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Taizhou Water Group Co., Ltd.*

台州市水務集團股份有限公司

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

(Stock Code: 1542)

**THE PROPOSED ISSUANCE OF QUASI-REITS AND
ITS RELATED DISCLOSEABLE TRANSACTION, VERY SUBSTANTIAL
ACQUISITION AND VERY SUBSTANTIAL DISPOSAL**

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DISCLOSEABLE TRANSACTION, VERY SUBSTANTIAL ACQUISITION AND
VERY SUBSTANTIAL DISPOSAL**

The Company proposes to launch the Quasi REITs on SSE in June 2026 or a later date to be determined for the purpose of investing in and securitizing the Underlying Assets and raising funds for the operation and development of the business of the Group, with a proposed registered issuance size not exceeding RMB3.20 billion. The Board is pleased to announce that, at the Board meeting held on 10 June 2026, the Board resolved to convene an extraordinary general meeting (“EGM”), to obtain the Shareholders’ approval for the Subscription and the Proposed Issuance of Quasi-REITs.

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

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

In order to issue the Quasi-REITs, the Company will also appoint the Plan Administrator as the plan administrator. The Company as the vendor and the original interest owner, the Plan Administrator as the plan administrator and acting on behalf of the Quasi-REITs as the purchaser, and Binhai Water propose to enter into the Equity Transfer Agreement, pursuant to which the Company will conditionally agree to transfer the entire equity interests in Binhai Water to the Quasi-REITs to be managed by the Plan Administrator at a cash consideration of approximately RMB301 million. Upon completion of the Equity Transfer Agreement, the Company will cease to hold a direct equity interest in Binhai Water but holding 40% of the direct interest of Quasi-REITs while Quasi-REITs will wholly own Binhai Water. The Company has control over the Quasi-REITs since the Company has rights and ability to direct the relevant activities of Quasi-REITs which significantly affect its corresponding returns. This ability is exercised through the Company's rights on the Quasi-REITs' Investment Management Committee. Specifically, the Company holds two of the three seats on the Investment Management Committee. Pursuant to Quasi-REITs Standard Terms, decisions require super majority voting, which is defined as a vote in favor by at least two-thirds of the Investment Management Committee. As such the Company has a control over the Quasi-REITs as well as an indirect control over Binhai Water. Upon completion of the Equity Transfer Agreement, the Company will own 40% of Quasi-REITs and the Company will continue to consolidate the financial results of Binhai Water. Nonetheless, 60% of the financial results of Binhai Water will be attributable to non-controlling interests.

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

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Binhai Water Acquisition exceed(s) 5% but all of them are less than 25%, the Binhai Water Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Subscription exceeds 100%, the Subscription constitutes a very substantial acquisition of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Disposal of Binhai Water exceeds 75%, the Disposal of Binhai Water constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, further details of the Proposed Issuance of Quasi-REITs, the Subscription and the Disposal of Binhai Water and other information as required under the Listing Rules, and the notice convening the EGM will be despatched to the Shareholders in due course.

SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD BE AWARE THAT THE PROPOSED BINHAI WATER ACQUISITION, THE ISSUANCE OF QUASI-REITS, THE SUBSCRIPTION AND THE DISPOSAL OF BINHAI WATER IS SUBJECT TO A NUMBER OF CONDITIONS BEING SATISFIED, AND CONSEQUENTLY THE PROPOSED BINHAI WATER ACQUISITION, THE ISSUANCE OF QUASI-REITS, THE SUBSCRIPTION AND THE DISPOSAL OF BINHAI WATER MAY OR MAY NOT PROCEED. ACCORDINGLY, SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES (IF ANY) OF THE COMPANY.

1. THE PROPOSED ISSUANCE OF QUASI-REITS AND ITS RELATED DISCLOSEABLE TRANSACTION, VERY SUBSTANTIAL ACQUISITION AND VERY SUBSTANTIAL DISPOSAL

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

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

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

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

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

Principal terms of the Proposed Issuance of Quasi-REITs are as below:

1.1 Implementation Background

On May 25, 2022, the State Council issued the “Opinions on Further Revitalizing Existing Assets and Expanding Effective Investment” (General Office of the State Council [2022] No. 19), supporting active exploration of market-based methods such as securitization to revitalize existing assets.

1.2 Issuance Proposal

Underlying Assets (底層資產)

The Taizhou Water Diversion Project Phase III, legally owned and operated by Binhai Water, will be the Underlying Assets of the Proposed Issuance of Quasi-REITs. The assets held by Binhai Water under the Taizhou Water Diversion Project Phase III, consisting primarily of water supply plants and pipeline networks, have been appraised at an aggregate market value of approximately RMB3.122 billion. The estimated annual net cash flow generated from such Underlying Assets is expected to provide full and enhanced coverage (i.e., 超額覆蓋) for the investment principal and expected return payments due to the priority Quasi-REITs holders.

The entire equity interests of Binhai Water will form part of the Underlying Portfolio (基礎資產) of the Quasi-REITs. The Underlying Portfolio consists of the Underlying Equity Interests and the Underlying Claim.

The “Underlying Portfolio” refers to: (i) the entire equity interests in Binhai Water to be transferred by the Company to the Plan Administrator (acting on behalf of the Quasi-REITs) and duly delivered pursuant to the Equity Transfer Agreement (“**Underlying Equity Interests**”); and (ii) the underlying claim arising from the shareholder’s loan to be extended by the Plan Administrator (acting on behalf of the Quasi-REITs) to the Project Company (i.e. Binhai Water) under the Loan Agreement, or from the existing claims assigned by the Company to the Quasi-REITs (i.e., the underlying claim may also originate from the existing receivables/claims transferred by the Company) (“**Underlying Claim**”). Any equity interests acquired by the Plan Administrator (acting on behalf of the Quasi-REITs) through the conversion of such shareholder’s loan, as well as any capital contribution made by the Plan Administrator (acting on behalf of the Quasi-REITs) to Binhai Water, shall also be included within the scope of the Underlying Equity Interests.

In selecting the Underlying Assets and the Underlying Portfolio to be transferred to the Quasi-REITs, the Company has considered the following factors:

- the ownership of the Underlying Assets is clear and free from encumbrances;
- the operating cash flow generated therefrom is stable and predictable;

- the water supply business possesses regional monopoly characteristics and long-term sustainability;
- the asset quality is sound and meets the issuance requirements for Quasi-REITs;
- the Underlying Portfolio is highly compatible with the proposed offering size and product structure; and
- the selection is conducive to reducing the Group's overall financing costs and optimizing its asset-liability structure.

Based on the above, the Company believes that the selection of the entire equity interests of Binhai Water as the Underlying Portfolio and Taizhou Water Diversion Project Phase III as the Underlying Assets are appropriate.

Overview and Structure of Quasi-REITs

The issuance terms are tentatively set as follows (final issuance amount, term, and other arrangements to be determined based on project due diligence, valuation, and regulatory requirements):

Overview of Quasi-REITs

Underlying Assets	Taizhou Water Diversion Project Phase III
Product Type	Quasi-REITs
Issuance Size	Not exceeding RMB3.20 billion
Use of Proceeds	No regulatory restrictions on use of proceeds; funds may be used flexibly as needed (please refer to the section headed 1.5.7 Use of Proceeds of this announcement for more details on the proposed use of proceeds)
SSE Classification	This Quasi-REITs product is classified as a “fixed-income category” product on the SSE, although the Company retains control over profit distribution in this product, it also exhibits certain characteristics of fixed income.
SSE Listing Platform	SSE's Fixed-Income Information Platform (固定收益信息平台). Its sub-category is ABS – Quasi-REIT.

Expected Term

18 (3+3+3+3+3+3), with an option period every three years.

If the Investment Management Committee (which is controlled by the Company as to two-thirds of the voting rights) decides not to extend the term after 18 years, the Quasi-REITs will proceed into liquidation proceedings and be terminated thereafter. Upon commencement of the liquidation process of the Quasi-REITs, the liquidation plan shall first be reviewed and approved by the Investment Management Committee of the Quasi-REITs. The Quasi-REITs provides for two alternative liquidation paths: (1) distribution in kind, or (2) liquidation distribution:

- (1) If the Investment Management Committee resolves to adopt distribution in kind, the equity interests in Binhai Water and the shareholder loan claims against Binhai Water shall be distributed to the investors on a pro rata basis (capped, for priority Quasi-REITs holders only, at the sum of each such priority holder's then-unpaid principal and expected return). Any disposal proceeds remaining after such distribution in kind has been completed on a pro rata basis shall be distributed solely to the Company; or
- (2) If the Investment Management Committee resolves to adopt liquidation distribution, the Quasi-REITs shall enter the disposal period. Upon commencement of the disposal period:
 - (a) The Underlying Assets or Underlying Portfolio shall first be offered to the Company, who has a priority purchase right, but not an obligation;
 - (b) If such sale is consummated, the proceeds shall be remitted to the Quasi-REITs account and, upon the approval by the Investment Management Committee (which is controlled by the Company as to two-thirds of the voting rights), distributed to all the investors as follows: (i) the distribution to each of the priority Quasi-REITs holders shall be capped at the sum of each such priority holder's then-unpaid principal and expected return; and (ii) the rest shall be distributed solely to the Company; and

- (c) If such sale is not consummated, the Underlying Assets or Underlying Portfolio shall be disposed of to third parties, whereupon:
 - (i) If the third-party disposal is successful, the disposal proceeds shall be remitted to the Quasi-REITs account and, upon the approval by the Investment Management Committee (which is controlled by the Company as to two-thirds of the voting rights), distributed to all the investors as follows: (1) the distribution to each of the priority Quasi-REITs holders only shall be capped at the sum of each such priority holder's then-unpaid principal and expected return; and (2) the rest shall be distributed solely to the Company; and
 - (ii) If the third-party disposal is unsuccessful, distribution in kind shall be carried out, and the equity interests in Binhai Water and the shareholder loan claims against Binhai Water shall be distributed to the investors on a pro rata basis (capped, for priority Quasi-REITs holders only, at the sum of each such priority holder's then-unpaid principal and expected return). Any disposal proceeds remaining after such distribution in kind has been completed on a pro rata basis shall be distributed solely to the Company;

Upon completion of the above liquidation proceedings in (1) or (2) above, the Quasi-REITs will be terminated.

The priority Quasi-REITs holders do not possess a veto right or a mandatory put option with respect to the decision regarding the extension of the term, nor do they have any other means to override the Company's decision to extend or to compel a redemption by the Company.

