



中國水務
CHINA WATER



中國水務集團有限公司 環境、社會及管治報告

CHINA WATER AFFAIRS GROUP LIMITED
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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REPORT OVERVIEW

This report is a non-financial report made available by China Water Affairs Group Limited and designed to meaningfully address stakeholder expectations and concerns while providing a holistic view of corporate governance practices and delivering on environmental and social commitments.

● Reporting period

1 April 2025 to 31 March 2026.

● Reporting scope

Consistent with the company and financial reporting of China Water Affairs Group Limited where applicable.

● Reference explanation

China Water Affairs Group Limited (hereinafter “China Water” or the “Group”).

● Principle of reporting

The level of disclosure and reporting boundaries are determined according to the reporting principles of materiality, quantitative, balance and consistency.

Materiality: After careful assessment by the Board, all matters disclosed in the report involve key issues that have material impact on our investors and other stakeholders.

Quantitative: Key operating indicators are presented with historical data as comparisons. Key environmental indicators are presented with reference standards, calculation bases and methodologies specified. Targets and explanations are provided for sustainability indicators for the assessment and verification of ESG performance.

Balance: The content of this report is based on objective facts and verifiable data, giving a full view of the Group’s ESG practices and outcomes, and ensuring the authenticity and completeness of the information disclosed.

Consistency: The report preparation process and the disclosure boundary are consistent with those of the financial report, ensuring continuity and comparability of data boundaries and facilitating long-term trend analysis by stakeholders.

● Basis of preparation

Prepared in accordance with the ESG Reporting Code of Appendix C2 to the Main Board Listing Rules of the Hong Kong Stock Exchange; with reference to the GRI Standards 2021 issued by Global Reporting Initiative (GRI).

● Publication

This report is prepared in both Chinese and English, which is published on China Water’s official website.

<http://www.chinawatergroup.com>

We sincerely invite feedbacks and recommendations from various parties (readers) regarding the report and the environmental, social and governance initiatives of China Water. Please contact us via the following means:

Tel: 852-3968 6666

Email: info@chinawatergroup.com

GLOSSARY



CORE VALUE

以水为本 达善社会

Water-oriented
Kindness to Society

STATEMENT OF THE BOARD

China Water Affairs Group Limited has fully integrated environmental, social and governance (ESG) considerations, including the coordinated management of climate-related risks and opportunities, into the Company's development strategy and day-to-day operations. The Group has established a practical and effective ESG governance system that is closely aligned with its overall governance framework. Leveraging a four-level governance hierarchy and the coordination of an ESG Working Group, the Company ensures that ESG principles are deeply embedded throughout strategic planning, operational management, and performance assessment.

The Board has consistently positioned sustainable development as the core of the Group's strategy, strictly adhering to the applicable requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited. As the highest decision-making body for ESG governance, the Board leads the Group's ESG strategic direction, reviews and approves material ESG matters, oversees the implementation of key management targets, and bears ultimate responsibility for the supervision and management of ESG disclosure. During the reporting period, the Board has been fully informed of the establishment, progress, and overall effectiveness of the Group's ESG governance structure, and has completed its review and decision-making on material matters.

The Board hereby solemnly commits to continuously strengthening its oversight and professional management capabilities with respect to ESG and climate-related issues at the Board level. It will keep optimizing the ESG governance mechanism, protect the ecological environment, fulfill corporate social responsibilities, and while ensuring the Group's stable operation and achieving long-term value growth, effectively respond to the expectations of all stakeholders. Through high-standard and high-quality ESG practices, the Board is committed to driving the Group toward high-quality, sustainable development.

Duan Chuan Liang
Chairman of the Board and
Executive Director

MANAGEMENT'S STATEMENT

“

The global landscape is currently undergoing profound turbulence and reshaping. Geopolitical conflicts are emerging one after another, while various forms of uncertainty and risk continue to spread. Concurrently, rapid advancements in artificial intelligence, coupled with the pressing challenge of addressing climate change, have caused multiple transitions to become deeply intertwined. These interwoven shifts are significantly impacting industrial structures, economic order, and the way people live, while also presenting severe external challenges and underlying pressures for the operations and development of businesses across all sectors.

As a highly influential cross-regional integrated water services operator in China, China Water has consistently upheld its core value of “Water-oriented, Kindness to Society.” The Company proactively embraces the global wave of green and low-carbon development and continuously strengthens its risk resilience and operational robustness. In the face of a complex and ever-changing market environment, the Group has dedicated over two decades to advancing the water industry. Through the strategic deployment and implementation of major initiatives including integrated urban-rural water supply, integrated water supply and drainage, pipeline direct drinking water, the “carbon peak and carbon neutrality” goals, and smart water solutions, the Group, drawing on the vision and commitment expected of an industry leader, actively fulfills its environmental and social responsibilities, thereby fully demonstrating its mission and accountability as a model enterprise in the water.

China Water is committed to green development and firmly pursuing the “dual carbon” goals. The Company steadily operates its core businesses of water supply, direct drinking water, and environmental protection, while diligently advancing climate governance and fulfilling its corporate climate commitments. Guided by documents such as the Environmental and Social Management System (ESMS), the Green Operations Initiative, the “Carbon Peak and Carbon Neutrality” Implementation Plan Outline, and the Recommendations on Net-Zero Emissions Work, the Group promotes energy-saving and emission-reduction technological upgrades and the efficient use of clean energy across all fronts. In June 2025, the methodology for carbon reduction and plastic reduction in pipeline direct drinking water, jointly developed by China Water and the China Agricultural and Typical Industry Carbon Reduction and Carbon Trading Research Center at Hubei University, was officially recognized by the Wuhan Municipal Ecology and Environment Bureau. This recognition confirms that pipeline direct drinking water application scenarios can be included in the accounting of carbon inclusion emission reductions, marking a significant milestone in the Group's implementation of its “dual carbon” strategy.

China Water is driving its smart transformation by closely following industry trends and strategically positioning itself within the new AI ecosystem. Leveraging next-generation digital technologies to enhance operational efficiency and effectiveness, the Group has established a smart water system comprising “smart models + smart water plants + smart platforms + smart applications.” In collaboration with Nanjing University,

the Group has introduced an AI intelligent control system into its water plant operations, implementing a Level 3 full-process intelligent control system at the Gongyi Central Water Plant. This has significantly improved water quality assurance while effectively reducing electricity and chemical consumption. Concurrently, the Group has continued to increase its R&D investment in smart platforms and applications, having completed the localized deployment of an AI agent platform, a GPU computing platform, and the DeepSeek large language model, thereby laying a solid technological foundation for business innovation and digital transformation.

China Water is committed to creating shared social value. The Company strictly adheres to national laws and regulations, industry standards, and internal control requirements, continuously reinforcing its achievements in standardized and refined management. Regular inspections and assessments are conducted, and a grid-based zonal management model for water supply has been comprehensively implemented. The Group is dedicated to building its service brand “China Water · Caring for Every Home (中國水務·情潤萬家),” providing society with safe, stable, high-quality, efficient, and inclusive water products and public services. In November 2025, the Group's “AquaCup” brand was featured at the China International Emergency Management Exhibition, making it one of the few suppliers capable of offering full-scenario “water-related emergency” solutions at the event. In terms of talent development, the Group adheres to a “people-oriented” approach, fostering a fair, open

and inclusive workplace environment. With a focus on cultivating versatile professionals, the Group has forged a highly capable workforce characterized by firm conviction, strong cohesion, pragmatic diligence, and a spirit of innovation.

The road ahead is long and arduous, but progress lies in persistent action; with unwavering efforts, a bright future awaits. Standing at a new starting point of our times and transformation, China Water, grounded in green development, empowered by technology, and driven by a sense of responsibility, remains committed to the path of high-quality, sustainable development. Through green transformation, we fulfill our ecological mission; through smart innovation, we drive industrial upgrading; through meticulous service, we safeguard public well-being; and through talent cultivation, we solidify our foundational strength. The Group will continue to advance energy conservation and carbon reduction alongside smart operation and maintenance, empowering urban and rural development, protecting precious water resources and environment, and contributing to the broader cause of ecological civilization and the realization of the “dual carbon” goals.

Liu Yong
General Manager of the Group

OVERVIEW OF CORPORATE DEVELOPMENT

ABOUT CHINA WATER

China Water Affairs Group Limited is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 00855.HK) and its shares are tradable under the Shenzhen-Hong Kong Stock Connect and Shanghai-Hong Kong Stock Connect.

Since 2003, the Group has been committed to investing, constructing and operating water projects in mainland China, including raw water, tap water, pipeline direct drinking water, wastewater treatment, drainage operation, comprehensive water environmental renovation and water-related construction. The Group has grown into a professional and market-oriented international leader of integrated water operation across multiple regions, with its business covering 25 provinces, municipalities and autonomous regions. The Group is headquartered in Hong Kong, the PRC, with a national management headquarters in Beijing, the capital city.

SCALE OF THE GROUP

As of 31 March 2026, the Group had 171 water plants, with a total designed daily water supply capacity of 14.64 million m³; 25 sewage treatment plants, with a total designed daily sewage treatment capacity of 1.29 million m³; total length of water pipelines under operation and maintenance was approximately 15 1,000 km; total length of drainage pipelines under entrusted operation was over 1,276 km; population covered by the city water supply business was over 30 million; population served by the pipeline direct drinking water business was approximately 12 million; and total number of staff in the Group was 9,768.

MAJOR OPERATING ACHIEVEMENTS

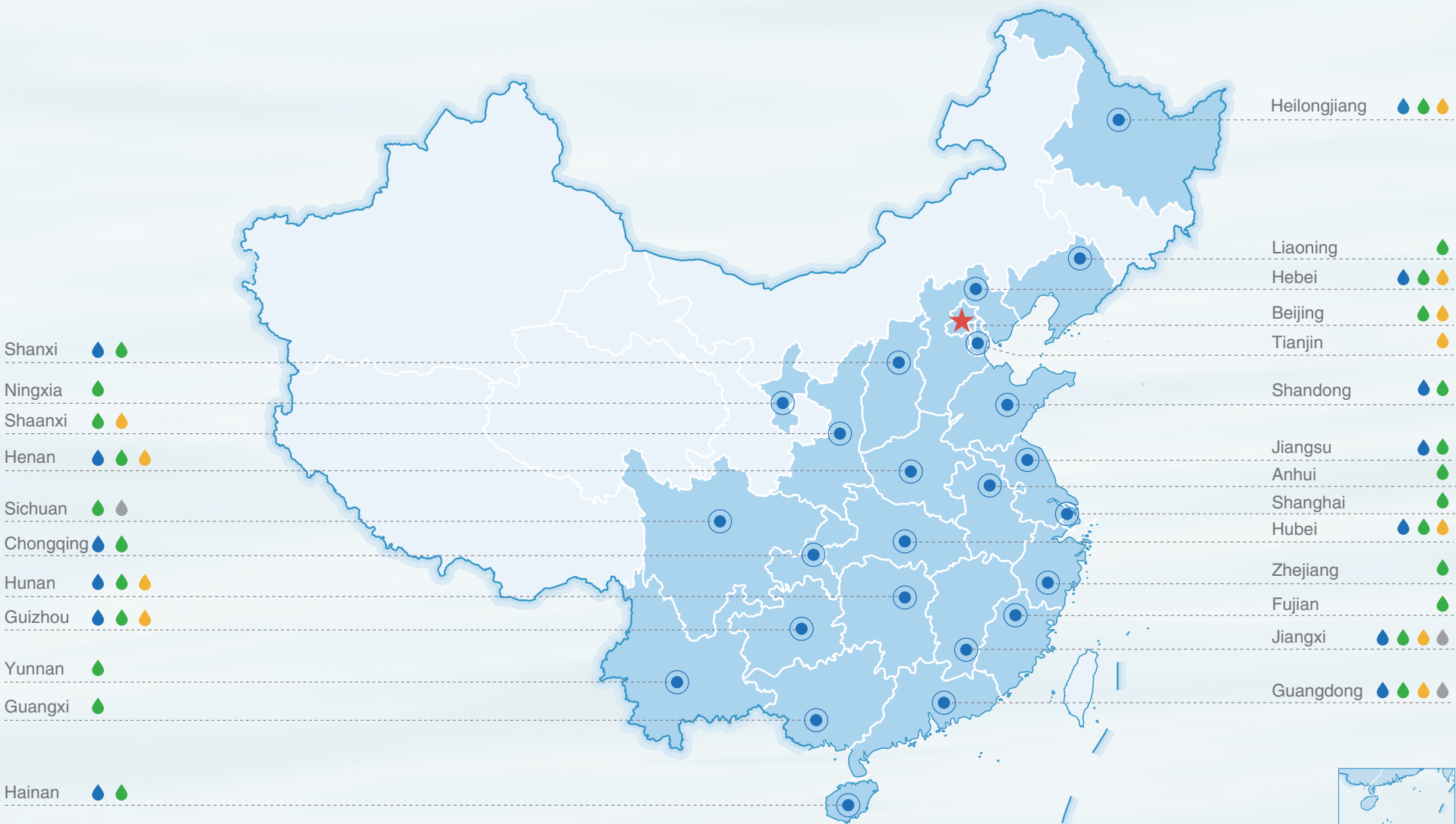
During the reporting period

Total investment amount in new large-scale water construction and upgrade projects

HK\$ **3.01** billion

Total financing amount

HK\$ **8.78** billion



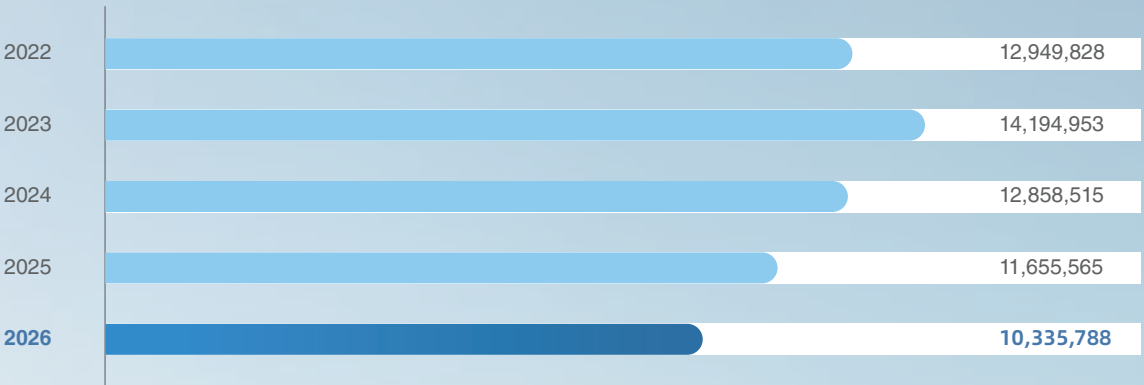
- City water supply business
 - Coverage of more than 30 million people
 - Water pipelines of approximately 151,000km
- Drainage operation

- Pipeline direct drinking water business
 - Serving a population of approximately 12 million
- Environmental protection business
 - Sewage treatment operation and construction
 - (Including water environmental renovation construction projects)

MANAGEMENT INDICATORS

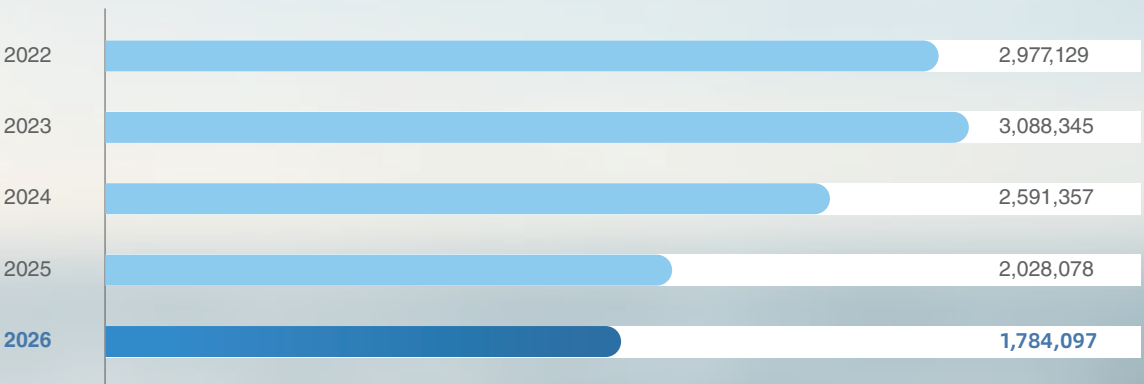
Revenue

Unit: HK\$'000



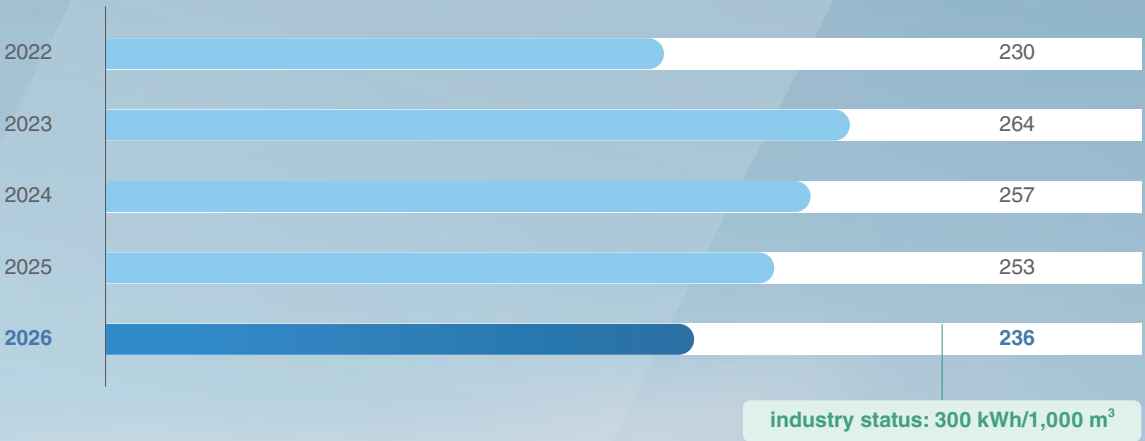
Profit

Unit: HK\$'000



Power consumption per unit of water supply

Unit: kWh/1,000 m³



Leakage ratio

Unit: %



Source: The industry status is extracted from Urban Water Supply Statistic Yearbook (2019) of China Urban Water Association

01

ENHANCING GOVERNANCE LEADERSHIP

China Water has always adhered to the principle of high-standard corporate governance, strictly complied with national laws, regulations and industry standards, and remained firmly committed to advancing its sustainable development strategy. The Company effectively protects the legitimate rights and interests of its shareholders while creating value for society. As a company listed on the Main Board of the Stock Exchange, the Group strictly follows the relevant provisions of the Corporate Governance Code as set out in Appendix C1 to the Main Board Listing Rules. By establishing a robust governance framework, developing a comprehensive system of policies and procedures, conducting regular internal audits, fully implementing risk prevention and control mechanisms, and ensuring timely and accurate information disclosure, the Group has built a compliant, orderly, scientific, and efficient governance platform.

For details of the corporate governance, please refer to the relevant contents disclosed in the annual report of the Group.

GROUP HONOR

HEADQUARTERS HONORS



Received at the
“10th Zhitong Caijing Listed Companies Awards”
by China Water Affairs Group Limited
— Best infrastructure and Utility Company

SUBSIDIARIES' HONORS



Ji'an Water Group Co., Ltd. was honored on the 2025 "Golden Roc" China Financial Value Ranking as one of the Top 20 Cities in China for Business Environment.



Jingzhou Water Group Co., Ltd. was honored as a "National Civilized Unit".



Henan Luyi Silver Dragon Water Supply Co., Ltd. was awarded the title of "Henan Provincial Advanced Unit in Public Health".



Yuncheng Silver Dragon Water Co., Ltd. received the title of "Advanced Unit in Shanxi Provincial Municipal Public Utilities".



April 2025
Gong'an County Silver Dragon Water Co., Ltd. was awarded the "Jingzhou City Workers' Pioneer Unit".



Huaihua Yuanchen Water Co., Ltd. was recognized as an "Advanced Unit in Urban Water Supply Safety and Standardized Management" by Huaihua City.

COMPLIANT GOVERNANCE

THE BOARD

As the highest decision-making body, the Board is responsible for formulating and authorising the Group's governance policies, providing leadership and supervising our management, reviewing the Group's business performance, and ensuring effective risk management and internal control. As at 31 March 2026, the Group's Board comprises 12 directors, including 4 executive directors, 4 non-executive directors and 4 independent non-executive directors, of which 3 are female directors.

The Board has set up three board committees, namely the Audit Committee, Nomination Committee and Remuneration Committee.

The Audit Committee is mainly responsible for reviewing the Company's accounting policies and monitoring the financial reporting procedures, monitoring the performance of the internal and external auditors, reviewing and verifying the effectiveness of the Group's risk management and internal control measures, and ensuring compliance with applicable laws and regulations and regulatory requirements. The Audit Committee is also responsible for assessing and reviewing the Group's ESG performance and reviewing the ESG report.

The Nomination Committee is responsible for identifying qualified candidates for the Board, nominating professional and experienced individuals to join the Group, safeguarding a strong and diverse Board, and making recommendations to the Board on matters relating to the appointment or reappointment of directors as necessary.

The Remuneration Committee is mainly responsible for making recommendations on the remuneration policies and systems for senior management of the Company, reviewing the Company's remuneration structure and formulating remuneration incentive plans to ensure that the remuneration level is in line with the Group's long-term interests and risk policies.

GOVERNANCE OF PROJECT COMPANIES

The Group abides by the "Administration Measures for the Concession Arrangements of Infrastructure and Public Utilities" in mergers and acquisitions of new projects. It actively cooperates with local governments to acquire project concession through public tenders or competitive negotiation, and establishes project companies at the same time. A board of directors, board of supervisors and operation and management team are formed within the project companies to perform such duties and exercise such powers of a decision-making organ, supervision organ and management organ respectively in strict compliance with the Company Law of the People's Republic of China.

RISK MANAGEMENT

The Board is fully responsible for maintaining a sound and effective internal control system for the Group, which include establishing a risk management framework, defining authorities, safeguarding corporate assets against unauthorized misappropriation or handling, ensuring proper maintenance of financial records for internal use or disclosure, and ensuring compliance with laws and regulations and industry standards.

The Group has established a four-level risk management framework comprising the decision-making level (the Board), the executive level (management), the operation level (departments of different functions in the Group's headquarters) and the corporate level (person-in-charge of risk management of the Group's subsidiaries) to meet the requirement for continuous control of risks during our business development. Within the framework, the Board is responsible for implementing controls from the top, while the business level, which includes our operation, finance, engineering, legal and human resources teams, utilize their expertise to help our management to discharge their internal control responsibilities. Meanwhile, the Audit Committee, assisted by our external auditors, is responsible for monitoring the practices of our management and the effectiveness of the internal controls in place.

During the reporting period, the Group's management held risk management meetings with our operation level and identified four types of significant risks, namely operational risk, project construction risk, compliance risk and financial risk. The audit department assessed our potential risks through on-site investigation to further distinguish our risks and submitted the "Risk Management and Internal Control Report" to the Audit Committee.

BUSINESS ETHICS (B7)

China Water has always remained committed to integrity-driven business operations and strict adherence to commercial ethics. The Company places great emphasis on fostering a culture of integrity and continuously strengthens the supervision and management of employee conduct and business ethics. The Group strictly complies with laws and regulations including the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, and the Company Law of the People's Republic of China, ensuring that all its operational and management activities are lawful and compliant. The Group continuously refines its policies relating to finance, engineering, procurement, investment, and inspection, among others, to comprehensively regulate both organizational and individual conduct, thereby reinforcing employees' ethical and disciplinary boundaries. The Group maintains a zero-tolerance policy toward any conduct that seeks personal gain by exploiting one's position or job-related conveniences at the expense of clients, suppliers, or third parties. During the reporting period, no concluded corruption-related legal cases were filed against the Group or its employees (B7.1).

To further strengthen its anti-corruption efforts, the Group has established China Water Affairs Group Limited's Integrity Management Regulations, and has set up both an Audit Committee and an Internal Audit Department to carry out comprehensive and systematic anti-corruption inspections. At the same time, the Group has proactively made public its whistle blowing hotline and email address, inviting broad-based oversight from all sectors of society. Drawing on the Supervision Law of the People's Republic of China and the Rules of Procedure for the Handling of Reports and Complaints by Discipline Inspection and Supervision Organs, the Group handles each whistle blowing report in accordance with applicable laws and regulations. Strict confidentiality measures are implemented, and any conduct that discloses a whistle blower's identity or the content of a report will, once verified, be dealt with severely (B7.2).

The Group has conducted multiple rounds of anti-corruption training sessions for its directors, supervisors, chief financial officer, deputy general managers, and other senior management personnel through venues such as executive meetings and monthly work meetings. During the reporting period, the average training hours per senior management personnel reached six hours. In parallel, utilizing the China Water Online Academy platform, the Group systematically deploys anti-corruption courses and conducts training sessions for all employees. These efforts help consolidate a company-wide consensus on integrity and compliance and reinforce awareness of ethical boundaries and red lines, guiding employees toward the formation of sound values, moral principles, and professional ethics. By embedding integrity and compliance throughout the Company's business operations and development, the Group strives to cultivate a clean and upright corporate ecosystem (B7.3).

Chongqing Yongchuan Qiaoli Water Affairs Co., Ltd. Conducted Specialized Training on Anti-Misappropriation and Anti-Bribery

On 20 October 2025, Qiaoli Water Affairs Co., Ltd. invited a legal expert to deliver specialized training for its middle and senior management on the topic of "Legal Risk Prevention against Misappropriation and Bribery," aiming to strengthen corporate compliance governance. Drawing on typical cases such as "a logistics manager misappropriating funds" and "an internal accomplice at a water utility colluding in misappropriation," the legal expert analyzed the constitutive elements and legal consequences of misappropriation and bribery-related offenses. In light of the specific characteristics of the water industry, the expert identified high-risk operational links and proposed preventive measures, emphasizing the importance of cultivating a sense of integrity grounded in the principles of "integrity in solitude" and "vigilance over small matters." This training precisely targeted key legal and integrity risks, effectively enhancing management personnel's compliance awareness and professional competence. It represents a proactive practice by the Company to strengthen law-based governance and promote comprehensive risk prevention and control.

