the average rates for similar industries and the business risks of the relevant business units. A growth rate of 1.0% to 3.0% (2024: 1.1% to 3.0%) is used for the perpetual period.

Based on the results of the impairment testing of goodwill, in the opinion of the directors of the Company, no impairment provision is considered necessary for the Group's goodwill as at 31 December 2025 (2024: nil). The recoverable amount is significantly above the carrying amount of those operating segments. Management believes that any reasonably possible change in any of these assumptions would not result in impairment.

Other assumptions used in estimations of the recoverable amounts

The following describes other assumptions adopted by management in the preparation of the cash flow projections for the purpose of impairment testing of goodwill:

- Budgeted revenue
  - in respect of the revenue from the sewage and reclaimed water treatment and construction services segment and the water distribution services segment, the budgeted revenue is based on the projected sewage and reclaimed water treatment and water distribution volume, and the latest sewage and reclaimed water treatment and water tariff charges up to the date of valuation.
  - in respect of the revenue from the technical and consultancy services and sale of machineries segment, the budgeted revenue is based on the expected growth rate of the market.
  - in respect of the revenue from the urban resources services segment, the budgeted revenue is based on the urban service fee expected to be received.

18. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Other assumptions used in estimations of the recoverable amounts (Continued)

- Budgeted gross margins
  - in respect of the gross margin from sewage and reclaimed water treatment and construction service segment, water distribution services segment and technical and consultancy service and sale of machineries segment, the basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved during the six months ended 30 June for the same year.
  - in respect of the urban resources services segment, the basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.
- Business environment
  - There have been no major changes in the existing political, legal and economic conditions in Chinese Mainland, Hong Kong, Portugal, Australia and New Zealand.

19. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into a number of service concession arrangements with certain governmental authorities in Chinese Mainland, Singapore, Portugal and Australia on a BOT or a TOT basis in respect of its sewage and reclaimed water treatment, water distribution services and urban services. These service concession arrangements generally involve the Group as an operator in (i) constructing sewage and reclaimed water treatment plants, water distribution facilities and urban services facilities (collectively, the "Facilities") for those arrangements on a BOT basis; (ii) paying a specific amount for those arrangements on a TOT basis; and (iii) operating and maintaining the Facilities at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 12 to 50 years (the "Service Concession Periods"), and the Group will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through a pricing mechanism. The Group is generally entitled to use all the property, plant and equipment of the Facilities, however, the relevant governmental authorities as grantors will control and regulate the scope of services that the Group must provide with the Facilities, and retain the beneficial entitlement to any residual interest in the Facilities at the end of the terms of the Service Concession Periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authority in Chinese Mainland, Singapore, Portugal, Australia that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations imposed on the Group to restore the Facilities to a specified level of serviceability at the end of the Service Concession Periods, and arrangements for arbitrating disputes.

19. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

A summary of the major terms of the principal service concession arrangements as at 31 December 2025 is as follows:

No.	Name of company as Operator	Name of plant	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity (m^3/day)	Service concession period
Subsidiaries:							
1.	綿陽中科成污水淨化有限公司	綿陽市塔子壩污水處理廠一期	Mianyang, Sichuan Province, the PRC	綿陽市人民政府	TOT on sewage treatment	100,000	30 years from 2002 to 2032
2.	廣州中業污水處理有限公司	廣州市花都區新華污水處理廠一期	Guangzhou, Guangdong Province, the PRC	廣州市花都區市政園林管理局	BOT on sewage treatment	100,000	25 years from 2008 to 2033
3.	深圳北控創新投資有限公司	深圳市龍崗區橫嶺污水處理廠二期	Shenzhen, Guangdong Province, the PRC	深圳市水務局	TOT on sewage treatment	400,000	20 years from 2011 to 2031
4.	深圳北控豐泰投資有限公司	深圳市龍崗區橫嶺污水處理廠一期	Shenzhen, Guangdong Province, the PRC	深圳市龍崗區人民政府	BOT on sewage treatment	200,000	25 years from 2003 to 2028
5.	成都青白江中科成污水淨化有限公司	成都市青白江區污水處理廠	Chengdu, Sichuan Province, the PRC	成都市青白江區人民政府	TOT on sewage treatment	100,000	25 years from 2009 to 2034
6.	錦州市北控水務有限公司	錦州市一期污水處理廠	Jinzhou, Liaoning Province, the PRC	錦州市公用事業與房產局	TOT on sewage treatment	100,000	30 years from 2009 to 2039
7.	錦州市北控水務有限公司	錦州市二期污水處理廠	Jinzhou, Liaoning Province, the PRC	錦州市公用事業與房產局	BOT on sewage treatment	100,000	30 years from 2011 to 2041
8.	錦州市小凌河北控水務有限公司	錦州市三期污水處理廠	Jinzhou, Liaoning Province, the PRC	錦州市人民政府	TOT on sewage treatment	100,000	30 years from 2013 to 2043
9.	玉溪北控城投水質淨化有限公司	玉溪市污水處理廠	Yuxi, Yunnan Province, the PRC	玉溪市住房和城鄉建設局	TOT on sewage treatment	100,000	30 years from 2010 to 2040
10.	廣西貴港北控水務有限公司	貴港市城西污水處理廠	Guigang, Guangxi Zhuang Autonomous Region, the PRC	貴港市市政管理局	BOT on sewage treatment	100,000	30 years from 2008 to 2038
11.	廣西貴港北控水務有限公司	龍床井水廠	Guigang, Guangxi Zhuang Autonomous Region, the PRC	貴港市市政管理局	BOT on water distribution	100,000	30 years from 2008 to 2038
12.	遵義北控水務有限公司	遵義市青山供水廠	Zunyi, Guizhou Province, the PRC	遵義市供排水有限責任公司	BOT on water distribution	100,000	25 years from 2013 to 2038
13.	衡陽市海朗水務有限公司	衡陽市珠暉自來水制水廠	Hengyang, Hunan Province, the PRC	衡陽市建設局	BOT on water distribution	100,000	30 years (Not yet started)

19. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

No.	Name of company as Operator	Name of plant	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity (m^3/day)	Service concession period
14.	廣安北控廣和水務有限公司	廣安新橋園區供水廠(一期)	Guangan, Sichuan Province, the PRC	廣安市人民政府	BOT on water distribution	100,000	30 years from 2014 to 2044
15.	廣安北控廣和水務有限公司	廣安新橋園區供水廠(二期)	Guangan, Sichuan Province, the PRC	廣安市人民政府	BOT on water distribution	100,000	30 years (Not yet started)
16.	成都北控蜀都投資有限公司	成都合作污水處理廠	Chengdu, Sichuan Province, the PRC	成都市郫縣水務局	TOT on sewage treatment	100,000	25 years from 2012 to 2037
17.	東莞市德高水務有限公司	東莞市横瀝東坑合建污水處理廠	Dongguan, Guangdong Province, the PRC	横瀝鎮人民政府	BOT on sewage treatment	120,000	25 years from 2008 to 2033
18.	北控水務集團(海南)有限公司	白沙門污水處理廠	Haikou, Hainan Province, the PRC	海口市水務局	BOT on sewage treatment	200,000	25 years from 2010 to 2035
19.	德清達闥制水有限公司	德清縣乾元淨水廠項目	Deqing, Zhejiang Province, the PRC	德清縣建設局	BOT on water distribution	100,000	25 years from 2007 to 2032
20.	北控(鞍山水務)有限公司	鞍山市永寧污水處理廠項目	Anshan, Liaoning Province, the PRC	鞍山市環境保護局	BOT on sewage treatment	100,000	30 years from 2015 to 2045
21.	阜新市北控水務有限公司	遼寧省阜新市開發區污水處理廠項目	Fuxin, Liaoning Province, the PRC	阜新市人民政府	TOT on sewage treatment	100,000	30 years from 2014 to 2044
22.	北控(洛陽)水務發展有限公司	澗西污水處理廠項目	Luoyang, Henan Province, the PRC	洛陽市水務局	TOT on sewage treatment	200,000	30 years from 2015 to 2045
23.	北控(洛陽)水務發展有限公司	瀍東污水處理廠項目	Luoyang, Henan Province, the PRC	洛陽市水務局	TOT on sewage treatment	200,000	30 years from 2015 to 2045
24.	北控(洛陽)水務發展有限公司	新區污水處理廠項目	Luoyang, Henan Province, the PRC	洛陽市水務局	TOT on sewage treatment	100,000	30 years from 2015 to 2045
25.	廣東鶴山北控水務有限公司	鶴山市沙坪鎮第二供水廠項目	Jiangmen, Guangdong Province, the PRC	鶴山市人民政府	BOT on water distribution	195,000	30 years from 2015 to 2045
26.	北控(濟源)污水淨化有限公司	濟源市城市污水廠	Jiyuan, Henan Province, the PRC	濟源市住房和城鄉建設局	TOT on sewage treatment	100,000	30 years from 2016 to 2046
27.	永州市水務運營有限責任公司	永州曲河供水廠一期	Yongzhou, Hunan Province, the PRC	永州市城市管理行政執法局	TOT on water distribution	100,000	30 years from 2016 to 2046
28.	凱里北控清源水務有限公司	凱里市城鎮供排水項目	Kaili, Guizhou Province, the PRC	凱里水務局	TOT on water distribution	144,000	30 years from 2016 to 2046

19. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

No.	Name of company as Operator	Name of plant	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity (m^3/day)	Service concession period
29.	棗莊北控智信水務有限公司	棗莊市區供水廠	Zaozhuang City, Shandong Province, the PRC	棗莊市人民政府	BOT on water distribution	110,000	30 years from 2017 to 2047
30.	南安實康水務有限公司	福建南安供水廠一期	Nanan, Fujian Province, the PRC	福建南安市人民政府	TOT on water distribution	170,000	30 years from 2008 to 2038
31.	山東昌樂實康水業有限公司	山東昌樂供水廠	Changle, Shandong Province, the PRC	山東省昌樂人民政府	TOT on water distribution	100,000	50 years from 2004 to 2054
32.	昌樂實康原水有限公司	山東昌樂原水廠	Changle, Shandong Province, the PRC	山東省昌樂人民政府	BOT on water distribution	100,000	30 years from 2008 to 2038
33.	常德北控碧海水務有限責任公司	常德柳葉湖污水廠	Changde City, Hunan Province, the PRC	常德市市政公用事業管理局	TOT on sewage treatment	100,000	20 years from 2021 to 2041
34.	BEWGI-UE NEWater (S) Pte. Ltd.	新加坡樟宜第二新生水廠	Singapore	新加坡公用事業局	DBOO on water recycling	228,000	25 years from 2014 to 2039
35.	延吉京城環保產業有限公司	延吉污水處理廠一期	Yanji City, Jilin Province, the PRC	延吉市人民政府	TOT on sewage treatment	100,000	30 years from 2017 to 2047
36.	永州市北控污水淨化有限公司	永州市冷水灘區下河線污水處理廠	Yongzhou, Hunan Province, the PRC	湖南省永州市公用事業管理局	BOT on sewage treatment	100,000	30 years from 2008 to 2038
37.	厚街海清污水處理有限公司	厚街沙塘污水處理廠	Dongguan, Guangdong Province, the PRC	厚街鎮人民政府	BOT on sewage treatment	100,000	25 years from 2009 to 2033
38.	北控(洛陽)水務發展有限公司	新區污水處理廠二期	Luoyang, Henan Province, the PRC	洛陽市水務局	BOT on sewage treatment	100,000	30 years from 2015 to 2045
39.	內蒙古泰弘生態環境發展股份有限公司	包頭市大青山生態應急水源工程	Baotou, Inner Mongolia, the PRC	包頭市人民政府	BOT on water distribution	190,000	30 years from 2012 to 2042
40.	Macarthur Water Pty Ltd.	Macarthur	Sydney, Australia	Sydney Water	BOT on water distribution	265,000	35 years from 1995 to 2030
41.	北控(洛陽)水務發展有限公司	澗西污水處理廠二期擴建工程	Luoyang, Henan Province, the PRC	洛陽市水務局	BOT on sewage treatment	100,000	30 years from 2015 to 2045

19. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

No.	Name of company as Operator	Name of plant	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity (m^3/day)	Service concession period
42.	湖南北控水務發展有限 公司	長沙市敢勝垸污水處理廠及配套工程一期	Changsha, Hunan Province, the PRC	長沙市住房和城鄉建設委員會	TOT on sewage treatment	100,000	26 years from 2019 to 2045
43.	洛陽北控原水有限公司	洛陽市故縣水庫引水工程	Luoyang, Henan Province, the PRC	洛陽市水務局	BOT on water distribution	432,000	50 years from 2021 to 2071
44.	廣州增城北控水處理有限公司	廣東增城區中心城 區污水處理系統工程一期	Guangzhou, Guangdong Province, the PRC	廣州市增城區水務設施管理所	BOT on sewage treatment	150,000	30 years from 2018 to 2048
45.	赤峰北控三座店供水有限公司	內蒙赤峰三座店水利樞紐中心城區引供水工程	Chifeng, Inner Mongolia, the PRC	赤峰市水利局	BOT on water distribution	122,320	25 years from 2018 to 2043
46.	成都龍泉北控水務有限公司	陡溝河污水處理廠二廠	Chengdu, Sichuan Province, the PRC	成都市龍泉驛區水務局	BOT on sewage treatment	100,000	30 years from 2018 to 2048
47.	湖南北控水務發展有限公司	蘇托垸污水處理廠	Changsha, Hunan Province, the PRC	長沙市住房和城鄉建設委員會	BOT on sewage treatment	100,000	26 years from 2019 to 2045
48.	青島中科成污水淨化有限公司	膠州污水處理廠三期	Jiaozhou, Shandong Province, the PRC	膠州市城鄉建設局	BOT on sewage treatment	100,000	30 years from 2020 to 2050
49.	北控 (洛陽) 水務發展有限公司	洛陽市瀍東污水處理廠二期	Luoyang, Henan Province, the PRC	洛陽市水務局	BOT on sewage treatment	100,000	30 years from 2015 to 2045
50.	銀川瀚寧水務有限公司	寧夏回族自治區銀川市第一再生水廠	Yinchuan, Ningxia Hui Nationality Autonomous Region, the PRC	銀川市市政管理局	BOT on reclaimed water treatment	300,000	32 years from 2020 to 2052
51.	濟源北控制水有限公司	濟源市第三水廠一期	Jiyuan, Henan Province, the PRC	濟源市住房和城鄉建設局	BOT on water distribution	150,000	30 years from 2020 to 2049
52.	鞍山市北水鞍達水務發展有限公司	鞍山城域達道灣污水處理廠	Anshan, Liaoning Province, the PRC	鞍山市住房和城鄉建設局	TOT on sewage treatment	100,000	30 years from 2022 to 2052
53.	三河北控燕郊自來水有限公司	三河市燕郊供水項目	Sanhe, Hebei Province, the PRC	三河市水務局	TOT on water distribution	210,000	30 years from 2022 to 2052

19. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

No.	Name of company as Operator	Name of plant	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity (m^3/day)	Service concession period
Joint ventures:							
54.	貴陽北控水務有限責任公司 ("Guiyang BEWG")	貴陽市城市供水廠	Guiyang, Guizhou Province, the PRC	貴陽市城市管理局	BOT on water distribution	1,300,000	30 years from 2011 to 2041
55.	海寧實康水務有限公司	浙江海寧供水廠	Haining, Zhejiang Province, the PRC	浙江海寧市人民政府	TOT on water distribution	300,000	30 years from 2006 to 2036
56.	朝陽市北控水務有限公司	朝陽淨源污水處理廠	Chaoyang City, Liaoning Province, the PRC	朝陽市人民政府國有資產監督管理委員會	TOT on sewage treatment	100,000	30 years from 2016 to 2046
57.	邢台北控水務有限公司	河北邢台召馬地表水廠第一期	Xingtai, Hebei Province, the PRC	邢台市水務局	BOT on water distribution	150,000	30 years from 2017 to 2047

The above table lists the service concession arrangements of the Group which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all other service concession arrangements would, in the opinion of the directors, result in particulars of excessive length.

Pursuant to the service concession agreements entered into by the Group, the Group is granted the rights to use the property, plant and equipment of the Facilities and the related land, which are generally registered under the names of the relevant companies in the Group, during the Service Concession Periods, but the Group is generally required to surrender these assets to the grantors at a specified level of serviceability at the end of the respective Service Concession Periods. As at 31 December 2025, the Group was in the process of applying for the change of registration of the title certificates with respect to certain land use rights and buildings of certain Facilities to which the Group's service concession arrangements relate. The directors of the Company are of the opinion that the Group is entitled to the lawful and valid occupation or use of these buildings and land to which the above-mentioned land use rights relate, and that the Group would not have any legal barriers in obtaining the proper title certificates.

At 31 December 2025, certain sewage treatment and water distribution concession rights of the Group (comprising operating concessions and receivables under service concession arrangements) with an aggregate carrying amount of RMB32,577,423,000 (2024: RMB30,468,457,000) were pledged to secure certain bank loans granted to the Group as set out in note 35.

19. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

As further explained in the accounting policy for "Service concession arrangements" set out in note 3 to the consolidated financial statements, the consideration paid by the Group for a service concession arrangement is accounted for as an intangible asset (operating concession) or a financial asset (receivable under a service concession arrangement) or a combination of both, as appropriate. The following is the summarised information of the intangible asset component (operating concessions) and the financial asset component (receivables under service concession arrangements) with respect to the Group's service concession arrangements:

Operating concessions

	2025 **RMB'000**	2024 RMB'000
At 1 January:		
Cost	**14,716,271**	13,387,386
Accumulated amortisation	**(3,512,535)**	(2,888,698)
Net carrying amount	**11,203,736**	10,498,688
Net carrying amount:		
At 1 January	**11,203,736**	10,498,688
Additions	**1,480,282**	1,380,113
Amortisation provided during the year *(note 8)*	**(671,937)**	(651,848)
Acquisition of subsidiaries *(note 42)*	**19,865**	–
Disposal	**(18,660)**	–
Exchange realignment	**23,852**	(23,217)
At 31 December	**12,037,138**	11,203,736
At 31 December:		
Cost	**16,217,598**	14,716,271
Accumulated amortisation	**(4,180,460)**	(3,512,535)
Net carrying amount	**12,037,138**	11,203,736

19. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

Receivables under service concession arrangements

	2025 RMB'000	2024 RMB'000
Receivables under service concession arrangements	**66,492,585**	65,582,644
Impairment *(note (b))*	**(618,086)**	(384,562)
	65,874,499	65,198,082
Portion classified as current assets	**(10,392,044)**	(9,447,741)
Non-current portion	**55,482,455**	55,750,341

Notes:

(a) In respect of the Group's receivables under service concession arrangements, the various group companies have different credit policies, depending on the requirements of the locations in which they operate. Ageing analyses of receivables under service concession arrangements are regularly reviewed by senior management in order to minimise any credit risk arising from the receivables.

An ageing analysis of the Group's receivables under service concession arrangements as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2025 RMB'000	2024 RMB'000
Billed:		
Within 3 months	**2,608,934**	2,760,315
4 to 6 months	**1,764,742**	2,601,815
7 to 12 months	**2,598,190**	1,796,738
Over 1 year	**3,420,178**	2,288,873
	10,392,044	9,447,741
Unbilled:		
Non-current portion*	**55,482,455**	55,750,341
Total	**65,874,499**	65,198,082

* The non-current portion receivables represented contract assets as the rights to considerations have yet to be unconditional.

19. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

Receivables under service concession arrangements *(Continued)*

Notes: (Continued)

(b) The movements in the loss allowance for impairment of the Group's receivables under service concession arrangements during the year are as follows:

	2025	2024
	RMB'000	*RMB'000*
At 1 January	**384,562**	300,415
Impairment losses, net	**233,524**	84,147
At 31 December	**618,086**	384,562

The increase (2024: increase) in the loss allowance was due to the changes in the gross carrying amount of the receivables under service concession arrangements mainly attributable to the commencement of operations of BOT and TOT projects.

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2025, the probability of default applied ranged from 0.07% to 2.15% (2024: 0.11% to 1.84%), and the loss given default was estimated to be ranged from 53.80% to 62.30% (2024: 53.80% to 62.30%).

19. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

Receivables under service concession arrangements *(Continued)*

Notes: (Continued)

(b) *(Continued)*

Set out below is the information about the credit risk exposure of the Group's receivables under service concession arrangements using the probability of default approach:

As at 31 December 2025

	Stage 1 Collective *RMB'000*	**Stage 2 Collective** *RMB'000*	**Stage 3 Individual** *RMB'000*	**Total** *RMB'000*
ECL allowance as at 1 January 2025	**14,731**	**369,831**	**–**	**384,562**
New assets originated	**206**	**8,004**	**–**	**8,210**
Repaid (excluding write-offs)	**(14,183)**	**(292,053)**	**–**	**(306,236)**
Transfers to Stage 2	**(5,238)**	**5,238**	**–**	**–**
Loss allowance recognised	**35,098**	**496,452**	**–**	**531,550**
At 31 December 2025	**30,614**	**587,472**	**–**	**618,086**

As at 31 December 2024

	Stage 1 Collective *RMB'000*	Stage 2 Collective *RMB'000*	Stage 3 Individual *RMB'000*	Total *RMB'000*
ECL allowance as at 1 January 2024	26,061	274,354	–	300,415
New assets originated	408	2,640	–	3,048
Repaid (excluding write-offs)	(25,119)	(220,107)	–	(245,226)
Transfers to Stage 2	(10,956)	10,956	–	–
Loss allowance recognised	24,337	301,988	–	326,325
At 31 December 2024	14,731	369,831	–	384,562

20. OTHER INTANGIBLE ASSETS

	Patents *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
COST			
At 1 January 2024	8,208	700,675	708,883
Additions	1,898	59,808	61,706
Disposal	–	(4,846)	(4,846)
Exchange realignment	–	(4,527)	(4,527)
At 31 December 2024	10,106	751,110	761,216
Additions	27	26,691	26,718
Disposal	–	(21,770)	(21,770)
Disposal of subsidiaries *(note 43)*	(312)	(7,754)	(8,066)
Exchange realignment	–	2,628	2,628
At 31 December 2025	9,821	750,905	760,726
AMORTISATION AND IMPAIRMENT			
At 1 January 2024	4,756	277,773	282,529
Provided for the year	686	57,573	58,259
Eliminated on disposal	–	(2,718)	(2,718)
Exchange realignment	–	(3,983)	(3,983)
At 31 December 2024	5,442	328,645	334,087
Provided for the year	473	67,369	67,842
Eliminated on disposal	–	(3,848)	(3,848)
Disposal of subsidiaries *(note 43)*	(140)	(5,169)	(5,309)
Impairment loss recognised in the year	–	13,022	13,022
Exchange realignment	–	2,304	2,304
At 31 December 2025	5,775	402,323	408,098
CARRYING VALUES			
As at 31 December 2025	4,046	348,582	352,628
As at 31 December 2024	4,664	422,465	427,129

20. OTHER INTANGIBLE ASSETS *(Continued)*

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Patents	10 years
Computer software	5 – 10 years

21. INVESTMENTS IN JOINT VENTURES

	NOTES	**2025** **RMB'000**	2024 RMB'000
Investments in joint ventures, included in non-current assets:			
Share of net assets		**10,143,907**	10,090,763
Goodwill on acquisition	*(c)*	**426,473**	426,473
	(e)	**10,570,380**	10,517,236
Due from joint ventures, included in current assets	*(d), 28*	**3,035,944**	2,411,898
Due to joint ventures, included in current liabilities	*(d), 41*	**(1,159,685)**	(1,040,999)
Total interests in joint ventures		**12,446,639**	11,888,135

21. INVESTMENTS IN JOINT VENTURES *(Continued)*

Particulars of the Group's interests in the major joint ventures are as follows:

Company name	Place of incorporation/ registration and operations	Paid-up capital/ registered capital	Percentage of Ownership interest attributable to the Group	Percentage of Voting power	Percentage of Profit sharing	Principal activities
貴陽北控水務有限責任公司 ("Guiyang BEWG")#*	PRC/Chinese Mainland	RMB1,456,162,145/ RMB1,456,162,145	45	45	45	Water distribution
洛陽北控水務集團有限公司 ("Luoyang BEWG")*	PRC/Chinese Mainland	RMB200,000,000/ RMB200,000,000	40	40	40	Water distribution, reclaimed water treatment and heating services
天津市華博水務有限公司 ("Tianjin Huabo")*	PRC/Chinese Mainland	RMB588,235,294/ RMB588,235,294	49	49	49	Sewage treatment and construction services
北控南南君悅(天津)投資合夥企業(有限合夥)*	PRC/Chinese Mainland	RMB639,645,000/ RMB726,000,000	20.19	(a)	(a)	Fund investment
北京北水盈壽股權投資基金管理中心(有限合夥)*	PRC/Chinese Mainland	RMB3,139,055,000/ RMB24,002,400,000	–	(b)	(b)	Fund investment

\# *Directly held by the Company*

* *In the opinion of the directors of the Company, the joint ventures were not individually material to the Group in the current and prior years. Hence, no disclosure of their financial information has been made.*

Notes:

(a) In 2017, the Group (as deferred limited partner) entered into a limited partnership agreement (the "Junyue Partnership Agreement") with an investment management company (as preferential limited partner), and a joint venture investor (also as deferred limited partner) in relation to the establishment and management of a fund (the "Junyue Fund"). The Junyue Fund shall focus on investing in water and water environmental comprehensive projects in certain cities in Chinese Mainland.

Pursuant to the Junyue Partnership Agreement, the capital commitment of the Junyue Fund is approximately RMB3.1 billion. In 2022, according to the resolution approved by all the partners, the registered capital of Junyue Fund has been revised from RMB628 million to RMB726 million. As at 31 December 2025, the total investment contributed by the preferential limited partner and the Group as a deferred limited partner in the Junyue Fund amounted to RMB493 million (2024: RMB516 million) and RMB147 million (2024: RMB147 million), respectively. During the year ended 31 December 2025, the paid-up capital of RMB23 million (2024: RMB22 million) was reduced and paid to the preferential limited partner.

The preferential limited partner shall have priority to be entitled to the expected principal and return among all the partners in distribution and dissolution. In the event of loss, the loss shall be shared by all the partners in accordance with the percentage of capital contribution.

21. INVESTMENTS IN JOINT VENTURES *(Continued)*

Notes: (Continued)

(a) *(Continued)*

In January 2021, China Life (as defined below) has acquired all the equity interests from the preferential limited partner. According to the equity transfer agreement, the new preferential limited partner, China Life, will not entitle to any undertakings provided by the deferred limited partners.

As all the significant relevant activities of the Junyue Fund require the unanimous consent from all limited partners, the Junyue Fund is accounted for as a joint venture.

(b) In 2017, the Group (as intermediate limited partner) entered into a master limited partnership agreement ("China Life Partnership Agreement") with China Life Insurance Company Limited ("China Life") (as preferential limited partner) and a joint venture investor (as deferred limited partner) in relation to the establishment and management of a master fund. The master fund shall focus on investing in water and water environmental comprehensive projects which had been invested by different subordinated funds in Chinese Mainland.

