中國水務
CHINA WATER

ESG REPORT
2025

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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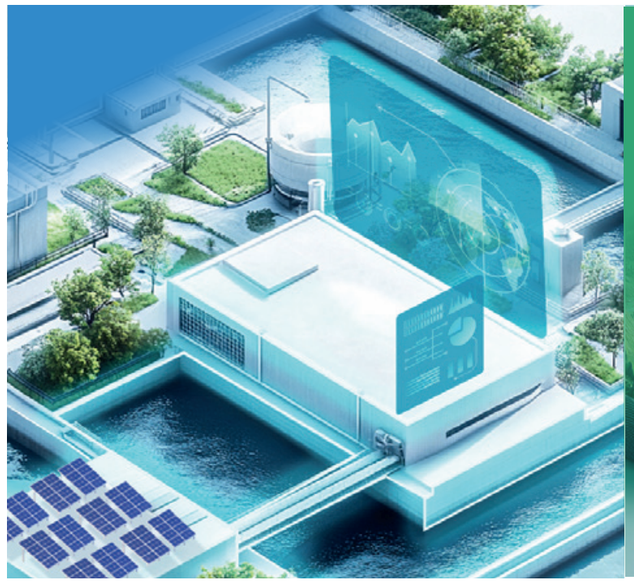
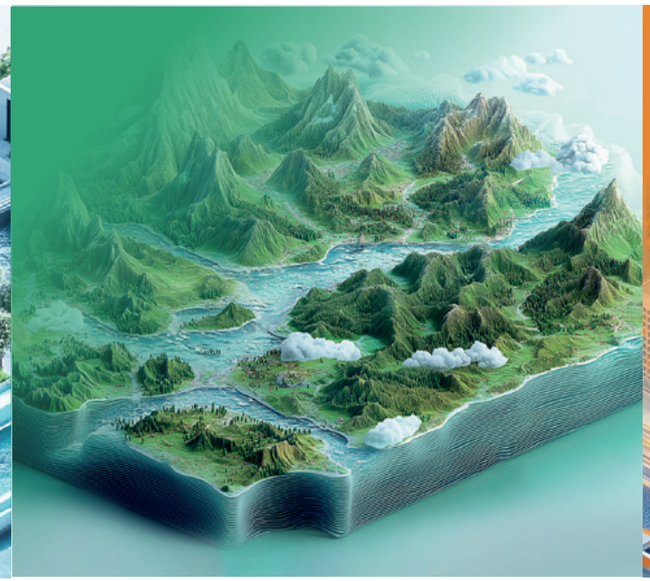




GLOSSARY

$Al_2(SO_4)_3$
硫酸鋁
Aluminium Sulfate

ClO_2
二氧化氯
Chlorine Dioxide

BOD
生化需氧量
Biochemical Oxygen Demand

NaClO
次氯酸鈉
Sodium Hypochlorite

m^3
立方米
Cubic meter

NaOH
氫氧化鈉
Sodium Hydroxide

CO_2
二氧化碳
Carbon Dioxide

MWh
兆瓦時
Megawatt-hour

km^2
平方千米 / 平方公里
Square kilometer

NH_3-N
氨氮
Ammonia Nitrogen

GJ
吉焦
Gigajoule

COD
化學需氧量
Chemical Oxygen Demand

PAC
聚合氯化鋁
Polyaluminium Chloride

NH_3
氨氣
Ammonia

H_2S
硫化氫
Hydrogen Sulfide

km
千米 / 公里
Kilometer

kW·h
千瓦時
Kilowatt-hour

SS
懸浮物
Suspended Solids

CORE VALUE

Water-oriented
Kindness to Society

STATEMENT OF THE BOARD

China Water Affairs Group Limited ("China Water" or the "Company", together with its wholly-owned subsidiaries, the "Group") 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 report regularly to the management team; subsidiaries are the implementation units, equipped with professional personnel and necessary resources to execute specific work arrangements.

A robust annual ESG management mechanism ensures that the Group consistently identifies material issues from the perspectives of stakeholders and in terms of business impact. Regular risk assessment meetings and progress review meetings ensure that each ESG issue is thoroughly evaluated, ESG risks are effectively managed, ESG measures are promptly followed up with feedback provided, and ESG reports have complied with the four reporting principles of materiality, quantitative, balance, and consistency.

During the reporting period, the Board was fully informed of the status and progress of the Group's ESG governance. Material issues were considered and approved.

Duan Chuan Liang
Chairman of the Board and
Executive Director

MANAGEMENT'S STATEMENT

In an era defined by the artificial intelligence (AI) revolution, industries and human life are being reshaped at an unprecedented pace, profoundly impacting the future of global economic, social, and environmental development. As a leading cross-regional integrated water services operator, China Water has deeply embedded its core values of "Water-oriented, Kindness to Society" into its corporate development strategy. Through concrete actions, the Company is putting ESG principles into practice, demonstrating the responsibility and leadership as an industry-leading enterprise in global climate governance, AI-driven transformation, and sustainable development.