If the Investment Management Committee (which is controlled by the Company as to two-thirds of the voting rights) decides to extend the term upon maturity (18 years), the Quasi-REITs will continue in effect. Any such decision requires the affirmative vote of at least two-thirds of the committee members. Therefore, the Company has control over the decisions of the Investment Management Committee and may independently determine whether to extend the term, and the Company is under no obligation to redeem or repay investor contributions.

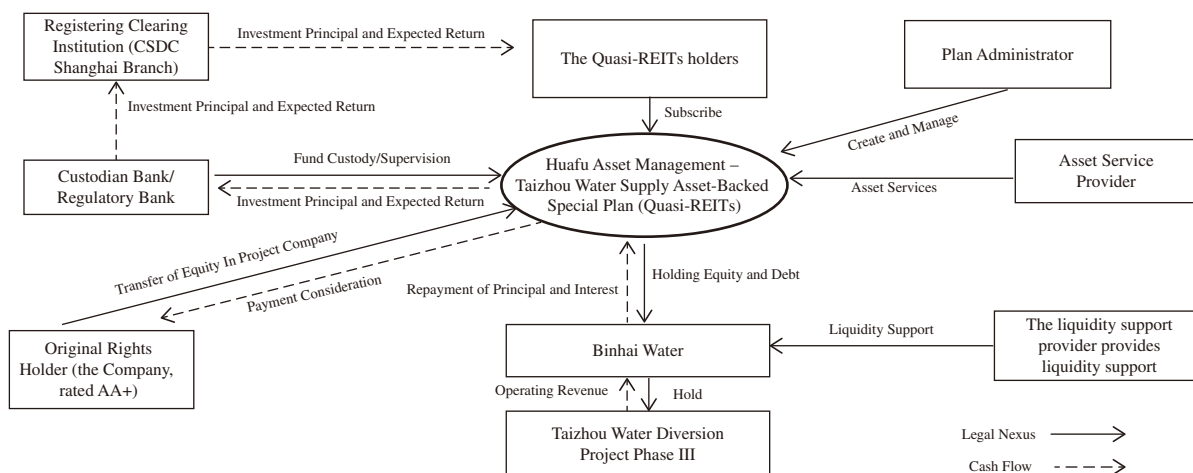
There is no maximum number of extensions or cap on the total term. Whether to extend upon maturity is determined by the Company at its sole discretion based on market conditions.

Tranches of Quasi-REITs

Item	Priority Tranche	Subordinated Tranche
Expected Size	Not less than 60% of total issuance size	Not more than 40% of total issuance size
Expected Rating	AA+	—
Expected Return Rate	Approx. 2.0-3.0% per annum. The Company has control over whether a distribution is made.	—
Expected Return Payment Frequency	Semi-annual. The Company has control over whether a distribution is made.	Semi-annual distribution of residual income. The Company has control over whether a distribution is made.
Expected Principal Repayment	The Company has control over whether the repayment is made.	The Company has control over whether the repayment is made.
Investors	Subscribed by external investors.	Held by the Company or its wholly-owned subsidiary.

The final issuance size, term, and other arrangements will be determined based on the due diligence outputs, asset valuation results, and the review and approval by the SSE.

1.3 Structure of Quasi-REITs



1.4 Credit Enhancement Measures

Tranching of Quasi-REITs

Pursuant to the Quasi-REITs' asset management contract and related documents, the Quasi-REITs issued under this special program are divided into priority Quasi-REITs and subordinated Quasi-REITs.

Subordinated Quasi-REITs represent the right to receive distributions from the Quasi-REITs plan after the priority Quasi-REITs tranche have been paid. In other words, until the investment principal and expected return payable to the priority Quasi-REITs tranche in the current period are fully paid, the subordinated Quasi-REITs tranche shall not receive any payment.

Liquidity Support Facility

As the liquidity support facility under the Quasi-REITs, the Company or another entity rated AAA in terms of credibility intends to sign a "Liquidity Support Agreement" with the Plan Administrator who is acting on behalf of the Quasi-REITs, undertaking to provide liquidity support when funds in the designated account are insufficient to pay the loan principal and interest due on the corresponding loan claims of the Project Company (i.e. Binhai Water), by depositing liquidity support funds into the designated account to ensure the Project Company's debt service.

Pledge of Water Supply Charge Receivables

The pledgor, Binhai Water, and the Plan Administrator shall enter into a Charging Rights Pledge Agreement, pursuant to which Binhai Water shall pledges its water supply charge receivables and the related accounts receivable arising therefrom as security for the repayment of loan principal, interest, and other payables due under the Loan Agreement.

Asset Mortgage

The mortgagor, Binhai Water, and the Plan Administrator shall enter into a mortgage agreement, pursuant to which Binhai Water shall mortgage its assets under the Taizhou Water Diversion Project Phase III as security for the repayment of loan principal, interest, and other payables due from the Project Company under the Loan Agreement.

Trigger Sequence

Credit enhancement measures are arrangements designed to ensure the payment of investment principal and expected return on the Quasi-REITs should the cash flow from the Underlying Assets falls below expected levels. The Quasi-REITs incorporate both tranching and liquidity support mechanisms.

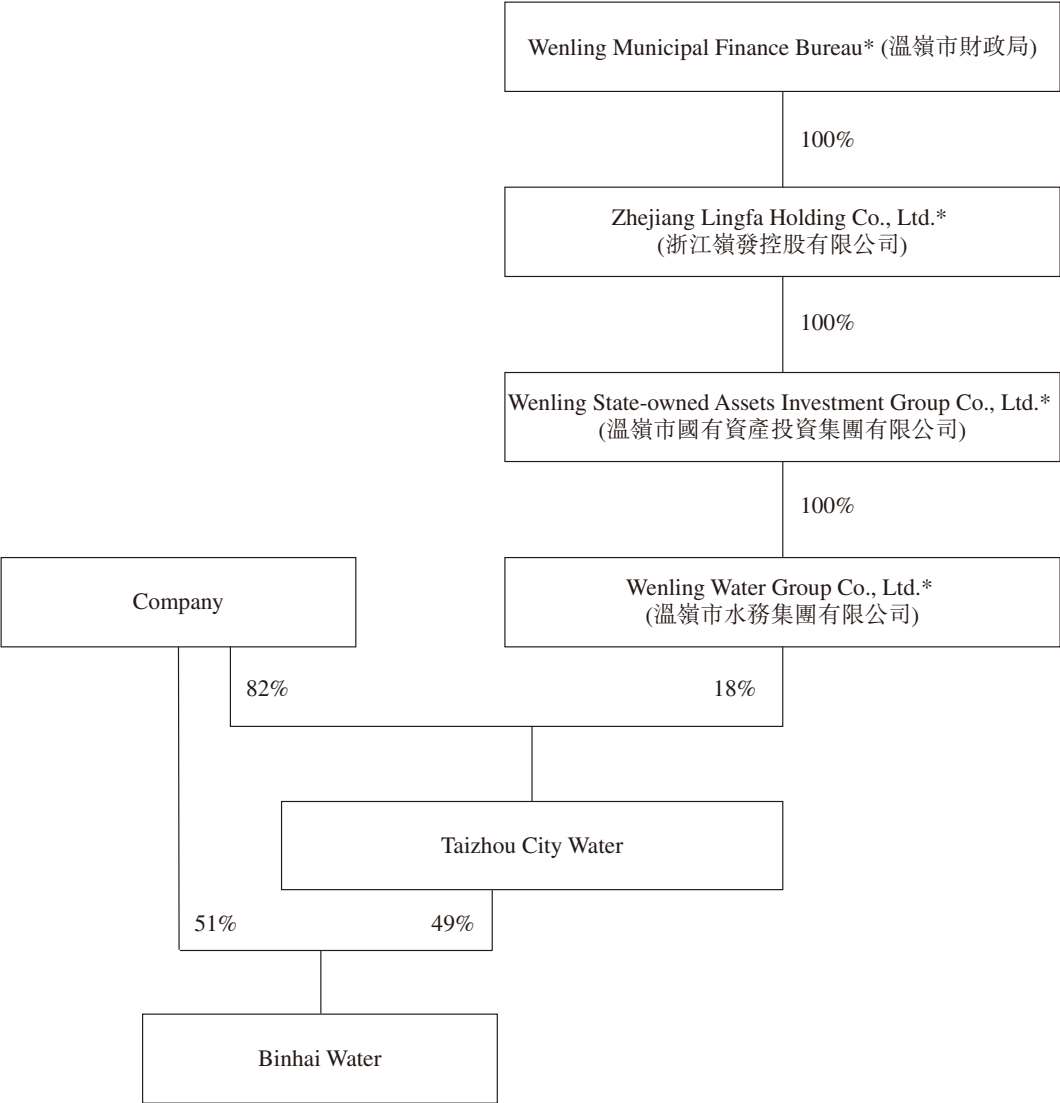
First, the operating income and net operating cash flow generated by the Underlying Assets are relatively stable, thereby providing solid support to the Project Company in relation to its payment of loan principal and interest to the Quasi-REITs.

Second, if net operating cash flow generated by the Underlying Assets are insufficient to pay the loan principal and interest due from the Project Company under the Loan Agreement, a liquidity support event will be triggered. In such case, the Company, or another entity rated AAA in terms of credibility, will promptly provide liquidity support to ensure the Project Company's ability to service its debt.

Third, if net operating cash flow generated by the Underlying Assets remain insufficient to cover the loan principal and interest due from the Project Company under the Loan Agreement, the Plan Administrator may realize the pledged water supply charge receivables and the mortgaged water assets to provide a source of repayment of loan principal and interest to the Quasi-REITs.

1.5 Transaction Steps

As at the date of this announcement, the shareholding structure of Binhai Water is as below:



1.5.1 Binhai Water Acquisition

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

Set out below are the major terms of the Binhai Water Acquisition:

Parties:

1. Taizhou City Water (as vendor);
2. the Company (as purchaser); and
3. Binhai Water (as target company).

Subject matter:

Taizhou City Water conditionally agreed to sell, and the Company conditionally agreed to purchase, 49% equity interest in Binhai Water, free from all encumbrances, and together with all rights and benefits attaching thereto. The effective interest acquired by the Company under the Binhai Water Acquisition is 8.82%.

Consideration and Basis of Consideration

The consideration for the Binhai Water Acquisition is preliminarily set at approximately RMB147.49 million (the “**Consideration**”), which is based on the appraised value of the entire equity interests in Binhai Water as at 31 December 2025, as set forth in the Valuation Report (Kun Yuan Appraisal Report No. [2026] [496]) prepared by the Valuer, which amounts to RMB301 million. The corresponding effective consideration for the effective interest acquired by the Company under the Binhai Water Acquisition (being 8.82%) is approximately RMB26.5482 million. Any subsequent change in such appraised value shall not result in an adjustment to the consideration for the Binhai Water Acquisition.