Pursuant to the China Life Partnership Agreement, the aggregate capital commitment of the master fund was approximately RMB24 billion. As at 31 December 2025, the total investment contributed by China Life in the master fund amounted to approximately RMB3,139 million (2024: RMB3,309 million). The intermediate and deferred limited partners are not required to contribute the capital unless and until the general partner may issue a written notice to them to seek the relevant capital contribution pursuant to the China Life Partnership Agreement. No capital was contributed by the intermediate and deferred limited partners and all the capital in the master fund has been invested to four subordinated funds as at 31 December 2025 and 2024. During the year ended 31 December 2025, the paid-up capital of RMB170 million (2024: RMB106 million) was reduced and paid to the preferential limited partner.

China Life shall have priority to be entitled to the expected principal and return among all the partners in distribution and dissolution. In the event of loss, China Life shall share the loss lastly.

As all the significant relevant activities of the master fund require the unanimous consent from all limited partners, the master fund is accounted for as a joint venture.

(c) The movements in the goodwill included in the investments in joint ventures during the year are as follows:

	2025	2024
	RMB'000	*RMB'000*
Cost and net carrying amount:		
At 1 January	**426,473**	423,062
Exchange realignment	–	3,411
At 31 December	**426,473**	426,473

21. INVESTMENTS IN JOINT VENTURES *(Continued)*

Notes: (Continued)

(d) (i) Included in the amounts due from joint ventures of the Group as at 31 December 2025 included (i) an advance to a joint venture of RMB122,500,000 (2024: RMB122,500,000). The amount is unsecured, bears interest at 4.9% per annum and is repayable on demand and (ii) advances to a joint venture of nil (2024: RMB50,280,000) in aggregate.

(ii) Other than the above balances, the amounts due from/to joint ventures included in current assets and current liabilities of the Group as at 31 December 2025 and 2024 are unsecured, interest-free and are repayable on demand. There were no recent history of default and past due amounts for the amounts due from joint ventures. As at 31 December 2025 and 2024, the loss allowance was assessed to be minimal.

(e) The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2025	2024
	RMB'000	*RMB'000*
Share of the joint ventures' profits for the year	**505,722**	525,099
Share of the joint ventures' total comprehensive income for the year	**515,677**	497,020
Aggregate carrying amount of the Group's investments in the joint ventures	**10,570,380**	10,517,236

22. INVESTMENTS IN ASSOCIATES

		2025	2024
	Notes	***RMB'000***	*RMB'000*
Investments in associates, included in non-current assets:			
Share of net assets		**2,932,560**	2,938,919
Goodwill on acquisition	*(c)*	**388,138**	388,138
	(d)	**3,320,698**	3,327,057
Due from associates, included in current assets	*(b), 28*	**74,838**	84,023
Due to associates, excluding trade payables, included in current liabilities	*(b), 41*	**(160,821)**	(127,073)
Total investments in associates		**3,234,715**	3,284,007

22. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes:

(a) Particulars of the Group's interests in the major associates are as follows:

Company name	Place of incorporation	Issued capital/ paid-up capital	Percentage of: Ownership interest attributable to the Group	Percentage of: Voting power	Percentage of: Profit sharing	Principal activities
Shandong Hi-Speed New Energy Group Limited* ("SDHS New Energy")	Cayman Islands	HK$112,329,436	18.03	18.03	18.03	Management of photovoltaic power business, wind power business, and clean heat supply business
湖南北控威保特環境科技股份有限公司*	PRC/Chinese Mainland	RMB242,680,000	35.6	35.6	35.6	Provision of urban services, sewage treatment services and others
金科環境股份有限公司*	PRC/Chinese Mainland	RMB123,119,025	17.18	17.18	17.18	Provision of environmental protection services, sewage treatment service and others

* *In the opinion of the directors of the Company, these associates were not individually material to the Group in the current and prior years. Hence, no disclosure of its financial information has been made.*

(b) The amounts due from/to associates included in current assets and current liabilities of the Group as at 31 December 2025 and 2024 are unsecured, interest-free and repayable on demand. There were no recent history of default and past due amounts for the amounts due from associate. As at 31 December 2025 and 2024, the loss allowance was assessed to be minimal.

(c) The movements in the goodwill included in the investments in associates during the year are as follows:

	2025 *RMB'000*	2024 *RMB'000*
Cost and net carrying amount:		
At 1 January	**388,138**	382,207
Exchange realignment	**–**	5,931
At 31 December	**388,138**	388,138

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

	2025 *RMB'000*	2024 *RMB'000*
Share of the associates' profits for the year	**35,184**	48,152
Share of the associates' total comprehensive profit/(loss) for the year	**38,758**	(37,130)
Aggregate carrying amount of the Group's investments in associates	**3,320,698**	3,327,057

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Current		Non-current	
	2025	2024	**2025**	2024
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Derivatives financial (liabilities)/assets				
Cross-currency interest rate swap	**(36,534)**	17,161	**–**	11,762

The management considers the cross-currency interest rate swap are highly effective hedging instrument and has designated them as cash flow hedging instrument for hedge accounting purposes.

At 31 December 2025

Cross currency interest rate swap – cash flow hedges

		Forward	Interest rate		Exchange frequency	
Notional amount	**Maturity**	**contract rate**	**Receive**	**Pay**	**Receive**	**Pay**
HK$1,000,000,000	15 October 2026	HK$1 to RMB0.93	1 month - HIBOR+1.05%	3.25%	Monthly	Monthly

At 31 December 2024

Cross currency interest rate swap – cash flow hedges

		Forward	Interest rate		Exchange frequency	
Notional amount	**Maturity**	**contract rate**	**Receive**	**Pay**	**Receive**	**Pay**
HK$2,000,000,000	7 November 2025	HK$1 to RMB0.93	1 month - HIBOR+0.95%	3.41%	Monthly	Monthly
HK$1,000,000,000	15 October 2026	HK$1 to RMB0.93	1 month - HIBOR+1.05%	3.25%	Monthly	Monthly

Fair value change on this hedging instrument in cash flow hedge of losses of RMB65,457,000 (2024: gain of RMB28,923,000) has been recognised in other comprehensive income and accumulated in the hedging reserve. Losses of RMB27,215,000 (2024: Gain of RMB10,801,000) on cash flow hedge was reclassified to profit or loss.

The above derivatives are measured at fair value. The classification of the fair value measurement of the above derivatives at 31 December 2025 and 31 December 2024 are Level 2 under the fair value hierarchy.

24. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025	2024
	RMB'000	*RMB'000*
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value	**82,748**	100,835
Unlisted equity investments, at fair value	**524,528**	590,068
	607,276	690,903

(a) The above equity investments were irrevocably designated as equity instruments at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

(b) The fair values of certain equity investments designated at fair value through other comprehensive income have been estimated using the market approach and by reference to the quoted market price and were classified as Level 1 in the fair value hierarchy.

The fair values of the remaining equity investments designated at fair value through other comprehensive income have been estimated on 31 December 2025 and 2024 by Zenith Assets & Real Estate Appraisal Co., Ltd. and Vocation (Beijing) International Assets Appraisal Co., Ltd. respectively, using the market approach were classified as Level 3 in the fair value hierarchy. The directors of the Company determine comparable public companies (peers) based on industry, size and leverage, and calculate an appropriate price multiple, such as the price to book value ("P/B") multiple (2024: P/B multiple), for each comparable company identified. The multiple is then discounted for considerations such as illiquidity based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding net assets of the unlisted equity investments to measure the fair value. The directors of the Company consider that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

24. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(b) *(Continued)*

Set out below is a summary of the valuation technique used and the key inputs to the valuation of equity investments designated at fair value through other comprehensive income together with a quantitative sensitivity analysis as at 31 December 2025 and 2024:

Valuation technique	Significant unobservable input	Sensitivity of fair value to the input
Market approach. The market approach was used to determined the valuation based on recent transaction using the P/B multiples of selected comparable listed companies in a similar business and adjusted for lack of marketability.	Average P/B multiple of peers	The higher the P/B multiples, the higher the fair value.
	Discount for lack of marketability	The higher the lack of marketability discount, the lower the fair value.

(c) **Fair value hierarchy**

The movements in fair value measurements within Level 3 are as follows:

	RMB'000
At 1 January 2024	584,969
Additions	30,045
Disposals	(5,728)
Fair value change	(72,712)
Exchange realignment	9,715
At 31 December 2024 and 1 January 2025	546,289
Additions	–
Disposals	(27,052)
Fair value change	(39,729)
Exchange realignment	(18)
At 31 December 2025	479,490

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for the financial assets for the years ended 31 December 2025 and 2024.

25. INVENTORIES

	2025	2024
	RMB'000	*RMB'000*
Raw materials	**259,854**	260,297
Finished goods	**81,024**	99,190
Total	**340,878**	359,487

26. AMOUNTS DUE FROM CONTRACT CUSTOMERS

	2025	2024
	RMB'000	*RMB'000*
Contract costs arising from construction services provided plus recognised profits less recognised losses to date	**13,321,250**	20,483,799
Impairment	**(547,517)**	(412,225)
	12,773,733	20,071,574
Portion classified as current assets	**(4,998,893)**	(3,186,867)
Non-current portion	**7,774,840**	16,884,707

Amounts due from contract customers are initially recognised for revenue earned from the construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as amounts due from contract customers are reclassified to contract assets included in receivables under service concession arrangements and operating concession for BOT arrangements and trade receivables for other construction contracts when the rights to considerations are unconditional. The amounts due from contract customers would increase when the increase in the ongoing construction service project out-weight the completion of the construction project, and vice versa. During the year ended 31 December 2025, RMB135,292,000 (2024: RMB87,020,000) was recognised as an allowance for expected credit losses on amounts due from contract customers. The Group's trading terms and credit policy with customers are disclosed in notes 19 and 27 to the consolidated financial statements, respectively.

26. AMOUNTS DUE FROM CONTRACT CUSTOMERS *(Continued)*

The movements in the Group's the loss allowance for impairment of amounts due from contract customers during the year are as follows:

	2025	2024
	RMB'000	*RMB'000*
At 1 January	**412,225**	325,205
Impairment losses, net	**135,292**	87,020
At 31 December	**547,517**	412,225

The increase in 2025 (2024: increase) in the loss allowance was due to the increase in aging of amounts due from contract customers.

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2025, the probability of default applied ranged from 0.07% to 85.90% (2024: 0.11% to 69.46%) and the loss given default was estimated to range from 61.50% to 62.30% (2024: 61.60% to 62.30%).

Set out below is the information about the credit risk exposure of the Group's amounts due from contract customers using the probability of default approach:

	Stage 1	**Stage 2**	**Stage 3**	
	Collective	**Collective**	**Individual**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
As at 31 December 2025				
ECL allowance as at 1 January 2025	**5,878**	**406,347**	**–**	**412,225**
New assets originated	**922**	**–**	**–**	**922**
Repaid (excluding write-offs)	**(3,681)**	**–**	**–**	**(3,681)**
Loss allowance recognised	**73,904**	**64,147**	**–**	**138,051**
At 31 December 2025	**77,023**	**470,494**	**–**	**547,517**

26. AMOUNTS DUE FROM CONTRACT CUSTOMERS *(Continued)*

	Stage 1 Collective *RMB'000*	Stage 2 Collective *RMB'000*	Stage 3 Individual *RMB'000*	Total *RMB'000*
As at 31 December 2024				
ECL allowance as at 1 January 2024	16,797	308,408	–	325,205
New assets originated	121	–	–	121
Repaid (excluding write-offs)	(18,643)	(29,557)	–	(48,200)
Loss allowance recognised	7,603	127,496	–	135,099
At 31 December 2024	5,878	406,347	–	412,225

27. TRADE RECEIVABLES

	2025 *RMB'000*	2024 *RMB'000*
Trade receivables	**26,742,561**	23,551,295
Impairment *(note (c))*	**(1,456,101)**	(1,155,054)
	25,286,460	22,396,241
Portion classified as current assets	**(11,589,007)**	(11,375,905)
Non-current portion	**13,697,453**	11,020,336

Notes:

(a) The Group's trade receivables arise from the provision of construction services for comprehensive renovation projects, water distribution services on the Build-Own-Operate basis, technical and consultancy services, urban resources services and sale of machineries. The Group's trading terms with its customers are mainly on credit and each customer has a maximum credit limit. The various group companies have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. The credit period granted to customers is generally one month to three months, except for customers of the construction services for comprehensive renovation projects, who will settle the amounts owed to the Group in a number of specified instalments covering periods ranging from 1 year to 25 years. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Apart from the trade receivables of certain construction services for comprehensive renovation projects which bear interest at rates ranging from 3.5% to 15.0% (2024: 3.8% to 15.0 %) per annum, all other trade receivables are non-interest-bearing.

27. TRADE RECEIVABLES *(Continued)*

Notes: (Continued)

(a) *(Continued)*

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

	2025	2024
	RMB'000	*RMB'000*
Billed:		
Within 3 months	**3,470,536**	4,180,228
4 to 6 months	**1,713,619**	1,410,248
7 to 12 months	**2,227,717**	1,831,795
Over 1 year	**4,177,135**	3,953,634
Balance with an extended credit period	**29,682**	29,682
	11,618,689	11,405,587
Unbilled*	**13,667,771**	10,990,654
	25,286,460	22,396,241

* *The unbilled balance was attributable to certain construction services rendered under contracts for comprehensive renovation projects which will be billed in accordance with the repayment terms stipulated in relevant construction service agreements entered into between the Group and the contract customers.*

(b) Included in the trade receivables of the Group as at 31 December 2025 was an aggregate amount of RMB2,392,000 (2024: RMB2,392,000) due from 北京北控環保工程技術有限公司，a wholly-owned subsidiary of Beijing Enterprises Holdings Limited ("BEHL"), which is a substantial beneficial shareholder of the Company, arising from the sewage treatment equipment trading carried out in the ordinary course of business of the Group. The balance is unsecured, interest-free and repayable on credit terms similar to those offered to the major customers of the Group.