DIGITAL AND INTELLIGENT TRANSFORMATION LEADING INDUSTRY CHANGE

Amid the rapid advancement of artificial intelligence driving industrial upgrading and transformation across various sectors, China Water actively embraces the new AI ecosystem and is committed to empowering business operations and management through next-generation information technology to achieve data-driven resource optimisation, intelligent control, precise management, and intelligent decision-making in water systems. The smart water plant operation and management platform independently developed by the Group has been successfully piloted and validated, with core models for water demand forecasting, intelligent chemical dosing, and precise pressure regulation established, enabling AI-driven optimisation of water treatment process parameters and workflows, thereby achieving comprehensive intelligent control objectives such as safe plant operation, energy conservation, and unmanned operation. Additionally, the Group is actively exploring innovative applications of large language models in enterprise operations and accelerating the integration of DeepSeek into water operations.

PEOPLE'S LIVELIHOOD AND WELL-BEING GIVING MEANING TO OUR INITIAL MISSIONS

China Water's mission and vision is to build a leading service-oriented enterprise that continuously strives for excellence, and to be a pioneer in creating value in the water industry. Since entering the direct drinking water business in 2018, the Company has established a professional team, merged with an industry-leading company, and introduced international advanced technologies to build a direct drinking water service network covering 24 provincial-level administrative regions, 319 counties and districts, and over 10,000 projects, benefiting 12 million urban and rural residents. It has become the only listed company in China to achieve national coverage in the direct drinking water sector. Additionally, the Group continues to explore the environmental benefits of direct drinking water in terms of carbon reduction and plastic minimisation. The green and low-carbon direct drinking water solution it developed for the China Carbon Emissions Registration and Clearing (CRC) Tower was highly recognised at the China Carbon Market Conference.

CLIMATE ACTION DEMONSTRATING GREEN RESPONSIBILITY

China Water actively implements the new concept of ecological civilisation, consistently implementing the strategy of integrating water supply to cities and villages as well as water supply and drainage, acutely develops into the market for quality water supply, and strengthens the dual-engine business combination of "water supply + direct drinking water", in order to safeguard water safety, alleviate water supply pressure and improve water ecology. The Group is committed to achieving the "dual carbon" goals, actively advancing corporate climate action, comprehensively revising its Environmental and Social Management System (ESMS) documents, guided by the "Green Operation Initiative", the "Outline of the Implementation Plan for Carbon Peaking and Carbon Neutrality", and the "Net Zero Emission Work Proposal", and fully implementing the energy-saving and emissions-reduction technological upgrades, efficient utilisation of clean energy, routine application of green office practices, and public welfare activities for water conservation and protection, which are all aimed at achieving high-quality sustainable development.

PEOPLE-ORIENTED DRIVING MANAGEMENT UPGRADES

China Water has always adhered to a people-oriented talent management philosophy, fostering a fair, just and inclusive workplace culture, focusing on the cultivation of multi-skilled talent, and building a loyal, stable, united, positive and innovative workforce. Leveraging a high-quality talent pool, the Group continues to consolidate the achievements of standardised and refined management, conduct routine inspections, and fully implement a grid-based management model for water supply networks. We are striving to build the "China Water, Nourishing Thousands of Families with Love" brand, setting industry benchmarks with exceptional product quality and service standards, and earning widespread recognition from society.

A TIME WILL COME TO RIDE THE WIND AND CLEAVE THE WAVES, AND WE SHALL HOIST OUR WHITE SAILS AND CROSS THE VAST SEA

Standing at the forefront of the times, China Water will always embrace responsibility as our sail and innovation as our oar, steadfastly sailing forward along the route of digital transformation, public services, green development, and talent cultivation. We will continue to deepen the integration of core businesses and cutting-edge technologies, continuously enhance our ESG practices, and deliver higher-quality services, greener solutions, and smarter management, to safeguard the water lifeline of urban and rural areas, enrich the well-being of millions, boldly embrace our industry mission, radiate the excellence of our brand, and paint a magnificent picture of harmonious coexistence between humanity and nature.

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 headquarter in Beijing, our capital city.

SCALE OF THE GROUP

As of 31 March 2025, the Group had 168 water plants, with a total designed daily water supply capacity of 14.19 million m^3; 25 sewage treatment plants, with a total designed daily sewage treatment capacity of 1.29 million m^3; total length of water pipelines under operation and maintenance was approximately 151,000 km; total length of drainage pipelines under entrusted operation was over 1,150 km; estimated population covered by the city water supply business was over 30 million; estimated population served by the pipeline direct drinking water business was approximately 12 million; and total number of staff in the Group was 10,932.