Payment of Consideration

First Installment

The Company shall pay the first installment of the Consideration in a lump sum in cash to the designated bank account of Taizhou City Water on the date (or on the next business day if bank processing delays occur) when all of the following conditions have been satisfied, or on such date as otherwise agreed by the Taizhou City Water:

1. Taizhou City Water has completed the business registration of the equity transfer of Binhai Water under the Binhai Water Acquisition with the market supervision authority;
2. The 49% equity interest in Binhai Water has been registered with the market supervision authority under the Company's name;
3. Taizhou City Water has obtained all necessary internal approvals or resolutions for the Binhai Water Acquisition;
4. If laws, regulations, or any contract requires third-party consents or approvals for the change in Binhai Water's shareholding structure, all such consents or approvals have been obtained; and
5. Taizhou City Water's representations and warranties remain true, complete, and valid, and no material adverse facts or circumstances exist that would prevent the completion of the transaction.

Final Installment

The Company shall pay the final installment of the Consideration to the designated bank account of Taizhou City Water within 60 business days after all of the following conditions are satisfied (if delay occurs due to bank system issues not attributable to the Company, the payment deadline may be extended to the next business day after such obstacle is removed, provided that the Company notifies Taizhou City Water in writing during the extension period):

1. All payment conditions for the first installment remain valid and have not undergone any material adverse change;
2. The assets, finances, business, qualifications and personnel of Binhai Water have been fully handed over in accordance with the Binhai Water Equity Transfer Agreement, and the parties have signed the *Asset and Document Handover Confirmation Letter*;
3. Taizhou City Water has handed over all seals, corporate certificates, financial books and records, contract documents, title certificates, and operational materials of Binhai Water;

4. The representations and warranties made by Taizhou City Water under this agreement remain true, accurate, complete and valid after the closing, and no breach of such representations, warranties or commitments has occurred;
5. Following the completion of the equity change registration of Binhai Water, no third party has raised any ownership dispute, attachment, freeze, litigation, arbitration or administrative investigation against the target equity or Binhai Water; and
6. The parties have completed all relevant procedures including tax filing and full payment of taxes in accordance with this agreement and applicable laws and regulations.

Condition Precedent

Pursuant to the Binhai Water Equity Transfer Agreement, the completion of Binhai Water Acquisition is subject to the below conditions:

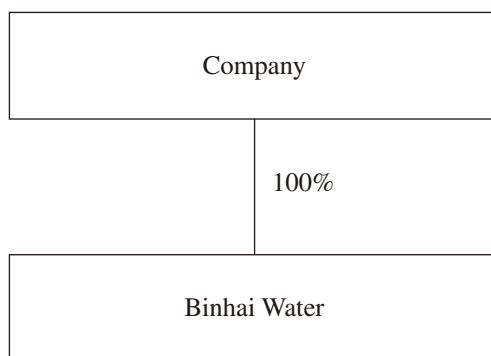
1. The Company shall obtain the original or a copy of the amended articles of association of Binhai Water; Binhai Water shall prepare a shareholders' register and a capital contribution certificate showing the Company as the holder of 100% equity interest in Binhai Water, and simultaneously recover the original capital contribution certificate;
2. The Company shall obtain all seals of Binhai Water (including but not limited to the company seal, financial seal, legal representative's personal seal, contract seal, etc.);
3. The Company shall obtain all originals of corporate certificates and licenses of Binhai Water (including but not limited to the duplicate of the business license, loan card, etc.);
4. The Company shall obtain assets lists, lease ledgers, asset and project documents, legal documents relating to the Underlying Assets (including construction permits, asset title documents, facility and equipment documents, project documents, material contracts, legal correspondence and pleadings, etc.);
5. The Company shall obtain all bank account agreements, account cards, passwords, specimen seals, bank statements (if any), electronic keys, and other related documents for all accounts of Binhai Water with any financial institutions;
6. The Company shall obtain all financial and accounting records of Binhai Water (whether used, in use, or unused, and whether in electronic or physical form);

7. The Company shall obtain all other documents and materials to be handed over;
8. Each and every matter contemplated under the Proposed Issuance of Quasi-REITs (including but not limited to the Binhai Water Acquisition, the issuance of Quasi-REITs, the Subscription, the establishment of Quasi-REITs and the Disposal of Binhai Water) shall be duly authorised, resolved, or otherwise approved through all necessary corporate approval procedures (as applicable), including the Shareholders approval at the EGM; and
9. The completion of each and every matter contemplated under the Proposed Issuance of Quasi-REITs (including, but not limited to, the Binhai Water Acquisition, the issuance of Quasi-REITs, the Subscription, the establishment of Quasi-REITs, and the Disposal of Binhai Water) shall be inter-conditional.

Completion

Pursuant to the Binhai Water Equity Transfer Agreement, the Company shall complete the registration of the equity transfer of Binhai Water with the market supervision authority within 60 business days after the completion date of Binhai Water Acquisition. The date on which such registration is completed shall be the closing date for the Binhai Water Acquisition. For the avoidance of doubt, any extension of the registration period due to a force majeure event or the administrative procedures of the market supervision authority shall not be deemed a breach.

Upon completion of the Binhai Water Acquisition, Binhai Water will become a wholly-owned subsidiary of the Company and the shareholding structure of Binhai Water is set out as below:



Reasons for and Benefits of the Binhai Water Acquisition

To adjust the holding structure of Binhai Water in preparation for the Subscription and Proposed Issuance of Quasi-REITs.

1.5.2 The Issuance, the Subscription and the Establishment of Quasi-REITs

The Company will subscribe to the subordinated tranche of the Quasi-REITs, with a subscription amount not exceeding RMB1.28 billion in aggregate, representing no more than 40% of the total issuance size. The Subscription will be funded by bank borrowing and will be subsequently repaid after the establishment of the Quasi-REITs. Upon issuance of the Quasi-REITs, the Company, as a subordinated Quasi-REITs investor, will hold no more than 40% of the Quasi-REITs. The rest of the portion (i.e., no less than 60%) will be held by the priority Quasi-REITs holders through their subscription of priority tranche of the Quasi-REITs upon issuance of the Quasi-REITs. Principal terms of the Subscription are as below:

Issuance Size	:	Not exceeding RMB3.20 billion, which was determined with reference to the appraised value of the Underlying Assets. The current preliminary appraisal market value of the Underlying Assets is approximately RMB3.122 billion. The final issuance size may be adjusted based on the final version of the appraisal report of the Underlying Assets issued by the Valuer and reviewed by the SSE.
Early termination of offering	:	The offering period may terminate early if all tranches reach their target offering sizes before expiry of the offering period.
Subscription completion (Quasi-REITs establishment)	:	The Quasi-REITs are established when: (i) each tranche reaches its target offering size; and (ii) the Plan Administrator transfers all subscription funds (excluding interest) to the account of Quasi-REITs, followed by a notice of the establishment.
Interest on subscription funds (if established)	:	Subscription funds bear no interest from payment date to the day prior to the establishment date.
Establishment failure	:	If any tranche fails to reach its target offering size by the end of the offering period, the Quasi-REITs will not be established.

Refund (upon failure)	:	Refund shall be made within 10 business days after the end of the offering period, if Quasi-REITs is not established. Interest on refund will be calculated based on demand deposit rate from subscription payment date to day prior to refund date (bank handling fees deducted).
Expected maturity date and expected term	:	The expected maturity date is the last day of the 18th (3+3+3+3+3+3) year from the establishment date of the Quasi-REITs (consistent with the maturity adopted by comparable Quasi-REIT products listed on the SSE). The Company intends to hold the Quasi-REITs until the 18th year. Please refer to section headed “1.2 Issuance Proposal – Overview of Quasi-REITs – Expected Term” of this announcement for more details on extension of term and exit upon maturity.
Expected return	:	• Priority tranche (priority Quasi-REITs holders): defined expected return. The Company has control over whether a distribution is made. • Subordinated tranche (Company): no expected yield. No guaranteed return.
Distribution priority	:	The Company has control over whether a distribution is made. In the ordinary distribution, disposal distribution, and liquidation distribution, it is explicitly provided that the priority investors’ expected yield is paid first, followed by the priority investors’ investment principal, and finally the subordinated investor’s investment principal.

- Exit right : • Priority investor: may apply for exit on specified dates during the option period and disposal period, subject to a priority purchase right, not obligation, held by Company during the exercise period and disposal period. Please refer to the section headed “Exit Upon Exercise of Priority Purchase Right” for more details.
- Subordinated investor (Company): subordinated securities are held by the original equity holder (Company) and are generally non-transferable except by court order.
- Option period : Priority investors may apply for exit during the option period (from the 89th business day to the 75th business day before the specified distribution date). Once the option period ends, applications cannot be withdrawn. For exit measures during the option period, please refer to section headed “1.5.8 Exit Arrangements” of this announcement for more details.
- Exercise Period : If any portion of the priority securities submitted for exit remain unsold by the 54th business day before the specified distribution date, the exercise period commences (from the 54th to the 30th business day before the specified distribution date), during which the Company has the priority purchase right, not obligation, over such priority Quasi-REITs holders’ securities.

Other Related Agreements

Upon completion of the Quasi-REITs issuance and the Equity Transfer Agreement, the following agreements will be entered into in regard to the Proposed Issuance of Quasi-REITs. The summary below is subject to change, as the specific terms of each agreement shall be subject to the review and approval of the SSE and the execution and effectiveness of the definitive agreement documents duly signed by all parties:

(i) Quasi-REITs Standard Terms

The Plan Administrator as the plan administrator of the Quasi-REITs will set up the Quasi-REITs Standard Terms, which sets out the rights and obligations between the Plan Administrator and the holders of the Quasi-REITs, including the arrangement of distribution under the Quasi-REITs.

(ii) Asset Servicing Agreement

The Asset Servicing Agreement will be entered into among the Plan Administrator (as one of the service recipient), Binhai Water (as the Project Company and one of the service recipient) and the Company (as the asset servicer), pursuant to which the Company will be appointed to provide administrative, management and operational services in connection with the Project Company and the target project (Taizhou Water Diversion Phase III Project) following the equity transfer. The key terms include: (i) the asset servicer provides the services free of charge without any service fee; (ii) the asset servicer has the authority to approve the Project Company's profit distribution plans; (iii) an Investment Management Committee is established with three members (one appointed by the priority Quasi-REITs holders, one appointed by the subordinated Quasi-REITs holder, and one appointed by the asset servicer), and matters require the affirmative vote of at least two out of three members to be approved; (iv) the asset servicer must provide regular service reports to the Plan Administrator; (v) the agreement becomes effective upon the establishment date of the Quasi-REITs; and (vi) the asset servicer is liable for losses caused by its gross negligence, wilful misconduct, or material breach of the agreement.