(c) The movements in the Group's the loss allowance for impairment of trade receivables during the year are as follows:

	2025	2024
	RMB'000	*RMB'000*
At 1 January	**1,155,054**	562,459
Disposal of subsidiaries	**(62,642)**	–
Impairment losses, net	**363,689**	592,595
At 31 December	**1,456,101**	1,155,054

During the year ended 31 December 2025, the increase in the loss allowance (2024: increase) was due to the increase in aging of trade receivables.

27. TRADE RECEIVABLES *(Continued)*

Notes: (Continued)

(c) *(Continued)*

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2025, the probability of default applied ranged from 0.07% to 85.90% (2024: 0.11% to 69.46%) and the loss given default was estimated to range from 53.80% to 62.30% (2024: 53.80% to 62.30%).

Set out below is the information about the credit risk exposure of the Group's trade receivables using the probability of default approach:

	Stage 1 Collective *RMB'000*	**Stage 2 Collective** *RMB'000*	**Stage 3 Individual** *RMB'000*	**Total** *RMB'000*
As at 31 December 2025				
ECL allowance as at 1 January 2025	**440,153**	**571,410**	**143,491**	**1,155,054**
New assets originated	**347**	**931**	**–**	**1,278**
Repaid (excluding write-offs)	**(18,825)**	**(353,426)**	**–**	**(372,251)**
Disposal of subsidiaries	**(62,642)**	**–**	**–**	**(62,642)**
Transfer to Stage 2	**(314,412)**	**314,412**	**–**	**–**
Loss allowance recognised	**153,720**	**495,157**	**85,785**	**734,662**
At 31 December 2025	**198,341**	**1,028,484**	**229,276**	**1,456,101**

	Stage 1 Collective *RMB'000*	Stage 2 Collective *RMB'000*	Stage 3 Individual *RMB'000*	Total *RMB'000*
As at 31 December 2024				
ECL allowance as at 1 January 2024	269,057	293,402	–	562,459
New assets originated	124	9	–	133
Repaid (excluding write-offs)	(5,527)	(16,996)	–	(22,523)
Transfer to Stage 2	(1,763)	1,763	–	–
Transfer to Stage 3	(38,332)	(319)	38,651	–
Loss allowance recognised	216,594	293,551	104,840	614,985
At 31 December 2024	440,153	571,410	143,491	1,155,054

(d) The Group did not hold any material collateral or other credit enhancements over trade receivable balances.

(e) At 31 December 2025, certain trade receivables of the Group with an aggregate amount of RMB1,311,674,000 (2024: RMB1,311,486,000) were pledged to secure certain bank loan granted to the Group (note 35).

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2025 RMB'000	2024 RMB'000
Prepayments		**419,998**	331,493
Deposits and other debtors	*(a)*	**4,807,033**	4,176,881
Advances to subcontractors and suppliers		**2,006,814**	1,962,156
Due from joint ventures	*21(d)*	**3,035,944**	2,411,898
Due from associates	*22(b)*	**74,838**	84,023
Due from non-controlling equity holders	*(b)*	**248,937**	234,321
Due from other related parties	*29*	**62,491**	71,917
		10,656,055	9,272,689
Impairment	*(c)*	**(861,301)**	(859,270)
		9,794,754	8,413,419
Portion classified as current assets		**(9,190,537)**	(7,759,427)
Non-current portion		**604,217**	653,992

Notes:

(a) The Group's deposits and other debtors as at 31 December 2025 and 2024 included, inter alia, the following:

(i) Loans and related interest receivables of RMB128,582,000 (2024: RMB128,582,000) in aggregate provided to various government authorities in Chinese Mainland as part of the construction funding for certain comprehensive renovation projects undertaken by these government authorities. Certain of these loans bear interest at 4.75% (2024: 4.75%) per annum.

The above loans and the corresponding interest receivables of RMB128,582,000 (2024: RMB128,582,000) in aggregate are classified as non-current assets. The above balances are secured by proceeds from the disposal of certain land use rights owned by the relevant government authorities in Chinese Mainland.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(a) *(Continued)*

(ii) investment/bidding deposits of RMB40,000,000 (2024: RMB52,000,000) in aggregate paid to certain government authorities in the PRC for acquiring certain sewage and reclaimed water treatment operations which are classified as current assets.

(iii) included corporate income tax recoverable of RMB120,613,000 (2024: RMB133,800,000) as at 31 December 2025.

(b) A loan and related interest receivables of RMB54,138,000 (2024: RMB54,138,000) were provided to a non-controlling equity holder of a subsidiary. The balance is unsecured, bears interest of the benchmark interest rate for 3 to 5-year RMB loans published by the People's Bank of China increased by 25% per annum, is repayable on demand and is classified as a current asset.

Other than the above balances, the amounts due from non-controlling equity holders included in current assets of the Group as at 31 December 2025 and 2024 are unsecured, interest-free and repayable on demand.

(c) The movements in the loss allowance for impairment of other receivables are as follows:

	2025	2024
	RMB'000	*RMB'000*
At 1 January	**859,270**	799,079
Impairment losses, net	**2,031**	60,191
At 31 December	**861,301**	859,270

The increase in the loss allowance in 2025 and 2024 was due to increase in credit risk of certain aged overdue receivables.

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probability of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2025, the probability of default applied ranged from 0.07% to 100% (2024: 0.11% to 100%) and the loss given default was estimated to range from 53.80% to 100% (2024: 53.80% to 100%).

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(c) *(Continued)*

Set out below is the information about the credit risk exposure of the Group's deposits and other receivables using the probability of default approach:

	Stage 1 Collective *RMB'000*	**Stage 2 Collective** *RMB'000*	**Stage 3 Individual** *RMB'000*	**Total** *RMB'000*
As at 31 December 2025				
ECL allowance as at 1 January 2025	**251,623**	**108,989**	**498,658**	**859,270**
New assets originated	**211**	**25,579**	**–**	**25,790**
Repaid/settlement (excluding write-offs)	**(613)**	**(56,142)**	**(29,896)**	**(86,651)**
Loss allowance recognised	**(41,232)**	**40,228**	**63,896**	**62,892**
At 31 December 2025	**209,989**	**118,654**	**532,658**	**861,301**

	Stage 1 Collective *RMB'000*	Stage 2 Collective *RMB'000*	Stage 3 Individual *RMB'000*	Total *RMB'000*
As at 31 December 2024				
ECL allowance as at 1 January 2024	166,015	30,139	602,925	799,079
New assets originated	177	–	–	177
Repaid/settlement (excluding write-offs)	(42)	–	(127,783)	(127,825)
Loss allowance recognised	85,473	78,850	23,516	187,839
At 31 December 2024	251,623	108,989	498,658	859,270

29. BALANCES WITH RELATED PARTIES

The balances with related parties are unsecured, interest-free and are repayable on demand, except for the balances with related companies of the Group included in trade receivables, other receivables and other payables which are disclosed in notes 27, 28 and 41 to the consolidated financial statements, respectively.

30. RESTRICTED CASH AND PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	2025	2024
	RMB'000	*RMB'000*
Cash and bank balances:		
Placed in banks	**8,709,381**	8,521,799
Placed in a financial institution *(note 48(c))*	**846,890**	673,626
Time deposits:		
Placed in banks	**192,950**	29,882
Total cash and bank balances	**9,749,221**	9,225,307
Less: Restricted cash and pledged deposits (note)	**(181,730)**	(216,336)
Cash and cash equivalents	**9,567,491**	9,008,971

Notes:

a. Restricted and pledged deposits as at 31 December 2025 of RMB115,980,000 (2024: RMB168,589,000) could only be used for the construction of sewage treatment facilities and other infrastructural facilities undertaken by the Group; bank deposits of RMB46,958,000 (2024: RMB33,147,000) pledged to banks for the issuance of guarantees and to secure certain banking facilities granted to the Group; and bank deposits of RMB18,792,000 (2024: RMB14,600,000) were pledged to the banks for the bill facilities granted.

b. As at 31 December 2025, the cash and cash equivalents of the Group denominated in RMB amounted to approximately RMB9,292,159,000 (2024: RMB8,647,960,000) is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

c. The Group's bank balances are deposited with creditworthy banks with no recent history of defaults.

31. SHARE CAPITAL

Shares

	2025	2024
	HK$'000	*HK$'000*
Authorised:		
15,000,000,000 ordinary shares of HK$0.10 each	**1,500,000**	1,500,000

	2025	2024
	RMB'000	*RMB'000*
Issued and fully paid:		
10,046,609,871 (2024: 10,046,609,871) ordinary shares of HK$0.10 each	**834,250**	834,250

A summary of the movements in the Company's issued share capital during the years ended 31 December 2025 and 2024 is as follows:

	Number of ordinary shares in issue	**Issued capital**	**Share premium account**	**Total**
		RMB'000	*RMB'000*	*RMB'000*
At 1 January 2024, 31 December 2024 and 31 December 2025	10,046,609,871	834,250	2,323,393	3,157,643

32. SHARE OPTION SCHEME

The Company operated a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. Eligible participants of the Scheme included the directors and independent non-executive directors of the Company, and other employees of the Group. The Scheme became effective on 28 June 2011 and, unless otherwise cancelled or amended, would remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme was an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of passing the resolution for adoption of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period was limited to 1% of the shares of the Company in issue at any time. The Scheme was expired on 27 June 2021. No further share options would be granted under the Scheme but in respect of all share options which remained exercisable on such date, the provision of the Scheme shall remain in full force and effect.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the ordinary shares of the Company in issue at any time or with an aggregate value (based on the price of ordinary shares of the Company at the date of grant) in excess of HK$5 million, within any 12-month period, were subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted was determinable by the directors of the Company, and commences after a vesting period of one to five years and ends on a date which was not later than 10 years from the date of grant of the share options.

The exercise price of share options was determinable by the directors of the Company, but may not be less than the highest of (i) the closing price of ordinary shares of the Company on Stock Exchange on the date of grant of the share options; (ii) the average closing price of ordinary shares of the Company on Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of ordinary shares of the Company of HK$0.10. The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in share capital of the Company.

Share options did not confer rights on the holders to dividends or to vote at shareholders' meetings. The share options were non-transferrable and will lapse upon expiry or the grantee ceases to be an employee of the Group pursuant to the terms of the Scheme.

32. SHARE OPTION SCHEME *(Continued)*

The movements in share options outstanding under the Scheme during the year are as follows:

	2025		2024	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$ per share	***'000***	*HK$ per share*	*'000*
At 1 January	–	–	5.180	2,000
Lapsed during the year	–	–	5.180	(2,000)
At 31 December	–	–	–	–

Notes:

(a) No share option expense was recognised during the years ended 31 December 2025 and 2024 as the expense was fully amortised in prior years.

(b) No share options were exercised for years ended 31 December 2025 and 2024.

As at 31 December 2025, no share options were outstanding under the scheme.

33. SHARE AWARD SCHEME

The Company operates a share award scheme (the "Share Award Scheme") for the purpose of recognising the contributions by certain employees, directors and consultants of the Group and encourage them for the continual operation and development of the Group, and attract excellent talent for further development of the Group. The Share Award Scheme became effective on 17 December 2018 and shall be valid and effective for a term of 5 years commencing on the adoption date and ending on the expiry of the trust period which may be extended by the Board at its absolute discretion. On 14 December 2023, the Board resolved to extend the Share Award Scheme for five further years after the expiry of an initial five-year term until 16 December 2028. As at the date of approval of these consolidated financial statements, the remaining life of the Share Award Scheme is approximately two years and nine months.

33. SHARE AWARD SCHEME *(Continued)*

Pursuant to the Share Award Scheme, the Company shall cause to pay the trustee, the sum for the purchase of the existing awarded shares and the related expenses. The trustee shall purchase the existing shares from the market and shall hold such Shares until they are vested in accordance with the scheme rules. The trustee shall not exercise the voting rights in respect of any shares held by it under the trust (including but not limited to the awarded shares). Subject to the terms and conditions of the Share Award Scheme and the fulfilment of all vesting conditions to (i.e. performance targets) the vesting of the awarded shares, the awarded shares shall be held by the trustee on behalf of the selected participants until the end of the vesting period. The selected participants are not required to pay any purchase price for the vested shares. The awarded shares will be transferred.

The Company shall not make any further award of awarded shares which will result in the aggregate number of shares held by the trustee under the Share Award Scheme at any single point in time exceeding 2% of the total issued share capital of the Company from time to time. Further details of the Share Award Scheme are set out in the announcement of the Company dated 17 December 2018.

Movements of the Company's shares held under the Share Award Scheme are as follows:

	Number of ordinary shares held under share award scheme account	Amount *RMB'000*
At 1 January 2024, 31 December 2024 and 31 December 2025	18,499,494	45,233

Notes:

(a) As at 31 December 2025, there were 18,499,494 (2024: 18,499,494) ordinary shares held through the trustee of the Share Award Scheme.

(b) During the year ended 31 December 2025 and 2024, no awarded shares granted and no share award expense was recognised in respect of the Share Award Scheme.

34. PERPETUAL CAPITAL INSTRUMENTS

	2025	2024
	RMB'000	*RMB'000*
At 1 January	**7,723,948**	5,476,379
Issuance of perpetual capital instruments	**2,503,350**	4,737,927
Repayment of perpetual capital instruments	**(2,502,744)**	(2,490,358)
Share of profit for the year	**226,863**	243,691
Distribution for the year *(Note)*	**(226,863)**	(243,691)
At 31 December	**7,724,554**	7,723,948
Portion classified as equity attributable to shareholders of the Company	**(3,489,535)**	(3,488,929)
Portion directly attributable to holders of perpetual capital instruments	**4,235,019**	4,235,019

Note:

(a) During the year ended 31 December 2025, distributions with an aggregate of RMB226,863,000 (2024: RMB243,691,000) were declared to the holders of perpetual capital instruments issued by the Company and a wholly-owned subsidiary, of which RMB114,787,000 (2024: RMB127,043,000) has not been paid and recorded in other payables as at 31 December 2025.