MAJOR OPERATING ACHIEVEMENTS

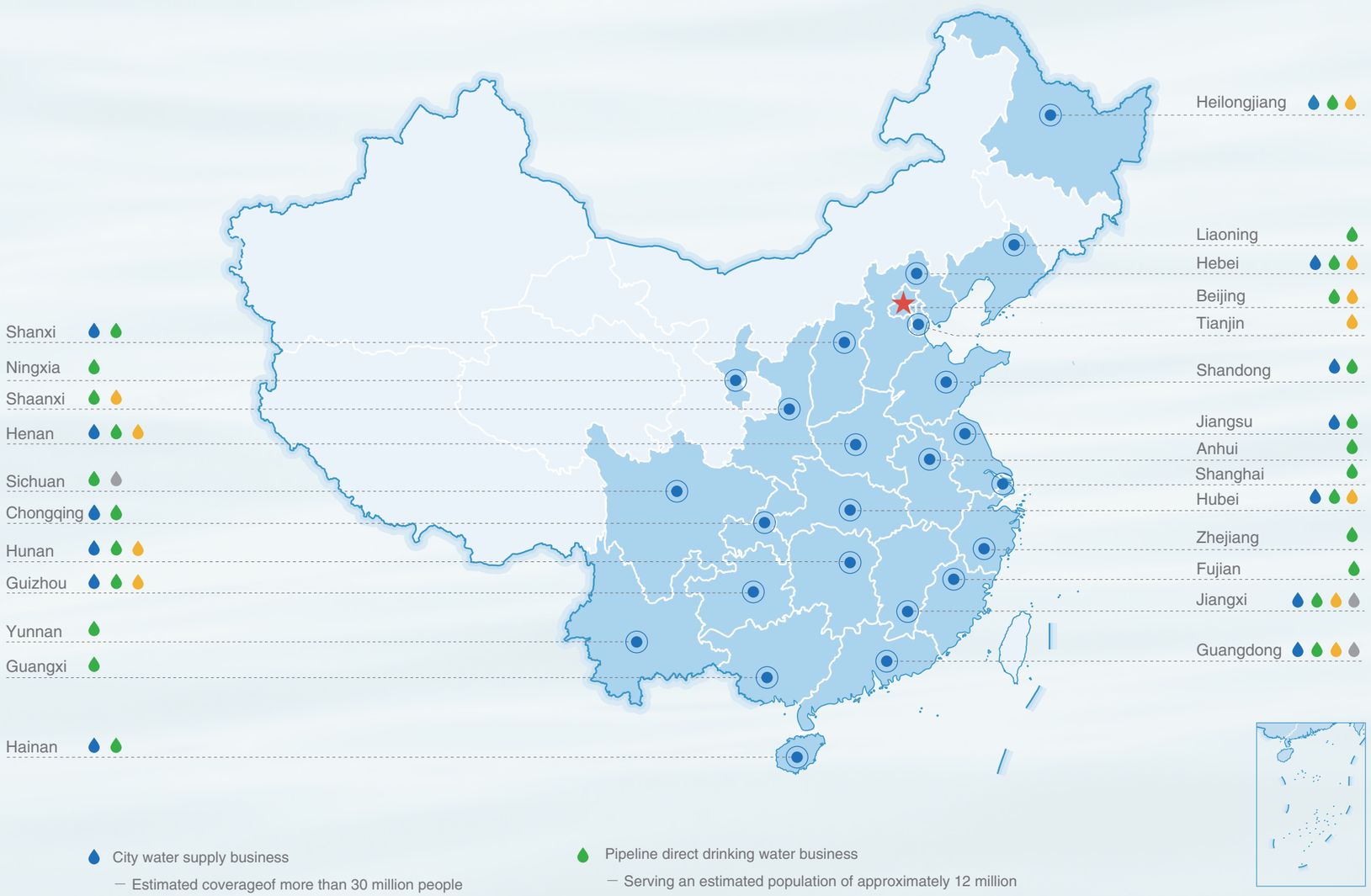
During the reporting period:

HK$**3.21** billion

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

HK$**12.61** billion

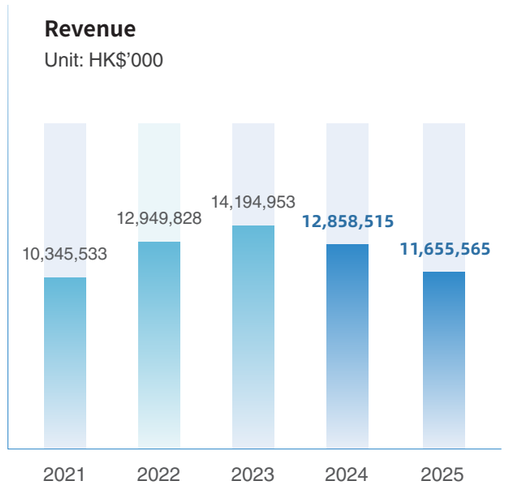
Total financing amount

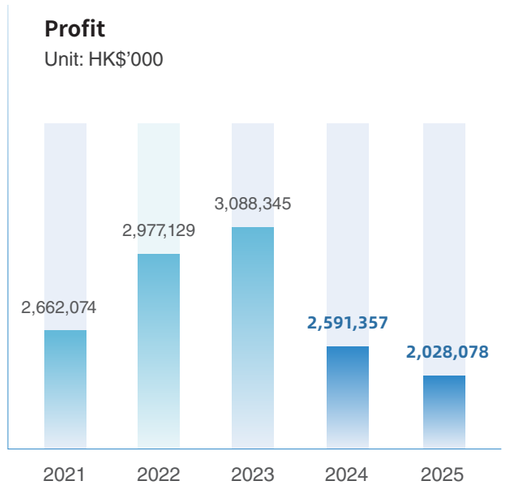


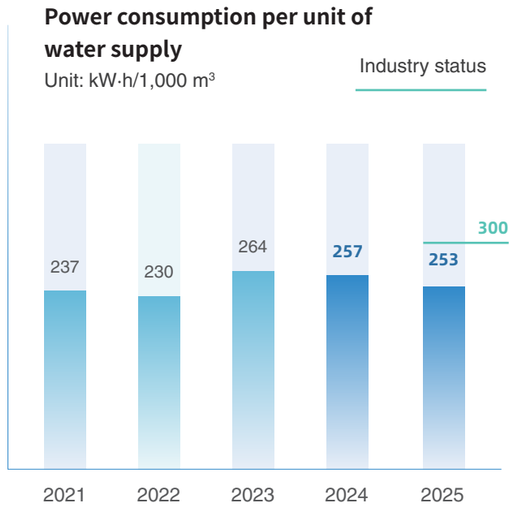
- City water supply business
  - Estimated coverageof more than 30 million people
  - Water pipelines of approximately 151,000 km
- Drainage operation
- Pipeline direct drinking water business
  - Serving an estimated population of approximately 12 million
- Environmental protection business

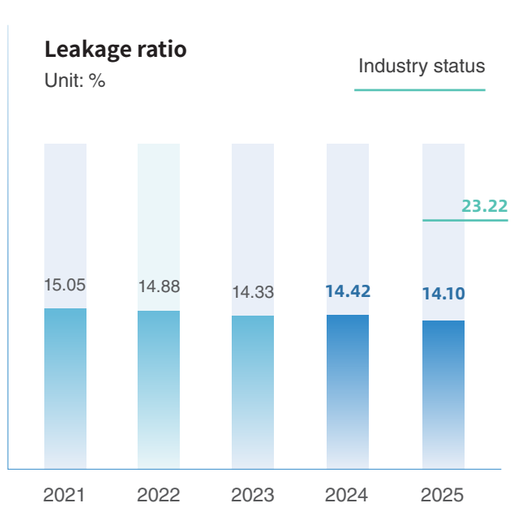
  Sewage treatment operation and construction (Including water environmental renovation construction projects)

MANAGEMENT INDICATORS









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

HONORS

A RATING

Received from MSCI ESG Ratings by China Water Affairs Group Limited

EXCELLENCE AWARD FOR COMPANIES

Received at the "EY Sustainability Excellence Award 2024" by China Water Affairs Group Limited

CORPORATE GOVERNANCE OF THE YEAR AWARD

Received at the "Greater Bay Area Listed Companies ESG100 Green Advancement Awards" by China Water Affairs Group Limited

" ESG BEST BRAND PROMOTION AWARD 2024"

Received from SGS by China Water Affairs Group Limited

BEST HONG KONG STOCK CONNECT COMPANY

Received at the "9th Zhitong Caijing Listed Companies Awards" by China Water Affairs Group Limited

E20 ENVIRONMENTAL PLATFORM INDUSTRIAL PARK WASTEWATER TREATMENT EXCELLENCE CASE AWARD

Received by Huizhou Daya Bay Qingyuan Environmental Protection Co., Ltd.'s ExxonMobil sewage treatment project