(iii) Acquisition Agreement

The Acquisition Agreement will be entered into among the Plan Administrator (acting on behalf of the Quasi-REITs), the Company (as the priority acquirer) and Binhai Water (as the Project Company), pursuant to which the Company is granted the priority acquisition right to acquire the Underlying Assets (including the subject equity, the subject creditor's rights and the target project) and the participating exiting priority asset-backed securities under certain conditions, including during the exercise period or upon a change in accounting policies, and sets out the procedures for exercising such priority acquisition right, the valuation mechanism, the acquisition price determination and the related payment arrangements. The key terms include: (i) the priority acquirer has the right, but not the obligation, to acquire the Underlying Assets or the participating exiting priority investors' securities; (ii) the priority acquisition right can be exercised during the exercise period (from the 54th business day to the 30th business day before a specified distribution date) or upon a change in accounting policies; (iii) if the priority acquirer decides to exercise its right, it must deliver a written exercise notice within the exercise period; (iv) the acquisition price for the Underlying Assets is determined by an independent valuer appointed jointly by the parties; (v) for acquisition of the Underlying Assets, the acquisition price is subject to approval by the Quasi-REITs holders (100% of subordinated holders if the disposal proceeds are sufficient to repay the priority Quasi-REITs holders, or 80% of all holders if insufficient); (vi) for acquisition of the priority Quasi-REITs holders, the priority acquirer must complete the transaction two business days before the specified distribution date; (vii) the priority acquirer may designate a third party to make the payment on its behalf; and (viii) once the priority acquirer acquires priority investors' securities, it cannot transfer them.

(iv) Loan Agreement

The Loan Agreement will be entered into between the Plan Administrator (acting on behalf of the Quasi-REITs, as lender) and Binhai Water (as borrower), pursuant to which the Plan Administrator will provide a shareholder's loan in an aggregate principal amount of no more than RMB2.599 billion to Binhai Water, to be used for repaying the borrower's existing indebtedness and supplementing its working capital. The key terms include: (i) the interest rate of borrowings shall be adjusted every three years, and the applicable interest rate after each adjustment shall be subject to the final review and approval by the Investment Management Committee (which is controlled by the Company as to two-thirds of the voting rights); (ii) the borrower shall repay the principal in accordance with the principal repayment schedule set out in the Loan Agreement; (iii) the lender may, upon the occurrence of an announced early maturity event, require the conversion of all or part of the outstanding principal into equity (debt-to-equity swap), with the conversion price determined by an independent valuer of the Project Company; (iv) upon the occurrence of an automatic early maturity event, the loan automatically accelerates and becomes immediately due and payable; (v) the lender may assign or transfer the loan to a third party without the borrower's consent; and (vi) the borrower shall transfer its net operating income from the daily collection and payment account to the regulated account on each daily collection and payment account transfer date for repayment of the loan.

(v) Regulatory Agreement

The Regulatory Agreement will be entered into among the Plan Administrator (acting on behalf of the Quasi-REITs), the regulatory bank (the regulatory bank under the Quasi-REITs, responsible for supervising the regulatory account opened by the Project Company) and Binhai Water (as the Project Company), pursuant to which the regulatory bank is appointed to supervise the regulatory account opened by Binhai Water, which is designated to receive funds including the Project Company's net operating cash inflows, performance support funds, liquidity support funds and the priority acquisition price for the target project. The key terms include: (i) the regulatory account is opened with the regulatory bank and the account's reserve seal is jointly shared by the Project Company and the Plan Administrator; (ii) the Project Company shall transfer net operating cash inflows from its daily collection and payment account to the regulatory account on each daily collection and payment account transfer date; (iii) funds in the regulatory account can only be used for: (a) repaying principal and interest under the Loan Agreement, (b) distributing dividends to the Project Company's shareholders, (c) paying the Project Company's

operating expenses (within approved budgets), and (d) returning liquidity support funds to the liquidity support provider; (iv) the regulatory bank shall execute payment instructions after conducting a surface-level verification of the completeness of the instruction elements and whether the seal matches the reserved seal specimen; (v) the regulatory bank must not set off or intercept funds in the regulatory account to repay any debt owed to the regulatory bank; (vi) the Plan Administrator has the right to remove the regulatory bank upon the occurrence of a regulatory bank removal event (including loss of qualification, material breach of obligations lasting more than 15 business days, or a loss of solvency event); and (vii) the regulatory bank shall provide a regulatory account report to the Plan Administrator and the Project Company on each regulatory account calculation date.

(vi) Liquidity Support Agreement

The Liquidity Support Agreement will be entered into between the Plan Administrator (acting on behalf of the Quasi-REITs) and the Company or another entity rated AAA in terms of credibility (as the liquidity support provider), pursuant to which the Company or another entity rated AAA in terms of credibility will provide liquidity support to cover any shortfall in the repayment of principal and interest due under the Loan Agreement upon the occurrence of a liquidity support trigger event. The key terms include: (i) the liquidity support trigger event occurs when, as of 00:00 on the regulatory account calculation date preceding any ordinary payment date under the Quasi-REITs, the funds in the regulatory account are insufficient to pay the then-due interest and/or principal and other payable amounts under the Loan Agreement; (ii) the liquidity support amount equals the target repayment amount on the relevant repayment date minus the funds in the regulatory account as of 24:00 on the day preceding the performance support fulfillment date; (iii) upon the occurrence of a liquidity support trigger event, the Plan Administrator (or its designated party) shall send a liquidity support notice to the liquidity support provider, and the liquidity support provider shall pay the liquidity support funds to the regulatory account by 17:00 on the liquidity support performance date; (iv) the support period is three years from the day after the maturity date (including early or extended maturity) of each debt under the Loan Agreement; (v) the liquidity support provider may recover support funds paid to the Project Company, provided that funds in the regulatory account are sufficient to pay the then-due interest and/or principal under the Loan Agreement; (vi) the liquidity support provider may not demand repayment from the Quasi-REITs, the asset-backed securities holders or the Plan Administrator; (vii) if the liquidity support provider fails to pay on time, it shall pay a late fee of 0.05% per day on the overdue amount; and (viii) the liquidity support provider's obligation is irrevocable, unconditional, independent and joint, and is not affected by the financial condition of the liquidity support provider.

(vii) Charging Rights Pledge Agreement

The Charging Rights Pledge Agreement will be entered into between the Plan Administrator (acting as pledgee) and Binhai Water (acting as pledgor), pursuant to which Binhai Water will pledge its water supply charging rights and the related receivables arising under the water supply agreements set out in its appendix to secure the repayment obligations under the Loan Agreement. The key terms include: (i) the pledged property consists of the water supply charging rights and the related water supply receivables under the water supply agreements listed in the appendix to this agreement; (ii) the security scope covers the principal obligation under the Loan Agreement, together with interest, late fees, default interest, damages, and costs of enforcing the principal obligation and the pledge (including litigation, arbitration, attorney fees, travel expenses, enforcement fees, appraisal fees, notarization fees, auction fees, etc.); (iii) the pledge registration shall be completed with the People's Bank of China's receivables pledge registration system within 45 business days after the establishment date of the Quasi-REITs, with all costs borne by the pledgor; (iv) without the pledgee's prior written consent, the pledgor may not dispose of the pledged property in any way, including abandonment, gift, transfer, capital contribution, or re-pledge; (v) the pledgor shall establish a dedicated collection account and deposit all income from the pledged property into such account; (vi) upon the occurrence of an enforcement event (including invalidity of the principal contract, the pledgor's bankruptcy, dissolution, merger, or a resolution of the Quasi-REITs holders requiring enforcement), the pledgee may immediately exercise the pledge; (vii) the pledgee may directly transfer or otherwise lawfully dispose of the pledged property; and (viii) the pledgee's rights under the pledge are not affected by whether the pledgee holds other security interests, and the pledgee may directly demand that the pledgor perform its security obligations without first pursuing other remedies.

(viii) Debt-to-Equity Swap and Capital Increase Agreement

The Debt-to-Equity Swap and Capital Increase Agreement will be entered into between the Plan Administrator (acting on behalf of the Quasi-REITs, as the creditor) and Binhai Water (as the debtor and target company), pursuant to which the creditor agrees to convert no more than RMB600 million of the principal outstanding under the Loan Agreement into a capital increase in the target company. The agreement sets out the scope of the conversion (limited to RMB600 million of principal, with the remaining debt continuing under the original loan agreement), the conversion price based on an asset valuation, the resulting increase in registered capital and capital reserve, the effective date of conversion (being the date of completion of industrial and commercial registration), the post-conversion corporate governance arrangements (including major matters requiring the creditor's prior written consent), the conditions precedent to closing, the target company's interim obligations, and the breach and dispute resolution provisions.

Following the debt-to-equity swap and capital increase, the Quasi-REITs will ultimately hold RMB1.201 billion in equity and up to RMB1.999 billion in shareholder's loans in Binhai Water, while maintaining 100% ownership of Binhai Water.

As the Debt-to-Equity Swap and Capital Increase Agreement involves transactions within the Group's consolidation scope, they will have no impact on the Company's consolidated financial statements and the Company will continue to have control over the Quasi-REITs as well as indirect control over Binhai Water.

(ix) Capital Increase Agreement

The Capital Increase Agreement will be entered into between the Plan Administrator (acting on behalf of the Quasi-REITs) and Binhai Water (as the target company), pursuant to which the Plan Administrator agrees to contribute capital to increase the registered capital of Binhai Water by way of cash subscription. The agreement sets out the amount and timing of the capital contribution, the post-capital increase shareholding structure (with the Plan Administrator holding 100% of the equity interests in Binhai Water), the obligation of Binhai Water to complete the industrial and commercial registration for the capital increase within a specified period after receiving the full capital contribution, and the parties' representations, warranties, breach liability, governing law, and dispute resolution provisions (with disputes to be submitted to the competent court in Huangyan District, Taizhou).