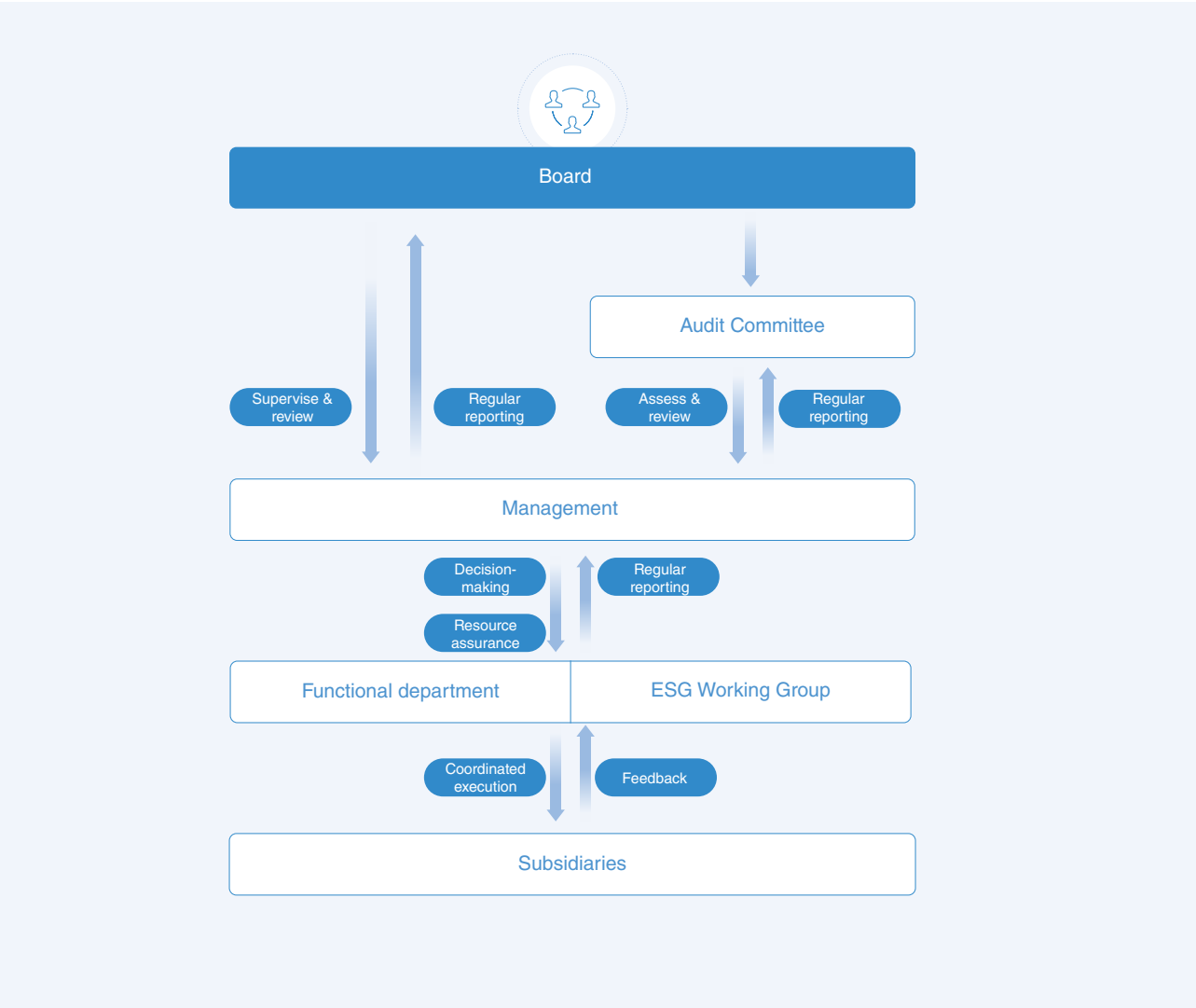


ESG GOVERNANCE

ESG STRATEGY

China Water has deeply integrated ESG governance into its development strategy and promotes high-quality sustainable development through the construction of a multi-dimensional management system. The Group has established a four-tier governance structure and set up a dedicated task force to coordinate ESG initiatives, comprehensively enhancing environmental, social, and governance performance, effectively managing risks across the entire value chain, and deeply embodying the core values of "Water-oriented, Kindness to Society".

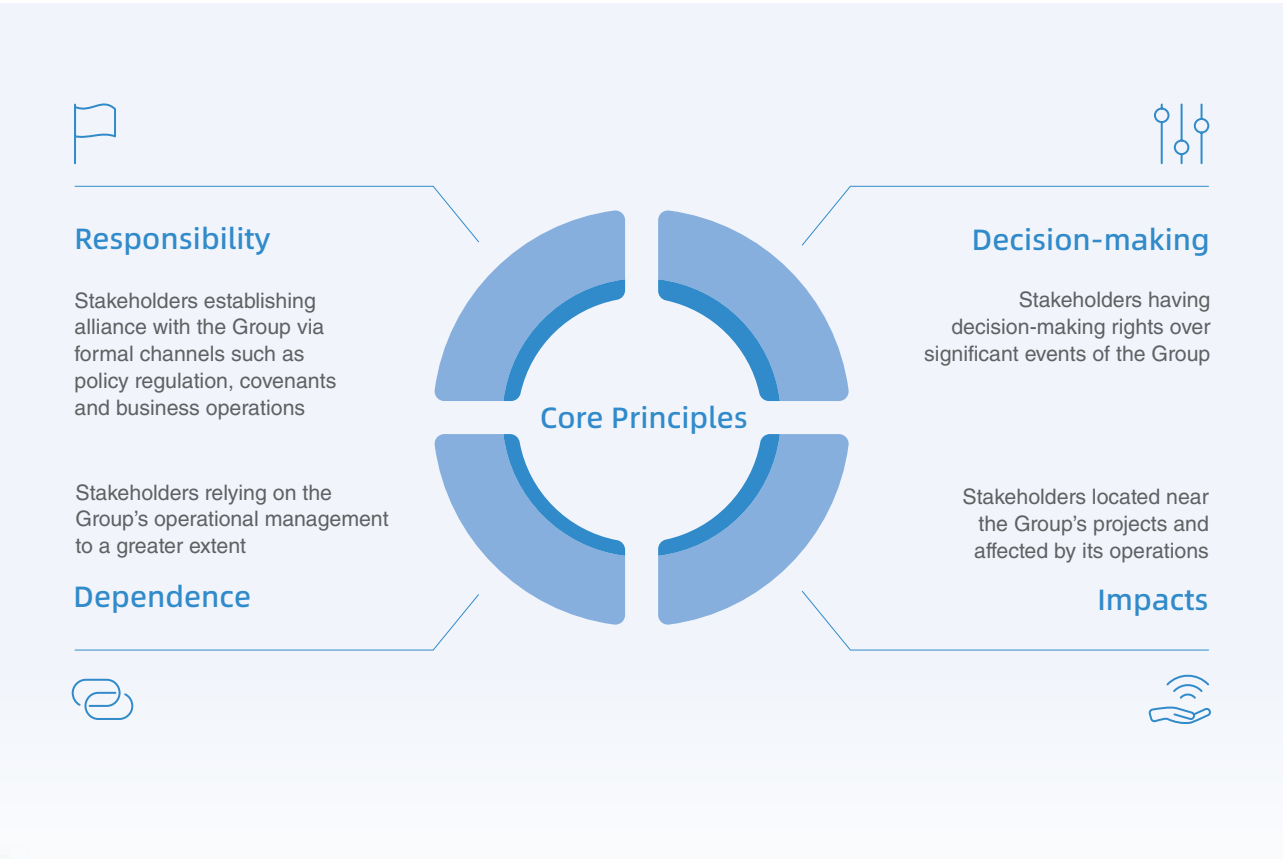
The Board serves as the strategic decision-making body of the Group, exercising decision-making authority over the Group's ESG governance strategies, management objectives, information disclosure, and material matters; the management team acts as the operational guidance, responsible for formulating ESG implementation plans and coordinating inter-departmental collaboration to ensure the achievement of work objectives, and reporting regularly to the Board; functional departments serve as the professional execution body, responsible for implementing management requirements, developing work plans for ESG related issues and overseeing their implementation, and reporting regularly to the management team; subsidiaries are the implementation units, equipped with professional personnel and necessary resources to execute specific work arrangements.



STAKEHOLDER COMMUNICATION

China Water embraces a development philosophy rooted in inclusiveness, mutual benefit, and win-win cooperation. The Company consistently places great emphasis on establishing and maintaining sound interactive relationships and effective communication with its various stakeholders, with the aim of collectively enhancing corporate governance standards. To gain a thorough understanding of issues of concern to stakeholders and to listen to their demands and suggestions, the Group has formulated the Stakeholder Engagement Management Measures. By establishing an open, transparent, and efficient mechanism for regular communication and engagement, and based on the principles of integrity, equality, and mutual benefit, the Group fully integrates stakeholder perspectives into its corporate management system and business processes, ensuring that the expectations of all parties are adequately considered and effectively addressed. The Group’s principal stakeholders include shareholders, investors, creditors, the government regulatory bodies, our customers, consumers, employees, suppliers and the local communities.

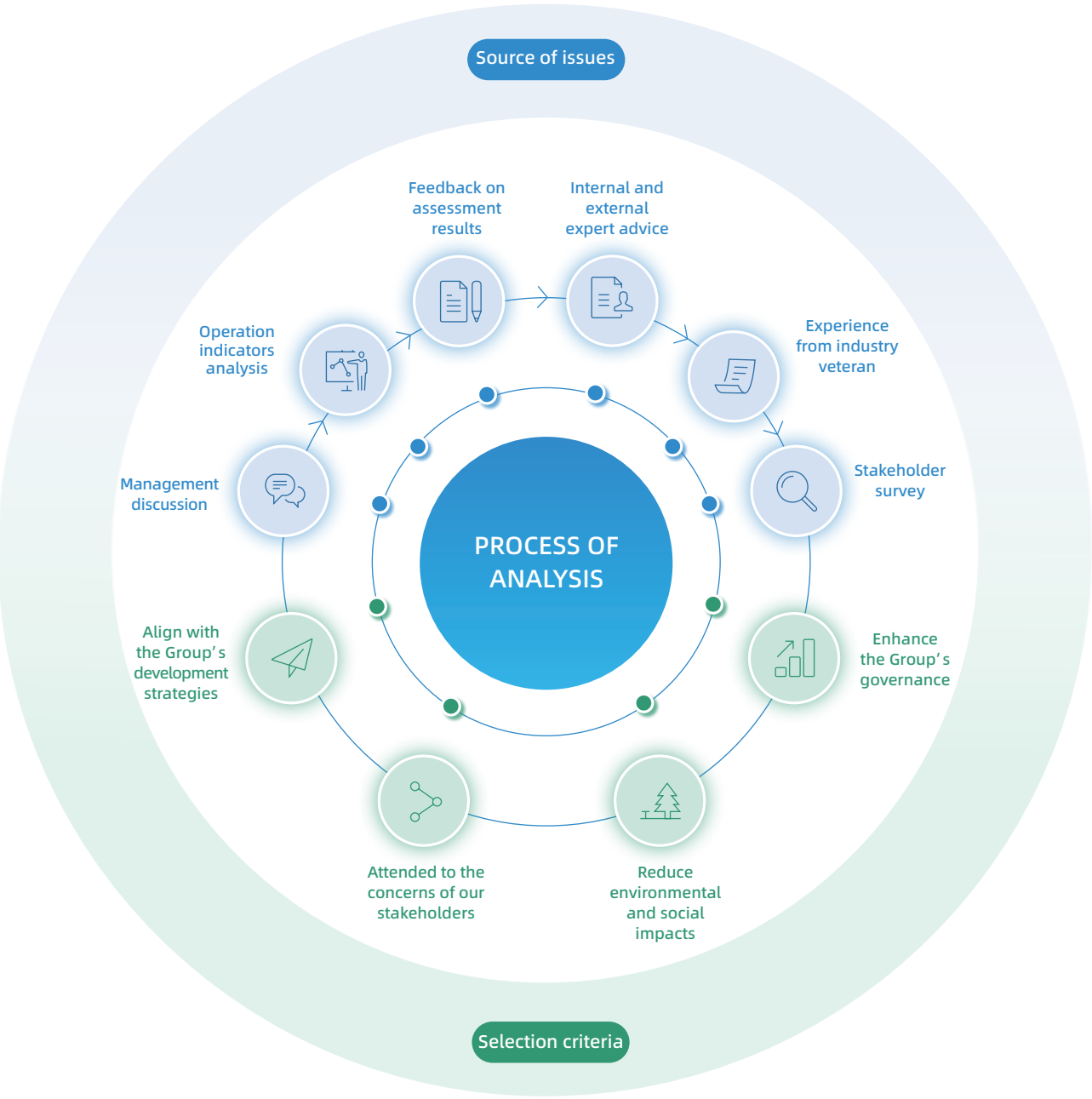
The Group defines its stakeholders based on the following four core principles:



Stakeholder	Means of engagement or communication	Concerned issues	Frequency or schedule
 Shareholders, investors, creditors	General meeting	- Economic performance - Compliance operation - Organisational structure governance measures - Technological innovation	Regularly/as and when necessary
	Results announcement meeting		Annually/biannually
	Annual/interim report		Annually/biannually
	Press release/ announcement		Regularly/as and when necessary
	Roadshow		Regularly/as and when necessary
	Investor conference		As and when necessary
 Government and regulatory authorities	Site visit	- Operational safety - Product quality and service - Compliant operation - Emissions - Energy-saving and consumption reduction - Labour standards - Climate - Biodiversity - Rural revitalization	As and when necessary
	Correspondence		As and when necessary
	Regulatory inspection		Regularly/as and when necessary
	Site visit		As and when necessary
	Topic meeting		As and when necessary
	Seminar		Regularly
 Customers and consumers	Progress report	- Product quality and service - Consumer rights protection - Anti-corruption - Customer privacy	Regularly
	Customer satisfaction survey		Annually
	Community services		Regularly
	Plant open day		Regularly
	Hearing		As and when necessary
	User seminar		Regularly/as and when necessary
 Employees	WeChat official account	- Remuneration and benefits - Employment - Development and training - Work environment - Health and safety - Labour standards	As and when necessary
	Business meeting		Regularly
	Employee seminar		Year-end/half-year
	Employee representative meeting		Annually/biannually
	Interview		As and when necessary
	Team building		Regularly
 Suppliers	Training	- Use of resources - Procurement behaviours - Anti-corruption - Supply chain management	Regularly/as and when necessary
	Employee group activity		Regularly
	China Water News (internal publication)		Regularly
	Procurement tender		As and when necessary
	Site visit		As and when necessary
	Meeting		As and when necessary
 Local community	Product briefing	- Community investment - Community interest protection - Environmental protection - Charity and relief	As and when necessary
	Plant open day		Regularly
	Community service		Regularly/as and when necessary
	Environmental and social impact survey		As and when necessary
	Public welfare and charity event		As and when necessary

DOUBLE MATERIALITY ANALYSIS

To gain a deeper understanding of stakeholder expectations and market trends, China Water, in identifying and prioritizing its ESG topics, has fully referenced the Environmental, Social and Governance Reporting Code of The Stock Exchange of Hong Kong Limited as well as the material topics set out in the GRI Standards 2021 published by the Global Reporting Initiative (GRI), while also taking into account its own operational characteristics and industry best practices. On this basis, the Company further introduced a “Double Materiality” assessment framework to identify, prioritize, and validate topics, conducting evaluations from two dimensions: financial materiality and impact materiality. Financial materiality focuses on analyzing whether a topic has, or may have, a significant impact on the Company’s business model, operational efficiency, financial performance, cash flow, and financing costs. Impact materiality, on the other hand, focuses on the actual or potential significant impacts of a topic on the economy, society, and environment. Through this systematic review from dual dimensions, the Company ensures that its material topics not only genuinely address the concerns of the capital market and various stakeholders but also provide effective guidance for the Company’s ESG management, thereby driving mutual enhancement of business performance and sustainable value.



IDENTIFICATION

By rationalizing our policies, setting out clear strategies, reviewing our business and determining our sustainable development goals, as well as considering our stakeholder engagement, the Group has identified 24 materiality issues and determined the scope and boundaries of their impact.

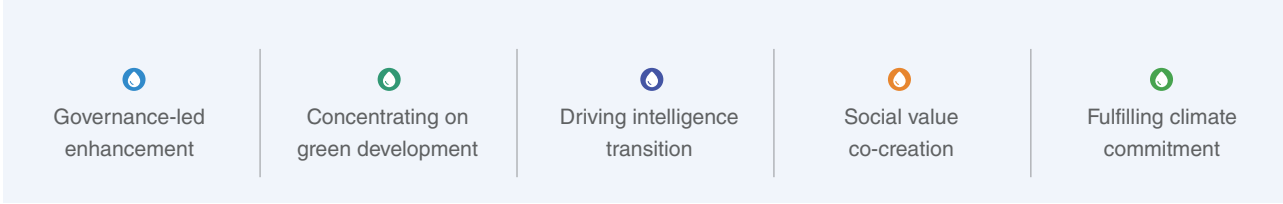
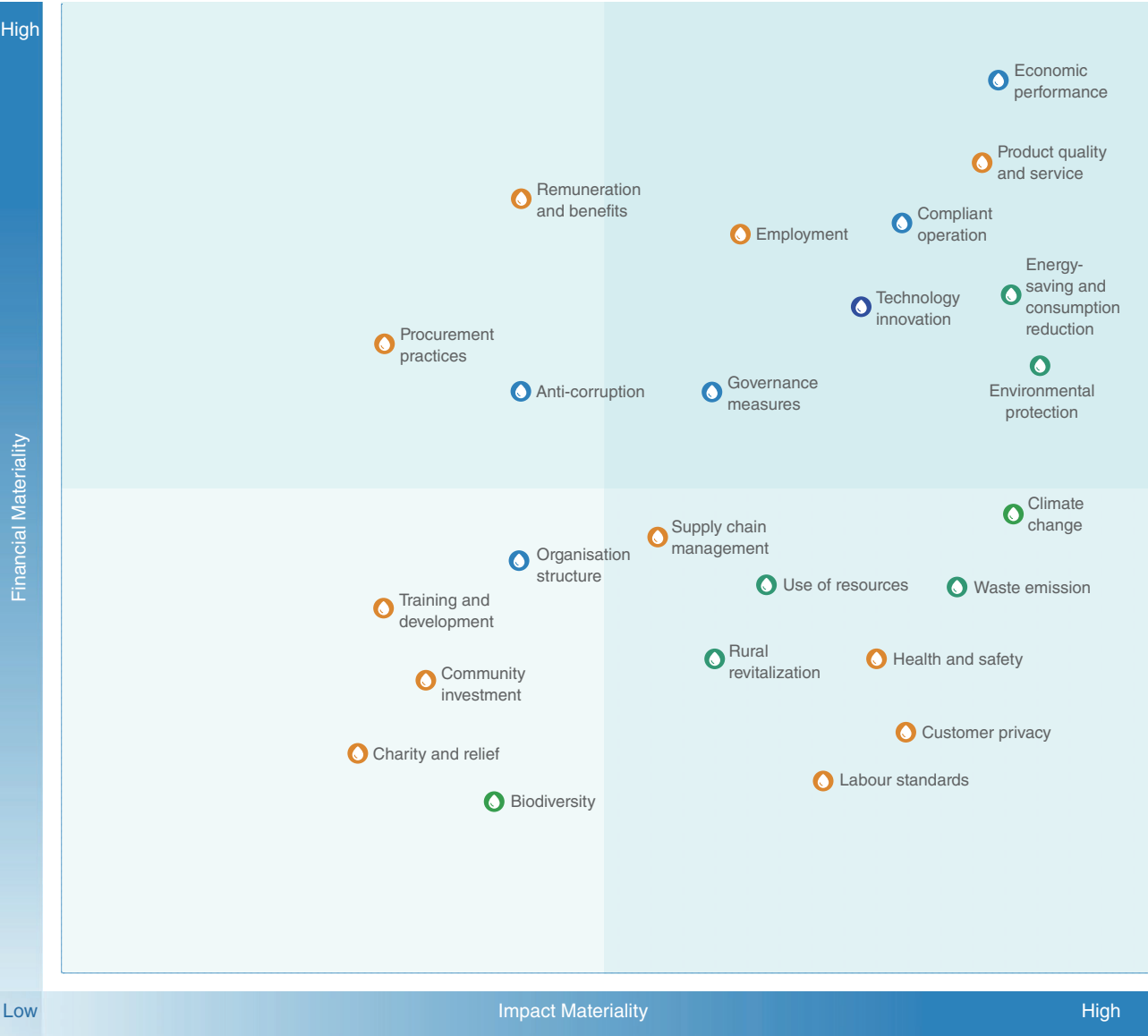
No.	Aspect	Materiality issues	UN SDGs	Scope of impact						Boundary
				Internal	External					
					Investors and creditors	Government	Customers and consumers	Suppliers	Community	
1	Enhancement of governance leadership	Governance measures		●	●	●	□	●	●	Materiality aspects are applicable to China Water and its subsidiaries
2		Organisation structure		●	●	●	□	●	●	
3		Economic performance		●	●	●	●	●	●	
4		Compliant operation		●	●	●	●	●	●	
5		Anti-corruption		●	□	●	●	●	□	
6	Concentrating on green development	Rural revitalization	    	●	●	●	●	□	●	
7		Waste Emissions		●	□	●	●	●	●	
8		Energy saving and consumption reduction		●	□	●	●	●	●	
9		Use of resources		●	●	●	●	●	●	
10		Environmental protection		●	□	●	●	●	●	
11	Driving intelligence transition	Technology innovation		●	●	●	●	●	●	

No.	Aspect	Materiality issues	UN SDGs	Scope of impact						Boundary
				Internal	External					
					Investors and creditors	Government	Customers and consumers	Suppliers	Community	
12	Social value co-creation	Labour standards	1 no poverty 2 zero hunger 4 decent work and economic growth 5 gender equality 8 decent work and economic growth 10 reduced inequalities 11 sustainable cities and communities 12 responsible consumption and production 17 peace, justice and strong institutions							Materiality aspects are applicable to China Water and its subsidiaries
13		Employment								
14		Remuneration and benefits								
15		Training and development								
16		Health and safety								
17		Supply chain management								
18		Procurement practices								
19		Product quality and service								
20		Customer privacy								
21		Community investment								
22	Charity and relief									
23	Fulfilling climate commitment	Climate change	13 climate action 14 life below water 15 life on land							
24		Biodiversity								

● represents materiality issues with more impacts on stakeholders □ represents materiality issues with less impacts on stakeholders

PRIORITIZATION

The identified materiality issues are prioritized in terms of financial materiality and impact materiality and form a double materiality matrix.





VERIFICATION

In respect of the identified and prioritized materiality issues, the Group has collected opinions from experts, customers and stakeholders and carried out multi-party cross verification on one hand, and on the other hand, the Group formulated targeted administrative measures regarding the indicators involved in the issues to determine the methods and procedures of indicator collection so as to ensure established requirements are met in aspects of reasonableness, balance and completeness of the report.

02

CONCENTRATING ON GREEN DEVELOPMENT

China Water adheres to the philosophy of high-quality sustainable development, comprehensively advancing the green and low-carbon transformation of the water industry. The Company leverages technology to upgrade its core businesses, including pipeline direct drinking water, urban water supply, and wastewater treatment, while systematically promoting the integration of urban and rural water supply and drainage. It implements energy conservation, consumption reduction, and green office practices across its operations, and has established a robust system for full-process environmental management, water resource stress assessment, and compliance control over natural resources. Through these concrete actions, the Group is committed to protecting precious water resources and the natural environment.



LOW-CARBON AND PEOPLE-BENEFITTED DIRECT DRINKING SAFEGUARDED BY TECHNOLOGICAL EMERGENCY RESPONSE

Keeping pace with the times, China Water has deeply integrated its direct drinking water business into the green and low-carbon development agenda. Through continuous technological innovation and model exploration, the Group has consistently advanced the environmental value of direct drinking water in terms of carbon reduction and plastic reduction. It has extended its business focus from merely meeting the demand for healthy drinking water to actively promoting a low-carbon lifestyle, thereby taking a leading role in driving the green transformation of the industry. At the same time, driven by technological innovation, the Group continues to enhance its capacity to ensure emergency water supply. It actively fulfills its social responsibilities in serving the public's water needs and safeguarding the ecological environment.

As of March 2026

the Group's direct drinking water business
has coverage for

24 provinces, municipalities, and
autonomous regions



successful projects in operation

over **10,000**



districts, counties, and county-level cities

319

safe and high-quality drinking water services

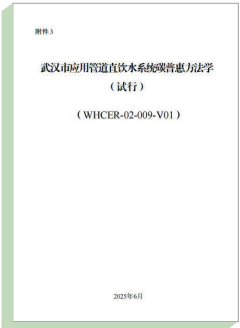
12

million people



The nation's first carbon inclusion methodology for pipeline direct drinking water has been officially established

China Water, in close collaboration with the China Agricultural and Typical Industry Carbon Reduction and Carbon Trading Research Center at Hubei University, jointly developed a methodology for carbon reduction and plastic reduction through pipeline direct drinking water. On 9 June 2025, the Wuhan Municipal Ecology and Environment Bureau officially released the Wuhan Carbon Inclusion Methodology for the Application of Pipeline Direct Drinking Water Systems (Trial) (WHCER-02-009-V01). Under this methodology, eligible residents in Wuhan who use pipeline direct drinking water may have their corresponding emission reductions calculated as carbon inclusion credits. This outstanding achievement represents a vivid demonstration of the Group's commitment to advancing green and low-carbon transformation through its pipeline direct drinking water business and pursuing high-quality sustainable development. It injects strong momentum into the implementation of the "dual carbon" strategy.