STAKEHOLDER ENGAGEMENT

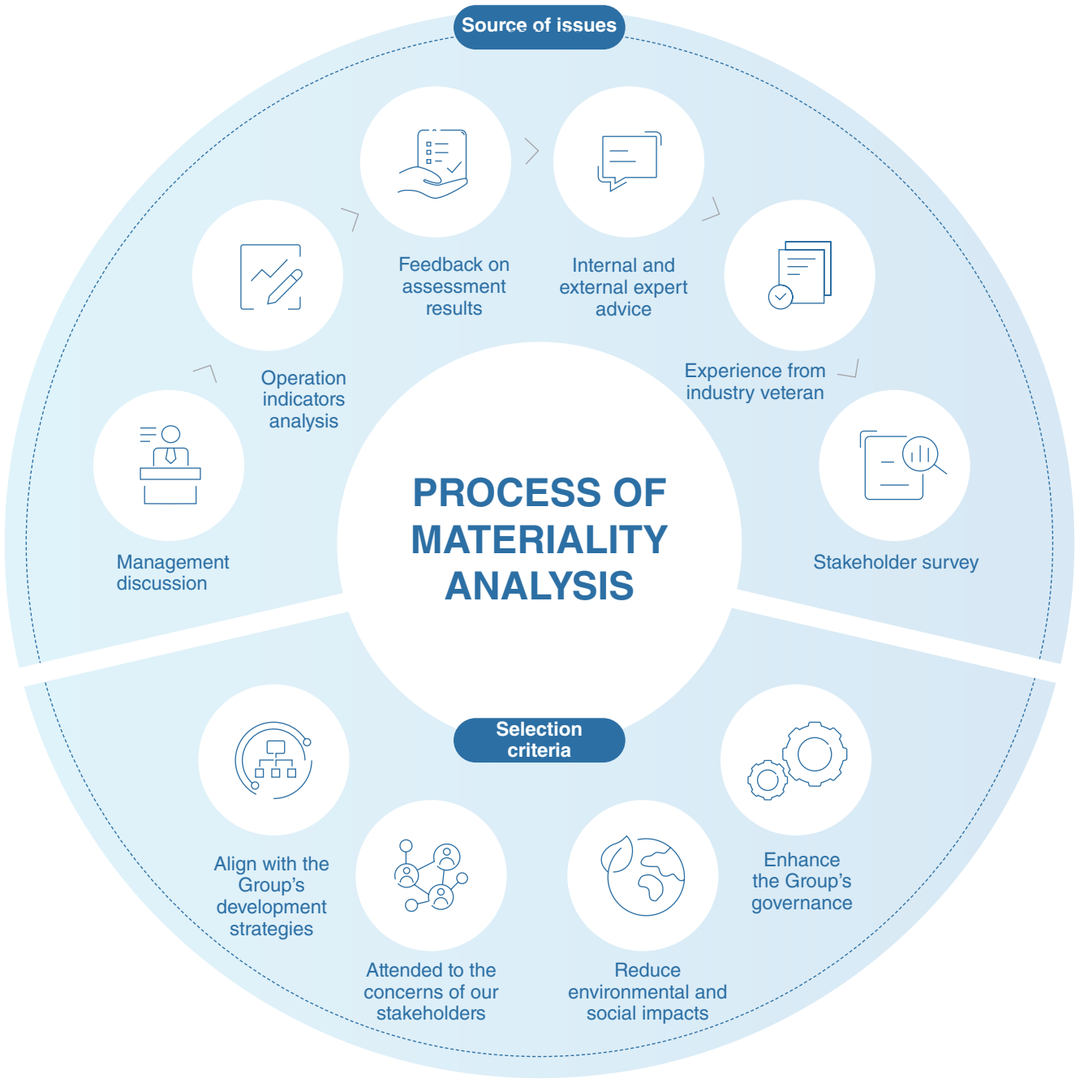
China Water insists on inclusiveness and win-win cooperation. It always maintains good relations and effective communication with its stakeholders and facilitates the improvement of corporate governance together. To fully understand the concerns of our stakeholders and listen to their demands and suggestions, the Group has established an open, transparent, comprehensive, and efficient communication and engagement mechanism, with which stakeholders' engagement is incorporated into our management system and business processes under the principles of honesty, equality, and mutual benefit. The Group's stakeholders mainly include our shareholders, investors, creditors, the government, our customers, consumers, employees, suppliers and the local communities.

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

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

MATERIALITY ANALYSIS

With reference to the requirements of the “Environmental, Social and Governance Reporting Code” of the Hong Kong Stock Exchange and the issues stated in the materiality list in the “G4 Sustainability Reporting Guidelines” issued by the Global Reporting Initiative (GRI) and taking into account the results of stakeholder engagement, China Water has identified, prioritized, and verified issues of materiality. It also determined the level of disclosure and reporting boundaries according to the four reporting principles of materiality, quantitative, balance and consistency.



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 20 materiality issues and determined the scope and boundaries of their impact.