(b) Certain of the Group's perpetual capital instruments are secured by guarantees given by the Company.

35. BANK AND OTHER BORROWINGS

	2025	2024
	RMB'000	*RMB'000*
Bank loans:		
Secured	**20,310,496**	21,857,582
Unsecured	**34,536,092**	37,743,091
	54,846,588	59,600,673
Other loans:		
Secured	**187,200**	514,448
Unsecured	**1,456,745**	815,888
	1,643,945	1,330,336
Total bank and other borrowings	**56,490,533**	60,931,009
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**14,517,134**	12,770,031
In the second year	**15,196,349**	12,354,832
In the third to fifth years, inclusive	**10,760,436**	19,260,673
Beyond five years	**14,372,669**	15,215,137
	54,846,588	59,600,673
Other loans repayable:		
Within one year or on demand	**109,071**	375,157
In the second year	**170,257**	269,189
In the third to fifth years, inclusive	**287,154**	273,430
Beyond five years	**1,077,463**	412,560
	1,643,945	1,330,336
Total bank and other borrowings	**56,490,533**	60,931,009
Portion classified as current liabilities	**(14,626,205)**	(13,145,188)
Non-current portion	**41,864,328**	47,785,821

35. BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) The carrying amounts of the Group's bank and other borrowings denominated in the following currencies other than the functional currencies of the relevant group entities are set out as follow:

	2025	2024
	RMB'000	*RMB'000*
HK$	**898,581**	7,914,984
RMB	**–**	600,062
	898,581	8,515,046

(b) The effective interest rates (per annum) at the end of the reporting period were as follows:

	2025	2024
Bank loans:		
Secured	**1.60% - 4.90%**	0.60% - 4.90%
Unsecured	**1.50% - 4.35%**	1.20% - 4.75%
Other loans:		
Secured	**2.90% - 3.85%**	3.49% - 4.35%
Unsecured	**1.20% - 3.95%**	1.20% - 4.65%

(c) Certain of the Group's bank loans are secured by:

(i) mortgages over certain sewage treatment and water distribution concession rights (comprising operating concessions and receivables under service concession arrangements) in a net carrying amount of RMB32,577,423,000 (2024: RMB30,468,457,000) as at 31 December 2025, which are under the management of the Group pursuant to the relevant service concession agreements signed with the grantors (note 19);

(ii) guarantees given by the Company and/or its subsidiaries;

(iii) bank deposits of RMB46,958,000 (2024: RMB33,147,000) pledged to banks for the issuance of guarantees and to secure certain banking facilities granted to the Group as at 31 December 2025 (note 30);

(iv) mortgages over certain right-of-use asset and property, plant and equipment and investment properties in Chinese Mainland in an aggregate carrying amount of RMB2,843,712,000 (2024: RMB2,145,178,000) as at 31 December 2025 (notes 15, 16 and 17);

(v) mortgages over certain trade receivables with a net carrying amount of RMB1,311,674,000 (2024: RMB1,311,486,000) as at 31 December 2025 (note 27); and

(vi) pledges over the Group's equity interests in certain subsidiaries.

35. BANK AND OTHER BORROWINGS *(Continued)*

Notes: (Continued)

(d) The Group's bank and other borrowings bear interest at floating rates, except for the following:

(i) Bank and other loans in an aggregate principal amount of RMB25,932,902,000 (2024: RMB19,902,541,000) bearing interest at fixed rates ranging from 1.2% to 4.9% (2024: 1.2% to 4.0%) per annum; and

(ii) Three (2024: three) interest-free government loans in an aggregate principal amount of RMB17,353,000 (2024: RMB22,575,000).

(e) Loan agreements of certain bank loans of the Group in an aggregate carrying amount of RMB24,073,904,000 (2024: RMB27,219,528,000) as at 31 December 2025 include covenants imposing specific performance obligations on BEHL, a substantial beneficial shareholder of the Company, among which any one of the following events would constitute events of default on the loan facilities:

(i) if BEHL does not or ceases to beneficially own, directly or indirectly, at least 35%, where applicable, of the issued share capital of the Company;

(ii) if Beijing Enterprises Group Company Limited ("BEGCL"), a substantial shareholder of the Company, does not or ceases to beneficially own, directly or indirectly, at least 40%, where applicable, of the voting rights in BEHL; and/or

(iii) if BEHL/BEGCL ceases to be controlled and supervised by the People's Government of Beijing Municipality.

Based on the directors' best belief and knowledge, none of the above events took place during the year and as at the date of approval of these financial statements

36. CORPORATE BONDS

	2025 *RMB'000*	2024 *RMB'000*
Unsecured corporate bonds, repayable:		
Within one year	**3,998,254**	1,997,543
In the second year	**2,497,759**	3,993,798
In the third to fifth years, inclusive	**10,777,231**	7,483,388
Beyond five years	**1,994,356**	1,096,480
Total corporate bonds	**19,267,600**	14,571,209
Portion classified as current liabilities	**(3,998,254)**	(1,997,543)
Non-current portion	**15,269,346**	12,573,666

Corporate bonds with an aggregate principal amount of RMB19,300,000,000 (2024: RMB14,600,000,000) issued by the Company and a wholly-owned subsidiary to certain institutional investors bearing interest at rates of ranging from 1.80% to 4.49% (2024: 2.10% to 4.49%) per annum and due for repayment from 2026 to 2035 (2024: 2025 to 2034). The Company and a wholly-owned subsidiary are entitled to adjust the coupon rate of certain corporate bonds two or three years prior to the maturity, and the bond holders are entitled to sell back the bonds to the Company and a wholly-owned subsidiary.

The corporate bonds as at 31 December 2025 will be due for repayment on the aforementioned maturity unless being redeemed prior to their maturity pursuant to the terms thereof and of the indenture. In addition, certain bonds include covenants imposing specific performance obligations on BEHL/BEGCL, among which any one of the following events would constitute events of default:

(i) if BEHL/BEGCL does not or ceases to beneficially own, directly or indirectly, at least 35% of the voting rights of the issued share capital of the Company;

(ii) if BEHL/BEGCL does not or ceases to supervise the Company;

(iii) if BEHL/BEGCL is not or ceases to be, directly or indirectly, the single largest shareholder of the Company; and/or

(iv) if the nominees of BEHL/BEGCL cease to comprise the majority of the members of the Company's board of directors.

Based on the best belief and knowledge of the Company's directors, none of the above events took place during the year and as at the date of approval of these financial statements.

37. PROVISION FOR MAJOR OVERHAULS

Pursuant to the service concession agreements entered into by the Group, the Group has contractual obligations to maintain the Facilities under its operation to a specified level of serviceability and/or to restore the plants to a specified condition before they are handed over to the grantors at the end of the Service Concession Periods. These contractual obligations to maintain or restore the Facilities, except for any upgrade element, are recognised and measured in accordance with HKAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The future expenditure on these maintenance and restoration costs is collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

The movements in the provision for major overhauls of the Facilities during the year are as follows:

	Notes	**2025** ***RMB'000***	2024 *RMB'000*
At 1 January		**644,880**	524,374
Arising from acquisition of subsidiaries	*42*	**12**	–
Disposal of subsidiaries	*43*	**–**	(3,837)
Provision for the year	*8*	**324,220**	316,327
Increase in discounted amounts arising from the passage of time	*9*	**63,670**	55,020
Amount utilised during the year		**(273,143)**	(245,629)
Exchange realignment		**1,003**	(1,375)
At 31 December		**760,642**	644,880

38. DEFERRED INCOME

Deferred income of the Group mainly represented government subsidies received in respect of the Group's construction of sewage treatment, water distribution facilities and hazardous waste treatment facilities and purchase of certain industrial land in the PRC for hazardous waste treatment business.

These government subsidies are recognised in profit or loss on the straight-line basis over the expected useful lives of the relevant assets.

39. DEFERRED TAX

Net deferred tax assets/(liabilities) recognised in the consolidated statement of financial position are as follows:

	2025 ***RMB'000***	2024 *RMB'000*
Deferred tax assets	**735,882**	555,444
Deferred tax liabilities	**(4,847,262)**	(4,846,702)
	(4,111,380)	(4,291,258)

The components of deferred tax assets and liabilities and their movements during the year are as follows:

	Notes	**Fair value adjustments arising from acquisition of subsidiaries** *RMB'000*	**Impairment provision** *RMB'000*	**Provision for major overhauls** *RMB'000*	**Temporary differences related to service concession arrangements** *RMB'000*	**Right-of-use assets** *RMB'000*	**Lease liabilities** *RMB'000*	**Revaluation of properties** *RMB'000*	**Tax losses** *RMB'000*	**Net deferred tax assets/ (liabilities)** *RMB'000*
At 1 January 2024		(335,853)	302,803	103,805	(4,358,733)	(41,611)	46,509	(8,514)	2,080	(4,289,514)
Credit (charge) to profit or loss	*12*	–	152,960	20,644	(173,208)	3,650	(9,766)	718	(2,080)	(7,082)
Arising from acquisition of subsidiaries	*42*	(14)	–	–	–	–	–	–	–	(14)
Disposal of subsidiaries	*43*	–	–	–	2,954	–	–	–	–	2,954
Exchange realignment		–	–	–	2,398	–	–	–	–	2,398
At 31 December 2024 and 1 January 2025		(335,867)	455,763	124,449	(4,526,589)	(37,961)	36,743	(7,796)	–	(4,291,258)
Credit (charge) to profit or loss	*12*	7,023	175,101	31,790	(25,385)	4,189	(4,612)	9,031	–	197,137
Arising from acquisition of subsidiaries	*42*	–	–	–	154	–	–	–	–	154
Disposal of subsidiaries	*43*	(7,400)	(8,115)	–	-	444	(525)	–	–	(15,596)
Exchange realignment		–	–	–	(1,817)	–	–	–	–	(1,817)
At 31 December 2025		(336,244)	622,749	156,239	(4,553,637)	(33,328)	31,606	1,235	–	(4,111,380)

Notes:

(a) As at 31 December 2025, the Group has tax losses arising in Hong Kong of RMB776,180,000 (2024: RMB765,078,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in the PRC of RMB1,150,135,000 (2024: RMB587,805,000) that will expire in one to ten years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in certain subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

(b) The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 5% or 10% for the Group.

At 31 December 2025, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB7,358,283,000 (2024: RMB6,750,675,000) as at 31 December 2025 as the Group is able to control the timing of the reversal of temporary differences and it is probably that the temporary differences will not reverse in the foreseeable future.

40. TRADE PAYABLES

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

	2025 RMB'000	2024 RMB'000
Within 3 months	**9,421,846**	8,916,730
4 to 6 months	**1,204,829**	1,133,729
7 months to 1 year	**1,009,530**	1,018,773
Over 1 year	**5,270,546**	7,912,791
Balance with an extended credit period	**67,444**	67,444
	16,974,195	19,049,467

The trade payables are non-interest-bearing and apart from certain trade payables relating to construction services which are not yet due for payment and are settled based on inspection progress of the respective projects, the other amounts are normally settled on 60-day terms.

41. OTHER PAYABLES AND ACCRUALS

	Notes	2025 RMB'000	2024 RMB'000
Accruals		**1,029,887**	1,240,763
Other liabilities	*(a)*	**3,387,685**	3,218,769
Contract liabilities	*(b)*	**1,341,526**	1,407,505
Due to subcontractors		**50,859**	185,606
Due to joint ventures	*21(d)*	**1,159,685**	1,040,999
Due to associates	*22(b)*	**160,821**	127,073
Due to other related parties	*(c)*	**353,056**	383,420
Other taxes payables		**984,603**	793,871
		8,468,122	8,398,006
Portion classified as current liabilities		**(7,602,541)**	(7,631,530)
Non-current portion		**865,581**	766,476

41. OTHER PAYABLES AND ACCRUALS *(Continued)*

Notes:

(a) The Group's other liabilities as at 31 December 2025 and 2024 included, inter alia, outstanding considerations in an aggregate amount of RMB444,685,000 (2024: RMB657,709,000) payable to various governmental authorities in Chinese Mainland for the construction or transfer of sewage treatment and water distribution facilities to the Group under the BOT or TOT arrangements.

(b) Details of contract liabilities are as follows:

	31 December 2025 *RMB'000*	31 December 2024 *RMB'000*	1 January 2024 *RMB'000*
Construction services	**1,341,512**	1,239,130	1,089,270
Others	**14**	168,375	135,074
Total contract liabilities	**1,341,526**	1,407,505	1,224,344

The increase and decrease in contract liabilities in 2025 and 2024, respectively, was mainly due to the increase and the decrease in short-term advances received from customers in relation to the provision of construction, technical and consultancy services at the end of the year, respectively.

(c) Included in the amounts due to related parties of the Group as at 31 December 2025 were an advance from a related party of SGD15,353,000 (equivalent to RMB83,828,000) (2024: SGD15,288,000 (equivalent to RMB81,332,000)). The amount is unsecured, bears interest at a fixed rate of 2.5% per annum and is repayable by quarterly instalments. Interest expense of RMB2,099,000 (2024: RMB2,042,000) was recognised in profit or loss during the year ended 31 December 2025.

(d) Other payables are non-interest-bearing and have an average credit term of three months.