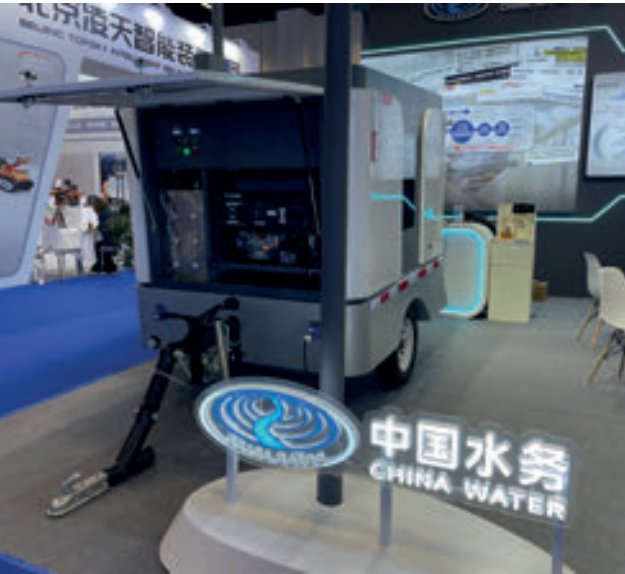


China Water’s “AquaCup” Brand in National Emergency Exhibition

On 18 November 2025, the China International Emergency Management Exhibition, hosted by the Ministry of Emergency Management of the People’s Republic of China, opened at the Beijing National Convention Center. China Water’ core brand, “AquaCup,” showcased its emergency direct drinking water vehicle and a new-generation water purification towed vehicle at the exhibition, establishing itself as one of the few suppliers capable of offering full-scenario “water-related emergency” solutions.

During the exhibition, AquaCup actively engaged in discussions and negotiations with representatives from various countries and regions, precisely aligning with local disaster characteristics, water supply scenarios, and procurement needs. Through technological innovation and customized solutions, the brand comprehensively demonstrated its integrated capabilities in emergency support. The emergency direct drinking water vehicle developed and manufactured by AquaCup is equipped with a dual-process “active + mobile” water purification system. Featuring full-scenario, large-scale, and sustained water supply coverage, the system enables a shift in emergency water response from “passive reaction” to “active connection.” In post-disaster situations, the system can be rapidly deployed to ensure 24/7 uninterrupted water purification and circulating water supply.

From its support mission to the Ya’an earthquake in Sichuan in 2013, to its participation in the livelihood water supply effort in Huojia, Henan in 2025, and now to its presence at this national emergency exhibition, AquaCup has consistently upheld China Water Affairs’ core value of “Water-oriented, Wellness to Society,” working hand in hand with global partners to jointly safeguard the defense line of drinking water security.



Green Water Supply Upgraded, Securing the Foundation of Public Well-being

Water is the source of life, the essence of production, and the foundation of ecosystems. Having dedicated itself to the water industry for over two decades, China Water has consistently and actively fulfilled its environmental and social responsibilities. The Company strictly complies with the Water Law of the People’s Republic of China, the newly promulgated Water Supply Regulations by the State Council, and other applicable laws and regulations. It remains steadfast in pursuing its three core strategies, green operations, quality service, and smart empowerment, to achieve refined, end-to-end control throughout the entire journey from source to tap. The Group continues to advance energy-saving and emission-reduction technological upgrades, along with digital and intelligent transformation, striving to establish a safe, clean, low-carbon, efficient and sustainable modern water supply security system. During the reporting period

During the reporting period

the Group accumulatively offered clean water of

1.55

billion m³



Offering drinking water and water supply for

30

million people



Phase of the Shizishan Water Plant Project in Ningxiang City Officially Put into Operation

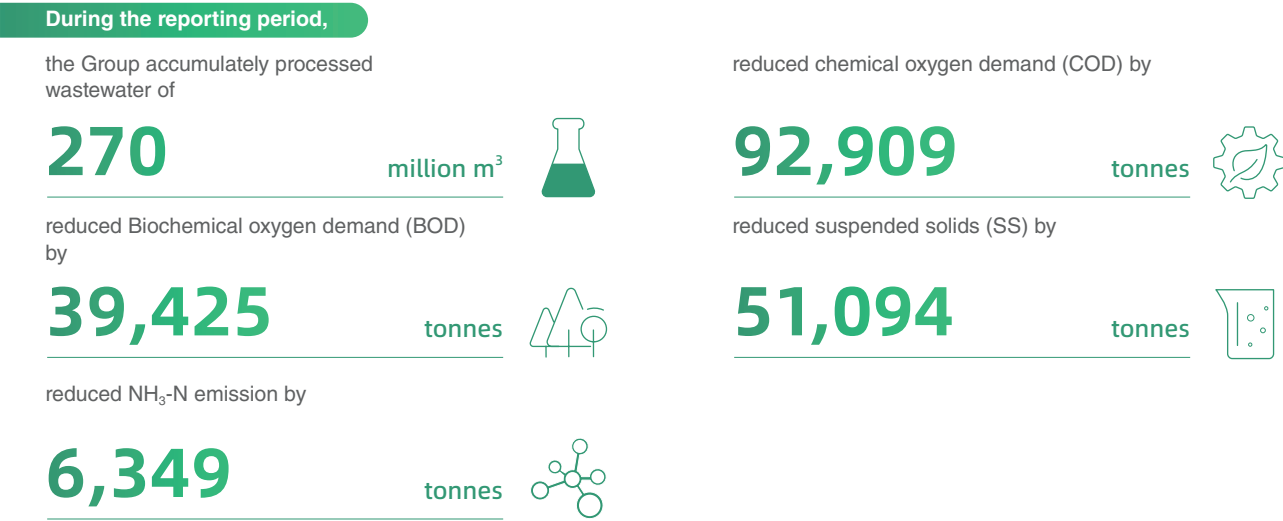


The Shizishan Water Plant construction project in Ningxiang City was designated as a key project under the city’s “14th Five-Year Plan” and is a major public livelihood initiative of the government. With a total investment of approximately RMB920 million, the project is being developed and operated to high standards by our Group. The plant is designed with a total water supply capacity of 200,000 m³/day, to be built in three phases. Phase I has a water supply capacity of 90,000 m³/day. The Shizishan Water Plant adopts a conventional water treatment process consisting of coagulation, sedimentation, filtration, and disinfection. Land has also been reserved for an ozone-activated carbon advanced treatment process, allowing room for future upgrades to further enhance water quality. In July 2025, Phase I of the plant was officially commissioned and began operation, effectively securing production and domestic water supply for Ningxiang’s Highspeed Rail New Town, Food Industrial Park, and Economic Development Zone. This has significantly strengthened the city’s overall water supply capacity and provides a solid strategic water resource foundation for the high-quality and sustainable development of the local economy and society.



Practicing Green Pollution Control, Safeguarding Clean and Flowing Water

China Water adheres to the philosophy of green development in guiding its wastewater treatment efforts. Leveraging its specialized operation and management platform Shenzhen Goldtact Environmental Technology Holdings Co., Ltd., the Group systematically advances standardized management of wastewater treatment, continuously implements upgrades and process optimization of wastewater treatment facilities, strictly enforces the highest national discharge standards, and steadily reduces total pollutant emissions. All treatment facilities meet the Grade 1A requirement of the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB 18918-2002). On the basis of purifying water quality and improving the ecological environment, the Group actively promotes water resource recycling and continuously enhances the carrying capacity of the water environment. Through concrete actions, the Group safeguards clean and flowing water, contributing to the sustained improvement of regional ecosystems and the steady progress of green development.

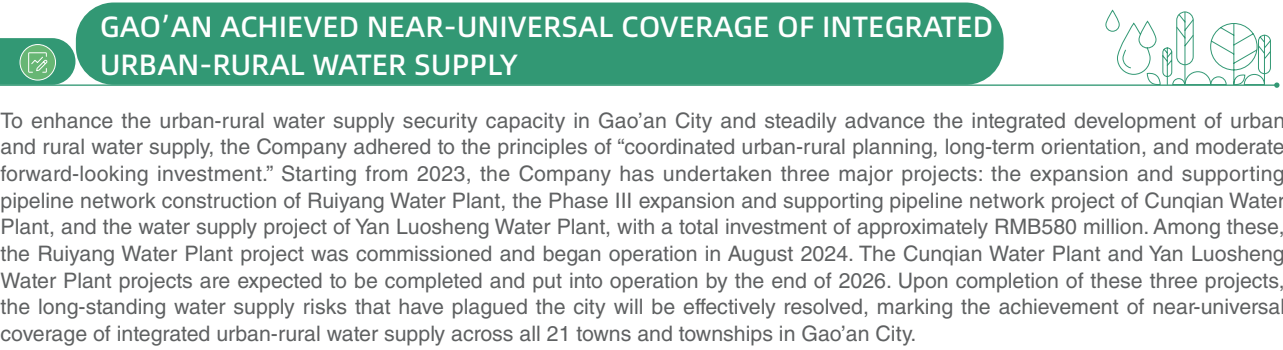


Calculation method for pollutant reduction: difference between pre-treatment and post-treatment average concentration of pollutant × total volume of sewage treated



URBAN-RURAL WATER SUPPLY INTEGRATION TO ENTER A NEW CHAPTER OF INCLUSIVE ACCESS

China Water continues to deepen its efforts in the integrated development of urban and rural water supply, systematically advancing unified planning, unified construction, unified management, and unified services for urban and rural water supply. The Group is committed to establishing a water supply security system characterized by the same water source, the same pipeline network, the same water quality standards, and the same level of service across both urban and rural areas. By optimizing water supply layouts, upgrading pipeline infrastructure, and strengthening operational management, the Group has effectively addressed the water supply gaps in towns and rural villages, significantly enhancing the safety and reliability of rural drinking water as well as the standard of water supply services. These efforts have tangibly resolved issues faced by rural residents, including difficulty accessing water, poor water quality, and low water pressure, thereby contributing to the equalization of urban and rural public services and supporting the national rural revitalization strategy.



INTEGRATED URBAN-RURAL DRAINAGE, WEAVING A DENSER ECOLOGICAL SHIELD

China Water is accelerating the implementation of integrated urban-rural drainage projects, with a focus on enhancing both wastewater treatment and flood control and drainage capabilities. By constructing new modern wastewater treatment plants and supporting pipeline networks, as well as upgrading township-level wastewater treatment facilities, the Group has significantly improved sewage collection and treatment capacity. In parallel, systematic remediation of water logging-prone areas has been carried out to address weaknesses in drainage and flood control. These efforts have effectively enhanced the water ecological environment and the quality of life in both urban and rural communities, providing a solid foundation for rural revitalization and sustainable urban-rural development.

ACCELERATING THE IMPLEMENTATION OF NINGXIANG
URBAN-RURAL INTEGRATED DRAINAGE PPP PROJECT

The Ningxiang Urban-Rural Integrated Drainage PPP Project has a total investment of RMB1.518 billion and comprises 51 sub-projects. Through city-wide coordination and systematic management, the project comprehensively enhances the capacity of the urban-rural drainage pipeline network, strengthens the overall efficiency of wastewater treatment, and builds a robust safety barrier for regional flood control and drainage. As a key node of the project, the Jinzhou Xincheng Wastewater Treatment Plant commenced construction in May 2025. It is designed with a treatment capacity of 100,000 m³ per day and operates in compliance with the Grade 1A standard of the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB 18918-2002). During the reporting period, the construction of the plant's main structures was completed, with the project now entering the equipment installation phase, while the supporting pipeline network is being implemented concurrently. In addition, the remediation works for four water logging-prone areas in the urban district and the upgrading of twelve township-level wastewater treatment facilities have both been completed. Despite the project's broad geographic coverage, complex construction conditions, and numerous interfaces, the Group has attached great importance to its execution. Through coordinated efforts and targeted solutions to various construction challenges, the Group has rigorously upheld project quality and safety standards, ensuring the orderly implementation of the overall project as scheduled.



GREEN AND BLUE BONDS

2021-2022

China Water issued a total of US\$350 million of fixed-rate coupon rate senior unsecured green notes on 18 May 2021 and 19 January 2022, the proceeds of which were used for eligible green projects, particularly water supply projects, within a specially established green finance framework.

OUR GREEN PROJECTS INCLUDE

- Sustainable Water Resources and Sewage Management:** The construction, modification or upgrading of facilities, infrastructure or systems relating to water supply and sewage treatment.
- Renewable Energy:** The construction of renewable energy production units, including solar and wind energy.

LIST OF GREEN PROJECTS:

Name	Type	Location	Current Progress
Henan Province South-to-North Water Diversion Project – Zhoukou Water Supply Supporting Project and Huaiyang Water Supply Project	Water supply	Zhoukou City, Henan Province	In operation
Xinyu Urban and Rural Water Supply Integration	Water supply	Xinyu City, Jiangxi Province	In operation
Henan Luyi Silver Dragon Urban and Rural Water Supply Integration	Water supply	Luyi County, Henan Province	In operation
Reconstruction of Chengnan Water Plant in Yanshan County and Expansion Project of Water Distribution Pipeline Network	Water supply	Yanshan County, Jiangxi Province	In operation
Jiangxi Ji'an Urban Water Supply Pipeline Network Construction and Modification Project	Water supply	Ji'an City, Jiangxi Province	In operation

Note: According to the framework for green finance, all project types listed in this table fall under "Sustainable water resources and wastewater management"

2024

On 7 August 2024, the Group successfully issued its first batch of RMB500 million green medium-term notes (Panda bonds) with a coupon rate of 3% and a maturity of 3 years. The bookbuilding and allocation results showed that the total amount of funds participating in the bookbuilding reached RMB1.22 billion, with an oversubscription ratio of 2.44, indicating a strong market response.

Use of proceeds	Amount for intended use of proceeds (RMB ten thousands)	Proportion of proceeds used (%)
Supporting the investment and construction of green projects	26,000	52.0
Supplementing the working capital of green projects	13,400	26.8
Repaying domestic bank loans for the construction of green projects	10,600	21.2
Total	50,000	100.0

2025

The Group successfully issued RMB1 billion offshore senior unsecured blue bonds on 21 January 2025, with a coupon rate of 3.45% and a maturity of 5 years. The bonds are guaranteed by CGIF, a trust fund under the Asian Development Bank. The lead global coordinators were Morgan Stanley, China International Capital Corporation (CICC), and Barclays Bank; the joint lead global coordinators, joint bookrunners, and joint lead managers were HSBC, and China CITIC Bank International. The bond issuance was significantly oversubscribed by the market, with all subscribers being well-known investment institutions, including sovereign wealth funds, insurance funds, fund investors, and bank investors, among others, with sovereign wealth funds accounting for 40%. The proceeds from the bond issuance under the Group's green and blue financing framework will be used for the refinancing of eligible green projects.



On 15 October 2025, the Group successfully issued five-year senior notes in amount of US\$150 million, with a coupon rate of 5.875%. The Company and subsidiary guarantors entered into a purchase agreement with Morgan Stanley, Barclays Bank, China International Capital Corporation Hong Kong Securities Limited, China CITIC Bank International, Deutsche Bank AG, Hong Kong Branch, DBS Bank, and SMBC Nikko Securities (Hong Kong), as initial purchasers. The Group plans to use all or part of the gross proceeds from this issuance, under the blue & green finance framework, to finance or refinance eligible green projects, particularly water supply projects.

DEEPENING ENERGY CONSERVATION AND CONSUMPTION REDUCTION

The Group strictly complies with laws and regulations such as the Law of the People's Republic of China on Energy Conservation and the Environmental Protection Law of the People's Republic of China, and remains firmly committed to its green and low-carbon development strategy, positioning energy conservation and consumption reduction as a core initiative for high-quality sustainable development. The Group has fully integrated energy consumption indicators into its performance appraisal system, establishing binding constraints to enforce accountability for energy saving and emission reduction, and has built a work mechanism featuring layered implementation and closed-loop control. Each year, a professional team is assembled to conduct energy-saving potential analyses, while third-party institutions are engaged to provide technical support, ensuring the coordinated implementation of various energy-saving measures (A2).

REFINED MANAGEMENT OF EMISSIONS (A1)

The major pollutants emitted during the production and operation of the Group are divided into two categories: The first category represents the sludge produced during the water production process at the filtered water plant, the key components of which are the dissolved substances in the natural body of water and the water purifiers added during the purification process. The second category represents the waste gases, sludge and treated discharge produced during sewage treatment at the sewage plant. Waste gases are CO₂, H₂S and NH₃ produced in the course of bioprocessing; sludge mainly includes silt, garbage and excess activated sludge; major pollutants in treated discharge are COD, SS and NH₃-N.

The Group has in place a comprehensive set of management processes and operational procedures for general emissions that have smaller impacts on the environment under its operation and management standards, covering identification, discharge, disposal and regulation of emissions to ensure up-to-standard emissions. Hazardous emissions produced by industrial sewage treatment plants are dealt with by qualified professional companies. During the reporting period, the Group was not aware of any environmental pollution of material nature.

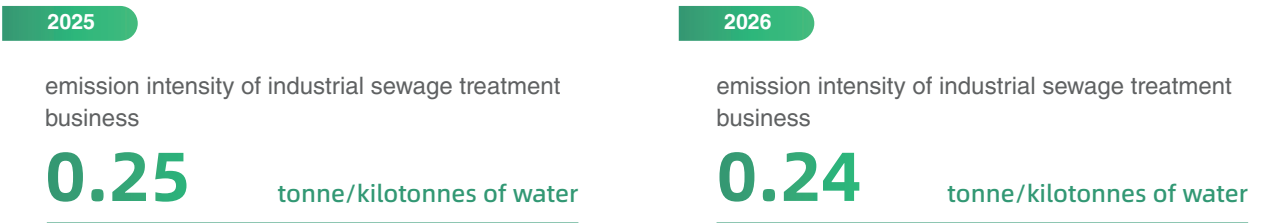
EMISSION CATEGORIES AND EMISSION DATA (A1.1)

Category	Emission		Total volume of emissions during 2026 (tonnes)	Total volume of emissions during 2025 (tonnes)	Total volume of emissions during 2024 (tonnes)	Emission method	Applicable laws and regulations that are subject to compliance
City Water supply business	Sludge	Naturally dissolved substances and water purifiers	207,231	202,968	195,790	Up-to-standard emission	"Environmental Protection Law of the People's Republic of China" "Environmental Impact Assessment Law of the People's Republic of China" "Water Pollution Prevention and Control Law of the People's Republic of China" "Atmospheric Pollution Prevention and Control Law of the People's Republic of China" "Law of the People's Republic of China on the and Control of Environmental Pollution by Solid Waste" "Ambient air quality standards" "Environmental Quality Standards for Surface Water" "Environmental Quality Standards for Underground Water" "Standards for Odour Pollutants" "Pollutants Emission Standards of Urban Sewage Water Treatment Plant"
Sewage treatment business	Air emission	H ₂ S	Below emission limit	Below emission limit	Below emission limit	Up-to-standard emission	
		NH ₃	Below emission limit	Below emission limit	Below emission limit	Up-to-standard emission	
	Treated discharge	COD	4,139	3,787	3,775	Up-to-standard emission	
		SS	1,364	1,230	1,039	Up-to-standard emission	
		NH ₃	138	124	131	Up-to-standard emission	
	Sludge	Silt, garbage and activated excess sludge	98,800	97,849	85,971	Sludge from domestic sewage treatment plants is used for reclamation and electricity generation after dehydration and desiccation	

Note: Calculation of emission: $\sum$ average post-treatment concentration of pollutant x total volume of sewage treated

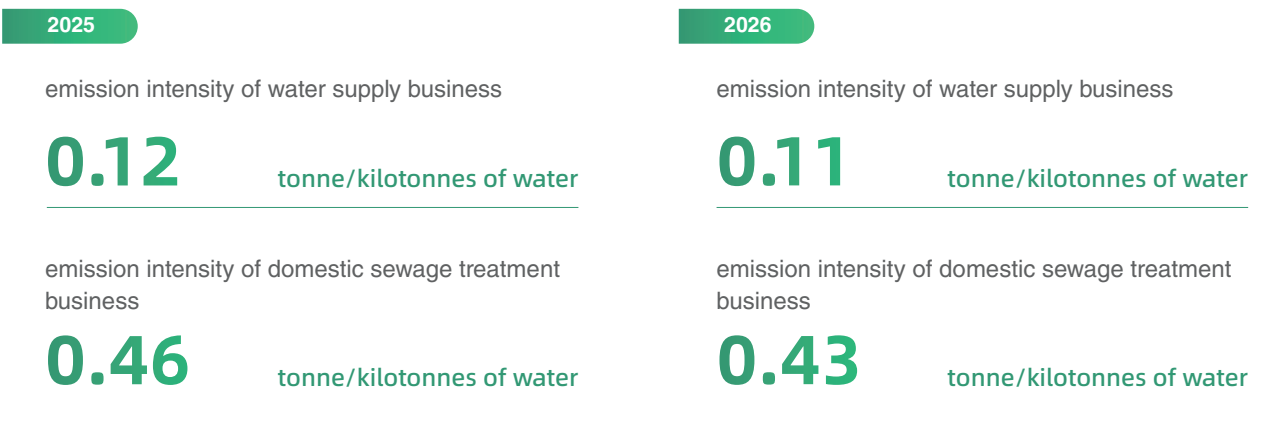
HAZARDOUS WASTE (A1.3/A1.6)

The hazardous wastes produced in the course of operation of the Group are mainly sludge produced in our industrial sewage treatment plants. During the reporting period, the total amount produced was 10,118 tonnes. All of which were collected and properly handled by qualified professional companies.



NON-HAZARDOUS WASTE (A1.4/A1.5/A1.6)

The non-hazardous wastes produced in the course of operation of the Group are mainly sludge produced in filtered water plants and domestic sewage treatment plants. During the reporting period, the total amount produced was 306,031 tonnes. Sludge was dewatered, dried and subsequently collected by the local environmental hygiene departments for proper disposal, which is mainly in the form of reclamation, composting or combustion for electricity generation. As the discharge density for sludge is closely related to the intake of water load, the Group will endeavour to ensure that the discharge density will not increase in the next five years through technical means.



ENERGY EFFICIENCY ENHANCEMENT AND ENERGY CONSERVATION MANAGEMENT

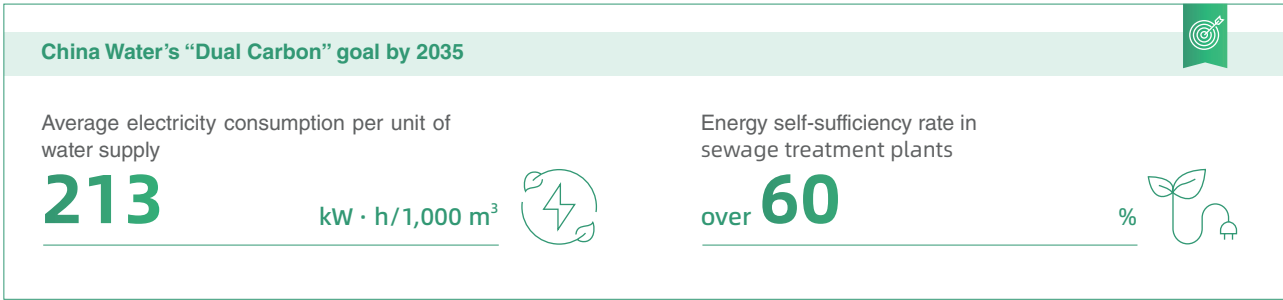
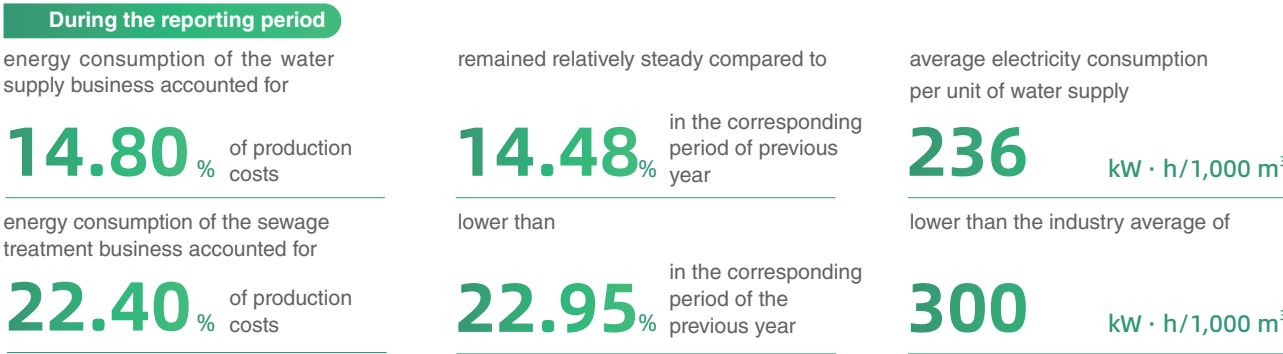
Energy used by the Group was mainly indirect energy (A2.1)

Category	Electricity consumption (MWh)	Electricity consumption per unit (kW·h/1,000 m)	Fuel consumption (tonnes)
Water supply business	425,942	236	587
Environmental protection business	63,380	233	41
Pipeline direct drinking water business	1,990	N/A	55
Other businesses	3,845	N/A	22
Total	495,157	N/A	705

The total energy consumption of electricity and fuel was 1,813,804 GJ

Notes: 1. According to the “Notice on Further Work Concerning Non-inclusion of Newly Added Renewable Energy Consumption in the Control of Total Energy Consumption” issued by the National Development and Reform Commission (NDRC) and three other bureaus, solar energy (PV power) is categorised as a renewable source of energy and is not included in the total energy consumption.

2. Total energy consumption was converted in accordance with the “General rules for calculation of the comprehensive energy consumption” (GB/T2589 2020).



ENERGY-SAVING MODIFICATION (A2.3)

The Group, in conjunction with a third-party professional organisation, conducted surveys and analyses of its water plants and pumping stations, examined the potential for energy saving, formulated energy-saving retrofitting plans and implementation proposals, and implemented 10 retrofitting projects with a total investment of over RMB6.08 million during the year.

Smart Upgrade of the Intake Pumping Station at Wuyueguan Water Plant of Ji'an Water Group Co., Ltd.