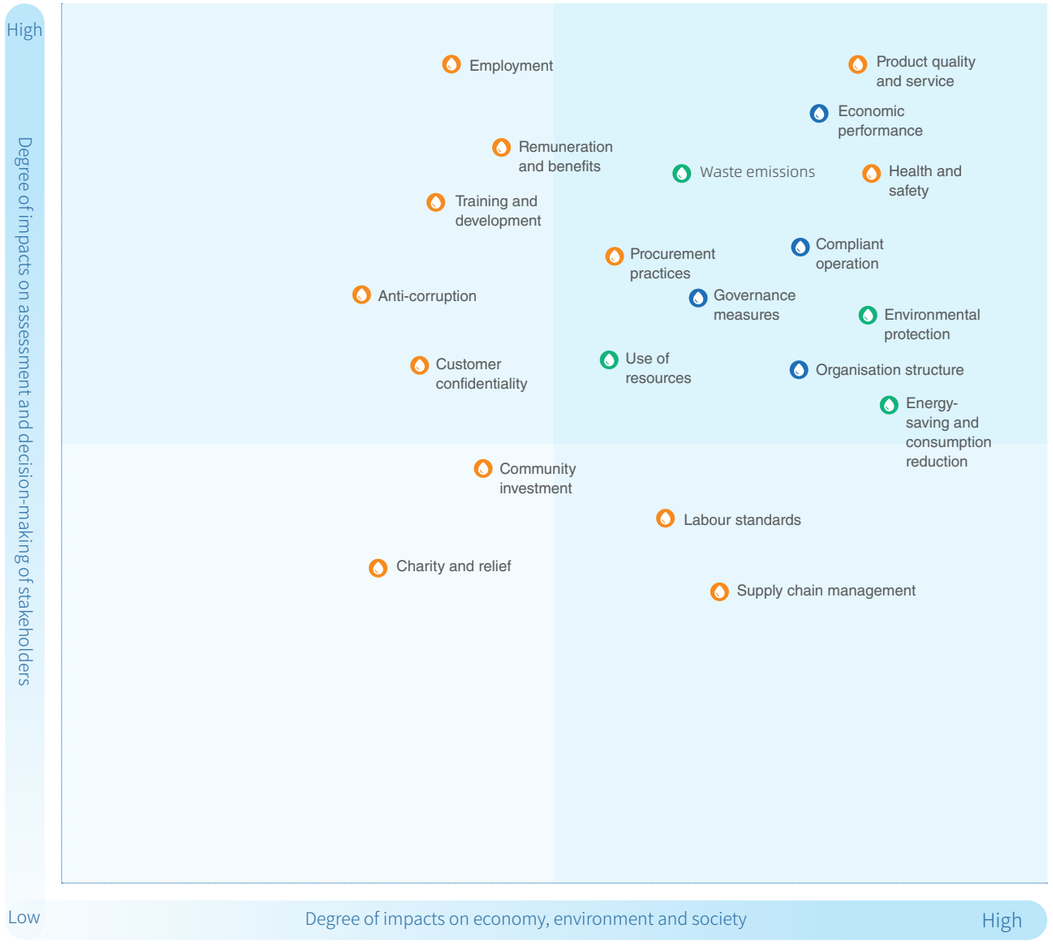
No.	Aspect	Materiality issues	Scope of impact						Boundary
			Internal	External					
				Investors and creditors	Government	Customers and consumers	Suppliers	Community	
1	Legitimate governance platform	Governance measures	●	●	●	□	●	●	Materiality aspects are applicable to China Water and its subsidiaries
2		Organisation structure	●	●	●	□	●	●	
3		Economic performance	●	●	●	●	●	●	
4		Compliant operation	●	●	●	●	●	●	
5	Sustainably promoting environmental improvement	Emissions	●	□	●	●	●	●	
6		Energy saving and consumption reduction	●	□	●	●	●	●	
7		Environmental protection	●	□	●	●	●	●	
8		Use of resources	●	●	●	●	●	●	
9	Actively practicing cooperative development of society	Employment	●	□	●	□	□	●	
10		Remuneration and benefits	●	●	●	□	□	□	
11		Training and development	●	●	●	□	□	□	
12		Health and safety	●	●	●	□	□	●	
13		Labour standards	●	●	●	□	□	□	
14		Supply chain management	●	□	●	□	●	□	
15		Procurement practices	●	●	●	□	●	□	
16		Anti-corruption	●	□	●	●	●	□	
17		Product and service quality	●	●	●	●	●	●	
18		Customer confidentiality	●	□	●	●	□	□	
19		Community investment	●	□	●	□	□	●	
20		Charity and relief	●	□	●	□	□	●	

● represents materiality issues with larger impacts on stakeholders

□ represents materiality issues with less impacts on stakeholders

PRIORITIZATION

The identified materiality issues are prioritized in terms of importance according to the degree of impact on the economy, environment, society as well as the assessment and decision-making of our stakeholders.



- Sound operational management
- Ongoing environmental optimisation
- Social co-development

VERIFICATION

In respect of the identified and prioritized materiality issues, the Group has collected opinions from experts, users and stakeholders and carried out verification in many ways. Meanwhile, the Group formulated administrative measures regarding the indicators involved in the materiality issues to determine the methods and procedures of indicator collection so as to ensure the reasonableness, balance and completeness of the report.

REPORTING PRINCIPLES

Materiality: As determined by the Board, the issues disclosed in the report have material impact on our investors and other stakeholders.

Quantitative: Key operating indicators are presented with historical data as comparisons. Notes to key environmental indicators cited referencing standards, calculation parameters and methods. Targets and explanations are provided for sustainability indicators for the assessment and verification of ESG governance performance.

Balance: The report presents the Group's ESG performance in a fair and objective manner. All contents are supported by verification material to avoid inappropriately influencing a decision or judgment by the report reader.

Consistency: The preparation process and disclosure of information in the report remained consistent with those set out in the financial report.

01

CONSTRUCTION OF MANAGEMENT PLATFORM

Sound corporate governance is essential to boost investor confidence as it helps to define decision-making procedures and management responsibilities and increase operational transparency. China Water has always been committed to maintaining high standards of corporate governance and strictly complying with national laws, regulations and industry standards in the course of its operation and management as well as its mergers and acquisitions. It has been steadfastly implementing its sustainable development strategy to provide sufficient protection to the interests of its shareholders and create values for society.

The Group's governance policy is in compliance with the relevant guidelines in the Corporate Governance Code as set out in Appendix C1 to the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited. We have built a legitimate, rational and efficient governance model by establishing a sound management structure with comprehensive rules and regulations, conducting regular audits, fully implementing risk prevention and control, and disclosing accurate corporate information in a timely manner.