42. BUSINESS COMBINATIONS

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the years ended 31 December 2025 and 2024 as at their respective dates of acquisition were set out as follows:

	Note	**2025** ***RMB'000***	2024 *RMB'000*
Property, plant and equipment		**91**	203
Operating concessions		**19,865**	–
Inventories		**7**	–
Trade receivables	*(b)*	**–**	105,731
Prepayments, deposits and other receivables	*(b)*	**5,663**	13,562
Cash and cash equivalents		**25**	34,745
Restricted cash and pledged deposits		**–**	10,920
Deferred tax assets		**154**	–
Trade payables		**(85)**	(7,324)
Other payables and accruals		**(25,708)**	(101,640)
Bank and other borrowings		**–**	(21,986)
Income tax payables		**–**	(435)
Provision for major overhauls		**(12)**	–
Deferred tax liabilities		**–**	(14)
Total identifiable net (liabilities)/assets at fair value		**–**	33,762
Goodwill on acquisition		**–**	6,209
		–	39,971
Satisfied by:			
Cash		**–**	39,971
Revenue for the year since acquisition		**3,095**	334,756
Profit for the year since acquisition		**2,610**	3,786

42. BUSINESS COMBINATIONS *(Continued)*

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2025	2024
	RMB'000	*RMB'000*
Cash consideration	–	(39,971)
Cash and cash equivalents acquired	**25**	34,745
Net inflow (outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	**25**	(5,226)

Notes:

(a) Business combinations during the years ended 31 December 2025 and 2024 included, inter alia, the following material transactions:

(i) In March 2025, the Group completed the acquisition of the 100% equity interest in a company which is engaged in the provision of sewage treatment services in Chinese Mainland at nil consideration from a third party.

(ii) In June 2024, the Group completed the acquisition of the 100% equity interest in a company which is engaged in the provision of urban services in Hong Kong at a cash consideration of RMB39,971,000 from a third party.

The purpose of the above acquisitions is to expand the operations of the Group in the urban and sewage treatment services fields.

The goodwill arising on the above acquisitions is attributable to the benefits of synergies and expected business growth as a result of future market development.

(b) The fair values of trade receivables, deposits and other receivables as at the respective dates of acquisitions during the year ended 31 December 2025 amounted to Nil and RMB5,663,000 (2024: RMB105,731,000 and RMB12,543,000), respectively.

The gross contractual amounts of trade receivables, deposits and other receivables as at the respective dates of acquisitions were Nil and RMB5,663,000 (2024: RMB105,731,000 and RMB12,543,000), respectively. No receivables are expected to be uncollectible.

(c) Had the business combination during the year ended 31 December 2025 taken place at the beginning of 1 January 2025, the Group's profit for the year would have been RMB2,692,334,000 and the Group's revenue would have been RMB22,062,151,000.

Had the business combinations during the year ended 31 December 2024 taken place at the beginning of 1 January 2024, the Group's profit for the year ended 31 December 2024 would have been RMB2,911,968,000 and the Group's revenue would have been RMB24,640,954,000.

43. DISPOSAL OF SUBSIDIARIES

	2025	2024
	RMB'000	*RMB'000*
	(note (a))	*(note (b))*
Net assets disposed/liquidated of:		
Property, plant and equipment	**77,120**	69
Right-of-use assets	**16,135**	–
Goodwill	**112,706**	–
Other intangible assets	**2,757**	–
Amounts due from contract customers	**151,805**	–
Receivables under service concession arrangements	**–**	118,599
Investments in joint ventures	**25**	–
Trade receivables	**856,591**	112
Deferred tax assets	**17,872**	–
Inventories	**818**	–
Prepayments, deposits and other receivables	**155,043**	86,175
Cash and cash equivalents	**210,856**	71,954
Trade payables	**(960,674)**	(3,033)
Other payables and accruals	**(208,764)**	(94,987)
Provision for major overhauls	**–**	(3,837)
Deferred Income	**(4,201)**	–
Bank and other borrowings	**(79,525)**	–
Deferred tax liabilities	**(2,276)**	(2,954)
Lease liabilities	**(2,099)**	–
Non-controlling interests	**(75,727)**	(88,880)
	268,462	83,218
Exchange fluctuation reserve realised	**–**	13,643
Gain on disposal of subsidiaries, net	**42,338**	34,835
	310,800	131,696
Satisfied by:		
Cash	**310,800**	131,696

43. DISPOSAL OF SUBSIDIARIES *(Continued)*

An analysis of the net inflow in respect of the disposal of subsidiaries is as follows:

	2025	2024
	RMB'000	*RMB'000*
Cash consideration	**310,800**	131,696
Cash and bank balances disposed of	**(210,856)**	(71,954)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**99,944**	59,742

Notes:

(a) The Group completed the following material disposal of subsidiaries during the year ended 31 December 2025:

(i) in October 2025, the Group liquidated an indirect wholly-owned subsidiary engaging in provision of hazardous waste treatment services in the PRC, with nil consideration.

(ii) in November 2025, the Group disposed of a 70% equity interest in subsidiaries engaging in the technical and consultancy services in the PRC, for a cash consideration of RMB310,800,000.

(b) The Group completed the following material disposal of subsidiaries during the year ended 31 December 2024:

(i) in February 2024, the Group disposed of a 66.67% equity interest in subsidiaries engaging in the sewage treatment services in the PRC, for a cash consideration of RMB131,696,000.

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions and lease modification to right-of-use assets and lease liabilities of RMB36,935,000 (2024: RMB19,285,000) and RMB36,935,000 (2024: RMB19,285,000), respectively, in respect of lease arrangements for various assets.

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*	Corporate bonds *RMB'000*
At 1 January 2024	60,274,732	239,085	13,969,929
Changes from financing cash flows	(2,672,156)	(85,500)	124,441
New leases	–	19,285	–
Arising from acquisition of subsidiaries	21,986	–	–
Interest expense	2,732,605	15,462	481,318
Exchange realignment	573,842	(519)	(4,479)
At 31 December 2024	60,931,009	187,813	14,571,209
Changes from financing cash flows	(6,140,387)	(62,379)	4,212,847
New leases	–	36,935	–
Arising from disposal of subsidiaries	(79,525)	(2,099)	–
Interest expense	1,881,555	9,491	483,544
Exchange realignment	(102,119)	(4,209)	–
At 31 December 2025	56,490,533	165,552	19,267,600

45. CONTINGENT LIABILITIES

Guarantees

As at 31 December 2025, bank guarantees in favour of employers in lieu of deposits for project bidding and project performance of RMB1,587,618,000 (2024: RMB1,304,600,000) were outstanding and corporate guarantees of RMB1,270,856,000 (2024: RMB1,491,063,000) were given to banks and/or institutional investors in connection with facilities granted to certain associates, joint ventures and bonds issued by joint ventures.

Save as disclosed above, as at 31 December 2025 and 2024, the Group did not have any significant contingent liabilities.

46. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings are included in notes 35 to the consolidated financial statements. In addition, the Group's issuance of guarantees and certain bank facilities are secured by pledged time deposits of the Group as detailed in note 30.

47. CAPITAL COMMITMENTS

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

	2025	2024
	RMB'000	*RMB'000*
Contracted, but not provided for:		
New service concession arrangements on:		
TOT basis	**74,974**	52,027
BOT basis	**5,237,721**	6,157,294
Build-Own-Operate basis	**120,247**	160,111
Construction in progress	**11,254**	129,360
Plant and equipment and motor vehicles	**124,368**	11,279
	5,568,564	6,510,071

In addition, the Group had the following commitments provided to joint ventures (including the Group's share of commitments made jointly with other joint ventures), which are not included in the above:

	2025	2024
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Capital contribution to joint ventures	**1,368,722**	1,320,827
Capital contribution	**9,012,100**	9,010,411
	10,380,822	10,331,238

Save as disclosed above, at 31 December 2025, the Group did not have any significant commitments.

48. RELATED PARTY TRANSACTIONS

(a) Transactions with other state-owned entities in Chinese Mainland

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "Other SOEs"). During the year, the Group had transactions with the Other SOEs including, but not limited to, the sale of piped water, provision of sewage treatment and construction services, bank deposits and borrowings, and utilities consumptions. The directors of the Company consider that the transactions with the Other SOEs are activities in the ordinary course of the Group's business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the Other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies are not carried out on non-market terms and do not depend on whether or not the customers are the Other SOEs. Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions is material related party transaction that would require separate disclosure.

(b) Compensation of key management personnel of the Group

	2025 ***RMB'000***	2024 *RMB'000*
Short term employee benefits	**12,317**	12,834
Pension scheme contributions	**185**	219
Total compensation paid to key management personnel	**12,502**	13,053

Further details of directors' emoluments are included in note 10 to the financial statements.

48. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Beijing Enterprises Group Finance Co. Ltd. ("BG Finance") is a non-wholly-owned subsidiary of BEGCL and an associate of BEHL and acts as a platform for members of BEGCL and BEHL for the provision of intra-group facilities through financial products including deposit-taking, money lending and custodian services. On 23 December 2020, the Company and BG Finance entered into a 2020 deposit services master agreement ("2020 Deposit Agreement") whereby the Company and BG Finance continue to carry out the transactions of similar nature from time to time under the 2020 Deposit Agreement for three years from 1 January 2021 to 31 December 2023, with the terms and conditions substantially the same as those under the deposit services master agreements and its supplemental agreements signed by both parties in 2015 and 2017.

On 20 December 2023, the Company and BG Finance entered into the 2024 Deposit Services Master Agreement ("2024 Deposit Agreement") whereby the Company and BG Finance continue to carry out the transactions of similar natures from time to time under the 2024 Deposit Agreement for three years from 1 January 2024 to 31 December 2026, with the terms and conditions substantially the same as those under the 2020 Deposit Agreement.

On 18 February 2025, the Company and BG Finance entered into the 2025 Supplemental Agreement ("2025 Supplemental Agreement"), pursuant to which, the Company and BG Finance agreed to revise the maximum cumulative daily outstanding deposit balances placed by the Group with BG Finance (including any interest accrued thereon) (the "annual caps") from RMB710,000,000 to RMB980,000,000 in relation to the provision of the Deposit Services for the remaining terms of the 2024 Deposit Agreement.

On 13 February 2026, the Company and BG Finance entered into the 2026 Deposit Services Master Agreement ("2026 Deposit Agreement"), whereby the Company and BG Finance continue to carry out the transactions of similar natures from time to time under the 2026 Deposit Agreement from 13 February 2026 to 31 December 2028, with the terms and conditions substantially the same as those under the 2024 Deposit Agreement and 2025 Supplemental Agreement. Under the 2026 Deposit Agreement, the annual caps were revised from RMB980,000,000 to RMB2,566,000,000. As of the report date, the 2026 Deposit Services Master Agreement has not yet become effective and remains subject to approval by independent shareholders at the Company's upcoming special general meeting.

The deposits placed by the Group with BG Finance as at the end of the year amounted to RMB846,890,000 (2024: RMB673,626,000). The related interest income recognised in profit or loss during the year was not significant to the Group.

The above related party transaction also constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

48. RELATED PARTY TRANSACTIONS *(Continued)*

(c) *(Continued)*

The Group has also entered into several loan agreements with BG Finance since 2019. Loans borrowed from BG Finance by the Group as at the end of the reporting period amounted to RMB4,574,974,000 (2024: RMB4,495,214,000) and bear interest at floating rates ranging from 2.73% to 4.35% per annum (2024: from 2.75% to 4.65% per annum). The related interest expenses recognised in profit or loss during the current and prior years were not significant to the Group.

The above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

(d) On 13 January 2020, the capital injection in cash by ABC Financial Asset Investment Co., Ltd (農銀金融資產投資有限公司) ("ABC Financial") into Beijing Enterprises (Guangxi) Holdings Co., Ltd. (北控水務(廣西)集團有限公司) (the "Bei Kong Guangxi Capital Injection"), a subsidiary of the Group, was completed. Prior to completion of the Bei Kong Guangxi Capital Injection, the Group had entered into transactions with Agricultural Bank of China Limited* (中國農業銀行股份有限公司) ("ABC") and its subsidiaries ("ABC Group") relating to the provision of deposit services, settlement and other financial services. Upon completion of the Bei Kong Guangxi Capital Injection, ABC Financial holds 45.55% of Bei Kong Guangxi. As ABC is the ultimate controlling shareholder of ABC Financial, members of ABC Group have become connected persons of the Group. Hence, such transactions became continuing connected transactions of the Group following completion of the Bei Kong Guangxi Capital Injection pursuant to Chapter 14A of the Listing Rules. The maximum daily aggregate deposits placed by the Group with ABC Group (including any interest accrued thereon) for three financial years ending 31 December 2023 to 2025 shall not exceed RMB3,000,000,000, respectively.

The deposits placed by the Group with ABC Group as at 31 December 2025 amounted to RMB599,024,000 (2024: RMB456,648,000). The related interest income recognised in profit or loss during the current and prior years were not significant to the Group.

The above related party transaction also constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

The Group has also entered into several loan agreements with ABC since 2016. Loans borrowed from ABC as at the end of the reporting period amounted to RMB4,569,088,000 (2024: RMB4,513,084,000) and bear interest rates ranging from 2.60% to 3.26% per annum (2024: from 3.00% to 4.30% per annum). Interest expenses recognised in profit or loss during the current and prior years were not significant to the Group.

The above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

48. RELATED PARTY TRANSACTIONS *(Continued)*

(e) The Group had provided management services and sales of goods to joint ventures of the Group for RMB56,513,000 (2024: RMB40,442,000) and the fee was charged based on terms mutually agreed between the Group and the joint ventures during the year ended 31 December 2025.

(f) The Group had leased certain office premises to certain associates of the Group for RMB2,224,000 (2024: RMB2,156,000) which was charged based on terms mutually agreed between the Group and the associates.

Save as disclosed above and the transactions and balances detailed elsewhere in the consolidated financial statements, the Group had no material transactions and outstanding balances with related parties during the years ended 31 December 2025 and 2024.

49. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The management of the Company determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation of significant investments. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

49. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period.