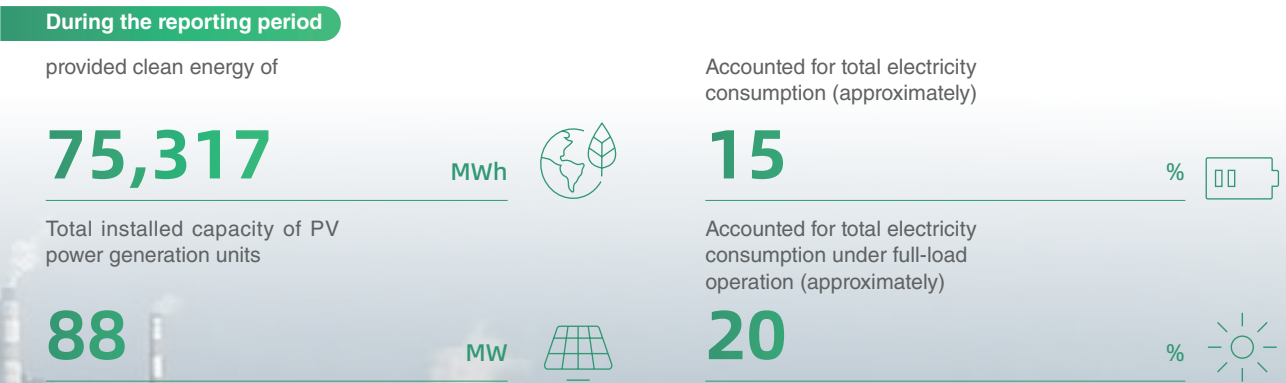


The intake pumping station of the Wuyueguan Water Plant operated by Ji'an Water Group has been in service for over two decades. To advance energy conservation and consumption reduction, the Company implemented an intelligent retrofitting project to enable unattended operation. The project replaced four aging 110kW fixed-speed pumps with two 75kW and two 160kW intelligent variable-frequency pump units. The new units are equipped with variable-frequency drive systems, allowing real-time adjustment of rotational speed and output power based on pipeline pressure and the operational demands of the water plant, thereby achieving efficient and precise water intake. At the same time, the integration of high-precision sensors and PLC control cabinets enables 24/7 intelligent monitoring and dispatch of the equipment. Following the retrofit, the pumping station has achieved significant reductions in labour costs and substantial optimization of energy consumption. It is estimated that annual electricity cost savings will reach nearly RMB100,000, delivering a dual improvement in economic benefits and green, low-carbon operations.



CLEAN ENERGY USE (A2.3)

The Group continues to explore new applications and models for renewable energy utilisation, focusing on cutting-edge industry technologies and striving to build a diversified and complementary clean energy system. In the photovoltaic sector, the Group has been steadily advanced the planning and construction of PV power stations over the years. Through new projects and implementing expansion and retrofit projects on existing facilities, the Group has continuously improved the utilisation rate of its industrial sites and enhanced photovoltaic power generation efficiency. Concurrently, the Group is actively exploring the innovative technology of excess pipeline pressure power generation. This technology captures surplus pressure from pipeline networks and converts it into electricity, representing a clean energy utilization method that is pollution-free and emission-free. During the reporting period, the Group has identified multiple water plant sites suitable for implementation, engaged third parties to conduct on-site surveys, and developed technical solutions, thereby further unlocking the energy-saving potential of existing facilities.



Photovoltaic Project of Shenzhen Dagongyequ Water Co., Ltd. Successfully Connected to the Grid for Power Generation



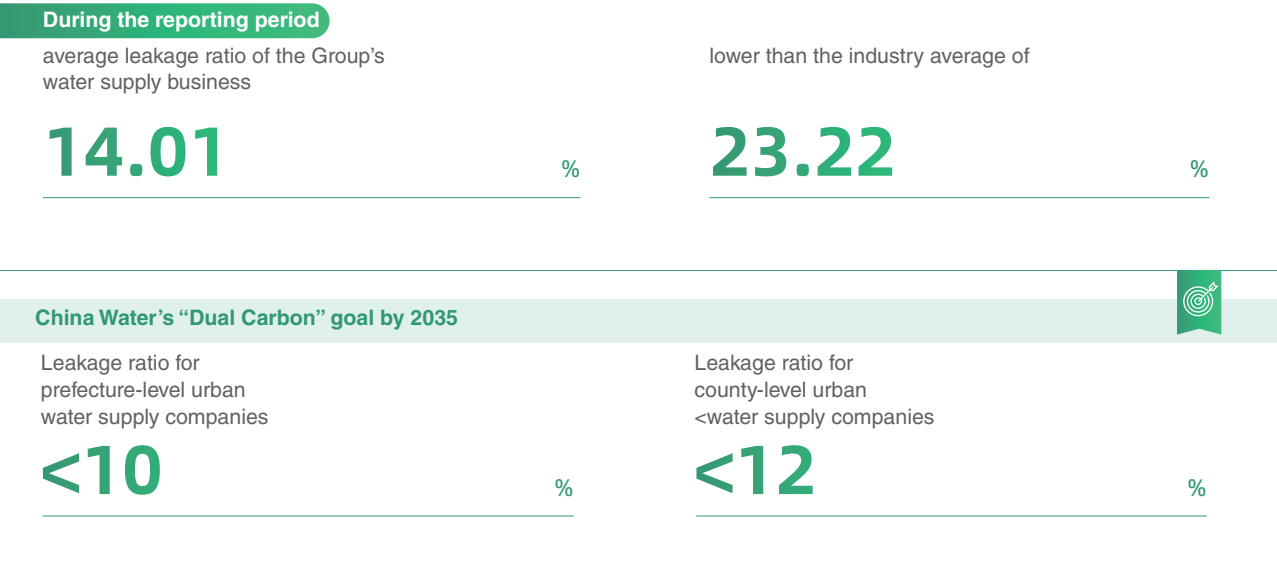
On 27 March 2026, the distributed photovoltaic project of Shenzhen Dagongyequ Water Co., Ltd. was successfully connected to the high-voltage grid for power generation. The project fully utilized available spaces including rooftops of production structures, parking shed rooftops, and idle land within the facility, covering a total area of over 10,000 square meters. The installed capacity is 2,430 kW, with a total investment of RMB9.3 million. The project adopts a high-voltage grid-connected cabinet and operates under a “self-generation for self-use, with surplus electricity fed into the grid” model. It is estimated that annual electricity cost savings will reach approximately RMB2 million. While effectively reducing operating costs, the project further advances energy conservation and carbon reduction, continuously optimizes the energy consumption structure, and comprehensively enhances the Company’s green, low-carbon operations and sustainable development capabilities.



PROMOTING SUSTAINABLE USE OF WATER RESOURCES

LEAKAGE RATIO MANAGEMENT AND CONTROL (A2.4)

The Group places a strong emphasis on leakage ratio control, focusing on leakage management as a core priority and implementing multiple measures to enhance water supply operational efficiency. Recognizing the varying leakage conditions across its subsidiaries, the Group conducts site-specific analyses of leakage causes and establishes monthly leakage analysis reports. Through mechanisms such as tiered coordination, real-time interaction, and event tracing, the Group promptly addresses obstacles and challenges in leakage reduction. The Group has innovatively introduced an energy performance contracting (EPC) model for water conservation. A dedicated task force, led by the head office, conducts comprehensive assessments covering water supply dispatching, pressure regulation, pipeline leak detection, emergency repair, metering management, and information system development. Based on these assessments, the Group formulates tailored reduction plans and implements them effectively, achieving significant results. Meanwhile, the Group has deeply integrated reduction efforts with grid-based zonal management. It has strengthened regional leakage analysis, established real-time monitoring points in key areas, and developed a long-term performance assessment mechanism. Advanced technologies such as noise monitoring have been pioneered in regional companies in Jiangxi, Henan, and other provinces, substantially improving leakage detection accuracy and management efficiency, thereby building a comprehensive defense line for leakage ratio control.



China Water's "Dual Carbon" goal by 2035

Leakage ratio for prefecture-level urban water supply companies

<10

%

Leakage ratio for county-level urban <water supply companies

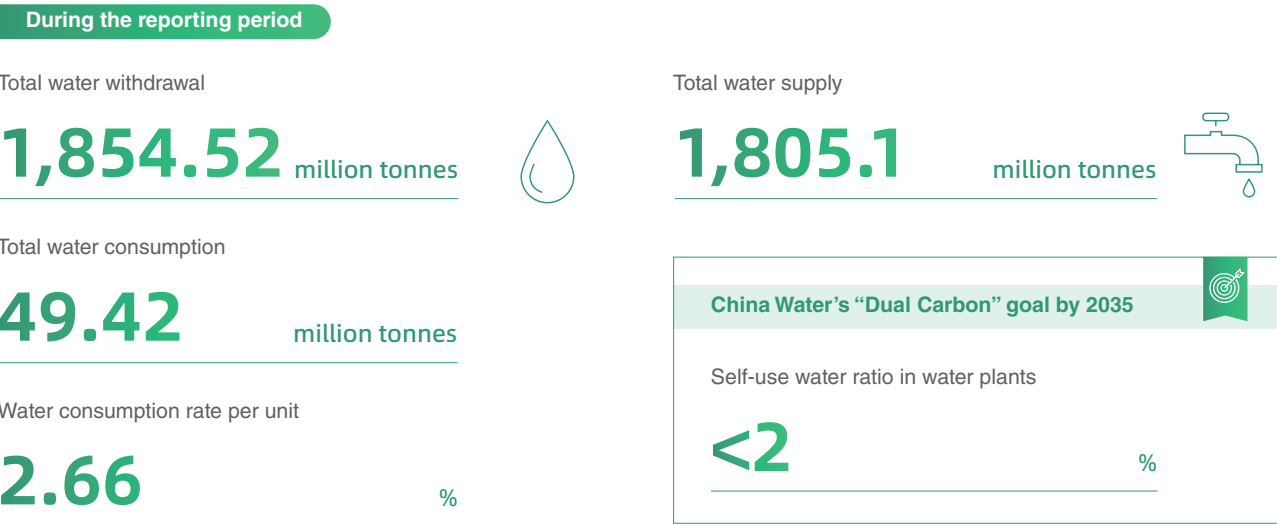
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%



WATER CONSERVATION AND WATER SOURCE PROTECTION (A2.2/A2.4)

As a cross-regional integrated water service operator, the Group actively responds to the national call for water conservation, adhering to the principle of "coordinated planning and adapting to local conditions," and has established a water conservation management mechanism characterised by "optimised operations, routine supervision, a reward and penalty system, and public participation". In terms of core indicator management, the Group has identified leakage ratio as a key lever for water conservation. Under the coordinated leadership of a dedicated task force, the Group has consistently maintained this indicator below 15%, significantly improving water resource utilisation efficiency. In the production process, the Group focuses on process optimization. Through refined control of backwash and sludge discharge parameters, as well as the addition of recirculation systems, the Group has stabilized the plant's self-use water rate at below 3.0%, outperforming current national design standards. At the same time, the Group actively promotes water conservation and protection awareness. Leveraging key occasions such as World Water Day, Earth Day, and World Environment Day, the Group organizes subsidiaries to conduct themed activities including educational lectures and community engagement events. These initiatives help widely disseminate knowledge on water source protection and water conservation, fostering a positive social atmosphere in which water is saved, cherished, loved, and protected by all.



Total water consumption

49.42

million tonnes

Water consumption rate per unit

2.66

%

China Water's "Dual Carbon" goal by 2035

Self-use water ratio in water plants

<2

%





Zhoukou Silver Dragon Water Affairs Co., Ltd Organizes Water Conservation and Source Protection Themed Event



On 14 October 2025, Zhoukou Silver Dragon Water Affairs Co., Ltd organized a volunteer team to conduct a themed volunteer service activity titled “Protecting the Mother River, Building a Beautiful Home Together” on water conservation and source protection at the south side of Hanyang Road Bridge. The event aimed to safeguard the ecological environment of the Shaying River through concrete actions and contribute to the construction of a home with clean water and green banks. Dressed in uniform attire and carrying cleaning tools, volunteers worked in teams to clear litter along the riverbanks. They distributed informational brochures to passersby, raising awareness of water resource protection knowledge and water-saving techniques, while guiding the public to embrace the principles of water conservation and protection. Many members of the public were inspired by the initiative and voluntarily joined the cleanup efforts, creating a positive atmosphere of broad participation and collective governance. This event vividly demonstrated the Company’s sense of ecological responsibility.



GREEN OFFICE CULTURE CONSTRUCTION

To actively promote low-carbon and environmental protection principles and continuously enhance operational energy efficiency, the Group issued the “Notice on Promoting Green Office Practices” and strengthened its implementation and supervision to create a resource-efficient, high-performance, low-carbon, and environmentally conscious office environment.

Firmly establish a green office mindset

- Vigorously promote the spirit of strict economy and frugality, guiding all employees to deeply understand the importance of low-carbon and eco-friendly office practices, embed the concept of green office into the mindset of every employee and solidify it as a normalized working practice and a matter of habitual, self-driven behavior. Guiding all employees to deeply understand the importance of low-carbon and eco-friendly office practices, embed the concept of green office into the mindset of every employee and solidify it as a normalized working practice and a matter of habitual, self-driven behavior.

Make good use of information-based office platforms

- Continue to innovate and improve various information based office platforms, use technology to change office practices and habits, and achieve the goal of efficient, convenient, green, and low-carbon office operations.

Fully implement paperless practices

- simplify approval processes, conduct all internal communication and information transfer online, avoid unnecessary correspondence, refrain from printing non-essential documents, and establish a digital file management system.

Cultivate a corporate culture of thrift

- Start by saving every kilowatt-hour of electricity, every sheet of paper, and every drop of water, and create a corporate atmosphere and positive culture of thrift and frugality among all employees.

Advocate green and low-carbon commuting

- Encourage employees to prioritize low-carbon commuting options such as public transportation, riding, and walking, reducing carbon emissions associated with daily travel.



ENHANCING ENVIRONMENT AND NATURAL RESOURCES MANAGEMENT

China Water strictly complies with laws and regulations including the Environmental Protection Law of the People’s Republic of China, Environmental Impact Assessment Law of the People’s Republic of China, diligently fulfills its primary environmental responsibilities, and continuously optimizes its management of the environment and natural resources. During the reporting period, certain subsidiaries of the Group have obtained ISO 14001 environmental management system certification leveraging a standardized framework to support green and compliant operations (A3/A3.1).

Environmental and Social Management System (ESMS)

China Water has established a full-process environmental management system centered on its Environmental and Social Management System (ESMS), fully integrating environmental and social risk management into the entire project lifecycle. At the project initiation stage, the Group conducts multi-dimensional risk identification covering ecological impacts and community relations, and develops refined control plans spanning planning, construction, and operation. In terms of management, the Engineering Construction Management Center provides front-end control and ongoing supervision, while the ESG Task Force ensures overall coordination. A closed loop of “inspection – rectification – review” guarantees implementation and enforcement. At the same time, the Group continuously improves its mechanisms for information disclosure, stakeholder consultation, and long-term supervision, steadily enhancing systematic and actionable governance capabilities. This approach has formed a modern governance model that is aligned with the sustainable development strategy and capable of dynamic improvement, providing robust management and institutional support for the Group’s long-term and stable development.



Continuous Water Stress Assessment

As a cross regional integrated water services operator, the Group pays close attention to the water resources conditions of its project sites, continuously conducts water resource stress assessments, and is not facing any water rights disputes in any of its projects. Since operations commenced, there have been no water supply interruptions due to water resource shortages.

Fully considering water resource conditions in business expansions

The Group has always regarded total water resources and per capita water resources as core screening criteria for project investments. Its core operational areas are concentrated in the Yangtze River Basin and the Pearl River Basin (see the map of China’s first-level water resource regions), which are characterised by abundant precipitation, a dense network of rivers, and inherent supply redundancy. The per capita water resources in the main provinces and cities in these regions meet the internationally recognised standard for “relatively adequate water resources”

China's first-level water resource regions:



Water supply businesses are primarily distributed across provinces with the following water resource conditions:

Provincial administrative division	Total water resources	Permanent population	Per capita water resources	Number of projects
	100 million m ³	10-thousand-person	m ³ /(per person per year)	
Jiangxi	2,059.70	4,502	4,575.08	14
Guangdong	2,349.10	12,780	1,838.11	10
Hubei	918.20	5,834	1,573.88	6
Hunan	2,087.50	6,539	3,192.38	5
Chongqing	469.80	3,190	1,472.73	2

Note: Map and data extracted from “China Water Resources Bulletin 2024”; permanent population data extracted from “China Statistical Yearbook 2025”.

Water extraction permits are fully obtained

All the Group's projects have obtained valid water extraction permits and strictly comply with the Water Law of the People's Republic of China. The total water extraction volume is strictly controlled within the quota approved by the local government, and there is no risk of over-extraction.

Support from national water diversion projects

A small number of the Group's projects located in water scarce regions in northern China benefit from national water diversion projects such as the South-to-North Water Diversion Project and the Yangtze-to-Huai River Water Diversion Project, resulting in a significant increase in actual available water resources and alleviating local supply demand mismatch.



Reference and Certification from International Reports

The Group has assessed the level of water stress of its water supply projects in accordance with the “China's Baseline Water Stress Report” published by the World Resources Institute. Only six projects are located in extremely high water stress areas, accounting for approximately 4% of the total when measured by water withdrawal volume.



Environmental Control on Construction Projects

Strict Implementation of Environmental Impact Assessment on Construction Projects

China Water always prioritises the protection of the environment and natural resource, we had fully recognised that environmental impact assessments on construction projects are a key tool for prevention and control at source. To effectively fulfil our primary responsibility for environmental protection, the Group strictly adheres to Environmental Impact Assessment system, and treats environmental impact assessment management as prerequisite and rigid constraints for projects decision-making, construction and operation. At the pre-construction stage, the Group strictly complies with the laws and regulations such as “Environmental Protection Law of the People’s Republic of China” and the “Environmental Impact Assessment Law of the People’s Republic of China” to conduct environmental impact assessments for new, renovated, or expanded construction projects, and to engage third-party institutions with professional qualifications to comprehensively assess the potential impacts of the projects bring to ecosystem, develop targeted prevention, mitigation and remediation measures, whilst strictly implementing public participation procedures, disclosing environmental impact assessment in accordance with the law to effectively safeguarding the public’s right to know and right to supervise. To address the time lag between the approval of the environmental impact assessment and the commencement of construction, the Group has established a dynamic assessment mechanism. Prior to the project’s commencement, experts are organised to conduct a re-assessment of the design plans and construction organisation from an environmental perspective, optimising and refining them in line with the latest environmental requirements. During the construction, the Group strictly adheres to the “three simultaneous” policy that the projects shall be designed, constructed and put into use at the same time to ensure that all pollution prevention and control measures are effectively implemented. During the reporting period, the engineering construction projects undertaken by the Group did not fall in categories that may cause significant environmental impacts as listed in the “Catalogue for the Classified Administration of Environmental Protection for Construction Projects”



Deeply Implement Green Construction Practices



The Group has been actively practicing the concept of green and sustainable development, strictly enforcing relevant national and industry standards and codes for green construction, continuously improving the projects management system, and integrated green construction requirements throughout the whole projects life cycle. The Group thoroughly implements the responsibility system of the major projects and coordinates project planning, design, schedule, quality, safety, and environmental work and implements refined control. During the design phase, we adhered to the principles of “land conservation, energy conservation, water conservation, and material conservation”, optimising the site layout and selecting eco-friendly processes and materials to minimise land occupation and ecological disturbance. Throughout the construction process, we strictly complied with environmental regulations, prioritised resource conservation and recycling, and implemented standardised management and disposal procedures for construction dust, wastewater, noise and solid waste. We also carried out environmental monitoring to minimise the project’s impact on the surrounding environment.

Compliant Use of Natural Resources

The Group strictly complies with the water extraction permit system as stipulated in the “Water Law of the People’s Republic of China”, and has applied for and obtained water extraction permits in accordance with the statutory procedures. All water treatment plants under the Group have obtained valid water extraction permits. During project operations, apart from water resources, the consumption of other natural resources by the Group consists solely of renewable industrial products, primarily including water treatment chemicals and disinfectants added during tap water production and sewage treatment processes. To ensure the rational use of resources, the Group has established detailed technical specifications for various water treatment chemicals and disinfectants in the section headed “Operational Management Standards” – “Technical Regulations for Process Operation Cost Control” of its operational guidelines.

China Water’s “Dual Carbon” goal by 2035

Reduction of the consumption of chemicals per unit of water supply as compared to 2021 by at least

10 %

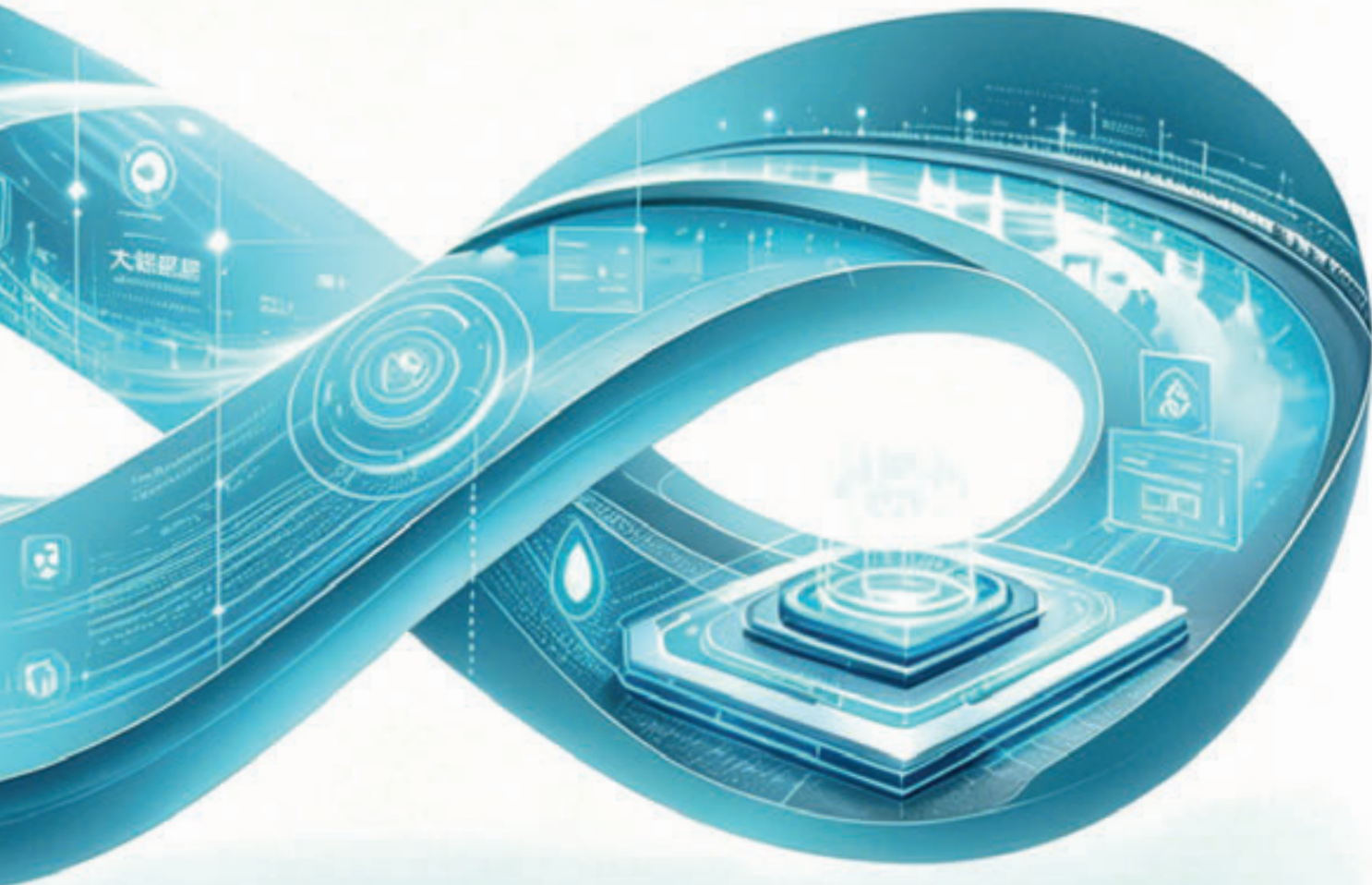
Category	Category	Consumption (tonnes)	Unit average consumption (kg/1,000 m³)
Water purifier	PAC	16,751	10.2
	Al ₂ (SO ₄) ₃	231	6.4
	NaOH	277	1.7
Disinfectant	Liquid chlorine	960	1.4
	ClO ₂	1,410	2.7
	NaClO	11,597	6.9



03

DRIVING INTELLIGENT TRANSFORMATION

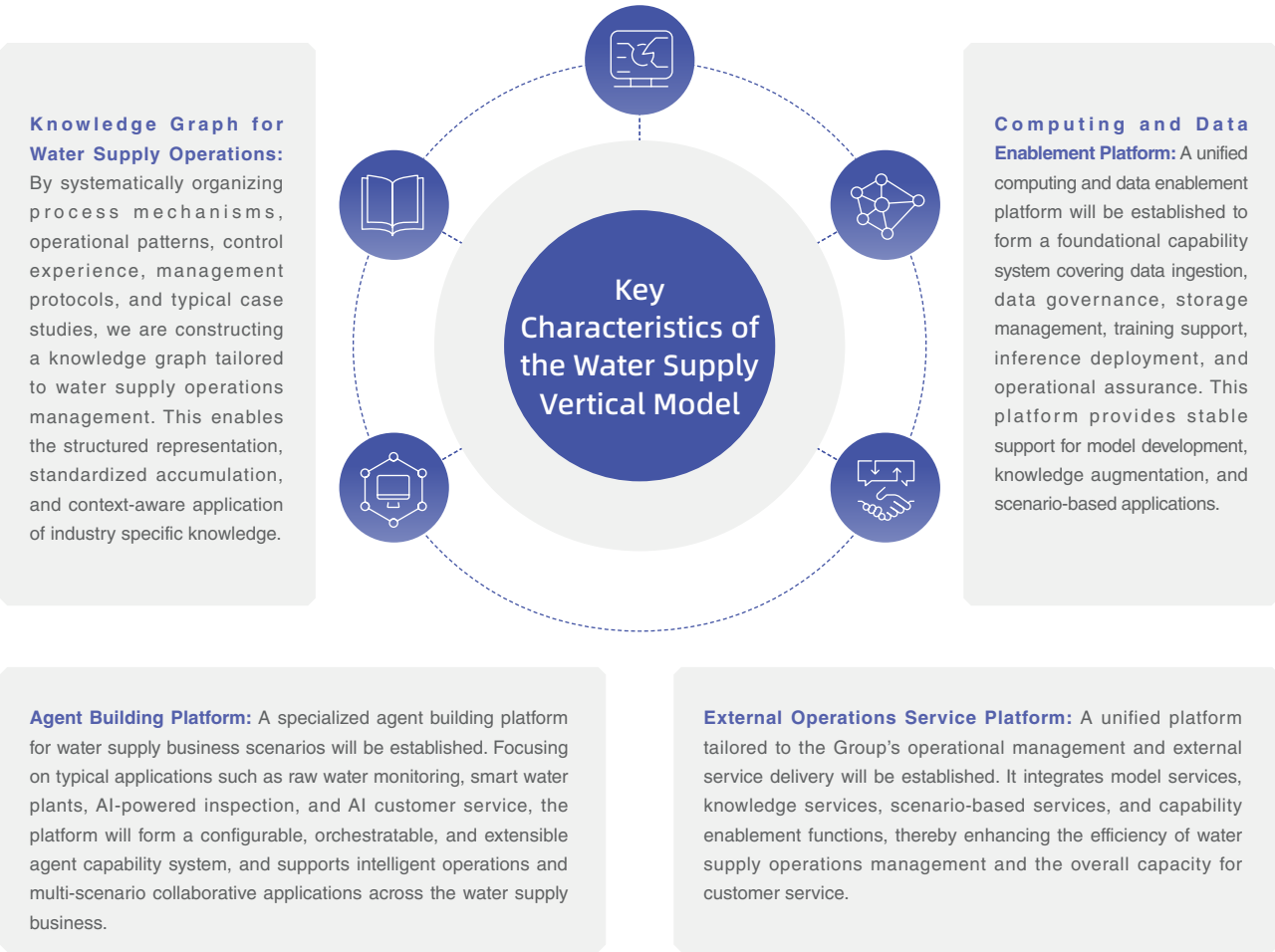
Taking technological innovation as the lead, China Water has positioned digital and intelligent transformation as the core of its high-quality sustainable development strategy, the Group focuses on four areas: smart models, smart water plant, smart platforms and smart applications, leveraging artificial intelligence, big data and large model technology to promote smart upgrading of water plant, AI computing power platforms construction and mobile devices services iteration. By integrating data through the business chain, empowering operational management through intelligence and optimising public services through digitalisation, we have comprehensively enhanced water services control, operational decision-making and service quality.