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 2025, the Group's Board comprises 12 directors, including 4 executive directors, 4 non-executive directors and 4 independent non-executive 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.

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 headquarter) 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.

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.

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

02

PROMOTING ENVIRONMENTAL IMPROVEMENT

Amid China's national strategy to vigorously advance artificial intelligence and cultivate new productive forces, the artificial intelligence industry chain is driving transformation and upgrades across industries through a synergistic ecosystem that enhances computing power at the foundation level, refines model training at the technology level, and implements application scenarios at the application level. As a pioneer in environmental improvement, China Water has kept its fingers on the pulse, actively embraced the new AI ecosystem, and empowered low-carbon development and green transformation. This is not only an active response to the national "dual carbon" policy and alignment with the industry's green investment trends, but also a natural choice that matches public demand for green consumption and achieving sustainable development. The Group focuses on its core businesses of urban water supply, sewage treatment, and pipeline direct drinking water. By deeply integrating artificial intelligence technology into operational practices, the Group systematically advances energy conservation, emissions reduction, and resource efficiency, optimises energy structures, and implements ecological restoration projects. It also conducts corporate climate actions, precisely identifies key areas for cost reduction and efficiency improvement, innovates service models, and aligns with market demand in a practical manner to create green and low-carbon value for society.

SPECIAL TOPIC 1

EMBRACING THE NEW AI ECOSYSTEM, CHINA WATER LAYS OUT PLANS FOR AI INDUSTRY UPGRADE

The "Outline of the 2035 Development Plan for China's Urban Water Services Industry" states that through the deep integration of next-generation information technology into water services, water service systems should achieve data-driven resource optimisation, intelligent control, precise management, and smart decision-making to ensure the safe operation of water facilities. With a forward-looking vision and innovative ideas, China Water has pioneered plans in artificial intelligence, which focused on the operational and technical needs of water treatment plants in the initial phase, adhered to the principles of "coordinated construction, resource integration, information sharing, and phased implementation", and leveraged on advanced technologies such as big data, cloud computing, and the Internet of Things (IoT) to empower water plants with digital, visual, and intelligent operational upgrades. The goal is to provide users with high-quality services that are "safe and reliable, environmentally friendly, economically efficient, and intelligent and convenient".

DEVELOPMENT OF SMART WATER TREATMENT PLANTS OPERATIONAL MANAGEMENT PLATFORM

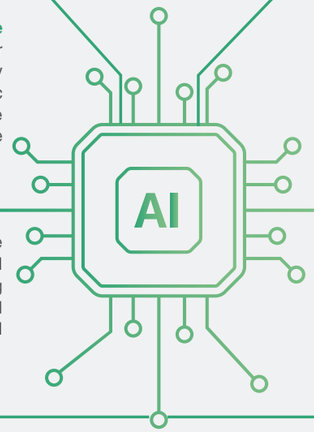
The Group has collaborated with a professional third-party technology company to develop a smart water treatment plant operational management platform. This platform is centred around artificial intelligence technology and leverages emerging technologies such as the Internet of Things, big data, cloud computing, and mobile internet to build a digital twin smart water treatment plant. The platform is equipped with AI models for water flow prediction, intelligent chemical dosing, precise pressure regulation, hydraulic retention time control, coagulation monitoring, and equipment maintenance. It can collect production data throughout the entire water treatment process and optimise water production process parameters and workflows through AI algorithms, achieving the comprehensive intelligent control objectives of safe and stable plant operation, energy conservation, and reduced consumption, as well as unmanned operation.

DEPLOYING LARGE LANGUAGE MODELS ENHANCING OPERATIONAL EFFICIENCY

Driven by AI and sustainable development strategies, the Group is actively exploring the innovative applications of DeepSeek large language models in its business operations. Through systematic research and business scenario adaptation analysis, the Group has identified the application pathways and development directions in improving operational efficiency, strengthening risk management, and optimising customer service, and has identified five short-term, actionable application scenarios, whereby related implementation work to accelerate the integration of DeepSeek large language models into water operations has commenced.

Construction of a business knowledge base: Through structured integration of water technology standards, project cases, policy regulations and other data, form a dynamic updating intelligent retrieval system to improve internal data transfer efficiency and employee training effectiveness.

Intelligent compliance review: For core documents such as contracts and technical solutions, natural language processing technology is used to automatically identify and warn of compliance risks, thereby reducing legal and operational risks.



Intelligent risk management: Build risk assessment models based on historical data to monitor and predict water quality safety, pipeline operation, supply chain management, and other scenarios in real time, thereby improving the accuracy of risk response.

Intelligent customer service system: Through multi-turn interaction, provide users with standardised services such as water usage enquiries, fault reporting, and policy explanation, thereby shortening response times and improving customer satisfaction.