(x) Custody Agreement

The custody agreement will be entered into between as the Plan Administrator and a custodian bank (as the custodian), pursuant to which the administrator appoints the custodian to provide custody services for the assets of the Quasi-REITs. The agreement sets out the appointment of the custodian, the rights and obligations of both parties, the custody of the special plan's assets (including the opening and maintenance of the special plan custody account), the sending, confirmation and execution of fund transfer instructions, the accounting and reconciliation of the special plan, the preparation of annual custodian reports, the supervision obligations of the custodian over the administrator, the removal and resignation of the custodian, the custodian fee, termination of the agreement, and the governing law and dispute resolution provisions (with disputes to be submitted to the competent court in Huangyan District, Taizhou).

(xi) Mortgage Agreement

The mortgage agreement will be entered into between the Plan Administrator (acting on behalf of the Quasi-REITs, as the mortgagee) and Binhai Water (as the mortgagor, Project Company and borrower), pursuant to which the mortgagor agrees to mortgage its water assets of the Taizhou Water Diversion Project Phase III (including the land use rights, buildings and structures, pipelines and assets, production equipment, and ancillary facilities) as security for the repayment of principal, interest, penalties and other payables due under the Loan Agreement. The agreement sets out the scope of the mortgaged property, the mortgage guarantee coverage, the custody and maintenance of the mortgaged property, the obligation to register the mortgage with the relevant registration authority (with the mortgagee registered as the first-priority and sole mortgagee), the insurance requirements for the mortgaged property, restrictions on disposing of the mortgaged property during the mortgage term (including prohibitions on sale, transfer, lease or re-mortgage without the mortgagee's prior written consent), the mortgagee's right to enforce the mortgage upon the occurrence of an event of default, the governing law and dispute resolution provisions (with disputes to be submitted to the competent court in Huangyan District, Taizhou), and the automatic succession of the mortgagee's rights and obligations in the event the Plan Administrator establishes a separate asset management subsidiary.

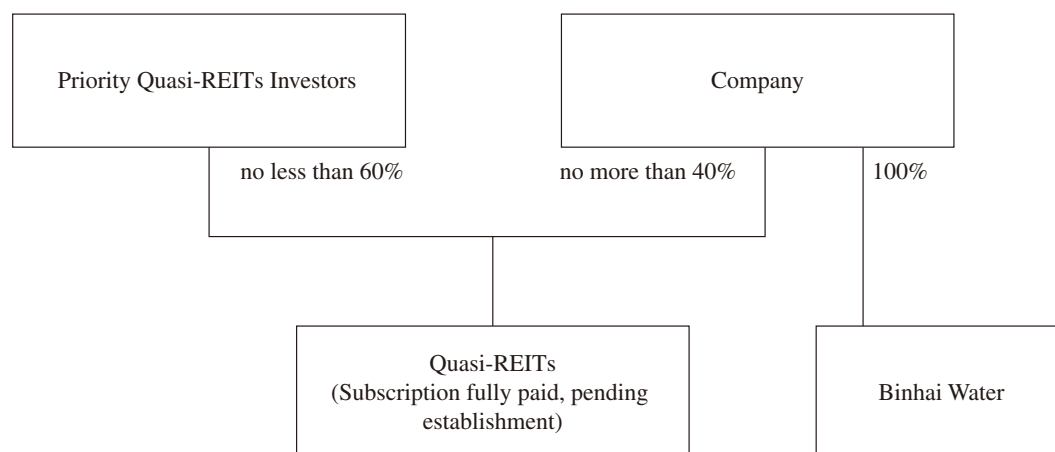
(xii) Asset-Backed Securities Subscription Agreement

The Asset-Backed Securities Subscription Agreement will be entered into between the Plan Administrator and each subscriber (as the investor), pursuant to which the subscriber agrees to purchase the priority and/or subordinated asset-backed securities issued under the Quasi-REITs at a face value of RMB100 per share. The agreement sets out the subscription amount, the number of shares subscribed, the expected return for the priority tranche, the subscriber's obligation to deposit the full subscription amount into the designated special plan collection account by the specified deadline, the Plan Administrator's obligation to deliver the securities to the subscriber's securities account with CSDC Shanghai Branch upon establishment of the special plan, the obligation of the subscriber to provide information and assistance for the Plan Administrator to complete filing with the Asset Management Association of China, and the governing law, breach and dispute resolution provisions (which refer to the dispute resolution section in the plan prospectus).

The completion of the issuance, the Subscription, and the establishment of the Quasi-REITs is conditional upon: (1) each and every matter contemplated under the Proposed Issuance of Quasi-REITs (including, but not limited to, the Binhai Water Acquisition, the issuance, the Subscription, and the establishment of the Quasi-REITs and the Disposal of Binhai Water) having been duly authorized, resolved, or otherwise approved through all necessary internal corporate approval procedures (as applicable), including the approval of the Shareholders at the EGM; (2) the SSE approving the issuance of the Quasi-REITs and issuing a letter of no objection in respect thereof; (3) completion of the Binhai Water Acquisition; (4) the formal execution of the transaction documents by the Plan Administrator (acting on behalf of the Quasi-REITs), the original equity holder (the Company), and the Project Company (Binhai Water), including the Equity Transfer Agreement, and other related agreements (including but not limited to the Loan Agreement, the Asset-Backed Securities Subscription Agreement, and the Liquidity Support Agreement); and (5) the full and sufficient placement of the proceeds – the actual subscription amount for the Quasi-REITs being no less than the proposed issuance size, with the fundraising process having been fully completed.

For the avoidance of doubt, the completion of each and every matter contemplated under the Proposed Issuance of Quasi-REITs (including, but not limited to, the Binhai Water Acquisition, the issuance of Quasi-REITs, the Subscription, the establishment of Quasi-REITs, and the Disposal of Binhai Water) shall be inter-conditional.

Upon completion of the issuance, the Subscription and the establishment of Quasi-REITs, the shareholding structure of the Quasi-REITs and Binhai Water is set out as below:



1.5.3 Disposal of Binhai Water

The Company as the vendor and the original interest owner, the Plan Administrator as the plan administrator and acting on behalf of the Quasi-REITs as the purchaser and Binhai Water propose to enter into the Equity Transfer Agreement, pursuant to which the Company will conditionally agree to transfer the entire equity interests in Binhai Water to the Quasi-REITs to be managed by the Plan Administrator at a cash consideration of approximately RMB301 million.

Principal terms of the Equity Transfer Agreement are summarised as follows.

Parties:

- (i) Company, as the transferor and original interest owner;
- (ii) the Plan Administrator, as the plan administrator and acting on behalf of the Quasi-REITs as the transferee; and
- (iii) Binhai Water, as the Project Company

Subject Matter:

Pursuant to the Equity Transfer Agreement, the Company shall transfer the entire equity interests in Binhai Water to the Plan Administrator.

Consideration and Payment Terms:

The consideration for the entire equity interests in Binhai Water is approximately RMB301 million (the consideration has taken into account all interests and liabilities of the Company in the Project Company). All interests and liabilities of the transferor in the Project Company refer to all equity interests and corresponding shareholder rights in the Project Company held by the transferor, the scope of which covers all assets and all liabilities of the Project Company as of the transfer reference date (being 31 December 2025). The consideration will be payable by the Plan Administrator in a single lump sum within two business days after the establishment date of the Quasi-REITs, provided that all conditions precedent to the equity transfer have been satisfied. The consideration of the equity transfer of Binhai Water under the Equity Transfer Agreement was determined with reference to the appraised value of Binhai Water's total equity interests as of December 31, 2025, as set forth in the Valuation Report (Kun Yuan Appraisal Report No. [2026] [496]) prepared by the Valuer, which amounts to RMB301 million. The Valuer appraised the value of the entire equity interests of Binhai by using income approach. Any subsequent change in such appraised value shall not result in an adjustment to the consideration for the Disposal of Binhai Water.

Conditions Precedent:

The equity transfer is conditional upon the satisfaction (or waiver by the Plan Administrator) of the following conditions precedent: (a) each party has obtained all necessary authorizations and approvals for signing the Equity Transfer Agreement and completing the transfer; (b) the Quasi-REITs has been established; (c) all representations, warranties and undertakings made by the transferor and the Project Company are true, accurate and complete as of the date of completion; and (d) no material adverse effect has occurred to the transferor, the Project Company or the target project assets during the transition period.

Effectiveness:

The Equity Transfer Agreement shall become effective upon the legal representatives or authorized representatives of all parties having signed (or sealed) and affixed their official seal (or contract seal) onto the Equity Transfer Agreement.

Benchmark Date and Transition Period:

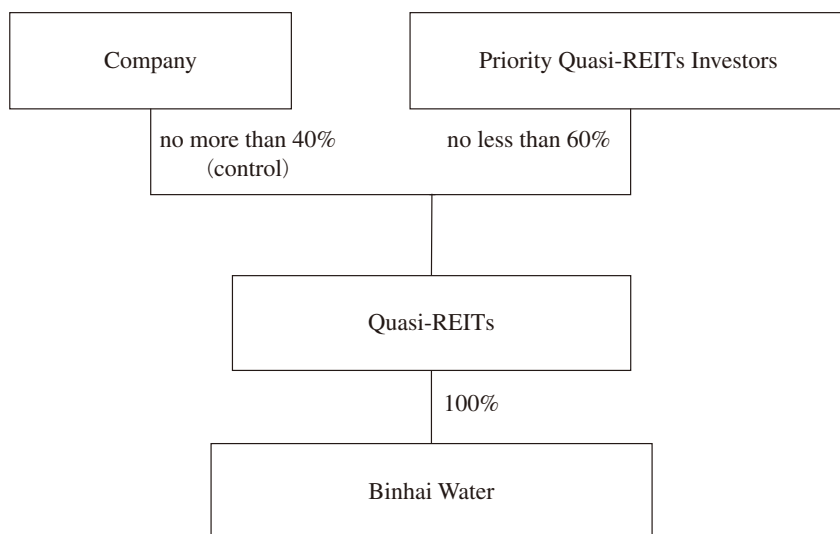
The benchmark date for the equity transfer is the valuation benchmark date as set out in the valuation report issued by a qualified valuation institution, being 31 December 2025. From such date (inclusive), all rights, interests and risks relating to the subject equity shall be transferred to the transferee. The transition period is the period from the benchmark date (inclusive) to the completion date of the equity transfer (inclusive). The transition period is for completion of the business registration with the market supervision authority.

Completion of the Equity Transfer Agreement:

Completion of the Equity Transfer Agreement shall take place upon the registration of the transferee as a shareholder of Binhai Water in the shareholder register and the completion of the industrial and commercial change registration for the equity transfer (“**Completion Date**”). Within 90 business days after the establishment date of the Quasi-REITs, the transferor shall cause Binhai Water to complete the relevant equity change registration procedures, and the transferee shall provide necessary assistance and cooperation.