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2025				
Equity investments designated at FVTOCI	**82,748**	**45,038**	**479,490**	**607,276**
Financial assets of FVTPL	**–**	**–**	**538**	**538**
Derivatives financial instruments	**–**	**(36,534)**	**–**	**(36,534)**
Total	**82,748**	**8,504**	**480,028**	**571,280**
At 31 December 2024				
Equity investments designated at FVTOCI	100,835	43,779	546,289	690,903
Financial assets of FVTPL	–	–	10,105	10,105
Derivatives financial instruments	–	28,923	–	28,923
Total	100,835	72,702	556,394	729,931

During the years ended 31 December 2025 and 2024, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 fair value measurement.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

For other non-current financial assets and liabilities, in the opinion of the directors of the Company, since their carrying amounts are not significantly different from their respective fair values, no disclosure of the fair values of these financial instruments is made.

The management considers that the carrying amounts of all other financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

50. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise bank and other borrowings, corporate bonds, cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, trade payables, other payables and amounts due from/to related parties which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors of the Company review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the value and the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long term debt obligations.

Banks and other borrowings, corporate bonds, cash and bank balances are stated at amortised cost and are not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to profit or loss as earned/incurred.

At 31 December 2025, it was estimated that a general decrease/increase of 100 basis points in the interest rate of average balances of bank and other borrowings, lease liabilities, and cash and bank balances with floating interest rate during the year, with all other variables held constant, would increase/decrease the Group's profit before tax for the year ended 31 December 2025 by approximately RMB265,048,000 (2024: RMB410,511,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the respective reporting periods and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at these dates. The 100 basis point decrease or increase represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

50. FINANCIAL INSTRUMENTS *(Continued)*

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's business are mainly carried out by subsidiaries located in Chinese Mainland and the majority of its transactions are conducted in RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in exchange rate of RMB against foreign currencies while all other variables are held constant. The sensitivity includes only outstanding foreign currency denominated monetary items (excluding derivative financial instruments) and adjusts their translation at the end of each reporting period for a 5% (2024: 5%) change in foreign currency rates.

The sensitivity analysis includes bank balances and cash denominated in a currency other than the functional currency of the respective group entities. The sensitivity analysis excludes the effect on foreign currency denominated borrowings that are under an effective hedging relationship as the Group's net exposure to currency risk arising from the hedging relationship is insignificant. A positive number below indicates an increase in post-tax profit where RMB strengthens by 5% (2024: 5%) against HK$ & US$. For a 5% (2024: 5%) weakening of RMB against HK$ & US$, there would be an equal but opposite impact on the post-tax profit, and the balances below would be negative. This is mainly attributable to the Group's exposure to foreign exchange on its foreign currency borrowings to which hedge accounting is not applied.

	2025 ***RMB'000***	2024 *RMB'000*
(Decrease)/increase in post-tax profit	**(2,267)**	182,397

No sensitivity analysis has been presented for derivatives that are designated as hedging instruments because the Group's net exposure to currency risk arising from the hedging relationship is insignificant.

The Group has minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

50. FINANCIAL INSTRUMENTS *(Continued)*

Credit risk

The main credit risk exposure to the Group arises from default or delinquency in principal payments of trade receivables, receivables under service concession arrangements, amounts due from contract customers and deposits and other debtors. In respect of these receivables, the Group trades mainly with municipal governments in different provinces which do not have significant credit risk. In addition, these receivables are monitored on an ongoing basis. Therefore, in the opinion of the directors of the Company, the credit risk is not significant.

Maximum exposure and year-end staging

Management groups financial instruments on the basis of shared credit risk characteristics, such as instrument type and credit risk ratings for the purpose of determining significant increase in credit risk and calculation of impairment. The gross carrying amount of each financial asset in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets as at 31 December 2025 and 2024.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past due event;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

To manage credit risk arising from debtors and contract assets, the credit quality of the debtors is assessed, taking into account their financial position, historical settlement records, past experience and other factors. The Group applies the general approach to provide for ECLs prescribes by HKFRS 9. The determination of the ECLs also incorporates forward-looking information.

50. FINANCIAL INSTRUMENTS *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging (Continued)

The Group has established a policy to perform an assessment as at 31 December 2025 and 2024, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Except for trade receivables and contract assets without significant financing component which the Group always recognise lifetime ECL, the Group classifies its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1	When the financial assets are first recognised, the Group recognises an allowance based on 12 months' ECL for the other financial assets.
Stage 2	When the financial assets have shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs.
Stage 3	The financial assets are considered credit-impaired. The Group records an allowance for the lifetime ECLs.

Management also makes periodic collective assessments for the financial assets as well as individual assessment on the recoverability of the financial assets based on historical settlement records, past experience and other factors. The Group classifies the financial assets into different stages by risk and continuously monitors their credit risk. Management believes that there is no material credit risk inherent in the Group's outstanding balances as at 31 December 2025 and 2024.

As at 31 December 2025 and 2024, all restricted cash and pledged deposits and cash and cash equivalents were deposited with creditworthy financial institutions without significant credit risk.

Save as disclosed in note 45 to the consolidated financial statements, the Group does not provide any guarantees which would expose the Group or the Company to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from the financial assets are set out in notes 19, 26, 27 and 28 to the consolidated financial statements.

50. FINANCIAL INSTRUMENTS *(Continued)*

Liquidity risk

In light of the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements and the capital commitments of the Group of approximately RMB15.8 billion (2024: RMB16.8 billion) in aggregate (comprising the Group's capital commitments and the Group's share of the joint ventures' own capital commitments) as at 31 December 2025 as detailed in note 47 to the financial statements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and corporate bonds, as well as the strict control over its receivables due in day to day business. In the opinion of the directors of the Company, new bank borrowings will be obtained to finance certain of the new construction projects and service concession arrangements, and certain of the above-mentioned capital commitments are expected to be fulfilled by the Group after 2025. Accordingly, the Group expects to have adequate sources of funding to finance the Group and manage its liquidity position. Further details of which are set out in note 3 to the consolidated financial statements.

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

	Within one year or on demand *RMB'000*	In the second year *RMB'000*	In the third to fifth years, inclusive *RMB'000*	Beyond 5 years *RMB'000*	Total *RMB'000*
31 December 2025					
Bank and other borrowings	**16,190,760**	**16,375,800**	**11,717,395**	**16,023,725**	**60,307,680**
Corporate bonds	**4,473,990**	**2,861,437**	**11,330,444**	**2,135,627**	**20,801,498**
Lease liabilities	**40,395**	**65,870**	**15,433**	**77,263**	**198,961**
Trade payables	**16,974,195**	**–**	**–**	**–**	**16,974,195**
Other liabilities	**4,586,712**	**565,394**	**–**	**–**	**5,152,106**
	42,266,052	**19,868,501**	**23,063,272**	**18,236,615**	**103,434,440**
31 December 2024					
Bank and other borrowings	15,454,930	14,386,283	20,613,151	16,291,733	66,746,097
Corporate bonds	2,434,495	4,334,792	6,957,793	2,327,472	16,054,552
Lease liabilities	56,068	70,726	32,321	81,483	240,598
Trade payables	19,049,467	–	–	–	19,049,467
Other liabilities	4,489,578	466,288	–	–	4,955,866
	41,484,538	19,258,089	27,603,265	18,700,688	107,046,580

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

51. CAPITAL RISK MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may issue new shares to increase capital or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2025 and 2024.

The Group monitors capital using the gearing ratio, which is calculated based on net debt and total equity. Net debt is calculated as total bank and other borrowings and corporate bonds less cash and cash equivalents. Total equity includes equity attributable to shareholders of the Company, perpetual capital instruments and non-controlling interests. No changes were made in the calculation of gearing ratio during the years ended 31 December 2025 and 2024.

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	As at 31 December 2025 *RMB'000*	As at 31 December 2024 *RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**264**	110
Investments in subsidiaries	**20,162,263**	20,016,557
Investments in joint ventures	**1,178,832**	1,178,879
Investments in associates	**8,064**	8,064
Prepayments, deposits and other receivables	**97,309**	97,313
Equity investments designated at fair value through other comprehensive income	**460,457**	519,392
	21,907,189	21,820,315
Current assets		
Trade receivables	**2,392**	2,392
Prepayments, deposits and other receivables	**28,379,665**	25,105,166
Cash and cash equivalents	**29,480**	299,688
	28,411,537	25,407,246
Total assets	**50,318,726**	47,227,561

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	As at 31 December 2025 *RMB'000*	As at 31 December 2024 *RMB'000*
EQUITY AND LIABILITIES		
Equity:		
Issued capital	**834,250**	834,250
Perpetual capital instrument *(note)*	**3,489,535**	3,488,929
Reserves *(note)*	**7,536,638**	7,595,019
	11,860,423	11,918,198
Non-current liabilities		
Bank and other borrowings	**4,975,255**	4,573,432
Corporate bonds	**10,472,528**	8,976,264
Other payables and accruals	**17,034,944**	17,456,642
	32,482,727	31,006,338
Current liabilities		
Other payables and accruals	**1,977,322**	2,002,994
Bank and other borrowings	**–**	1,300,052
Corporate bonds	**3,998,254**	999,979
	5,975,576	4,303,025
TOTAL LIABILITIES	**38,458,303**	35,309,363
TOTAL EQUITY AND LIABILITIES	**50,318,726**	47,227,561

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

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

	Share premium account *RMB'000*	Shares held under share award scheme *RMB'000*	Contributed surplus *RMB'000* *(a)*	Fair value reserve *RMB'000*	Share option and share award reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Perpetual capital instruments *RMB'000*	Total *RMB'000*
At 1 January 2024	2,323,393	(45,233)	3,081,904	(601,805)	3,339	896,920	2,074,316	2,991,002	10,723,836
Profit for the year	–	–	–	–	–	–	1,037,666	109,906	1,147,572
Other comprehensive income for the year:									
Exchange differences related to the Company	–	–	–	–	–	259,878	–	–	259,878
Issuance of perpetual capital instruments	–	–	–	–	–	–	–	497,927	497,927
Lapse of share options	–	–	–	–	(3,339)	–	3,339	–	–
Distribution declared to holders of perpetual capital instruments	–	–	–	–	–	–	–	(109,906)	(109,906)
Final 2023 cash dividends paid	–	–	–	–	–	–	(792,417)	–	(792,417)
Interim 2024 cash dividends paid	–	–	–	–	–	–	(642,942)	–	(642,942)
At 31 December 2024 and 1 January 2025	2,323,393	(45,233)	3,081,904	(601,805)	–	1,156,798	1,679,962	3,488,929	11,083,948
Profit for the year	–	–	–	–	–	–	1,505,621	102,301	1,607,922
Other comprehensive income/(loss) for the year:									
Changes in fair value of equity investments designated at fair value through other comprehensive income	–	–	–	(58,915)	–	–	–	–	(58,915)
Issuance of perpetual capital instruments	–	–	–	–	–	–	–	2,503,350	2,503,350
Redemption of perpetual capital instruments	–	–	–	–	–	–	–	(2,502,744)	(2,502,744)
Distribution declared to holders of perpetual capital instruments	–	–	–	–	–	–	–	(102,301)	(102,301)
Final 2024 cash dividends paid	–	–	–	–	–	–	(831,960)	–	(831,960)
Interim 2025 cash dividends paid	–	–	–	–	–	–	(673,127)	–	(673,127)
At 31 December 2025	2,323,393	(45,233)	3,081,904	(660,720)	–	1,156,798	1,680,496	3,489,535	11,026,173

(a) Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus account of the Company subject to the Company's Bye-laws, provided that the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) General information of principal subsidiaries:

Company name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
深圳北控創新投資有限公司	PRC/Chinese Mainland	RMB300,000,000	–	64.41	Sewage treatment
深圳北控豐泰投資有限公司	PRC/Chinese Mainland	RMB70,000,000	–	64.41	Sewage treatment
綿陽中科成污水淨化有限公司	PRC/Chinese Mainland	RMB20,000,000	–	64.41	Sewage treatment
廣州中業污水處理有限公司	PRC/Chinese Mainland	RMB85,000,000	–	64.41	Sewage treatment
江油中科成污水淨化有限公司	PRC/Chinese Mainland	RMB8,000,000	–	64.41	Sewage treatment
成都雙流中科成污水淨化有限公司	PRC/Chinese Mainland	RMB30,000,000	–	64.41	Sewage treatment
青島膠南中科成污水淨化有限公司	PRC/Chinese Mainland	RMB30,000,000	–	64.41	Sewage treatment
青島中科成污水淨化有限公司	PRC/Chinese Mainland	RMB130,146,140	–	94.53	Sewage treatment
廣州中科成污水淨化有限公司	PRC/Chinese Mainland	RMB40,000,000	–	64.41	Sewage treatment
台州市路橋中科成污水淨化有限公司	PRC/Chinese Mainland	RMB55,500,000	–	64.41	Sewage treatment
成都龍泉中科成污水淨化有限公司	PRC/Chinese Mainland	RMB27,600,000	–	64.41	Sewage treatment
菏澤中科成污水淨化有限公司	PRC/Chinese Mainland	RMB30,000,000	–	64.41	Sewage treatment
濟南中科成水質淨化有限公司	PRC/Chinese Mainland	RMB20,000,000	–	64.41	Sewage treatment
彭州中科成污水淨化有限公司	PRC/Chinese Mainland	RMB50,000,000	–	64.41	Sewage treatment
佛山市三水中科成水質淨化有限公司	PRC/Chinese Mainland	RMB76,000,000	–	64.41	Sewage treatment
永州市北控污水淨化有限公司[Ω]	PRC/Chinese Mainland	HK$80,000,000	100	–	Sewage treatment
清鎮市北控水務有限公司	PRC/Chinese Mainland	RMB26,500,000	–	60	Sewage treatment
海南北控水務有限公司	PRC/Chinese Mainland	RMB5,000,000	–	100	Sewage treatment
昆明空港北控水務有限公司	PRC/Chinese Mainland	RMB53,090,000	–	100	Sewage treatment
玉溪北控水質淨化有限公司	PRC/Chinese Mainland	RMB91,380,000	–	100	Sewage treatment

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(a) General information of principal subsidiaries: *(Continued)*