SMART MODELS

China Water places a strong emphasis on digitalization and IT infrastructure development. Through a combination of independent R&D, collaborative development, and centralized deployment, the Group has successfully implemented 14 information systems, and established a smart water foundational framework that supports the entire water supply business chain. In 2026, the Group officially initiated the R&D of a vertical model for water supply operations. This model features industry-specific semantic understanding, knowledge-enhanced reasoning, complex issue diagnosis, and intelligent decision support. It comprehensively covers key business processes including source water regulation, water production, pipeline network maintenance, water quality assurance, dispatch and command, equipment management, and customer service. The model serves as the core intelligent engine driving the upgrading of China Water's business operations.

Industry-Specific High-Quality Dataset: Centered on the business scenarios of the water supply industry, we are developing a high-quality dataset encompassing production operations, monitoring and sensing data, process parameters, maintenance records, work order information, customer service data, and policy documentation. This dataset serves as a foundational data resource that enables continuous accumulation, iterative optimization, and robust support for model training, evaluation, and application.



SMART WATER PLANT 2.0

China Water's self-developed Smart Water Plant 1.0 has been piloted at the Fourth Water Treatment Plant of Xinyu Water, achieving outstanding results in effectively reducing operational costs including electricity and chemical consumption. In 2026, the project was iteratively upgraded based on the existing foundation, incorporating six new AI models: source water quality early warning, sludge discharge optimization, filter backwash optimization, water plant hydrodynamic analysis, water balance control, and intelligent equipment diagnostics.

This led to the official launch of Smart Water Plant 2.0. Smart Water Plant 2.0 is driven by data-centric operations and AI-enabled decision-making, integrating cutting-edge technologies such as large language models, knowledge graphs, digital twins, and machine vision. It enables proactive early warning of water quality risks, intelligent control of sludge discharge and filter backwashing, hydraulic simulation and modeling, optimized water balance scheduling, and intelligent diagnostics of energy and water consumption. The system comprehensively strengthens the water quality safety defense line while continuously reducing electricity, chemical, water, and labour costs. It facilitates the transition of water plants from traditional automated operations and maintenance to an advanced stage of intelligent decision-making, autonomous operation, and lean control representing a high-order smart operational model.

Building New Benchmark for Smart Water Plants

Gongyi Silver Dragon Yuansheng Water Co., Ltd., (鞏義市銀龍源盛水務有限公司) a subsidiary of China Water, has seized opportunities presented by industry transformation. The company has engaged in industry-university-research collaboration with the School of Artificial Intelligence at Nanjing University and Nanqi Xiance Technology to introduce an AI intelligent control system. This initiative drives the transformation of water plant operations from experience-driven to data-driven, and from reactive response to proactive decision-making, successfully achieving L3-level intelligent control across the entire process. Centered on a "vector controller," the project covers all production processes, including intake pumping stations, distribution pumping stations, chemical and chlorine dosing, ozone injection, and filter backwashing. It establishes a closed-loop intelligent control system encompassing "perception analysis decision-making execution optimization." This enables accurate water quantity forecasting, intelligent process scheduling, closed-loop modular control, and autonomous system optimization.



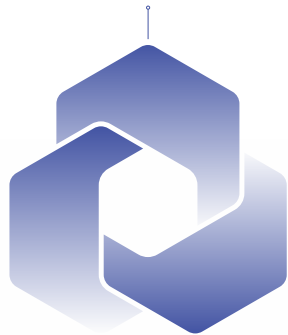
Project Effectiveness

Significant Improvement in Water Quality Assurance Capability

The effluent residual chlorine stability rate increased from 24% to 98%, significantly reducing water quality fluctuations. The qualified rate of settled water turbidity rose from 88% to 98%, demonstrating a marked enhancement in control precision and stability.

Reduction in Energy and Chemical Consumption

The electricity consumption per thousand tons of water at both intake and distribution pumping stations decreased by approximately 5% year-on-year, while chemical consumption was reduced by about 20%. Chemical dosing precision improved, effectively minimizing resource waste.



Enhanced Operational Efficiency and System Resilience

Leveraging L3-level real-time prediction, dynamic scheduling, and closed-loop control, the system responds more rapidly to dispatch instructions, with significantly improved emergency response capabilities. Labour intensity for personnel has been effectively reduced, and dependence on experience-based dispatchers has been lowered. Operational consistency and standardization have been substantially enhanced.

Project highlight

Management upgrading

Enables “one-click commissioning,” driving data-driven end-to-end processes and cross-process collaboration, thereby enhancing the intelligence level and operational resilience of the water treatment plant.

Economic benefits

Through pump unit optimization and precise chemical dosing control, operational costs are effectively reduced.

Green and low-carbon

Measures such as clean water tank micro-balance scheduling, pump unit optimization, and filter backwash scheduling help save electricity consumption, supporting the achievement of “dual carbon” goals and advancing the company’s green transformation.

Replicability

As the solution is implemented through the retrofitting of existing facilities without the need for significant hardware investment, it is well-positioned for replication and scaling both within the Group and across the industry.

The successful implementation of the L3 AI Intelligent Control Project at the Central Water Treatment Plant of Gongyi Silver Dragon Company marks a significant milestone in the transition of smart water management from concept to practice, representing a major leap from “human experience” to “AI decision-making.” The project has delivered outstanding results in water quality stability, energy and chemical consumption control, and operational efficiency, establishing a replicable and scalable smart water plant control model. It serves as an important practical reference for the digital and intelligent transformation of the water supply industry nationwide.



SMART PLATFORM

China Water continues to increase its investment in agent platform R&D and computing infrastructure. To date, the Company has completed the localized deployment of an AI agent platform, a GPU computing platform, and the DeepSeek large language model, initially establishing a dual-driven AI foundational capability system powered by computing + algorithms.” This provides solid technical support for business innovation, management efficiency enhancement, and digital transformation.

Legal AI Consultation Assistant

By integrating the Group’s legal knowledge base, the system supports intelligent querying and online retrieval. Future capabilities will gradually include intelligent contract review, contract template generation, and legal risk identification and early warning, thereby empowering compliance management and risk control with AI.

Employee AI Assistant

By integrating knowledge bases such as information security policies and internal administrative workflows, the system offers intelligent Q&A and online search services. Future enhancements will expand to scenario-based functions including group wide knowledge retrieval, administrative services, and HR consulting, creating a one-stop intelligent service portal for employees.

Water Supply Marketing Data Analysis Assistant

The system supports lightweight intelligent analysis on single-database tables, enabling rapid data insights without the need for complex stored procedures. Future upgrades will support multi-permission, multi-table collaborative analysis, providing data-driven decision support for revenue management, market analysis, and customer-centric operations.

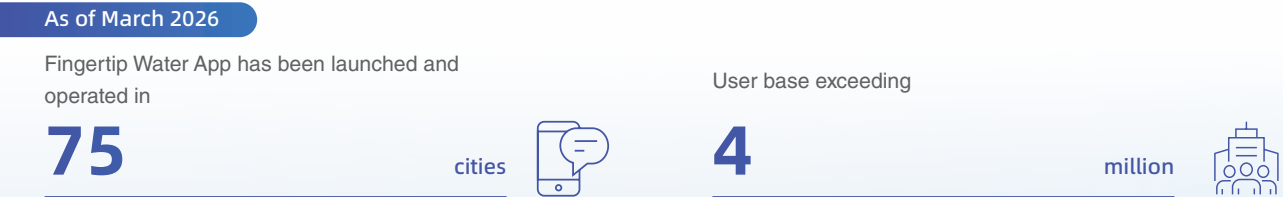
To facilitate the efficient deployment and application of intelligent platforms and to comprehensively enhance the digital literacy and AI application capabilities of all employees, the Group has organized a series of specialized AI training programs. Supporting learning materials have been made available on the China Water Online Academy, as part of our ongoing efforts to continuously improve the internal digital enablement system.

SMART APPLICATION

The Fingertip Water Service App is a core mobile app independently developed by the Group that carries the service philosophy of “Nourishing Thousands of Families with Love” and integrates a variety of water service functions. The App is designed with the concept of “replacing errands with fingertips and managing everything from home.” It features six major modules: payment enquiry, business application, customer service hotline, water service headlines, water service vision, and life at the fingertip. The App continues to expand its service dimensions, enhance user experience, and strengthen community engagement. As of March 2026, the Fingertip Water App has been launched in 75 cities with a user base of over 4 million.

During the reporting period, the Fingertip Water App underwent a second restructuring of its water bill display function, optimizing the billing details presentation logic to enable users to understand their water consumption charges more clearly and intuitively. In addition, the e-invoicing service was upgraded from the issuance of a single tax invoice to a parallel invoicing model combining “tax invoices + non-tax invoices for fee-based collection items,” further improving invoicing convenience and regulatory compliance.

To protect intellectual property rights, the Fingertip Water App has been awarded a computer software copyright registration certificate issued by national copyright administration of the PRC (B6.3). In order to protect the security of user information, users of the App are required to sign the “Fingertip Water User Agreement” during registration, which includes the “Fingertip Water User Privacy Policy” which specifies how user’s information is collected, used, stored, updated, deleted and protected (B6.5).



04

SOCIAL VALUE CO-CREATION

China Water adheres to a people-oriented development philosophy and actively fulfills its corporate social responsibilities, collaboratively creating social value across multiple dimensions. The Group has established a robust talent development system, adheres to labour standards, ensures equal and diverse rights for employees, and continuously improves compensation, benefits, and talent cultivation mechanisms. We strictly uphold workplace safety standards, strengthen occupational health protection and standardized on-site management, and enhance supply chain resilience through end-to-end process control. Committed to the core mission of our products and services, we maintain rigorous water quality assurance and continuously improve the efficiency of services essential to public welfare. Rooted in local development, we engage in inclusive assistance, emergency support, and community public service initiatives, demonstrating solid responsibility and conveying corporate care in return to society.



Economic value the Group created and wealth allocated to stakeholders during the reporting period.

Stakeholders	Indicators	(HK\$'000)	
Investors/creditors	Revenue	10,335,788	Economic value generated
Suppliers (product and service)	Cost	6,777,381	
Employees	Remuneration and benefit expenses	984,569	
Creditors	Finance cost	713,509	Economic value allocated
Shareholders	Dividend distribution	422,946	
Government	Income tax	533,129	
Investors/shareholders	Total	25,332,733	Economic value retained

TALENT DEVELOPMENT

China Water adheres to the core values of “Customer Satisfaction, Employee Satisfaction, Government Satisfaction, and Shareholder Satisfaction” and upholds the talent philosophy of “Openness, Inclusiveness, Incentive, and Win-Win.” Guided by a people-oriented approach, the Company fully respects and protects the legitimate rights and interests of its employees through a fair and transparent recruitment mechanism, a performance-driven compensation system, systematic career development and training support, as well as comprehensive employee care and communication feedback channels. By fostering a favorable working environment and broad development platforms, China Water inspires the talents and potential of every employee, striving to build a high-quality workforce characterized by loyalty, stability, collaboration, proactiveness, and innovation.

Strictly Complying with Labour Standards (B4)

The Group strictly complies with the “Labour Law of the People’s Republic of China,” the “Labour Contract Law of the People’s Republic of China,” the “Social Insurance Law of the People’s Republic of China” and other laws and regulations. With reference to the relevant rules of the International Labour Standards (ILS), the “Labour and Human Rights Regulation of China Water Affairs Group Limited” was formulated and issued as our most fundamental human resources policy, to safeguard the rights and interests of our workforce in earnest.

Both the Group’s corporate headquarters and its subsidiaries have established Human Resources departments and Audit/Inspection departments responsible for conducting regular reviews of compliance with labour standards and for promptly addressing any violations. During the reporting period, the Group experienced no instances of non-compliance with labour standards (B4.2).

Choose Profession Freely

The Group respects the right of workers to choose their profession freely. Labour contracts are entered into on an equal and voluntary basis on arm's length negotiation, and any form of forced labour or compulsory conduct is prohibited. The Group does not require employees to pay any fees nor does it withhold any personnel documents, property or collateral. Employees are entitled to resign from work freely in accordance with the law (B4.1).

Prohibition of Using Child Labor

The Group strictly complies with the "Law of the People's Republic of China on the Protection of Minors" and the "Provisions on the Prohibition of Using Child Labour", and strictly forbids recruiting or using child labour (aged below 16) in any work process or workplace. During the recruitment and hiring process, the Company strictly enforces an identity information verification system. Prior to employment, the age and identity information of candidates are verified. When necessary, the relevant public security and human resources and social security authorities are consulted for further confirmation (B4.1).

Humanistic Working Environment

The Group strictly prohibits any inhumane treatment of employees, including physical punishment, psychological coercion, verbal abuse, harassment, or any similar conduct. Employees' personal privacy and human dignity are rigorously protected. The Group continuously improves workplace safety and health conditions, provides labour protection equipment in accordance with regulations, and regularly conducts workplace safety training and emergency drills to effectively safeguard employees' occupational health and safety.

Equality and Anti-discrimination

The Group adheres to the principles of equal employment and fair treatment. Throughout the entire employment process – including recruitment, job assignment, compensation determination, career advancement, and training and development – all forms of discrimination based on gender, race, religious belief, age, disability, household registration, or any other status are strictly prohibited. All employees are guaranteed equal development opportunities and fair treatment.

Compliant Working Hours

The Group strictly complies with the national statutory working hour standards, with weekly working hours not exceeding 40 hours. Overtime management is strictly regulated; where overtime is truly necessary, it is arranged only upon mutual agreement with employees, and overtime pay is provided or compensatory time off is granted in accordance with the law.

Remuneration and Benefits

The Group and its subsidiaries strictly adhere to all relevant regulations on salary payment. Employee compensation is set at levels no lower than the local statutory minimum wage. Social insurance and housing provident fund contributions are made in full and in accordance with the law, and all salary-related benefits are paid on time and in full. Any form of disguised reduction in employees' actual income through fines, illegal salary deductions, or similar measures is strictly prohibited.

Free Association and Collective Bargaining

The Group and its subsidiaries have established trade union organizations in accordance with applicable laws. Employees may join trade unions voluntarily. On matters that directly affect employees' interests – including labour arrangements, compensation standards, benefits and protections, and vocational training and development – the trade union legally represents employees in equal consultations and collective negotiations with the Company.



EMPLOYEE DIVERSITY (B1)

The Group has integrated employee diversity into its core human resources management strategy, which runs through the entire process of talent “selection-reserve training-optimisation,” with a view to creating a well-structured and capable workforce. Through the establishment of an annual employee turnover tracking and in-depth analysis mechanism, the Group continuously optimises the working environment and enhances organisational inclusiveness and talent stability. At the same time, leveraging systematic job evaluation and needs analysis, the Group has established a talent pipeline development programme, rigorously selected high-potential employees, and steadily advanced the construction of a robust talent echelon.

The Group protects and safeguards the interests of its employees by strictly abiding by the Labour Law of the People’s Republic of China and other laws and regulations, and has entered labour contracts with 9,768 employees, representing a 100% contract signing rate.

Employee structure by gender and age (B1.1)

Gender ratio Age group	Male employee		Female employee	
	Number	Ratio (%)	Number	Ratio (%)
Aged 25 or below	129	1.3	123	1.3
Aged 25 to 29	557	5.7	396	4.0
Aged 30 to 39	1,531	15.7	1,560	16.0
Aged 40 to 49	1,547	15.8	1,505	15.4
Aged 50 or above	2,157	22.1	263	2.7
Total	5,921	60.6	3,847	39.4

Employee distribution by position (B1.1)

Gender ratio Employment type	Male employee		Female employee	
	Number	Ratio (%)	Number	Ratio (%)
Senior management	584	80.3	143	19.7
Mid-level management	1,051	67.5	505	32.5
Technicians and operation works	3,823	58.2	2,749	41.8
Others	463	50.7	450	49.3

Notes: 1. Senior and mid-level management include relevant employees in the headquarters and subsidiaries of the Group.
2. Out of the 9,768 employees, less than 0.5% were from overseas or from the Hong Kong, Macau and Taiwan regions of the PRC; 388 employees were dispatched labour.

Employee geographical distribution (B1.1)

Gender ratio Region	Male employee		Female employee	
	Number	Ratio (%)	Number	Ratio (%)
North China	559	5.7	368	3.8
Central China	3,523	36.1	2,524	25.9
South China	788	8.1	369	3.8
East China	384	3.9	315	3.2
Southwest China	326	3.3	188	1.9
Northwest China	21	0.2	21	0.2
Northeast China	320	3.3	62	0.6

Note: The proportion of local exceeds 91%.

Annual employee turnover by gender and geographical distribution (B1.2)

Gender ratio Region	Male employee		Female employee	
	Number	Ratio (%)	Number	Ratio (%)
North China	17	3.0	1	0.3
Central China	151	4.3	95	3.8
South China	43	5.5	35	9.5
East China	24	6.3	33	10.5
Southwest China	16	4.9	5	2.7
Northwest China	–	–	–	–
Northeast China	2	0.6	1	1.6
Total	253	–	170	–

Note: 1. Employee turnover ratio = number of employee turnovers in the region/total number of employees in the region.
2. Employee turnover statistics exclude natural losses (retirement) or staff changes due to corporate restructuring.

Annual employee turnover by age (B1.2)

Age group	Turnover	Total amount	Ratio (%)
Under 25	22	252	8.7
25 to 29	50	953	5.3
30 to 39	124	3,091	4.0
40 to 49	112	3,052	3.7
50 and above	115	2,420	4.8
Total	423	9,768	4.3

Note: Employee turnover ratio = number of employee turnovers in each age group/total number of employee turnovers

Well-established Remuneration and Benefits System (B1)

The Group implements a performance-based wage system and follows the principles of fixing “work role by position, salary by ability, reward by performance and remuneration by value contribution,” advocating for the linkage of staff remuneration to the Company’s operating efficiency, establishing a labour value concept of benefit-sharing and risk-sharing, and leveraging on a sound performance management system to ensure fair and equitable staff remuneration. The Group has established a comprehensive, multi-tiered employee welfare system. In strict compliance with national laws and regulations, the Group makes full and timely contributions to social insurance and the housing provident fund for all employees, and uniformly provides employers liability insurance, thereby offering solid protection for employees occupational safety and legitimate rights and interests.

Regarding rest and leave, the Group fully implements a paid leave system. In addition to statutory public holidays, the Group provides paid annual leave, maternity leave, marriage leave, bereavement leave, and other leave arrangements in accordance with the law, fully safeguarding employees’ rights to rest and leave. In terms of daily welfare, the Group provides subsidies for transportation, communication, business travel, and meals, as well as holiday benefits, effectively enhancing employees sense of well-being and fulfillment. The Group also organizes regular health check-ups, continuously attends to employees physical and mental health, and helps employees maintain a good working condition. For employees on expatriate or seconded assignments, the Group provides special overseas/subsistence allowances, accommodation support, and travel subsidies for home visits, comprehensively addressing employees concerns and enhancing their sense of belonging and team cohesion.

Anti-Discrimination (B1)

The Group strictly complies with existing PRC laws and regulations such as the Labour Law of the People’s Republic of China, the Labour Contract Law of the People’s Republic of China and the Law of the People’s Republic of China on the Protection of Women’s Rights and Interests, and formulated and fully implemented the China Water Affairs Group Limited Provisions on Labour Employment and Human Rights Protection benchmarking itself against international standards including the Universal Declaration of Human Rights, the fundamental conventions of the International Labour Organization, the Convention on the Elimination of All Forms of Discrimination against Women, and the Convention on the Rights of Persons with Disabilities, which explicitly promote equal employment policies and resolutely prohibit various forms of unfair treatment, including employment and workplace discrimination, thereby effectively safeguarding the legitimate rights and interests and equal dignity of all workers.

TALENT DEVELOPMENT (B1/B3)

The Group, adhering to its principle of “Practicing the Four Standards and Pursuing Excellence with Integrity,” has established an integrated development system covering the entire employee lifecycle. Drawing an analogy to “water” and integrating industry characteristics with corporate wisdom, the Group places equal emphasis on knowledge transfer and hands-on experience. It advocates learning through application and validating knowledge through action, guiding employees to enhance their capabilities and achieve growth in real-world practice. By closely aligning personal development with the Group’s strategy, the Group continuously fosters organizational innovation and strengthens the foundation for sustainable development. During the reporting period, the average training hours per employee reached 78 hours.



Training for employees (B3.1/B3.2)

Employment Type	Gender	Average training hours (hrs)	Percentage of employees trained (%)
Senior management	Male	96.4	100
	Female	82.3	100
Mid-level management	Male	94.0	100
	Female	97.8	100
General staff	Male	68.4	100
	Female	78.8	100

Strengthening the talent echelon construction

The Group continues to optimize the age structure of its senior management team. Through systematic assessment and selection, 20 young senior managers were promoted during the year, with strict management of probationary periods and appointment terms, while simultaneously strengthening performance oversight. Dynamic management was implemented for 191 backbone cadres, promoting job rotations to comprehensively enhance their capabilities. A total of 41 young managers and technical experts were seconded to leading organizations and exchanged across enterprises to refine their professional skills and management expertise. Customized development plans were designed for management trainees, including cross-company and cross-sector rotational assignments, to accelerate their growth into versatile professionals.



Development of a Digital Training Platform

The Group has established the “China Water Online Academy,” a comprehensive digital training platform integrating online learning, interactive communication, and assessment management. The platform provides employees with high-quality, wide-reaching, and diverse internal and external premium courses. Focusing on enhancing job competencies and meeting career development needs, the platform continuously enriches its course offerings. As of March 2026, a total of 1,139 courses have been made available on the platform, achieving 100% employee training coverage and effectively advancing the professional competence and overall capabilities of all employees.



Organising Company-Wide Job Skills Assessment

To continuously enhance employees’ professional skills and operational competence, the Group issued the Notice on the 2025 Job Skills Assessment Arrangements in June 2025, organizing a group-wide online assessment on water supply operations skills. A total of 86 standardized testing venues were established, with 5,901 employees participating. The average score was 95, and the pass rate reached 99%. The assessment adopted a paperless model combining “online training and practice tests, online examination, video proctoring, and digital scoring,” which removed geographical constraints, expanded coverage, improved assessment efficiency, and established a closed-loop management system of “learning – assessment – feedback.”



Yifeng Silver Dragon Water Co., Ltd. Organising Vocational Skills Competition

On 29 September 2025, Yifeng Silver Dragon organized a vocational skills competition under the theme “Enhancing Skills through Competition to Ensure Water Supply and Protect Public Welfare.” Focused on frontline production and maintenance personnel, the competition adopted a scenario-based, hands-on, and practical approach, featuring three major operational events: precision maintenance of metering pumps, standardized installation of water meters, and determination of key water quality indicators. The competition served as a comprehensive test of employees professional skills and adherence to standard operating procedures.



Care for Employees

The Group adheres to a “people-oriented” philosophy and promotes humanized management. While creating a safe and comfortable working environment, it also fosters an open, inclusive, and mutually respectful team atmosphere, helping employees achieve work-life balance. Through systematic care initiatives and communication mechanisms, the Group effectively safeguards employee rights, continuously enhances their sense of belonging and well-being, and achieves coordinated development between employees and the Group.