For the avoidance of doubt, the completion of each and every matter contemplated under the Proposed Issuance of Quasi-REITs (including, but not limited to, the Binhai Water Acquisition, the issuance of Quasi-REITs, the Subscription, the establishment of Quasi-REITs, and the Disposal of Binhai Water) shall be inter-conditional.

Upon completion of the Equity Transfer Agreement, the shareholding structure of Binhai Water is set out as below:



1.5.4 Capital Increase to Binhai Water

The Quasi-REITs will make a capital contribution to Binhai Water of approximately RMB300 million (the actual amount shall be based on the final issuance plan to be approved by SSE).

1.5.5 Shareholder Loan to Binhai Water

The Quasi-REITs will provide a shareholder loan to Binhai Water not exceeding RMB2.599 billion to repay Binhai Water's existing debt under the Loan Agreement. Binhai Water will pledge its water assets and operating income as collateral/security for this shareholder loan.

As at 31 December 2025, the identities of Binhai Water's existing creditors, the outstanding balance and applicable interest rates of the relevant indebtedness, and the relationship between such creditors and the Company are as follows:

Creditors		Outstanding balance at 31 December 2025 RMB'000	Interest Rates	Relationship between the Creditor and Binhai Water
1.	Taizhou Water Group Co., Ltd. (台州市水務集團股份有限公司)	921,898	2.5%-4.9%	Controlling shareholder of Binhai Water
2.	Agricultural Bank of China (Taizhou Branch) (中國農業銀行股份有限公司 台州分行)	763,287	2.95%	A third party
3.	China Development Bank (Zhejiang Branch) (國家開發銀行浙江省分行)	277,626	3.85%	A third party
4.	Industrial and Commercial Bank of China (Taizhou Huangyan Branch) (中國工商銀行股份有限公司 台州黃岩支行)	264,238	2.95%	A third party
5.	Postal Savings Bank of China (Taizhou Branch) (中國郵政儲蓄銀行股份 有限公司台州市分行)	196,764	2.95%	A third party
6.	Bank of Communications (Taizhou Branch) (交通銀行股份有限公司 台州分行)	148,134	2.96%	A third party
Sum: –		2,571,947	–	–

1.5.6 Debt-to-Equity Swap of Binhai Water

Binhai Water will convert no more than RMB600 million of the shareholder loan provided by the Quasi-REITs into equity, in accordance with relevant agreements. The specific timing, conditions, and method of implementation of the relevant debt-to-equity conversion shall be subject to the final SSE approved Quasi-REITs plan.

1.5.7 Use of Proceeds

The proceeds from the Proposed Issuance of Quasi-REITs will be used for repaying Binhai Water's borrower's existing indebtedness and supplementing its working capital.

The total amount of proceeds expected to be raised from the Proposed Issuance of Quasi-REITs will not exceed RMB3.20 billion. The consideration for the acquisition of Binhai Water to be paid by the transferee (i.e. the Plan Administrator) to the Company will be funded by the proceeds raised under the Proposed Issuance of Quasi-REITs.

The proceeds from the Proposed Issuance of Quasi-REITs (in an amount not exceeding RMB3.20 billion) will be used as follows: (i) approximately RMB301 million will be used for payment of consideration for the acquisition of 100% equity interests in Binhai Water by the Plan Administrator, acting on behalf of the Quasi-REITs; (ii) approximately RMB2.572 billion will be used for repaying Binhai Water's existing indebtedness, of which approximately RMB922 million will be repaid to the Company and approximately RMB1.650 billion will be repaid to banks. The calculation of bank borrowings repayable from the proceeds excludes the borrowings from the Company, as the Company will continue to control the Quasi-REITs and indirectly control Binhai Water following the issuance of Quasi-REITs; accordingly, the borrowings between Binhai Water and the Company represent intra-group transactions and do not affect the cash flow movements at the Group consolidated level; and (iii) the remaining balance (not exceeding RMB327 million) will be used for supplementing Binhai Water's working capital. The amounts stated above are presented with reference to the outstanding balance of indebtedness of Binhai Water as at 31 December 2025, and the final amounts will be determined based on debt position at the time of utilization. The aforementioned matters are expected to be completed within two business days after the establishment date of the Quasi-REITs.

1.5.8 Exit Arrangements

The Quasi-REITs provides for an option period and a priority purchase right exercise period (i.e. exercise lock-up period) every 3 years during the expected term. At the end of every third year, the priority Quasi-REITs holders may decide, based on their needs, to exit and the Company may decide, based on its needs, whether to exercise its priority purchase right. The exit arrangements are as follows:

(i) Default Continuation

If, at the end of each of the third year of the Quasi-REITs, investors do not take any exit registration action during the option period, the Quasi-REITs will continue.

(ii) Resale Continuation

If, at the end of each of the third year of the Quasi-REITs, investors register for exit during the option period, the Quasi-REITs may continue through the investors' successful resale of their securities on SSE. This path not only saves financing costs by paying only resale fees but also avoids the uncertainty of re-applying for issuance approval.

(iii) Exit Upon Entering into Exercise Period, Disposal Period and Special Plan Disposal Period

If, at the end of each of the third year of the Quasi-REITs, investors register for exit during the option period, the Company may choose to exercise its priority purchase right to purchase the Underlying Portfolio or the Underlying Assets. The Company's priority purchase right is a discretionary right, and the Company is under no obligation to acquire the Underlying Portfolio or the Underlying Assets when investors register for exit but failed to make successful resale.

The purchase price of the assets shall be determined by the appraised value of the Underlying Portfolio or the Underlying Assets as assessed by an appraisal institution on the corresponding appraisal benchmark date (i.e. the date to determine the appraised value). After entering the disposal period, an appraisal institution will be engaged to appraise the Underlying Assets or Underlying Portfolio using the income approach. The appraisal method and process shall be consistent with those used in the current appraisal.

Subject to the review and approval of SSE and the execution and effectiveness of the definitive agreement documents duly signed by all parties, if priority Quasi-REITs investors choose to exit but cannot match with a successor investor, the exercise period will be triggered. During the exercise period:

- (1) If the Company exercises its priority purchase right during the exercise period and repurchase all the equity interest in the Quasi-REITs, the Quasi-REITs will be terminated. The Company will pay to each of the priority Quasi-REITs holders the amount capped at the sum of each such priority holders then unpaid principal and expected return.

- (2) If the Company does not exercise its priority purchase right during the exercise period, the Investment Management Committee of Quasi-REITs (which is controlled by the Company as to two-thirds of its voting rights) will decide whether the Quasi-REITs should enter into the disposal period. If the disposal period is entered,
- (a) the Company may choose to exercise its priority purchase right during the disposal period and repurchase all the Underlying Assets, the Quasi-REITs will be terminated. The Company will pay to each of the priority Quasi-REITs holders the amount capped at the sum of each such priority holders then unpaid principal and expected return;
 - (b) if the Company chooses not to exercise its priority purchase right, the shareholder loan claims under the Loan Agreement shall become due and payable immediately (and not, for the avoidance of doubt, upon the maturity date of the Quasi-REITs):
 - (i) If the debtor (Binhai Water) fully repays the loan principal and interest, it shall be voted by the Investment Management Committee (which is controlled by the Company as to two-thirds of its voting rights) whether to make distributions. If the vote is not to distribute, the Quasi-REITs shall continue to subsist; if the vote is to distribute, distributions shall be made to all the investors and the Quasi-REITs will be terminated. The distribution to each of the priority Quasi-REITs holders shall be capped at the sum of each such priority holder's then-unpaid principal and expected return and the rest shall be distributed solely to the Company;
 - (ii) If the debtor (Binhai Water) does not fully repay the loan principal and interest, the Company shall make up the shortfall. If the Company makes up such shortfall, it shall be voted by the Investment Management Committee (which is controlled by the Company as to two-thirds of its voting rights) whether to make distributions. If the vote is not to distribute, the Quasi-REITs shall continue to subsist; if the vote is to distribute, distributions shall be made to the all investors and the Quasi-REITs will be terminated. The distribution to each of the priority Quasi-REITs holders shall be capped at the sum of each such priority holder's then-unpaid principal and expected return and the rest shall be distributed solely to the Company;

(iii) If the Company does not make up the shortfall, the Investment Management Committee of the Quasi-REITs (which is controlled by the Company as to two-thirds of its voting rights) will decide whether the Quasi-REITs should enter into the “Special Plan Disposal Period”;

1. If the Special Plan Disposal Period is entered, the Company may exercise the priority purchase right to buy the Underlying Assets or Underlying Portfolio.

(a) If the Company exercised such right and the sale is successful, it shall be voted by the Investment Management Committee (which is controlled by the Company as to two-thirds of its voting rights) whether to make distributions. If the vote is not to distribute, the Quasi-REITs shall continue to subsist; if the vote is to distribute, distributions shall be made to the investors (capped, for priority Quasi-REITs holders only, at the sum of each such priority holder’s then-unpaid principal and expected return) and the Quasi-REITs will be terminated.

(b) If the Company does not exercise such right and the sale fails, the Underlying Assets or Underlying Portfolio will be offered to be disposed of to an external third party.

If the external disposal to such external third party is successful, it shall be voted by the Investment Management Committee (which is controlled by the Company as to two-thirds of its voting rights) whether to make distributions. If the vote is not to distribute, the Quasi-REITs shall continue to subsist; if the vote is to distribute, distributions shall be made to all the investors (capped, for priority Quasi-REITs holders only, at the sum of each such priority holder’s then-unpaid principal and expected return and all the remainings will be paid to the Company) and the Quasi-REITs will be terminated.

If the external disposal fails, an in-kind distribution shall be implemented, distributing to all the investors pro rata the equity interests in Binhai Water and the shareholder loan claims against Binhai Water (capped at the sum of each investor's then-unpaid principal and expected return). Any disposal proceeds remaining after such distribution in kind has been completed on a pro rata basis shall be distributed to the Company. Following the completion of distribution in kind, the Quasi-REITs will be terminated.

2. If the Special Plan Disposal Period is not entered, priority Quasi-REITs investors will not be entitled to exit and the Quasi-REITs will continue to operate and maintain the same status.
- (3) If the Company decides that the Quasi-REITs shall not enter into the disposal period, priority Quasi-REITs investors will not be entitled to exit and the Quasi-REITs will continue to operate and maintain the same status.

The logic of the exit mechanism above is consistent with the exit arrangements adopted by comparable Quasi-REITs listed on the SSE.