Company name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
北控水務集團（海南）有限公司	PRC/Chinese Mainland	RMB131,710,300	–	57.97	Sewage treatment
百色北控水務管理有限公司Ω	PRC/Chinese Mainland	HK$20,000,000	–	100	Sewage treatment
齊齊哈爾市北控水務有限公司	PRC/Chinese Mainland	RMB56,000,000	–	100	Sewage treatment
錦州市北控水務有限公司Ω	PRC/Chinese Mainland	RMB127,178,539	80	–	Sewage treatment and reclaimed water treatment
廣西貴港北控水務有限公司	PRC/Chinese Mainland	RMB83,184,898	–	41.21*	Sewage treatment and water distribution
Be Water S.A.	Portugal	€11,987,000	–	100	Sewage treatment and water distribution
北京北控污水淨化及回用有限公司	PRC/Chinese Mainland	RMB26,360,000	–	100	Reclaimed water treatment
成都北控蜀都投資有限公司	PRC/Chinese Mainland	RMB567,035,714	–	44.12*	Sewage treatment
北京建工環境發展有限責任公司 (“BCEG Environmental”)	PRC/Chinese Mainland	RMB690,000,000	–	38.65*	Investment holding
BEWG (M) Sdn Bhd	Malaysia	MYR75,000,000	–	100	Construction services
昆明捷運泰富環保工程有限公司Ω	PRC/Chinese Mainland	RMB100,000,000	–	70	Construction services
昆明捷運路橋發展有限公司Ω	PRC/Chinese Mainland	RMB150,000,000	–	70	Construction services
北控（洛陽）水環境開發有限公司	PRC/Chinese Mainland	RMB300,000,000	–	100	Construction services
北京北控淨都水環境治理有限公司	PRC/Chinese Mainland	RMB250,000,000	–	80	Construction services
佛山北控水環境開發有限公司Ω	PRC/Chinese Mainland	RMB100,000,000	–	70	Construction services
簡陽市鴻琛建設工程有限公司	PRC/Chinese Mainland	RMB250,000,000	–	60	Construction services
濱州北控西海水務有限公司	PRC/Chinese Mainland	RMB50,000,000	–	53.98	Water distribution

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(a) General information of principal subsidiaries: *(Continued)*

Company name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
遵義北控水務有限責任公司Ω	PRC/Chinese Mainland	RMB50,236,000	80	–	Water distribution
德清達闥制水有限公司Ω	PRC/Chinese Mainland	US$11,960,000	–	100	Water distribution
BEWGI-UE NEWater (S) Pte Ltd	Singapore	SGD100,000	–	80	Reclaimed water treatment
泉州安平供水有限公司Ω	PRC/Chinese Mainland	US$6,600,000	–	100	Water distribution
雲南北控水務有限公司	PRC/Chinese Mainland	RMB180,000,000	–	100	Investment holding
北控中科成環保集團有限公司@ (“BEWG Environmental”)	PRC/Chinese Mainland	RMB1,036,441,317/ RMB1,737,821,244	–	64.41	Consultancy services and investment holding
南京市市政設計研究院有限責任公司	PRC/Chinese Mainland	RMB60,000,000	–	99.17	Consultancy services
北控水務(中國)投資有限公司Ω	PRC/Chinese Mainland	US$500,000,000	100	–	Investment holding and consultancy services
上海北控亞同水務投資有限公司	PRC/Chinese Mainland	RMB100,000,000	–	64.41	Investment holding
北控(鞍山)水務有限公司	PRC/Chinese Mainland	RMB65,000,000	–	100	Sewage treatment
阜新市北控水務有限公司	PRC/Chinese Mainland	RMB40,000,000	–	100	Sewage treatment
北控(洛陽)水務發展有限公司	PRC/Chinese Mainland	RMB800,000,000	–	70	Sewage treatment
廣東鶴山北控水務有限公司	PRC/Chinese Mainland	RMB78,330,000	–	70	Water distribution
成都青白江中科成污水淨化有限公司	PRC/Chinese Mainland	RMB40,000,000	–	64.41	Sewage treatment
錦州市小淩河北控水務有限公司	PRC/Chinese Mainland	RMB66,500,000	–	100	Sewage treatment
廣安北控廣和水務有限公司	PRC/Chinese Mainland	RMB70,000,000	–	64.41	Water distribution
北京稻香水質淨化有限公司	PRC/Chinese Mainland	RMB58,000,000	–	64.41	Reclaimed water treatment
東莞市德高水務有限公司Ω	PRC/Chinese Mainland	RMB30,000,000	–	100	Sewage treatment
北控彭州自來水有限公司	PRC/Chinese Mainland	RMB73,600,000	–	45.09*	Water distribution

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(a) General information of principal subsidiaries: *(Continued)*

Company name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
北控南陽水務集團有限公司	PRC/Chinese Mainland	RMB102,626,900/ RMB124,558,323	–	35.56*	Water distribution
永州市水務運營發展有限責任公司	PRC/Chinese Mainland	RMB363,672,900/ RMB473,213,300	–	49*	Water distribution
成都北控陽安水環境治理有限公司	PRC/Chinese Mainland	RMB567,000,000	–	56.98	Construction services
北控（濟源）污水淨化有限公司	PRC/Chinese Mainland	RMB181,330,000	–	100	Sewage treatment
珙縣北控供水有限公司	PRC/Chinese Mainland	RMB10,000,000	–	51.53	Water distribution
平陰北控水環境開發有限公司	PRC/Chinese Mainland	RMB280,000,000	–	90	Construction services
鄒平北控水務有限公司	PRC/Chinese Mainland	RMB407,200,000	–	38.65*	Water distribution
瀘州北控環保工程投資有限公司	PRC/Chinese Mainland	RMB100,000,000	–	57.97	Construction services
內蒙古科源水務有限公司	PRC/Chinese Mainland	RMB177,100,000	–	67	Water distribution
北控（成都雙流）水務有限公司	PRC/Chinese Mainland	RMB193,403,230/ RMB220,013,000	–	100	Sewage treatment
廣州增城北控水處理有限公司	PRC/Chinese Mainland	RMB190,000,000	–	90	Sewage treatment
北控（杭州）環境工程有限公司	PRC/Chinese Mainland	RMB747,000,000	99.72	–	Construction services and sewage treatment
TRILITY Group PTY Ltd. ("Trility")	Australia	AUD209,100,000	–	100	Investment holding
廣州增城北控水質淨化有限公司	PRC/Chinese Mainland	RMB85,740,000	–	99.9	Sewage treatment
衡水京成水環境有限公司	PRC/Chinese Mainland	RMB249,726,800	–	83.79	Construction service
攀枝花北控水務有限公司	PRC/Chinese Mainland	RMB100,000,000	–	41.87*	Sewage treatment
北控（蘭考縣）污水處理有限公司	PRC/Chinese Mainland	RMB120,500,000	–	100	Sewage treatment
濰坊北控水務發展有限公司	PRC/Chinese Mainland	RMB106,211,173/ RMB130,000,000	–	100	Sewage treatment

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(a) General information of principal subsidiaries: *(Continued)*

Company name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
北控城市資源集團有限公司 Beijing Enterprises Urban Resources Group Limited ("BEURG")	Cayman Islands	HK$355,666,400	41.56^	–	Urban services, hazardous waste treatment services and sale of recycling and reuse products
Orgo Investments S.a.r.l	Luxembourg	EUR12,500	–	100	Investment holding
BEWG (PT) S.A.	Portugal	EUR50,000	–	100	Sewage treatment and investment holding
瀋陽紅菱姚千污水處理有限公司	PRC/Chinese Mainland	RMB28,483,795	–	99.9	Sewage treatment
北京稻香水資源科技有限公司Ω	PRC/Chinese Mainland	RMB125,921,300	100	–	Reclaimed water treatment
合肥龍崗自來水有限公司	PRC/Chinese Mainland	RMB50,000,000	–	70	Water distribution

Ω *These entities are registered as wholly-foreign-owned enterprises under PRC law*

@ *These entity is registered as a Chinese-Foreign Equity Joint Venture enterprises under PRC law*

* *These entities are accounted for as subsidiaries by virtue of the Company's control over the board of directors, which is the highest authority in these entities*

^ *In May 2022, the Group entered into an acting in concert agreement with certain third parties ("Acting In Concert Parties") with 12.93% of the issued share capital of BEURG, a then 31.23% associate of the Group. Pursuant to the acting in concert agreement, each of the Acting In Concert Parties irrevocably and unconditionally undertook to the Group that it would act in concert with the Group with respect to BEURG whereby each of the Acting In Concert Parties would vote in the same manner as the Group in meetings of shareholders of BEURG. In June 2022, the Group and the Acting In Concert Parties further acquired shares in BEURG, and as at 22 June 2022, the Group and the Acting In Concert Parties held 41.06% and 19.49% of the issued share capital of BEURG, respectively. As a result, BEURG becomes a subsidiary of the Group since then. As at 31 December 2025, the Group and the Acting In Concert Parties held 41.56% and 27.04% (2024: 41.56% and 27.04%) of the issued share capital of BEURG, respectively.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(b) Controlled special purpose entity

In accordance with HKFRS 10 "Consolidated Financial Statements", the Company is required to consolidate a trust if the Company has control over the trust and can derive benefits from the contributions of employees who have been awarded the shares of the Company through their employment with the Group. The Company controls a structured entity which operates in Hong Kong, particulars of which are as follows:

Structured entity	Principal activities
Share Award Scheme Trust	Purchases, administers and holds the shares of the Company for the share award scheme for the benefit of eligible participants *(note 33)*

The Company has the power to direct the relevant activities of the Share Award Scheme and it has the ability to use its power over the entity to affect its exposure to returns. Therefore, it was considered as a controlled structured entity of the Group.

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests

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

	BEWG Environmental and its subsidiaries ("BEWG Environmental Group")		BCEG Environmental and its subsidiaries ("BCEG Group")	
	2025	2024	**2025**	2024
Percentage of equity interest held by non-controlling interests:	**35.59%**	35.59%	**61.35%**	61.35%
	2025	2024	**2025**	2024
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Profit for the year allocated to non-controlling interests:	**522,569**	511,361	**77,317**	129,633
Accumulated balances of non-controlling interests at the reporting date:	**10,034,336**	9,511,767	**1,704,744**	1,685,537

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(c) Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

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

	BEWG Environmental Group		BCEG Group	
	2025	2024	**2025**	2024
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**4,206,326**	3,900,975	**433,952**	600,045
Interest income	**77,449**	84,768	**18,654**	16,495
Total expenses	**(2,815,472)**	(2,548,933)	**(326,580)**	(405,239)
Profit for the year	**1,468,303**	1,436,810	**126,026**	211,301
Total comprehensive income for the year	**1,438,911**	1,436,810	**126,026**	211,301
Current assets	**17,520,952**	17,563,528	**1,097,033**	947,684
Non-current assets	**29,197,971**	30,382,903	**2,762,994**	2,990,921
Current liabilities	**(11,323,727)**	(12,955,199)	**(521,147)**	(556,987)
Non-current liabilities	**(6,618,836)**	(7,226,408)	**(663,885)**	(729,864)
Net cash flows from/(used in):				
Operating activities	**1,455,441**	1,425,588	**192,816**	312,580
Investing activities	**56,319**	58,750	**27,804**	(409)
Financing activities	**(1,418,833)**	(1,398,833)	**(154,975)**	(243,282)
Net increase in cash and cash equivalents	**92,927**	85,505	**65,645**	68,889

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

RESULTS

	Year ended 31 December				
	2021 *RMB'000* (restated)	2022 *RMB'000* (restated)	2023 *RMB'000*	2024 *RMB'000*	**2025** ***RMB'000***
Revenue	23,140,522	21,484,840	24,519,374	24,270,499	**22,062,151**
Operating profit	4,990,262	2,600,002	3,383,407	3,145,729	**2,818,368**
Share of profits and losses of:					
Joint ventures	715,221	560,747	561,184	525,099	**505,722**
Associates	48,197	104,708	83,848	48,152	**35,184**
Profit before tax	5,753,680	3,265,457	4,028,439	3,718,980	**3,359,274**
Income tax expense	(1,215,306)	(930,286)	(964,112)	(812,083)	**(666,940)**
Profit for the year	4,538,374	2,335,171	3,064,327	2,906,897	**2,692,334**
ATTRIBUTABLE TO:					
Shareholders of the Company	3,482,630	1,181,430	1,895,681	1,677,600	**1,561,531**
Holders of perpetual capital instruments	175,523	92,650	92,656	133,785	**124,562**
Non-controlling interests	880,221	1,061,091	1,075,990	1,095,512	**1,006,241**
	4,538,374	2,335,171	3,064,327	2,906,897	**2,692,334**

FIVE-YEAR FINANCIAL SUMMARY

ASSETS, LIABILITIES AND TOTAL EQUITY

	Year ended 31 December				
	2021 *RMB'000* (restated)	2022 *RMB'000* (restated)	2023 *RMB'000*	2024 *RMB'000*	**2025** ***RMB'000***
Total assets	150,575,985	161,751,644	165,493,193	166,571,603	**165,027,404**
Total liabilities	(98,463,864)	(109,544,344)	(111,359,718)	(110,609,173)	**(108,972,041)**
NET ASSETS	52,112,121	52,207,300	54,133,475	55,962,430	**56,055,363**
Equity attributable to shareholders of the Company	32,829,063	29,846,423	31,382,407	31,171,095	**31,144,829**
Perpetual capital instruments	2,485,377	2,485,377	2,485,377	4,235,019	**4,235,019**
Other non-controlling interests	16,797,681	19,875,500	20,265,691	20,556,316	**20,675,515**
TOTAL EQUITY	52,112,121	52,207,300	54,133,475	55,962,430	**56,055,363**

北控水務集團有限公司
BEIJING ENTERPRISES WATER GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock code: 371)