- Long-term Communication Mechanism:** Regular employee forums are held to establish open dialogue platforms, promptly listen to employee concerns, pay attention to their work and life conditions, and actively address difficulties to eliminate worries.
- Building Dynamic Teams:** A variety of activities such as outdoor team building, sports competitions, and themed visits are organized to create a positive and collaborative atmosphere and strengthen team cohesion and alignment.
- Delivering Holiday Warmth:** During major holidays, management visits frontline employees to express gratitude and best wishes, putting corporate care into practice.
- Protecting Employee Health:** Regular company-wide health check-ups are organized, with ongoing attention to employees physical and mental well-being, effectively safeguarding their health and safety.
- Implementing Targeted Assistance:** For employees and their families facing special difficulties such as serious illness, support mechanisms are promptly activated to provide financial assistance and compassionate care.
- Exclusive Care for Women:** On International Women's Day, activities such as flower arranging workshops, health lectures, and themed salons are organized for female employees, along with holiday gifts, fully respecting and caring for female employees and enhancing their professional well-being and sense of belonging.

Wuhan Xinzhou Changyuan Water Supply Co., Ltd. Holds Collective Consultation Meeting

On 24 June 2025, Xinzhou Changyuan Water Supply Co., Ltd. held a collective consultation meeting at the Liuji Water Plant. Under the guidance of the Xinzhou District Federation of Trade Unions, five representatives from the employer side and five from the employee side engaged in equal consultation on matters directly affecting employees' interests. In-depth discussions were held on key topics including talent compensation incentives, employee benefit enhancements, and the protection of female employees' rights and interests. Both parties, adhering to the principle of pragmatic cooperation, reached consensus on multiple points and jointly signed the Draft Collective Agreement of Xinzhou Changyuan Water Supply Co., Ltd. The District Federation of Trade Unions fully affirmed the meeting, recognizing it as a vivid example of grassroots democratic management. The Federation further expressed its continued support for the Company in establishing a robust long-term collective consultation mechanism, contributing to the development of harmonious and stable labour relations.



Health and Safety

China Water is committed to providing a safe and healthy working environment for its employees. The Company continuously improves its workplace safety management system, comprehensively prevents and controls occupational health risks, and effectively safeguards employees physical and mental well-being as well as their occupational safety (B2).

Safe Production Management (B2.3)

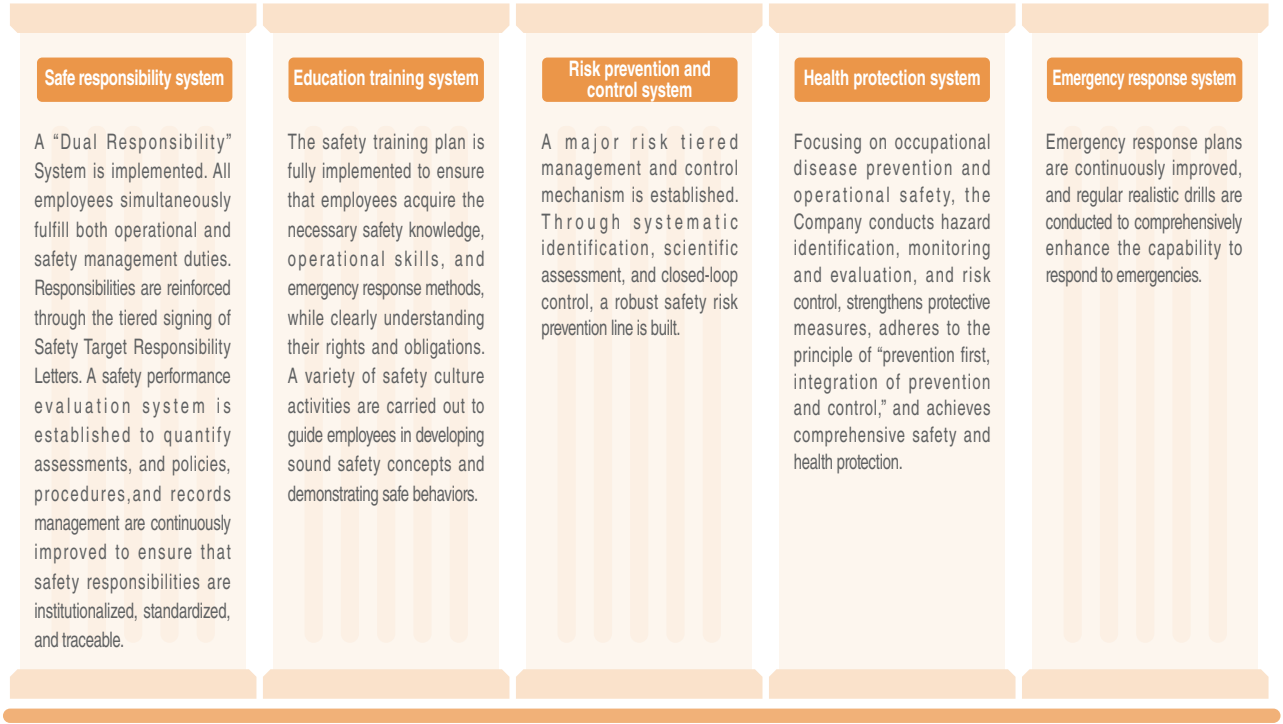
The Group strictly abides by the “Law of the People’s Republic of China on Safety Production”, “Law of the People’s Republic of China on Prevention and Control of Occupational Diseases” and other relevant laws and regulations. Adhering to “safety first, prevention-oriented” principle, the Group firmly upholds a safety-centric development philosophy. The Group has formulated and issued the Workplace Safety Management Standards, covering areas such as safety management, occupational health, emergency management, and risk control. Annual safety inspections and assessments are conducted at subsidiaries to ensure effective implementation of these standards. In addition, the Group has established a systematic workplace safety management system built around five key pillars.



As of March 2026, the Group did not record any material safety production liability incident for three consecutive years (B2.1/B2.2).

Indicators	2024	2025	2026
No. of employees involved in fatal incidents	0	0	0
No. of employees involved in work injury	10	2	3
Ratio of employees	0.086	0.018	0.031
No. of days lost due to work injury	514	67	85

Note: The Group defines a major production safety liability incident as ‘an incident resulting in less than 3 deaths or less than 10 serious injuries’, which is more stringent than the national classification standard for major safety incidents.



Jingzhou Water Group Co., Ltd. Conducts Comprehensive Workplace Safety Drills



During the 2025 Workplace Safety Month, Jingzhou Water Company, closely following the theme “Everyone Speaks Safety, Everyone Knows Emergency Response,” conducted realistic emergency drills to comprehensively strengthen the safety defense line of the urban water supply system. Each water plant carried out targeted drills focused on core risk points. The Liulin Water Plant simulated a chlorine gas leak in the chlorination room, with the emergency response team efficiently completing the full-chain response process, including evacuation, containment, equipment repair, and environmental monitoring. The Nanhu Water Plant conducted drills addressing dual crises of source water contamination and chlorine gas leak, testing its comprehensive response capabilities in complex scenarios. The Yingdu Water Plant conducted simulations of high-voltage electrical failures, reinforcing operational procedures and emergency power-off protocols. The Company simultaneously advanced anti-terrorism, anti-riot, and fire safety skills. In collaboration with local police officers, anti-terrorism training and drills were conducted to enhance the emergency response capabilities of security personnel and employees. Fire safety drills were also organized to ensure employees mastered fire extinguishing and evacuation techniques. This series of drills effectively improved frontline employees’ risk identification and emergency coordination capabilities, further strengthened the foundation for joint prevention and control of water supply safety, and provided a solid safety assurance for the stable operation of the urban water supply lifeline.



Lushan Yinlong Water Co., Ltd. Hosts Mental Health Seminar



On 24 October 2025, Lushan Silver Dragon Water Co., Ltd. specially invited a nationally certified psychological counselor to deliver a mental health seminar for its employees. The counselor explained the importance of mental health and common approaches to address psychological challenges using vivid case studies. During the interactive session, activities such as stress relief games were conducted to encourage employees to share their work-related pressures. Professional guidance and advice were provided on common issues including work-life balance and emergency emotion management, helping participants regulate their emotions scientifically and maintain a positive mindset. The seminar effectively promoted the physical and mental well-being of employees, supported them in dedicating themselves to water supply services with greater energy and focus, and strengthened the foundation for safeguarding the public water supply.



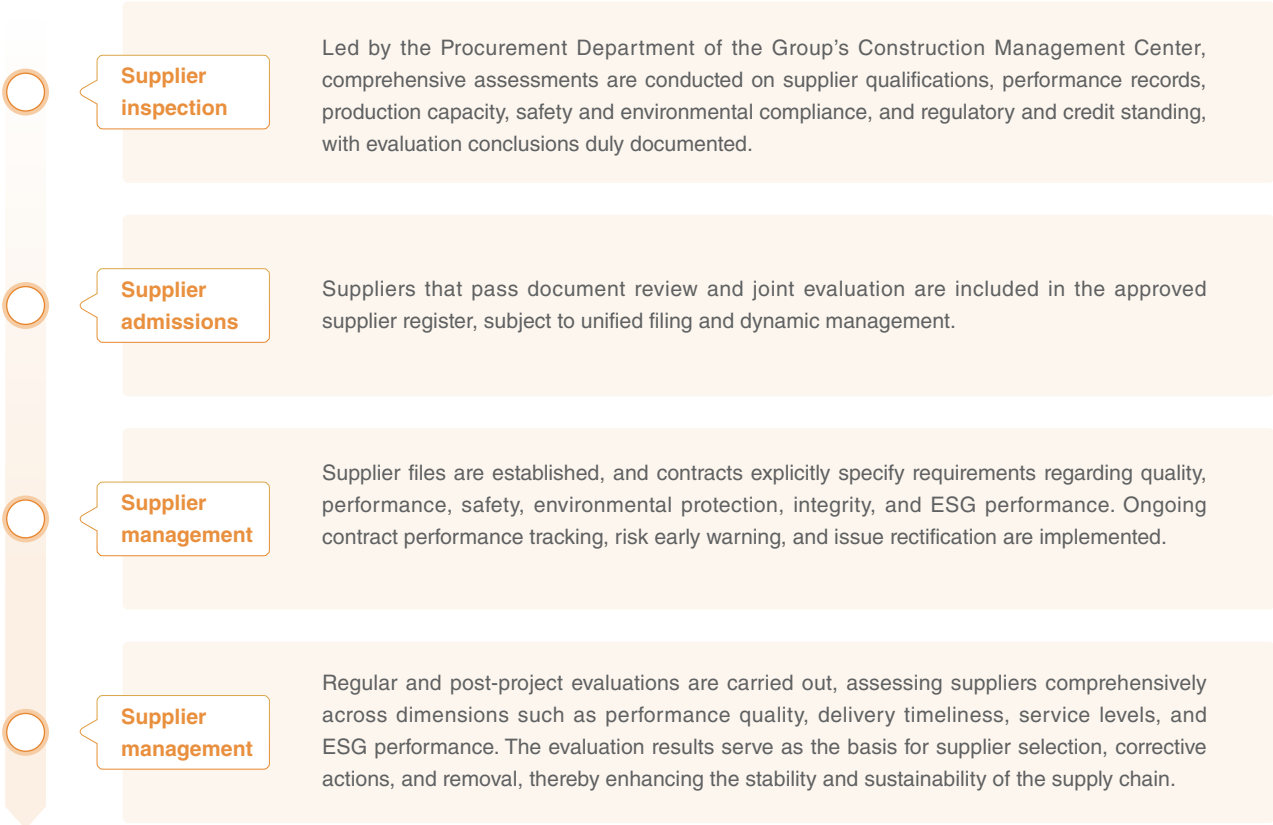
SUPPLY CHAIN MANAGEMENT

China Water fully leverages its management and scale advantages by implementing centralized and strategic procurement of bulk commodities. Through systematic demand analysis, standard setting, and supplier evaluation, the Company continuously improves its supply chain management system. At the same time, China Water actively collaborates with its supplier partners, sharing achievements in efficiency enhancement, management optimization, and product quality. This approach elevates the procurement function from traditional material support to a core driver, effectively enabling efficient supply chain integration and sustainable development. During the reporting period, all cooperating suppliers passed the qualification review and met the engagement standards (B5/B5.2).

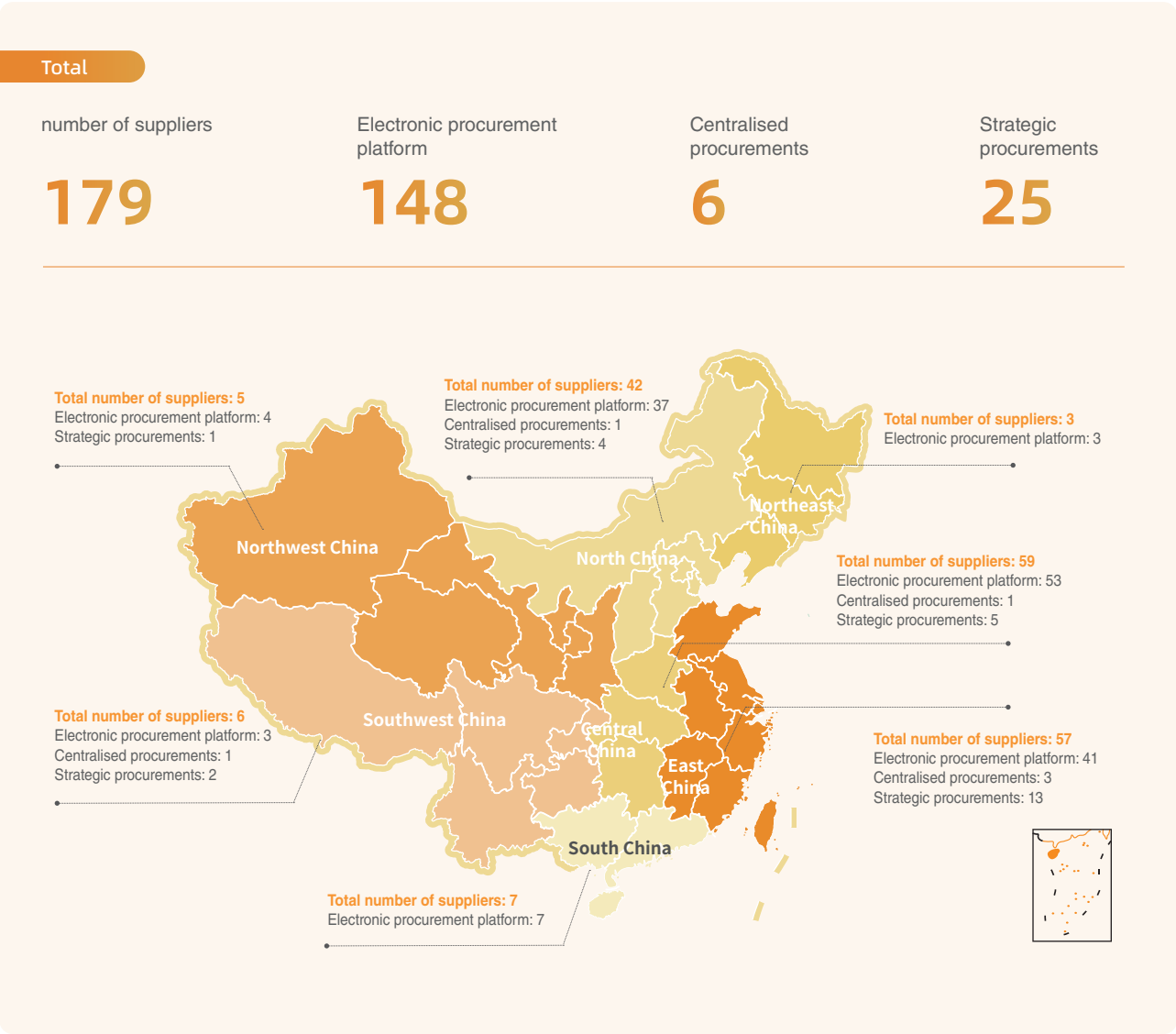
Standard Procurement

The Group strictly complies with the Law of the People’s Republic of China on Government Procurement, the Law of the People’s Republic of China on Tendering and Bidding, the Civil Code Law of the People’s Republic of China and relevant laws and regulation, has formulated and issued the “Guiding Opinions on Centralized and Strategic Procurement in China Water” and the “Measures for the Administration of Procurement of Construction, Goods and Services (for Trial Implementation)” and established regulated and improved procurement management system to continuously improve supply chain management efficiency and procurement control standards.

Supplier management process



Distribution of suppliers (B5.1)



Supply Chain Resilience (B5.3)

To continuously enhance supply chain resilience and risk mitigation capabilities, the Group has established a supervision mechanism covering the entire supply chain process. Guided by a proactive prevention approach, the Group systematically conducts risk identification, assessment, and mitigation, strengthening end-to-end supply chain control. At the same time, risk management is deeply integrated into supplier management, and collaborative communication is deepened to work hand in hand with suppliers in maintaining the safe and stable operation of the supply chain.

Supply Chain Risk Identification and Assessment



Supply Chain ESG Management (B5.3/B5.4)

The Group places a strong emphasis on the sustainability performance of its suppliers and has fully integrated ESG evaluation into the entire supplier management process, including assessment, admission, management, and review. Through regular communication, on-site visits, factory inspections, product sampling, and feedback from subsidiary companies, the Group systematically identifies potential ESG risks, with significant risks promptly escalated to management. During supplier selection, the Group takes into account publicly available ESG information and evaluates suppliers against key dimensions such as environmental responsibility, product safety, occupational health, and ISO certifications, encouraging suppliers to adopt green processes, environmentally friendly materials, and clean energy. In project construction and operational procurement, priority is given to suppliers with outstanding energy-saving and emission-reduction performance, thereby continuously enhancing the sustainability of the supply chain. During the reporting period, the Group's bulk commodities segment has a total of 31 centralised and strategic procurement co-operative suppliers, with 9 of them having published ESG reports or social responsibility reports. 3 have obtained social responsibility management system certification, demonstrating a high degree of shared responsibility among supply chain partners.



PRODUCT RESPONSIBILITY

Safe, reliable, high-quality, stable, and efficient water products and services are a fundamental foundation for public welfare and represent the core mission and primary responsibility of China Water. Adhering to the corporate value of “Water-oriented, Kindness to Society,” the Group upholds the lifeline of product and service quality. It strictly complies with national laws and regulations, industry standards, and internal control requirements, and has established robust safeguards across the entire chain of production operations, quality testing, and customer service, thereby fulfilling its product responsibility in all aspects. During the reporting period, the Group did not have any product recalls due to quality, safety and health reason (B6/B6.1).

High-quality Products (B6.4)

Water Supply Business

With more than 20 years of deep engagement in the urban water supply industry, the Group has consistently prioritized water supply security and water quality as its primary responsibility. Its water supply companies strictly adhered to the “Standard for Drinking Water Quality” (GB 5749-2022), implemented its Water Production Operations Management Standards and Water Supply Operations Management Standards, establishing a standardized management system covering the entire process of water intake, treatment, and transmission and distribution, thereby ensuring safe and reliable water quality.



Jiangsu Provincial Hospital of Traditional Chinese Medicine Chongqing Hospital (Chongqing Yongchuan District Hospital of Traditional Chinese Medicine) presented a pennant to Qiaoli Water Company in recognition of its commitment to public welfare and dedication to resolving water supply challenges for the community

Water quality management

The Group has established a full-chain monitoring system from source to tap. Online instruments are deployed at water source points and treatment facilities to monitor key parameters such as turbidity, pH value, and residual chlorine in real time. A three-tier testing system – comprising central laboratory testing, plant-level testing, and shift-level testing – is strictly implemented to ensure end-to-end quality control and full traceability.

Water production process

Conventional treatment processes – including coagulation, sedimentation, filtration, and disinfection – are adopted to ensure that effluent water quality consistently meets standards. For newly built, expanded, or renovated water plants, an advanced “ozone-activated carbon” treatment process is concurrently applied to further enhance water quality assurance.

Comprehensive procedures for equipment inspection, maintenance, overhaul, and operation are in place. The availability rate of key equipment remains above 95%, providing a solid foundation for the safe and stable operation of water treatment plants.

Through routine inspections, professional leak detection, standardized repair and valve management, the Group reduces leakage and the risk of secondary contamination. Intelligent dispatch and pressure monitoring enable precise regulation, ensuring balanced and stable water supply. Regular water quality testing and flushing of the pipeline network are carried out to maintain stable and compliant water quality at the network endpoints.

Facility management

Grid-based management



Pipeline Direct Drinking Water Business

The Group exercises stringent control over the selection of pipe materials, process design, operational models, and maintenance services for its piped direct drinking water systems. The water quality strictly complies with the Standards for Fine Drinking Water Quality (CJ/T 94-2005), ensuring the delivery of high-quality, safe drinking water to users.

Reliable pipeline material

Food-grade stainless steel pipelines are used throughout the system, offering high-pressure resistance, abrasion resistance, and corrosion resistance, effectively preventing rust and scaling, and ensuring stable, contamination-free water quality during transmission.

Advanced purification process

A combined “ultrafiltration + nanofiltration” process is adopted to efficiently remove impurities and harmful substances while retaining beneficial minerals, achieving healthy purification.

Comprehensive disinfection system

A dual disinfection system combining “ultraviolet + ozone” is employed to comprehensively eliminate bacteria, viruses, and microorganisms, ensuring water safety.

Intelligent circulation system

A dual-circulation pipeline design enables continuous flow and recirculating filtration, eliminating stagnant water zones and inhibiting bacterial growth.

Professional operation and maintenance service

A dedicated operation and maintenance team conducts real-time monitoring, regular maintenance, and timely filter replacement, ensuring that household water quality remains consistently high-quality, fresh, and safe.



Sewage Treatment Business

The effluent water quality of the Group’s wastewater treatment operations strictly complies with the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plants (GB 18918-2002). Depending on the environmental carrying capacity of the project location, the functions of the receiving water bodies, and local environmental protection requirements, the Group applies the Grade 1-A standard or even more stringent standards, thereby minimizing the impact on the water environment and contributing to the protection of water ecosystems and sustainable development.

Flexible process options

Based on influent water quality and effluent standards, the Group adopts mature processes such as oxidation ditch, A²/O (Anaerobic-Anoxic-Oxic), and MBR (Membrane Bioreactor) to efficiently remove organic matter, nitrogen, phosphorus, heavy metals, and other pollutants, ensuring stable compliance of effluent quality.

Enhanced process control

Online monitoring systems are installed at key points in the wastewater treatment plants, enabling real-time parameter monitoring and remote data transmission for fine-tuned process control. A three-tier control system combining “online monitoring, manual testing, and laboratory analysis” has been established, providing multiple verification layers to ensure data accuracy and discharge compliance.



Emergency assurance

The Group has established a comprehensive, tiered-response, and efficiently coordinated emergency response system covering its three core businesses: urban water supply, wastewater treatment, and piped direct drinking water. Specific emergency response plans have been developed for risks such as sudden water quality changes, equipment failures, and natural disasters. An organizational structure centered on an Emergency Command Center and involving multi-department collaboration has been put in place, with clearly defined responsibilities and response procedures. This forms a complete closed-loop management system encompassing monitoring and early warning, assessment and decision-making, on-site response, and post-incident recovery, ensuring rapid response and precise handling of emergencies. The Group regularly conducts multi-scenario, realistic emergency drills, simulating actual crisis situations to test response plans, teams, and equipment readiness. Through after-action reviews and lessons learned, the Group continuously optimizes response procedures and resource allocation, effectively strengthening operational risk prevention and resilience, and comprehensively enhancing its emergency response and public service assurance capabilities.



High-efficient Services

Service Brands

The “China Water, Nourishing Thousands of Families with Love” service brand has undergone a systematic evolution from initial launch and comprehensive development to deepened enhancement, achieving remarkable results. Guided by the China Water Service Brand Implementation Manual, the Group has established a service-oriented performance evaluation mechanism. Through unified brand promotion, unified image management, unified service standards, and unified assessment systems, the Group continues to enhance brand awareness and reputation. While solidly advancing the “6+N” initiative, the Group has deeply integrated service brand building with ESG efforts, effectively strengthening its overall competitiveness and consolidating its leading position in the industry.

“6+N” Initiative





Gong'an Silver Dragon Water Co., Ltd. Hosts 2025 Service Brand Storytelling Competition



On 29 August 2025, Gong'an Silver Dragon Water Co., Ltd. held a service brand storytelling competition under the theme "Focusing on Quality Service, Sharing the True Stories of Water Affairs," aiming to deepen the meaning of the "China Water, Nourishing Thousands of Families with Love" service brand and reinforce a customer-centric service philosophy. Participants, drawing on their own work experiences, passionately shared authentic stories from the frontlines of water services, vividly demonstrating the dedication and commitment found in everyday roles.



Chongqing Yongchuan Qiaoli Water Co., Ltd. Launches "Cinema + Water" Innovative Service Model



On 3 July 2025, the SCO Film Festival, themed "Technology, Light and Shadow, and the Spirit of SCO (科技光影·上合风采)," opened in Yongchuan, Chongqing. Qiaoli Water Company innovatively launched a "Cinema + Water" distinctive service model, setting up interactive exhibition areas at open-air screening venues to deeply integrate film art with public welfare services. Staff on site shared general water knowledge and the concept of piped direct drinking water with residents, promoting the sound practice of scientific water use and water resource conservation. This initiative achieved the promotional effect of "watching a film, embracing a concept, and influencing an entire household." The company developed a comprehensive support plan and emergency response plan in advance, with leadership and management personnel on 24-hour duty. Seven teams worked in coordinated synergy to ensure the successful operation of the film festival.



Service Commitment

The Group strictly complies with the Urban Water Supply Service standard (GB/T 32063-2015). The Customer Service Center operates under a public service commitment system and a "one-stop service" framework. Business processes, service offerings, fee schedules, and service timelines are fully disclosed to the public, ensuring procedural transparency and efficient handling. The Company has established a 24-hour service hotline to ensure that customer requests are promptly addressed and properly resolved. Regular customer satisfaction surveys are conducted through various channels, including questionnaire surveys, on-site visits, telephone follow-ups, suggestion boxes, and customer forums, to extensively gather public feedback. Customer complaint cases are periodically aggregated, root causes are analyzed, and corrective actions are implemented. During the reporting period, the Group received a total of 3,597 customer complaints, with a complaint resolution satisfaction rate of 100% (B6.2).