1.6 Reasons for and Benefits of the Proposed Issuance of Quasi-REITs and Its Related Very Substantial Acquisition and Very Substantial Disposal

In this Quasi-REITs project, the Company's subscription of no more than 40% of the subordinated tranche is a necessary prerequisite and core structural arrangement for the successful issuance of the Quasi-REITs. This arrangement adopts the market-oriented credit tiering mechanism commonly used in Quasi-REITs products. By having the subordinated tranche bear residual risks and provide credit enhancement for the priority investors, it effectively safeguards the stability of returns for priority investors. This is an indispensable foundational arrangement for the smooth issuance of the product and the achievement of asset revitalization objectives, and possesses sufficient commercial rationality and fairness.

On this basis, the issuance of the Quasi-REITs will bring comprehensive and long-term core value to the Company, aligning with the overall interests of the Company and all Shareholders. The details are as follows:

- (1) **Optimize capital structure and reduce asset-liability ratio:** Following the completing of the Proposed Issuance of Quasi-REITs, the Group's consolidated asset-liability ratio is expected to decrease significantly. Assuming all transactions are completed as of 31 December 2025, the asset-liability ratio is estimated to decline from approximately 77% to around 45%, decreasing from the original level of RMB4.29 billion in total liabilities/RMB5.57 billion in total assets to RMB2.64 billion in total liabilities/RMB5.84 billion in total assets. The main reasons are as follows: (1) subscription proceeds from the priority tranche of the Quasi-REITs lead to an increase in assets of RMB1.92 billion; (2) Repayment of Binhai Water's existing bank borrowings results in a simultaneous reduction of both assets and liabilities by RMB1.65 billion. This will reduce financial leverage and debt repayment pressure, thereby providing solid financial support for the Company's subsequent business expansion.
- (2) **Reduce financial expenses and improve profitability:** The proceeds from the Proposed Issuance of Quasi-REITs can be used to repay existing debt, which is expected to significantly reduce the Group's financial expenses, thereby increasing the Group's net profit, thereby improving the Group's profitability.
- (3) **Revitalize existing water assets and enhance capital utilization efficiency:** Taking Taizhou Water Diversion Project Phase III as the Underlying Assets, approximately RMB3.122 billion (based on appraised value) of existing assets will be revitalized, converting illiquid assets into disposable working capital for debt repayment and working capital supplementation, improving the operational efficiency of state-owned assets and capital turnover efficiency.
- (4) **Maintain consolidated control and retain long-term returns on core assets:** Through holding the subordinated tranche and 2/3 voting rights in the Investment Management Committee of Quasi-REITs, the Company exercises actual control over the Quasi-REITs and Underlying Assets. Core water assets remain consolidated in the financial statements, enabling the Company to retain long-term operational income and appreciation potential of the assets.
- (5) **Align with policy guidelines and build a benchmark state-owned project in Taizhou:** The Quasi-REITs issuance actively responds to national policies on revitalizing existing assets and deepening state-owned enterprise reform, further enhancing the Company's market influence and brand image.

- (6) **Increase the Company's overall operating capital:** The proceeds will be used to repay the Project Company's existing debt and supplement its working capital. It directly injects liquidity into the Project Company, increasing the Group's overall operating capital at source and improving capital efficiency and financial flexibility. Following the issuance of the Quasi-REITs, the Company will continue to act as the asset service provider responsible for the operation and management of the Underlying Portfolio. The operating income from the Underlying Portfolio will continue to be generated by the Project Company (Binhai Water) and recorded in the Company's consolidated financial statements, with the related operating cash inflows continuing to accrue to the Company. This provides ongoing and reliable endogenous support for the Group's overall operating capital.

The Directors believe that the Proposed Issuance of Quasi-REITs will increase the overall operating capital of the Company.

The Directors are of the view that the terms of the Proposed Issuance of Quasi-REITs, the Equity Transfer Agreement and the transactions contemplated thereunder and are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

1.7 Authorization to the Board

In order to ensure the smooth implementation of the Proposed Issuance of Quasi-REITs following the adjustments, the Board has resolved that a resolution will be proposed at the general meeting to authorise the Board (or the chairman of the Board), at its/his absolute discretion, to deal with all relevant matters in relation to the registration, issuance and subsequent matters of the Quasi-REITs, including, but not limited to:

- (i) to authorise the Board to formulate, amend and adjust the specific proposal of the Quasi-REITs in accordance with the laws and regulations of the place where the Company's Shares are listed, as well as applicable PRC laws, regulations and regulatory requirements, and based on the actual needs of the Company, changes in market conditions and regulatory policy adjustments, including, but not limited to, the transaction structure, specific terms, issue size, interest rate, tenor, issuance conditions, credit rating, guarantee and credit enhancement measures, reserve arrangements (if any), priority purchase rights arrangements, put option clauses (if any), relevant transaction arrangements and other issuance-specific matters, and to authorise the Board to determine, in its sole discretion, whether to proceed with the registration and issuance of the special plan based on market conditions;
- (ii) to authorise the Board to negotiate, amend, review and execute all legal documents to be issued or executed by the Company in connection with the special plan, based on the actual circumstances of the Company and the market, including, but not limited to, the "Priority Purchase Rights Agreement", the "Equity Transfer Agreement", the "Liquidity Support Agreement", as well as explanatory letters, undertaking letters and other documents required by regulatory authorities or intermediaries;

- (iii) to authorise the Board to determine and handle all other matters relating to the issuance, ongoing management during the life of the Quasi-REITs, priority purchase, liquidation and exit of the Quasi-REITs; and
- (iv) the above authorisations shall be valid from the date of approval by the Shareholders at the general meeting until the date on which all authorised matters have been completed in full.

1.8 Basis of Determination of the Consideration

The consideration under the Binhai Water Equity Transfer Agreement, the Subscription amount payable by the Company and the consideration under the Equity Transfer Agreement in relation to the Disposal of Binhai Water was determined with reference to the preliminary valuation (subject to SSE's review) of (i) the entire equity interests of Binhai Water; and (ii) the asset group of Binhai Water (i.e. the Underlying Assets) as appraised by the Valuer by way of discounted cash flow method of the income approach.

1.9 Appraised Value Under the Valuation

For the purpose of determining the consideration for the transactions involved in the Proposed Issuance of Quasi-REITs, the Company engaged the Valuer to conduct valuations on (i) the entire equity interests of Binhai Water; and (ii) the asset group of Binhai Water (i.e. the Underlying Assets).

Equity Valuation

The consideration of the Binhai Water Acquisition and the equity transfer of Binhai Water under the Equity Transfer Agreement were determined with reference to the appraised value of the entire equity interests in Binhai Water as at 31 December 2025 by the Valuer, which amounted to approximately RMB301 million, as set out in the Valuation Report (Kun Yuan Appraisal Report No. [2026] [496]). The Valuer appraised the value of the entire equity interests of Binhai Water by adopting the income approach (收益法) as the final valuation method, with the asset-based approach (資產基礎法) conducted for reference. The appraised value of the shareholders' equity of Binhai Water as of the valuation date is RMB301 million, representing an increase of RMB326.2 million compared to the book value of shareholders' equity of RMB-25.2 million.

Asset Group Valuation

In addition, the Valuer separately appraised the value of the asset group (資產組) of Binhai Water (i.e. the Underlying Assets, comprising its long-term assets, including buildings and structures, equipment, construction in progress, intangible assets (land use rights), other non-current assets and right-of-use assets) as at 31 December 2025 for the purpose of the Proposed Issuance of Quasi-REITs, which amounted to approximately RMB3.122 billion, as set out in the Asset Group Valuation Report (Kun Yuan Appraisal Report No. [2026] [497]). The Valuer adopted the income approach (收益法) for such asset group valuation.

Basis of Valuation

The income approach adopted by the Valuer reflects the present value of the future economic benefits that the business or asset group is expected to generate, which the Board considers to be the most appropriate method for valuing a utility business with stable operations and predictable cash flows. The key assumptions adopted in the income approach include, inter alia, projected water sales volume, regulated water tariffs as approved by the Taizhou Development and Reform Commission, operating costs, discount rates and long-term growth rates.

Key Assumptions under the Valuations

I. Key Input Assumptions in the Asset Group Valuation Report

Fundamental Assumptions

The enterprise operates on a going-concern basis.

The water intake license can be renewed normally upon expiration.

Raw water supply remains stable in the long term.

Water prices are government-approved and unchanged during the forecast period.

Water consumption in Taizhou region grows steadily.

Assets are free of material title defects and can be used normally.

No material adverse changes in macroeconomic and industry policies.

Specific Input Assumptions

1. Operating revenue

Water sales price: Government-approved prices remain unchanged, at RMB1.17–1.56 per ton for raw water and RMB2.25–2.47 per ton for purified water.

Water sales volume: Grows steadily annually with regional population and industrial growth, and remains stable after 2036.

No projection for other operating income.

2. Operating costs: Measured based on historical costs; raw water cost, power consumption, chemical consumption and maintenance rates remain stable. Depreciation and amortization are calculated using the straight-line method.

3. **Taxes and surcharges:** VAT under simplified taxation method at 3%; urban construction tax 7%, education surcharge 3%, local education surcharge 2%; corporate income tax 25%.

4. **Period expenses**

Administrative expenses: Employee compensation and depreciation/amortization are forecasted per future plans; right-of-use asset amortization is not forecasted as no lease renewal; other expenses are forecasted based on historical data and business volume.

Financial expenses: Interest income is forecasted based on cash and interest rates; handling fees are forecasted as a percentage of revenue.

5. **Other income:** Not considered in the forecast.

6. **Capital expenditures:** Forecasted per project conditions, including additional investment (follow-up expenditures for construction in progress) and renewal/renovation expenditures.

7. **Working capital:** Changes in working capital are calculated on a rolling basis based on minimum cash holding ratio and receivables/payables ratios.

8. **Discount rate:** Determined using the risk premium method. Discount rate = 6.81% (risk-free rate 2.06% + risk premium 4.75%).

II. **Key Input Assumptions in the Equity Valuation Report**

Fundamental Assumptions

The water intake license can be renewed normally upon expiration.

Steady growth in population and industries in the water supply area.

Stable water price policies.

The enterprise operates on a going-concern basis.

No material force majeure or policy changes affecting operations.

Specific Input Assumptions

1. Operating revenue

Water sales price: Government-approved prices remain unchanged, at RMB1.17–1.56 per ton for raw water and RMB2.25–2.47 per ton for purified water.

Water sales volume: Grows steadily annually with regional population and industrial growth, and remains stable after 2036.

No projection for other operating income.

2. Operating costs: Measured based on historical costs; raw water cost, power consumption, chemical consumption and maintenance rates remain stable. Depreciation and amortization are calculated using the straight-line method.

3. Taxes and surcharges: VAT under simplified taxation method at 3%; urban construction tax 7%, education surcharge 3%, local education surcharge 2%; corporate income tax 25%.

4. Period expenses

Administrative expenses: Employee compensation and depreciation/amortization are forecasted per future plans; right-of-use asset amortization is not forecasted as no lease renewal; other expenses are forecasted based on historical data and business volume.

Financial expenses: Interest income is forecasted based on cash and interest rates; handling fees are forecasted as a percentage of revenue.

5. Other income: Not considered in the forecast.

6. Capital expenditures: Forecasted per project conditions, including additional investment (follow-up expenditures for construction in progress) and renewal/renovation expenditures.

7. Working capital: Initial working capital is determined based on historical operations; changes in working capital are calculated on a rolling basis based on minimum cash holding ratio and receivables/payables ratios.

8. Discount rate: Weighted Average Cost of Capital (WACC) = 5.78%.

9. Asset valuation: Fixed assets are valued at replacement cost × residual value rate; land use rights are valued using the market approach.

Discrepancy between Equity Valuation and Asset Group Valuation

There is a fundamental difference between the two appraisals in terms of valuation object, valuation scope, and valuation logic. Consequently, the appraisal results are not directly comparable, as detailed below:

(i) Difference in Valuation Object and Scope

Equity Valuation: The valuation object is the entire equity interests of Binhai Water, and the valuation scope covers all assets and all liabilities of Binhai Water.

Asset Group Valuation: The valuation object is the operating long-term asset group corresponding to Binhai Water's water supply business. The valuation scope includes only the operating long-term assets of the water supply business, such as buildings and structures, pipelines, equipment, land use rights, construction in progress, etc. It does not include current assets and liabilities or interest-bearing liabilities (Binhai Water's total interest-bearing liabilities amount to RMB2.572 billion). This valuation reflects the market value of the long-term assets.

(ii) Difference in Valuation Logic

Equity Valuation: Equity valuation assumes the company as a whole is a going concern. The Valuer adopted the discounted cash flow method using the weighted average cost of capital (WACC, post-tax) as the discount rate. The valuation took into account the company's overall operating revenue, operating costs and expenses, taxes and levies, capital expenditures, working capital, non-operating assets/liabilities, interest-bearing liabilities, etc., ultimately arriving at an appraised value of RMB301 million for the entire equity interests.

Asset Group Valuation: Asset group valuation assumes the asset group operates on a standalone basis. The Valuer adopted the discounted cash flow model to value the operating asset group, with the value of other assets added separately. Other assets refer to assets that are not included in the future cash flow forecast but are directly related to the business operations of the enterprise, primarily including the Taizhou Water Plant Expansion Project and its ancillary works, the North-South Water Source Mutual Backup Emergency Project, and the Clean Water Distribution Pipeline (East Water Plant to Wenling Pumping Station). These assets were valued using the cost approach. Based on this approach, the market value of the asset group was concluded to be RMB3.122 billion.

2. FINANCIAL EFFECT OF THE PROPOSED ISSUANCE OF QUASI-REITS AND ITS RELATED TRANSACTIONS

Upon completion of the Equity Transfer Agreement, the Company will cease to hold a direct equity interest in Binhai Water but holding 40% of the direct interest of Quasi-REITs while Quasi-REITs will wholly own Binhai Water. The Company has control over the Quasi-REITs since the Company has rights and ability to direct the relevant activities of Quasi-REITs which significantly affect its corresponding returns. This ability is exercised through the Company's rights on the Quasi-REITs' Investment Management Committee. Specifically, the Company holds two of the three seats on the Investment Management Committee. Pursuant to Quasi-REITs Standard Terms, decisions require supermajority voting, which is defined as a vote in favor by at least two-thirds of the Investment Management Committee. As such the Company has control over the Quasi-REITs as well as indirect control over Binhai Water. Since the Company only owns 40% of Quasi-REITs and hence the Company will continue to consolidate, but 60% of the financial result of Binhai Water will be attributable to non-controlling interests.

On a consolidated basis, the net cash flow impact for the Proposed Issuance of Quasi-REITs is expected to be an inflow of approximately RMB0.32 billion, which is calculated based on (i) bank borrowing incurred and repaid by the Company for the subordinated tranche of the Quasi-REITs (cash inflow of RMB1.28 billion from incurrence, offset by an outflow of RMB1.28 billion from repayment); (ii) subscription proceeds from the priority tranche of the Quasi-REITs (cash inflow of RMB1.92 billion); (iii) proceeds from the Proposed Issuance of Quasi-REITs utilised to repay Binhai Water's existing bank borrowings (cash outflow of RMB1.65 billion); and (iv) reduces interest paid due to the repayment of Binhai Water's existing bank borrowings (cash inflow of RMB0.05 billion in interest savings of Binhai Water), in each case assuming all transactions had been completed on 1 January 2025.

As if the transactions been completed on 1 January 2025, the Group will recognise a net gain of approximately RMB50 million in profit or loss, primarily attributable to reduced finance costs due to repayment of Binhai Water's existing bank borrowings.

Having considered the above, the Board (including the independent non-executive Directors) is of the opinion that the Proposed Issuance of Quasi-REITs and the related transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

3. INFORMATION OF THE PARTIES INVOLVED

The Company

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

Binhai Water

Binhai Water is a company established in the PRC with limited liability and a subsidiary of the Company. Binhai Water is primarily responsible for the supply of raw water and municipal water in the main urban area of Taizhou and its surrounding regions. According to the unaudited financial information of Binhai Water for the year ended 31 December 2025, the unaudited net liabilities value of Binhai Water was approximately RMB25.2 million. Set out below is the unaudited financial information of Binhai Water for the years ended 31 December 2024 and 2025 based on the unaudited management accounts of Binhai Water prepared in accordance with the HKFRS Accounting Standards:

	Year ended 31 December 2024 (RMB million)	Year ended 31 December 2025 (RMB million)
Revenue	172.1	187.6
Profit/(Loss) before taxation	(102.1)	(86.8)
Profit/(Loss) after taxation	(102.1)	(86.8)

Plan Administrator

The Plan Administrator, Huafu Securities Asset Management Co., Ltd., is a professional securities firm asset management institution established with the approval of the China Securities Regulatory Commission. It specializes in asset management, asset securitization, Quasi-REITs and other innovative businesses, and possesses professional capabilities in product structuring, investment management and ongoing operational management during the life of the products. It is wholly owned by Huafu Securities Co., Ltd.* (華福證券股份有限公司). The actual controller of Huafu Securities Co., Ltd. is Fujian Provincial Department of Finance. As at the date of this announcement, the Plan Administrator is an independent third party of the Company.

Taizhou City Water

Taizhou City Water is primarily responsible for the municipal water supply business in the main urban area of Taizhou and its surrounding areas. As at the date of this announcement, Taizhou City Water is ultimately owned as to 82% by the Company and 18% by the Finance Bureau of Wenling City, an independent third party of the Company. Taizhou City Water is not a connected subsidiary of the Company.

4. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Binhai Water Acquisition exceed(s) 5% but all of them are less than 25%, the Binhai Water Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Subscription exceeds 100%, the Subscription constitutes a very substantial acquisition of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Disposal of Binhai Water exceeds 75%, the Disposal of Binhai Water constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, further details of the Proposed Issuance of Quasi-REITs, the Subscription and the Disposal of Binhai Water and other information as required under the Listing Rules, and the notice convening the EGM will be despatched to the Shareholders in due course.

5. DEFINITION

In this announcement, unless the context specifies otherwise, the following defined expressions have the following meanings:

“Articles of Association”	the articles of association of the Company, as amended from time to time
“Binhai Water” or “Project Company”	Taizhou Binhai Water Co., Ltd.* (台州市濱海水務有限公司), a limited liability company established in the PRC and a subsidiary of the Company owned as to 51% by the Company and 49% by Taizhou City Water
“Binhai Water Acquisition”	the Company's acquisition of a 49% equity interest in Binhai Water from Taizhou City Water in accordance with the terms and conditions of the Binhai Water Equity Transfer Agreement
“Binhai Water Equity Transfer Agreement”	the equity transfer agreement to be entered into on or before 30 June 2026 between the Company and Taizhou City Water in relation to the Binhai Water Acquisition

“Board” or “Board of Directors”	the board of directors of the Company
“business day(s)”	a day (excluding Saturday, Sunday and public holiday in the PRC) on which commercial banks are open for business in the PRC
“Chairman”	the chairman of the Board of Directors of the Company
“China” or “PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”	Taizhou Water Group Co., Ltd.* (台州市水務集團股份有限公司), a joint stock company established in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1542)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal of Binhai Water”	the transfer the entire equity interests in Binhai Water from the Company to the Quasi-REITs to be managed by the Plan Administrator
“Equity Transfer Agreement”	the agreement to be entered into between the Company, the Plan Administrator and Binhai Water, pursuant to which the Company conditionally agreed to transfer the entire equity interests in Binhai Water to the Quasi-REITs for the purpose of the Proposed Issuance of Quasi-REITs
“Group”, “we” or “our”	the Company, its subsidiaries and its consolidated affiliated entities from time to time
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Plan Administrator”	Huafu Securities Asset Management Co., Ltd., the plan administrator of the Quasi-REITs
“Professional Investor(s)”	The professional investors who fulfill the relevant professional requirements and criteria and who will subscribe the Quasi-REITs
“Proposed Issuance of Quasi-REITs”	the proposed issuance of Quasi-REITs by the Company, which are proposed to be listed and traded on the SSE
“Quasi-REITs”	華福資管－台州水務資產支持專項計劃 (類REITs) (Huafu Asset Management – Taizhou Water Supply Asset-Backed Special Plan (Quasi-REITs))
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the domestic share(s) and/or the H Share(s)
“Shareholder(s)”	holder(s) of Share(s)
“SSE”	The Shenzhen Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the proposed subscription of subordinated tranche of the Quasi-REITs by the Company
“subsidiary/(ies)”	has the meaning ascribed to it under the Listing Rules
“Taizhou City Water”	Taizhou City Water Co., Ltd.* (台州城市水務有限公司), a limited liability company established in the PRC and a 82%-owned subsidiary of the Company as at the date of this announcement
“Underlying Assets”	the Taizhou Water Diversion Project Phase III, legally owned and operated by Binhai Water

“Valuer”

KunYuan Asset Valuation Co., Ltd. (坤元資產評估有限公司)

“%”

per cent

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

Taizhou, the PRC
10 June 2026

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

* For identification purpose only