Complaint handling process (B6.2)

User complaints: telephone complaints (call the 24-hour service hotline provided by our subsidiaries), letter complaints (obtain the company address by calling the service hotline or via Fingertip Water App), on-site complaints (obtain the address of our customer service center by calling the service hotline or via Fingertip Water App), complaints via Fingertip Water App (one-click dialing to complain after logging in).



The Group places a high priority on information security and privacy protection, strictly complying with the Cybersecurity Law of the People's Republic of China, the Data Security Law of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China, and other relevant laws and regulations. The Group continuously improves its information security management system, strengthens technical safeguards and operational controls, deepens end-to-end privacy protection, and enhances security and compliance awareness among all employees, thereby diligently protecting user data and privacy throughout the entire service lifecycle (B6.5).

Leizhou Huayang Water Co., Ltd. Honored as "Advanced Member Unit" of the 12345 Government Service Convenience Hotline

In the evaluation of the 12345 Government Service Convenience Hotline in Leizhou City, Leizhou Water Company was awarded the title of "Advanced Member Unit" for two consecutive years. The company adheres to the principle of "responding promptly to requests and answering the people's call," establishing a rapid response mechanism. In 2025, it received a total of 427 work orders, achieving a 100% rate in response, completion, and satisfaction. For all water-related public service requests, the company has developed a "24-hour Gold Medal Water Butler" service system rooted in the philosophy of "Understanding Water, Understanding Life," implemented a "no service interruption for overdue payments" policy, and continuously improved water supply service quality and the business environment. These efforts demonstrate the company's commitment to public service and have earned high recognition from local residents.



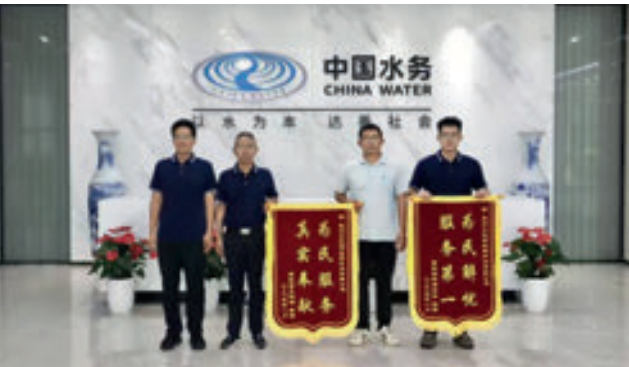
Refined Management for Service Excellence

Fully Implementing Grid-Style Water Supply Zonal Management

The Group has fully implemented a grid-style zonal management model for water supply. Using grids as operational units and incidents as core focal points, a grid responsibility system has been established. Leveraging an information-based management platform, the Group enables vertical coordination, information sharing, and resource integration. The Group has formulated and issued the Implementation Plan for Grid-Style Zonal Management of Water Supply. Through online dissemination, on-site supervision, benchmark demonstrations, and experience sharing, the Plan has been effectively rolled out. A total of 43 water supply companies have been selected to implement the Plan in three phases: "Grid 1.0 – Grid + Standardization 2.0 – Grid + Standardization + Digitalization 3.0." This step-by-step approach systematically guides subsidiaries in standardizing their operations, achieving the objectives of workforce optimization, cost reduction, water quality improvement, and service efficiency enhancement.

Huizhou Dayawan Yiyuan Water Purification Co., Ltd. Receives Three Commendatory Pennants

On 21 August 2025, Huizhou Yiyuan Water Company received three pennants consecutively from the Aotou Qiaoxi Community Neighborhood Committee and the Country Garden residential property management. This public recognition vividly reflects the effectiveness of the company's grid-based management. The company has deeply advanced grid-based zonal management for water supply, moving service fronts directly into communities. Through regular grid staff visits and the establishment of grid service groups, water-related issues are rapidly identified. A "rapid service team" has been formed for special population groups, implementing a mechanism of "on-site resolution for minor issues and time-bound closed-loop handling for complex problems." This efficient response system has enabled the creation of a precision service framework.



Comprehensive Water Meter Census

To standardize meter reading management and enhance the quality of meter reading services, the Group formulated and implemented the Notice on Comprehensively Conducting a Water Meter Census, establishing a three-tier linkage mechanism comprising "company self-inspection, cross-inspection, and Group spot-checking," and systematically launched a special campaign for water meter census. The campaign adheres to a problem-oriented and long-term management approach, focusing on verifying the accuracy, operational status, and installation compliance of water meters. Meter reading management systems and procedures have been improved, promoting standardized and refined reading services. Full coverage and dynamic management of in-service water meters have been achieved, reducing measurement disputes at the source and ensuring fair and equitable water supply metering. During the reporting period, a total of 6.62 million water meters were inspected, and 4.8949 million yuan in historical arrears were recovered.



COMMUNITY CONTRIBUTION

China Water upholds a steadfast commitment to giving back to society and serving the public. Leveraging its core strengths in the water business, the Company precisely addresses the practical needs of community residents and deeply integrates social responsibility into grassroots practice. Through regular activities such as accessibility services, water-use education, and targeted assistance for those in need, China Water proactively extends its service reach, effectively resolving urgent and difficult issues faced by the public. Through these practical actions, the Company empowers community governance and improves people's livelihoods, continuously enhancing residents' sense of gain, well-being, and security (B8/B8.1).

Stable Employment

The Group creates sustainable job opportunities for local residents and gives priority to local candidates in external recruitment. Amid a complex and changing market environment, the Group remains committed to refraining from arbitrary layoffs and ensuring employment stability for its employees. Through internal job transfers, skills enhancement training, and business expansion, the Group optimizes human resource allocation to ensure a proper fit between employees and their roles, providing employees with reliable job security and opportunities for career development.



Inclusive Assistance

The Group pays close attention to vulnerable groups and families in need. For individuals with disabilities, elderly residents living alone, and other special groups in the community, the Group proactively implements water fee reduction and exemption policies, and regularly organizes professional teams to conduct free on-site inspections and maintenance of water supply facilities, ensuring safe and convenient access to water. Additionally, the Group offers differential water pricing discounts and fee reductions for economically disadvantaged families, effectively alleviating their financial burden. Through targeted assistance, the Group brings tangible warmth to the people it serves.



Emergency Support

The Group places public water safety as its highest priority. In the face of sudden water supply emergencies and natural disasters across various regions, the Group adheres to the principle of “responding to the needs of the people with decisive action (民之所需，行之所向).” Leveraging its nationwide footprint and coordinated response capabilities, the Group provides rapid and targeted support. With professional and efficient response capabilities, the Group strives to ensure stable water supply and protect public water safety, embodying its commitment to “standing together in solidarity and overcoming difficulties through shared responsibility.”

China Water Provides Cross-Border Emergency Support to the Fanling Water Quality Incident in HK

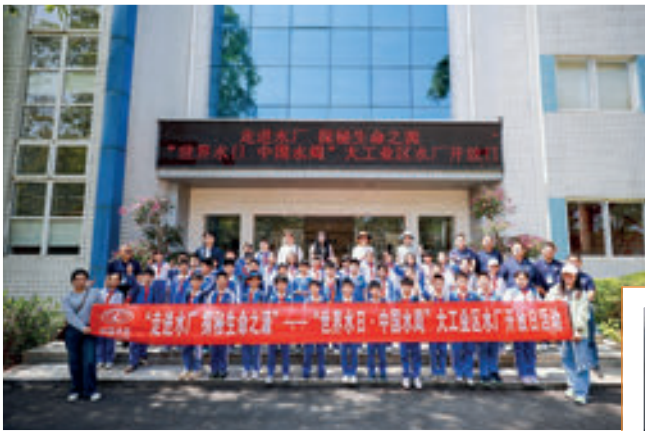


In June 2025, a sudden deterioration in tap water quality occurred in the Fanling area of Hong Kong, causing concern among local residents. Upon receiving a request for assistance, China Water promptly coordinated with its subsidiary, Shenzhen Grand Industrial Zone Water Co., Ltd., to initiate an emergency response. A professional technical team was dispatched to Hong Kong immediately to conduct on-site investigations, water quality testing, and source tracing. The team accurately identified the source of contamination, providing critical support for the rapid restoration of safe water supply in the area. Through its professional and efficient emergency response capabilities, China Water safeguarded public water safety and earned high recognition from both the Hong Kong government and the public. A member of the Hong Kong North District Council sent a letter of appreciation to the Group, commending the Company for demonstrating a “bond of kinship that transcends geographical boundaries” and embodying the Chinese traditional virtue of “When trouble occurs at one spot, help comes from all quarters” through tangible actions.



COMMUNITY ACTIVITY

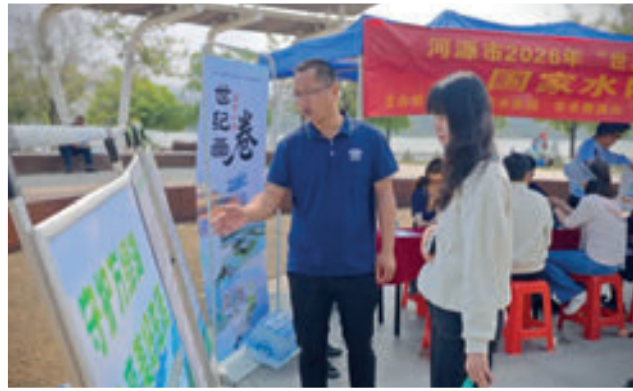
The Group actively fulfills its social responsibilities by carrying out a wide range of public welfare volunteer activities, including community-based services, rural outreach programs, water treatment plant open days, establishment of community care stations, charitable donations, voluntary blood drives, visits to nursing homes, and care initiatives for retired veterans. Through these efforts, the Group brings warmth and care to grassroots communities, continuously narrows the distance between the enterprise and the public, and deepens the symbiotic and integrated relationship between the Company and the communities it serves. These concrete actions demonstrate China Water's commitment to public welfare and its sense of social responsibility. During the reporting period, the Group conducted various social welfare activities with a total of approximately 2,916 hours (B8.2).



Shenzhen Grand Industrial Zone Water Co., Ltd. organises a water treatment plant open day themed "Visit the Water Plant and Explore the Source of Life"



Gong'an Silver Dragon Water Co., Ltd. holds a water treatment plant open day themed "Little Hands Protecting Clear Water, Young Hearts Nurturing the Future"



Heyuan Water Industry Group Development Co., Ltd. carries out a World Water Day themed awareness campaign entitled "National Water Network, A Century-Old Epic Canvas"



Chongqing Yongchuan Qiaoli Water Co., Ltd. organises a visit to a nursing home to offer care and support to the elderly



Henan Silver Dragon (Xihua) Water Supply Co., Ltd. donates to a "Porridge of Love" charity kitchen



Xiayi County Congchen Tap Water Co., Ltd. organises a public welfare student aid program



Xinyu Water Group Co., Ltd. actively participates in flood control and disaster relief efforts in Luofang Town



Zhoukou Shangshan Water Co., Ltd. organises a voluntary blood donation drive

05

FULFILLING CLIMATE COMMITMENT

Rooted in the national “dual carbon” strategy and the legal requirements for ecological and environmental protection, China Water deeply implements the philosophy of ecological civilization by integrating climate governance and biodiversity conservation into its high-quality sustainable development. Aligning with the Paris Agreement and the requirements of the Science Based Targets initiative (SBTi), the Group has systematically established climate governance, strategy, risk management, and metrics and targets systems, steadily advancing its green and low-carbon transition while continuously enhancing its capacity to withstand and adapt to climate risks. At the same time, the Group actively responds to the global biodiversity conservation framework by incorporating ecological protection into the full lifecycle management of its projects. Through compliant construction, ecological restoration, and thematic initiatives, the Group safeguards ecological balance and strives to realize the vision of harmonious coexistence between the enterprise and nature.



Corporate Climate Action

China Water strictly adheres to the compliance requirements of the Hong Kong Stock Exchange's Environmental, Social and Governance Reporting Code and the "International Financial Reporting Sustainability Disclosure Standard 2 – Climate-related Disclosures" (IFRS S2), conducting climate-related disclosures in a standardized manner and continuously building and enhancing its climate change response system. Centered around the four core dimensions of governance, strategy, risk management, and metrics and targets, the Group deeply integrates climate action into its full business processes, systematically advancing its low-carbon development strategy, strengthening risk prevention and control, and promoting green operations. Through systematic governance, China Water enhances its climate management capabilities and contributes to the achievement of sustainable development goals.

Climate Governance

Leveraging its well-established ESG governance structure, the Group carries out climate change governance in a routine and systematic manner, fully implementing the identification, assessment and end-to-end management of climate-related risks and opportunities. The Board of Directors assumes overall supervisory responsibility for climate governance. The Company has established a top-down hierarchical management and dedicated accountability mechanism, opening up internal and external information communication channels, and conducts semi-annual collection of climate-related risk and opportunity information and thematic discussions to ensure the implementation of all governance responsibilities. All departments operate in a coordinated and efficient manner.

The Group maintains board diversity by taking into account industry experience, professional expertise, execution capability and gender balance when selecting and appointing directors, so as to equip the Board with diverse decision-making perspectives and effectively exercise its supervisory functions over climate-related issues. At the same time, the Group regularly organises climate policy interpretation sessions, special training and seminars on low-carbon management, to comprehensively enhance the professional capabilities of the decision-making and management levels in identifying climate risks and implementing low-carbon strategies.

In addition, the Group has incorporated ESG and climate-related key performance indicators into its remuneration management system, including electricity consumption per unit, leakage ratio, self-consumption water rate and chemical consumption per unit into its assessment scope. Through the remuneration incentive and constraint mechanism, the Group strengthens energy-saving and emission reduction responsibilities at all levels, and builds a low-carbon management system featuring coordinated top-down actions and closed-loop control.

Climate Strategy

Guided by the China Water Carbon Peaking and Carbon Neutrality Implementation Plan Outline, the Group has set the overall targets of achieving carbon peaking by 2030 and reaching net-zero emissions by 2050, which are aligned with the global decarbonization pathway of the Science Based Targets initiative (SBTi) and the Hong Kong Climate Action Plan 2050. Drawing on data from the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), the Group employs both low-carbon and high-carbon climate scenarios to conduct analyses across its operational assets and the entire business value chain. The Group systematically assesses the impacts of climate-related risks and opportunities on its business model, value chain, and financial performance, and formulates targeted measures accordingly. These efforts enhance the Group's capacity for climate risk response, mitigation, and adaptation, strengthen its climate resilience, and steadily advance its climate transition.

Climate Resilience and Scenario Analysis

Based on the Group's development strategy and actual operations, the Group conducts a comprehensive climate assessment every three years to identify climate-related risks and opportunities and determine their impact levels. Relying on regular reporting and management mechanisms at all levels, we consider the probability, impact, and urgency comprehensively to formulate response measures, ensuring that climate governance work is effectively implemented.

The Group has conducted climate scenario analyses focusing on physical risks, transition risks, and transition opportunities. Overall, the assessment shows that during the reporting period, climate change did not have a significant impact on the Group's financial position, financial performance, and cash flow.

Risk and opportunity type		Climate scenario option	Timeframe		Assumption
Physical risks	Acute	1) Low-carbon scenario IPCC AR6 SSP1-1.9	Short-term	2030	The conditions at the asset locations will remain unchanged for a certain period of time
			Medium term	2040	
	Chronic	2) High-carbon scenario IPCC AR6 SSP3-7.0	Long-term	2050	
Transition risks		1) Low-carbon scenario IEA NZE scenario	Short-term	2030	Climate mitigation measures will remain unchanged
			Medium term	2040	
Transition opportunities		2) High-carbon scenario IEA STEPS scenario	Long-term	2050	Net-zero emissions will be achieved by 2050

Notes: 1. The time horizon covered by the data sources is consistent with the strategic planning period of the Group.

2. The low-carbon scenario is set with reference to the SSP1-1.9 pathway proposed by the Intergovernmental Panel on Climate Change (IPCC) and the Net Zero Emissions (NZE) Scenario of the International Energy Agency (IEA). Both scenarios are aligned with the global temperature control goals of the Paris Agreement.

3. The high-carbon scenario is set with reference to the SSP3-7.0 pathway proposed by the Intergovernmental Panel on Climate Change (IPCC) and the Stated Policies Scenario (STEPS) of the International Energy Agency (IEA). Both scenarios represent high-carbon development pathways characterized by continuously rising carbon emissions and intensifying climate pressures.

Climate-related risks and opportunity scenario analysis

Physical risks		Risk description	Risk rank					
			IPCC AR6 SSP1-1.9			IPCC AR6 SSP3-7.0		
			2030	2040	2050	2030	2040	2050
Flood		Critical equipment and facilities at water treatment plants, particularly semi-basement pumping stations, may be submerged by floodwaters;	L	L	M	L	M	H
		Water supply pipelines may be washed out or destroyed;						
		Abnormal water quality conditions at source water locations may occur.						
Heavy rains and typhoons	Acute	May damage or destroy buildings, structures and overhead power lines;	L	L	M	L	M	H
		Disrupt transportation and mobility and pose risks of casualties;						
Extreme high temperature		Primarily affects outdoor operations and construction projects, which may lead to heatstroke among personnel;	L	L	L	L	M	H
		Electrical equipment may experience malfunctions or even cause fires.						

Climate-related risks and opportunity scenario analysis (Continued)

Physical risks		Risk description	Risk rank					
			IPCC AR6 SSP1-1.9			IPCC AR6 SSP3-7.0		
			2030	2040	2050	2030	2040	2050
Cold waves and frost	Acute	May damage water meters and pipelines that are exposed outdoors or buried at shallow depths;	L	L	M	L	L	M
		May damage equipment and facilities within plant areas.						
Prolonged drought	Chronic	Water levels at source water locations may drop, leading to difficulties in water abstraction;	L	L	M	L	M	H
		Deterioration of water quality at source water locations may occur.						

Climate-related risks and opportunity scenario analysis

Transition risks		Risk description	Risk rank					
			IEA NZE Scenario			IEA STEPS Scenario		
			2030	2040	2050	2030	2040	2050
Policy change		China is actively implementing its “dual carbon” strategy, and new policies related to energy, carbon emissions, and environmental protection are expected to be progressively introduced and refined. As a result, the Group may face more stringent energy consumption and emission standards.	L	M	H	L	L	M
Technological innovation		Driven by the “dual carbon” strategy, a wide range of new technologies, materials, and processes will inevitably emerge. The adoption, application, and mastery of innovative products present certain challenges, including but not limited to input costs, operational complexity, training and promotion, and performance stability.	L	M	M	L	L	M
Corporate reputation		Climate change has been recognized as a potential source of reputational risk. Whether an enterprise actively undertakes climate action will influence public support for the company.	L	M	H	L	L	M
Market supervision		Government regulatory authorities are imposing stricter environmental requirements on enterprises, and consumers are increasingly inclined to purchase green and low-carbon products.	L	L	M	L	L	L

Climate-related risks and opportunity scenario analysis

Climate opportunity	Risk description	Opportunity rank					
		IEA NZE scenario			IEA STEPS scenario		
		2030	2040	2050	2030	2040	2050
Resource efficiency	• Reduce water consumption and leakage and water loss	M	M	H	L	L	M
	• Reduce material consumption						
Use of energy	• Reduce consumption of conventional energy	M	M	H	L	L	M
	• Use of clean energy						
Product and service	• Transform to new business	M	M	M	L	L	M
	• Change in consumer preference						
Carbon market	• Participation in carbon market	L	M	H	L	L	L
Government and regulation	• Accessing incentive initiatives	L	M	H	L	L	L
	• Comply with regulatory requirements in advance						
Green finance	• Issue green bonds	M	M	H	L	L	L
	• Enhance corporate rating						

Climate risk type	Impact on business model	Impact on value chain	Countermeasures
Physical risks			
Flood	Acute	- Source water assurance capacity is under threat, leading to increased supply chain risks; - Core production stability is compromised, with overlapping safety and health risks. - The vulnerability of transmission and distribution channels is exacerbated, placing significant pressure on operations management. - Service demand surges in a concentrated manner, making it more difficult to ensure service quality.	- Reinforce flood protection facilities at plant sites and ensure drainage channels remain unobstructed; conduct thorough site selection assessments on new water plants to avoid low-lying areas prone to flooding; - Strengthen emergency repair and response capabilities; - Enhance water quality monitoring and reasonably adjust chemical dosing and treatment process parameters.
			- Closely monitor weather forecasts and implement protective measures in advance of typhoon warnings; - Instruct employees to remain indoors to prioritize life and safety.
			- Suspend outdoor operations and construction activities; - Implement heatstroke prevention, cooling, and ventilation measures. Ensure firefighting equipment is readily available and organize regular fire drills
			- Apply anti-freeze measures to water meters and pipelines; - Protect plant equipment and facilities from freezing; drain standing water from unused structures and pipelines to prevent freezing
Prolonged drought	Chronic		- Take necessary measures to ensure water abstraction, including extending intake pipes, deploying mobile pumping barges, or constructing cofferdams - Strengthen water quality monitoring and adjust chemical dosing and process parameters accordingly; - Develop emergency backup water sources.
Transition risk			
Policy change		Policy orientation is strengthening, making low-carbon transition a new requirement.	Closely monitor national policies, adjust its strategy accordingly, and accelerate net-zero emission efforts.
Technological innovation	- Transition, characterized by shifts in strategic direction and investment priorities; - Evolving operational cost structures and profit models;	Production facilities are being redefined, with increasing pressure on energy efficiency and resource recovery.	When deploying innovative products, suitable enterprises are first selected for pilot implementation, with performance closely monitored and evaluated. Successful pilots are then scaled up for broader application.
Corporate reputation	- Growing importance of innovation and learning mechanisms; - Brand value and market competitiveness are being reshaped.	Stricter energy and carbon controls, supply chain greening, and the need for technological adaptation are key challenges.	Corporate climate action is integrated into the sustainability strategy, supported by enhanced communication efforts to build reputation and secure public trust and support.
Market supervision		The value of transmission and distribution systems is shifting toward leakage control and green services.	- Upgrade wastewater treatment plants to meet higher discharge standards and achieve energy recovery; - Accelerate the development of environmentally and climate-friendly businesses, such as piped direct drinking water business.

Climate opportunity type	Impact on business model	Impact on value chain	Potential impact and outlook
Resource efficiency			- Reduced operational production capacity; - Higher levels of automation and digitalization.
Use of energy			- Reduced operational costs; - Acceleration of corporate carbon neutrality progress; - Enhanced corporate reputation; - Reduced impact from future fossil fuel price increases.
Product and service	- Restructuring of profit structure and upgrading of growth model; - Shift in core capabilities and competitive dimensions; - Renewal of capital allocation and investment logic;	- Smart upgrading of production units and pipeline networks to improve resource and energy efficiency; - Greening of technology supply chain; low-carbon innovation becoming a core criterion for supplier selection; - ESG performance directly linked to corporate financing and market value.	- Generation of new income; - Enhanced corporate resilience through business diversification; - Offering products aligned with consumer preferences to strengthen competitiveness.
Carbon market	Enhanced risk resistance and sustainability resilience.		- Generation of new income; - New opportunities in carbon offset and carbon neutrality businesses.
Government and regulation			- Access to related subsidy income; - Enhanced corporate reputation.
Green finance			- Access to funding support facilitating business expansion; - Favorable access to financial institutions.

Note: The probability of occurrence and the extent of impact of extreme weather events are both subject to significant uncertainty. As there is currently no suitable quantitative forecasting model available, the expected financial impact cannot be quantified and is therefore assessed on a qualitative basis only.

Climate-related Transition Progress

- 2017
- Issued the Notice on Encouraging the Development of Clean Energy.
- Conducted assessments at water plants and implemented distributed photovoltaic power station construction under the principle of “build wherever feasible.” The share of clean energy usage increased from 3% to 13%.
- 2018
- Issued the Notice on Further Accelerating the Development of Direct Drinking Water Business.
- Established a Direct Drinking Water Management Center and incorporated the direct drinking water business into the Group’s development strategy.
- 2019
- Issued the Implementation Opinion of China Water Affairs Group Limited on Comprehensively Advancing the Development of Direct Drinking Water Business.
- Formed a joint venture with Japan’s ORIX Corporation and Toray Group to establish Jiangxi Yinli Direct Drinking Water Equipment Co., Ltd., and independently developed core direct drinking water technologies.
- 2020
- Issued the Green Operations Initiative of China Water Affairs Group Limited, introducing the concepts of “economic production,” “clean production,” and “ethical production.”
- Established two special task forces dedicated to reducing the leakage ratio and energy consumption, respectively. In collaboration with third-party professional institutions, both key indicators-water leakage and electricity consumption-have been controlled at levels significantly below industry averages, effectively reducing carbon emissions.
- 2021
- Issued the China Water Affairs Group Limited Carbon Peaking and Carbon Neutrality Implementation Plan Outline, setting overall targets of carbon peaking by 2030 and net-zero emissions by 2050.
- Piped direct drinking water was established as a key carbon neutrality measure. Through the acquisition of Nanjing Aqua Cup Technology Co, Ltd. and Jiangsu Haideneng Water Purification Technology Co, Ltd., the Group became the only listed company with a nationwide direct drinking water business, committed to tackling the “white pollution” caused by bottled and barreled water consumption.
- 2022
- Issued the China Water Affairs Group Limited Recommendations on Net-Zero Emissions Work, outlining a well-defined pathway to net-zero emissions.
- An ESG working group was established at the Group level to oversee net-zero emissions-related efforts, including identifying emission reduction potential, formulating mitigation measures, and promoting third-party certification of greenhouse gas emissions.
- 2023
- Completed ISO 14064 greenhouse gas emission inventory and verification.
- SGS, a world-leading inspection, verification, and certification organization, was engaged to conduct the ISO 14064 greenhouse gas emission inventory and verification process. A greenhouse gas emission inventory was established.
- 2024
- Issued the Notice of China Water Affairs Group Limited on Promoting Green Office Practices and the Opinions on Unswervingly Advancing Water Supply Upgrades and Services to Achieve High-Quality Development of the Direct Drinking Water Business.
- In line with the “cost reduction and efficiency enhancement” initiative, the Group reduced carbon emissions in daily operations and developed landmark projects such as the China Carbon Registration and Settlement Building pipe-borne direct drinking water low-carbon demonstration project.
- 2025
- Issued the Notice on Enhancing the Coverage Rate of Residential Direct Drinking Water Users and the Notice of China Water Affairs Group Limited on Unified and Standardized Management of Internal Direct Drinking Water Companies.
- The “AquaCup” direct drinking water system was successfully included in the first batch of low-carbon technologies catalog of the Wuhan Dual Carbon Industry Research Institute and officially promoted on the “Wu Carbon Link” platform. In collaboration with a research team from Hubei University, the nation’s first carbon inclusion methodology for piped direct drinking water was officially established, empowering the low-carbon transformation of the water industry.

Climate Action



Huojia County Xinshui Water Co., Ltd. Extreme Climate Response and Sustainable Development Training



Ningxiang Water Group Co., Ltd. Freezing Weather Response Coordination Meeting



Changde Anxiang Yinlong Water Co., Ltd. Forest Fire Prevention Drill Participation



Zhoukou Shangshui Water Co., Ltd. Flood Control Emergency Drill



Shenzhen Grand Industrial Zone Water Co., Ltd. Typhoon Preparedness Operations

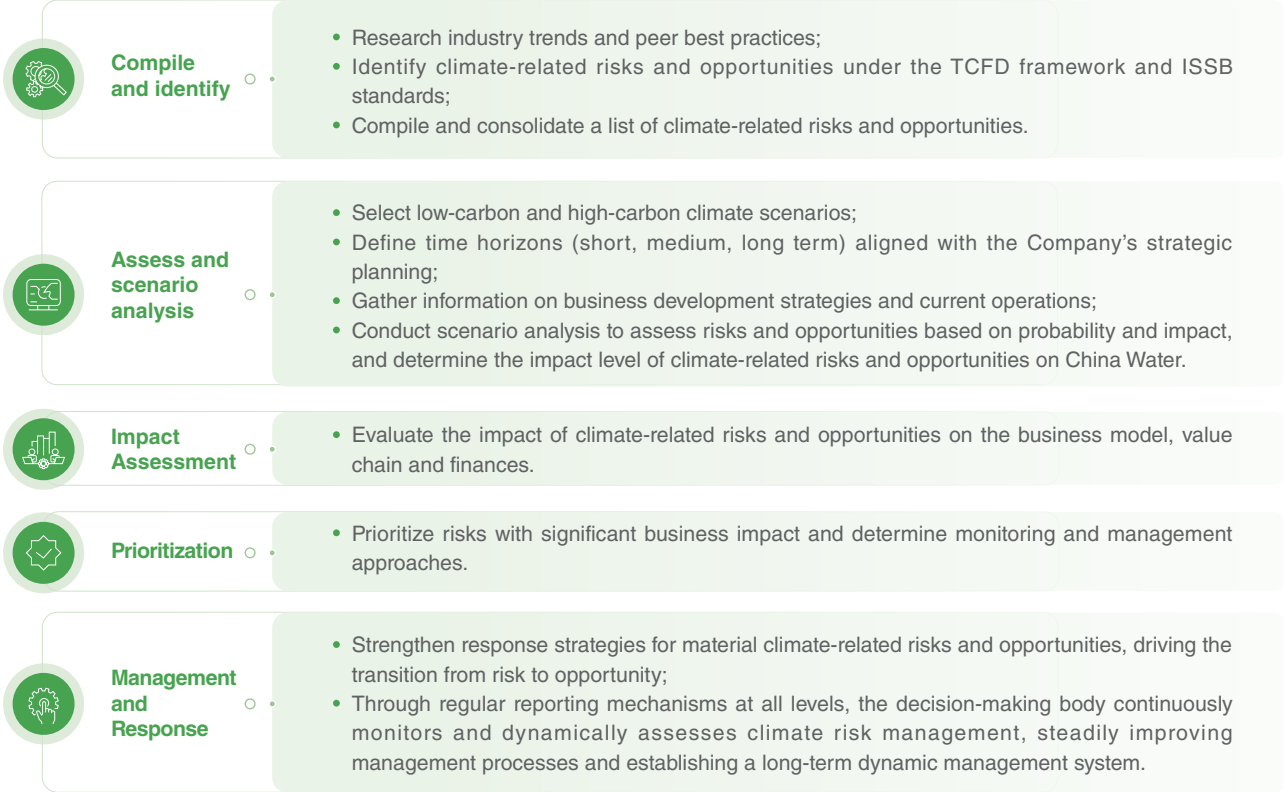


Hanchuan Xinhe Water Supply Co., Ltd. Water Meter Freeze Protection

CLIMATE RISK MANAGEMENT

The Group has fully integrated climate change into our risk assessment and internal control management framework, systematically carrying out the identification, evaluation, prioritization, and end-to-end management of climate-related risks. Recognizing the abrupt and unpredictable nature of climate risks, we have arranged appropriate commercial insurance for our subsidiaries through risk transfer mechanisms, enabling rapid financial compensation and operational recovery in the event of extreme weather events, thereby mitigating the impact on our financial and business performance. At the same time, guided by a forward-looking strategy, we accurately identify climate-related opportunities, keep abreast of policy and technology trends, and strategically invest in renewable energy, low-carbon products, and services to foster new drivers of growth. By transforming climate challenges into momentum for development, we promote high-quality and sustainable growth.

Climate Risk and Opportunity Management Process



Indicators and Targets

Greenhouse Gas Emission

The Group calculates greenhouse gas emissions in accordance with ISO 14064-1:2018 requirements. The scope of calculation includes:

Scope 1 Direct GHG emissions;	Scope 2 Indirect GHG emissions from imported energy;	Scope 3 Indirect GHG emissions arose from transportation and indirect GHG emissions arose from products used by an organisation.
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The calculation boundary covers all project companies engaged in city water supply, environmental protection, and direct pipeline drinking water businesses.

Category	Scope 1	Scope 2	Scope 3	Total	Emission intensity
City water supply business	1,639	145,690	19,419	166,748	0.09 tonnes/kilotonnes of water
Environmental protection business	145,684	30,619	4,062	180,365	0.67 tonnes/kilotonnes of water
Pipeline direct drinking water business	124	575	436	1,135	0.001 tonnes/kilotonnes of water
Total	147,447	176,884	23,916	348,248	

- Notes:
1. GHG emissions are calculated on a CO₂ equivalent basis (in tonnes).
 2. Scope 1 emissions from other sources amounted to 2,592 tonnes, Scope 2 emissions 1,826 tonnes, and Scope 3 emissions 612 tonnes, totalling 5,030 tonnes.
 3. Scope 2 GHG emissions are indirect emissions arising from the purchased electricity and heat. The emission factor for purchased electricity refers to the Announcement on the Carbon Dioxide Emission Factors for Electricity in 2023 issued by the Ministry of Ecology and Environment of the People's Republic of China on 31 December 2025; the emission factor for purchased heat refers to the China Product Life-cycle Greenhouse Gas Emission Factors Collection (2022) – Energy Products.
 4. Scope 3 GHG emissions include indirect emissions from upstream transportation and distribution, business travel, employee commuting and other services.

The carbon inclusion emission reductions of pipeline direct drinking water are calculated in accordance with the *Methodology for Carbon Inclusion of Pipe-Connected Direct Drinking Water Systems in Wuhan (Trial)* (WHCER -02-009-V01).

Carbon inclusion emission reductions of pipeline direct drinking water

12,133 tonnes CO₂ equivalent

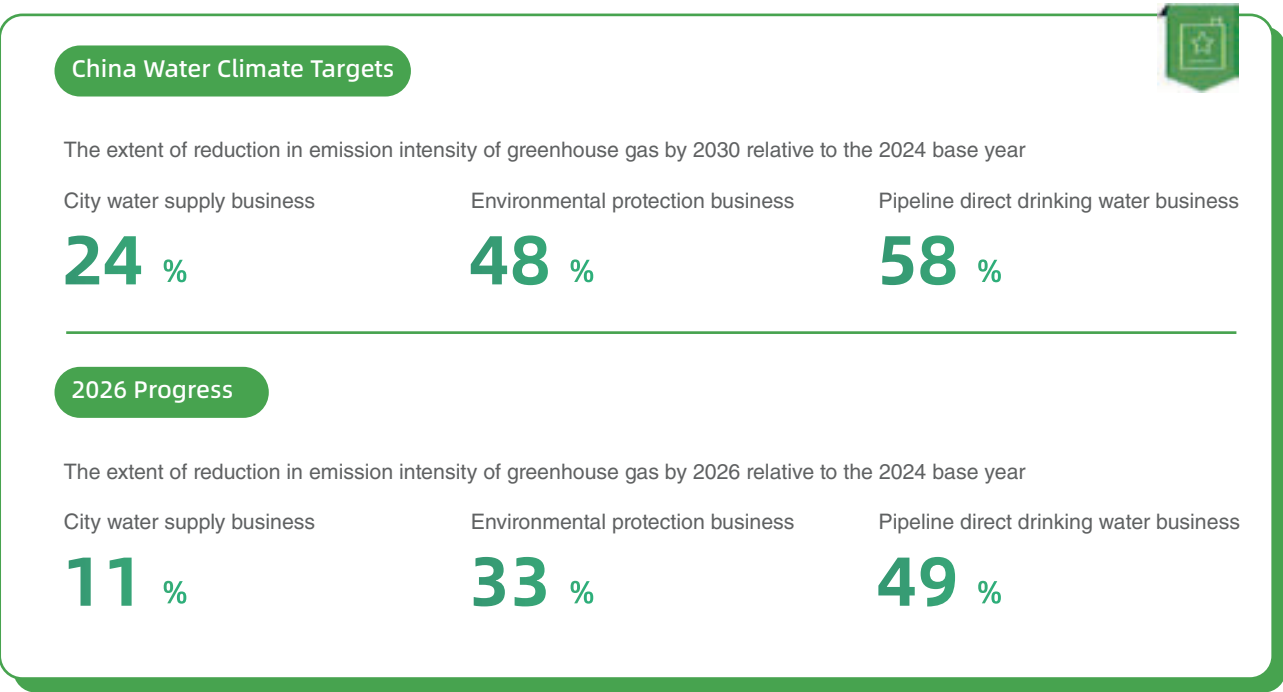
Net greenhouse gas emission

336,115 tonnes CO₂ equivalent



Goals and Progress

The Group remains committed to the philosophy of green and low-carbon development, actively reducing greenhouse gas emissions, mitigating the adverse impacts of climate change, and comprehensively preventing climate-related risks in its production and operations. Based on its water business presence, the Group has established greenhouse gas emission control targets covering city water supply business, environmental protection business and pipeline direct drinking water business, and has implemented systematic decarbonisation measures in parallel, with an orderly advancement of low-carbon technology retrofits, striving to achieve the emission reduction targets.



- Notes:
1. Greenhouse gas emission intensity unit: tonnes of CO₂ equivalent per thousand tonnes of water.
 2. The Group covers four types of greenhouse gases, including carbon dioxide, methane, nitrous oxide and hydrofluorocarbons.



BIODIVERSITY CONSERVATION

Biodiversity conservation are deeply linked to ecosystem health, industrial chain stability, economic development, and social well-being, and are mutually interdependent and synergistic with climate action and low-carbon transition. China Water integrates biodiversity conservation into its high-quality sustainable development framework, actively responding to the Kunming-Montreal Global Biodiversity Framework and the China Biodiversity Conservation Strategy and Action Plan (2023-2030). Leveraging its core advantages in the water business, the Company fully embeds relevant efforts into its development strategy and day-to-day operations, fulfills its ecological responsibilities across all fronts, and is committed to achieving the synergistic development of the environment, economy, and society.

Conservation Policy

The Environmental and Social Management System (ESMS) established by our Group has put in place a biodiversity conservation management framework that covers the entire process, enabling the systematic identification, assessment, and control of potential biodiversity impacts and risks associated with projects. This framework applies throughout the full project lifecycle – including design, construction, operation, and decommissioning – and through proactive planning and closed-loop management, it actively avoids, mitigates, and compensates for ecological impacts. It ensures that no significant biodiversity degradation occurs and achieves the synergistic advancement of project sustainability and biodiversity conservation.

Evaluation Phase

- Integrate assessments of direct and indirect biodiversity impacts into the overall environmental evaluation system, including natural habitat assessment, invasive species risk control, and consideration of endangered species protection during the site selection and initial design of each project;
- Engage qualified and experienced ecology experts to participate in and guide environmental assessments.

Planning Phase

- Project companies shall prepare an Environmental and Social Management Plan (ESMP) that includes biodiversity conservation measures;
- Apply the “Avoid -Mitigate - Compensate” mitigation hierarchy with clearly defined tiered response measures;
- Identify responsible parties and implementation pathways;
- Strengthen biodiversity conservation training for project teams and contractors to enhance ecological awareness and professional competence.

Execution Phase (Construction & Operation)

- Conduct biodiversity monitoring; project companies shall prepare monitoring reports on schedule;
- Establish and improve emergency response mechanisms for sudden biodiversity risks;
- Develop a dynamic adjustment mechanism, regularly reviewing and optimizing the management plan.

Decommissioning Phase (Closure or Removal)

- Prepare a dedicated biodiversity restoration plan, implement ecological restoration, engage independent experts to assess effectiveness, and produce a corresponding report.

PROTECTION ACTIONS

The Group adheres to the principle of ecological priority, strictly avoids business activities that may adversely affect the ecological environment and biodiversity, and advances ecological restoration and biodiversity protection across multiple dimensions, thereby faithfully fulfilling its ecological and environmental responsibilities.

Compliant construction

The sites of all construction and operation projects have undergone rigorous assessment and third-party environmental impact evaluations, and no encroachment upon or damage to ecological reserves, rare wildlife protection areas, or natural heritage sites has occurred.



Organizing ecological protection and biodiversity monitoring activities at water source areas

Greening of facilities

The Group implements site-specific ecological retrofitting under a “one plant, one strategy” approach. While ensuring operational safety, measures such as planting native species, constructing artificial wetlands, and creating shallow water areas are taken to establish favorable habitats for birds, fish, amphibians, and other wildlife.



The lush vegetation within the facility creates a favorable habitat for various species

Ecological patrols

Ecological protection requirements are integrated into daily routines including water source patrols, pipeline inspections, and water quality monitoring. A regular patrol mechanism has been established to enable real-time ecological monitoring and rapid response to environmental issues.



Regularly monitoring water quality at water source areas

Themed activities

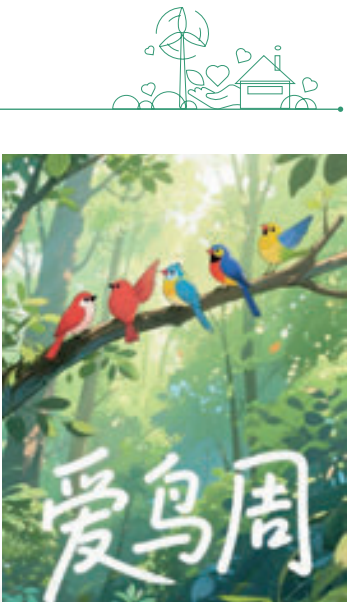
The Group actively organizes ecological protection themed activities, engaging employees in actions such as waste collection, tree planting, water quality monitoring, and environmental awareness campaigns in reservoirs, riverbanks, wetland parks, and other areas, thereby raising public awareness of ecological conservation.



Carrying out tree planting activities

Hegang Sanli Water Co., Ltd.
Launches Bird Protection and Care Initiative

Hegang City, Heilongjiang Province, is a major waterfowl habitat in northern China and a critical stopover site for migratory birds. It is also an important area for the breeding, stopover, and wintering of nationally protected wildlife such as the red-crowned crane (a first-class state-protected species), making its ecological protection highly significant. On 5 May 2025, during the 44th “Bird Loving Week” in Heilongjiang Province, Hegang Water Company actively fulfilled its ecological protection responsibilities by launching a special bird protection initiative under the theme: “Remove Bird Nets, Strengthen Legal Nets, and Let Birds Fly Free.” The company issued a call to action through its official public WeChat account, fostering a public atmosphere of bird conservation. A thorough grid-based inspection was conducted in woodlands, wetlands, and riverbanks surrounding the facility to remove illegal bird nets, traps, and other devices. Artificial bird nests were reasonably installed within the facility grounds to provide safe habitats for birds. Concurrently, garbage near migratory bird stopover sites and water source areas was cleaned up to reduce human disturbance, effectively preserving regional ecological balance and biodiversity.



Index of the contents of the Environmental, Social and Governance Reporting Code of the Hong Kong Stock Exchange

Part C: “comply or explain” provision			
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A. Environmental			
Aspect A1: Emissions	General Disclosure		39
	A1.1	The types of emissions and respective emissions data.	39
	A1.2	[Deleted in 1 January 2025]	
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	40
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	40
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	40
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	40
Aspect A2: Use of Resources	General Disclosure		39
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kW/h) and intensity (e.g. per unit of production volume, per facility).	41
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	45
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	41-43
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	44-46
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (“KPIs”)			Page(s)
Aspect A3: The Environment and Natural Resources	General Disclosure		47
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Aspect A4: Climate Change	General Disclose	[Deleted on 1 January 2025]	
	A4.1	[Deleted on 1 January 2025]	
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Employment and Labour Practices			
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	B1.1	Total workforce by gender, employment type (e.g. full-time or part-time), age group and geographical region.	64-65
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	B2.1	Number and rate of work-related fatalities in each of the past three years (including the reporting year).	73
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	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	72
Aspect B3: Development and Training	General Disclosure		67, 68-69
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	B3.2	The average training hours completed per employee by gender and employee category.	68

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (“KPIs”)			Page(s)
Aspect B4: Labour Standards	General Disclosure		61
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	62
	B4.2	Description of steps taken to eliminate such practices when discovered.	61
Operating Practices			
Aspect B5: Supply Chain Management	General Disclosure		75
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	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	75
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	76-77
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Aspect B6: Product Responsibility	General Disclosure		78
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	78
	B6.2	Number of products and services related complaints received how they are dealt with.	83
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	58
	B6.4	Description of quality assurance process and recall procedures.	78-81
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	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	20
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	20
	B7.3	Description of anti-corruption training provided to directors and staff.	20
Community			
Aspect B8: Community Investment	General Disclosure		86
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	86-89
	B8.2	Resources contributed (e.g. money or time) to the focus area.	88
Part D: Climate-related disclosure			
Governance			
	19. An issuer shall disclose information about: (a) Disclosure on the governance body(ies) or individual(s) responsible for oversight of climate-related risks and opportunities;		9, 21, 91
	(b) management’s role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities.		21, 91
Strategy			
Climate-related risks and opportunities	20. An issuer shall disclose information to enable an understanding of climate-related risks and opportunities that could reasonably be expected to affect the issuer’s cash flows, its access to finance or cost of capital over the short, medium or long term.		91-94
Business model and value chain	21. An issuer shall disclose information that enables an understanding of the current and anticipated effects of climate-related risks and opportunities on the issuer’s business model and value chain.		95-96

			Page(s)
Strategy and decision-making	22. An issuer shall disclose information that enables an understanding of the effects of climate-related risks and opportunities on its strategy and decision-making.		95-98
	23. An issuer shall disclose information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 22(a).		97
Financial position, financial performance and cash flows	Current financial effect 24. An issuer shall disclose following qualitative and quantitative information: (a) how climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period; and		91
	(b) the climate-related risks and opportunities identified in paragraph 24(a), for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.		N/A
	Anticipated financial effect 25. An issuer shall disclose following qualitative and quantitative information: (a) how the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities;		91-96
	(b) how the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities.		91-96
Climate Resilience	26. An issuer shall disclose information that enables an understanding of the resilience of the issuer's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the issuer's strategies of identified climate related risks and opportunities. An issuer shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with an issuer's circumstances. In providing quantitative information, the issuer may disclose a single amount or a range.		91-96
Risk management			
	27. An issuer shall disclose information about: (a) the processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks;		99
	(b) the processes the issuer uses to identify, assess, prioritise and monitor climate-related opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities); and		99
	(c) the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process.		99

		Page(s)
Metrics and Targets		
Greenhouse gas emissions	28. An issuer shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO ₂ equivalent.	100
	29. An issuer shall: (a) measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2024) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring greenhouse gas emissions;	100
	(b) disclose the approach it uses to measure its greenhouse gas emissions;	100
	(c) for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 28(b), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer's Scope 2 greenhouse gas emissions; and	100
	(d) for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 28(c), disclose the categories included within the issuer's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).	100
Climate-related transition risks	30. An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related transition risks.	91
Climate-related physical risks	31. An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related physical risks.	91
Climate-related opportunities	32. An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities.	91
Capital deployment	33. An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.	91
Internal carbon prices	34. An issuer shall disclose: (a) an explanation of whether and how the issuer is applying a carbon price in decision-making (for example, investment decisions, transfer pricing, and scenario analysis); and	N/A
	(b) the price of each metric tonne of greenhouse gas emissions the issuer uses to assess the costs of its greenhouse gas emissions; or an appropriate negative statement that the issuer does not apply a carbon price in decision-making.	N/A
Remuneration	35. An issuer shall disclose whether and how climate-related factors are factored into remuneration policy, or an appropriate negative statement. This may form part of the disclosure under paragraph 19(a)(iv).	91

		Page(s)
Industry-based metrics	36. An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures and other industry-based disclosure requirements prescribed under other international ESG reporting frameworks.	15
	37. An issuer shall disclose (a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and (b) any targets the issuer is required to meet by law or regulation, including any greenhouse gas emissions targets.	97, 101
Climate-related targets	38. An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target.	97, 101
	39. An issuer shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the issuer's performance.	100, 101
	40. For each greenhouse gas emissions target disclosed in accordance with paragraphs 37 to 39, an issuer shall disclose: (a) which greenhouse gases are covered by the target;	101
	(b) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target;	100, 101
	(c) whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. If the issuer discloses a net greenhouse gas emissions target, the issuer is also required to separately disclose its associated gross greenhouse gas emissions target;	100, 101
	(d) whether the target was derived using a sectoral decarbonisation approach; and	N/A
	(e) the issuer's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits.	N/A
Applicability of Cross-industry Metrics and Industry-based Metrics	41. In preparing disclosures to meet the requirements in paragraphs 21 to 26 and 37 to 38, an issuer shall refer to (i) the applicability of cross-industry metrics (see paragraphs 28 to 35) and (ii) industry-based metrics (see paragraph 36).	15

INDEPENDENT ASSURANCE REPORT

ASSURANCE STATEMENT

REPORT ON SUSTAINABILITY ACTIVITIES IN THE CHINA WATER AFFAIRS GROUP LIMITED’S ESG REPORT FOR 2026

NATURE OF THE ASSURANCE/VERIFICATION

SGS-CSTC Standards Technical Services Co., Ltd. (hereinafter referred to as SGS-CSTC) was commissioned by CHINA WATER AFFAIRS GROUP LIMITED (hereinafter referred to as China Water) to conduct an independent assurance of the ESG Report for 2026 (Chinese version) for the period of April 1, 2025 to March 31, 2026.

INTENDED USERS OF THIS ASSURANCE STATEMENT

This Assurance Statement is provided with the intention of informing all China Water’s Stakeholders.

RESPONSIBILITIES

The sustainability information in the ESG Report for 2026 and its presentation are the responsibility of China Water’s governing body and the management. SGS-CSTC has not been involved in the preparation of any of the material included in the ESG Report for 2026.

Our responsibility is to express an opinion on the sustainability performance information within the scope of assurance based upon sufficient and appropriate objective evidence.

SGS-CSTC hereby states that it shall not be held responsible or liable for any direct, indirect, incidental, or consequential damages or losses arising from or in connection with the use of information provided in this report.

ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE

The SGS Group ESG & Sustainability Report Assurance (SRA) protocols used to conduct assurance are based upon internationally recognised assurance standards including the ISAE 3000.

The assurance of this report has been conducted according to the following Assurance Standards:

Assurance Standard	Level of Assurance
ISAE 3000	Limited

SCOPE OF ASSURANCE

The scope of the assurance included evaluation of quality, accuracy and reliability of specified performance information in the ESG Report for 2026 and evaluation of adherence to the following reporting criteria:

Reporting Criteria
Appendix C2 Environmental, Social and Governance Reporting Code of Listing Rules published by Hong Kong Exchanges and Clearing Limited (HKEX)

ASSURANCE METHODOLOGY

The assurance comprised a combination of pre-assurance research, interviews with relevant employees on-site interviewed with relevant employees at the head-office of China Water, which is located at 14~15/F, Building 20 Section 16, No. 188 South 4th Ring West Road, Fengtai District, Beijing, P.R.China, including documentation and record review and validation where relevant. This assurance engagement was restricted to the group level of China Water and did not include traceability of all original data from subordinate institutions.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

LIMITATIONS AND MITIGATION

Data drawn directly from independently audited financial accounts and intensity data calculated based on financial data has not been checked back to source as part of this assurance process.

The greenhouse gas emissions related data in the ESG Report for 2026 was calculated by China Water. In the context of the present assurance engagement, our procedures were limited to sample-based validation.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and certification, operating in multiple countries and providing services. As an affiliate of SGS Group, SGS-CSTC affirm our independence from China Water, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment.

FINDINGS AND CONCLUSIONS

ASSURANCE/VERIFICATION OPINION

On the basis of the methodology described and the assurance engagement performed, no inaccuracies or reliability issues were identified within the scope of the sustainability performance information covered by the China Water’s ESG Report for 2026.

ADHERENCE TO APPENDIX C2 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING CODE OF LISTING RULES PUBLISHED BY HKEX

The assurance team concludes that the China Water’s ESG Report for 2026 has been prepared in accordance with the requirements of Appendix C2 Environmental, Social and Governance Reporting Code of Listing Rules published by HKEX.

Signed:



For and on behalf of SGS-CSTC

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中國水務
CHINA WATER



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