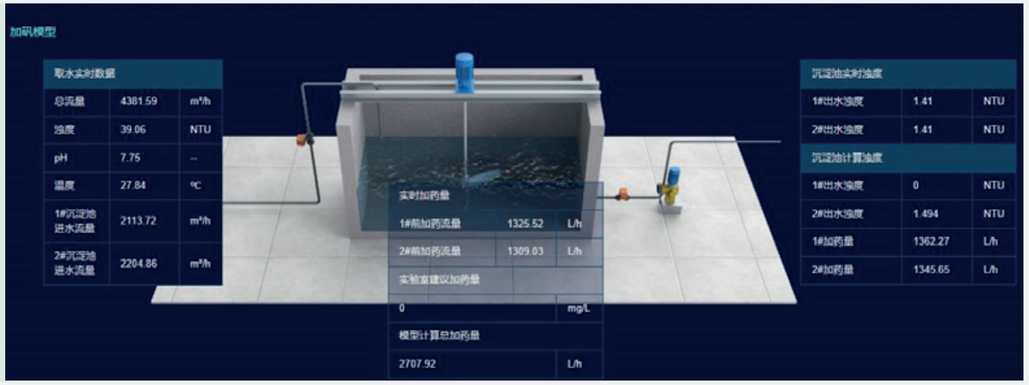
Developing AI office assistants: Achieving the intelligent automation of daily office tasks such as meeting minutes generation, report writing, and data visualisation, thereby freeing up human resources to focus on high-value business activities.

SMART WATER PLANT ACHIEVING SIGNIFICANT RESULTS IN THE PILOT PROJECT

Building on the relatively well-developed information management infrastructure and operational data accumulation of the No. 4 Water Plant of Xinyu Water, the Group has commenced a pilot project for a smart water plant operational management platform. The project was launched at the end of 2023 and has since completed the testing and construction of core models such as water flow prediction, intelligent chemical dosing, and precise pressure regulation. After a year of dynamic testing and performance tracking, the plant achieved a year-on-year reduction of 5.9% in electricity consumption per unit of water supplied and 5.8% in chemical consumption, resulting in a cumulative cost savings of RMB542,000. Given the significant success of the pilot project, the Group has deployed the platform at over ten subsidiaries. By replicating the matured models and optimising algorithms, the Group aims to further explore potentials in energy-saving and consumption-reduction, driving the deep integration of smart operations in water management scenarios.

Case study: Intelligent Chemical Dosage Model

The essence of the intelligent chemical dosage model is an integrated control system that provides chemical dosage control for water treatment processes. The system uses artificial neural network methods to construct an accurate chemical dosage calculation model based on water intake, water quality, and water quality data from each process unit. It calculates the dosage in real time and regulates the load and distribution system of the chemical dosage device to achieve on-demand supply and precise control of chemicals.



SPECIAL TOPIC 2

DRIVEN BY "DUAL CARBON", CHINA WATER'S DIRECT DRINKING WATER BUSINESS MOVES TOWARDS HIGH-QUALITY DEVELOPMENT

Under the "dual carbon" strategy, China Water has deeply integrated its direct drinking water business with green and low-carbon concepts. With a strong sense of social responsibility and mission, it actively responds to the needs of the times and steadily promotes the upgrading of water supply services. As a key milestone for the high-quality development of the direct drinking water business in 2024, the Group issued important documents such as the "Opinions on Firmly Advancing Water Supply Upgrades and Striving to Achieve High-Quality Development of the Direct Drinking Water Business", prioritising the needs of the public, systematically deploying and efficiently advancing all tasks, and gradually establishing its leading position in the industry by continuously exploring the environmental benefits of carbon reduction and plastic reduction in direct drinking water. As of March 2025, the Group's direct drinking water business has covered 319 districts, counties, and county-level cities across 24 provinces, municipalities, and autonomous regions nationwide, successfully operating over 10,000 projects and providing safe and high-quality drinking water services to 12 million people.

As of March 2025, the Group's direct drinking water business has coverage for

24
provinces, municipalities, and autonomous regions

319
districts, counties, and county-level cities

over **10,000**
successful projects in operation

12 million people
providing safe and high-quality drinking water services

■ Provinces where direct drinking water business is located

Review No. GS (2019) 1825 Prepared under the supervision of the Ministry of Natural Resources

LANDMARK DIRECT DRINKING WATER PROJECT COMPLETED AT THE CRC TOWER IN WUHAN

Located in Wuhan City, Hubei Province, the CRC Tower is not only the national carbon market registration, settlement, and clearing platform but also the first carbon trading financial and innovation building. It has attracted numerous domestic and international carbon financial institutions, low-carbon leading enterprises, dual-carbon research institutions, and academician workstations to establish operations, making it China's undisputed "carbon hub".

China Water, with its high-quality direct drinking water business and pragmatic "dual carbon" strategy, aligns perfectly with the philosophy and functions of the CRC Tower. In July 2024, the solar-powered direct drinking water treatment plant room constructed by the Group for the CRC Tower was successfully completed, enabling the whole building and the surrounding financial industrial park and commercial complex to enjoy high-quality, low-carbon, environmentally friendly drinking water. The plant not only employs the most advanced direct drinking water equipment but also features a unique architectural design, with the surrounding greenery and landscaping also designed and created by the Group.

The CRC Tower attracts numerous visitors from various sectors annually, including government agencies, corporate representatives, and media outlets. Upon its launch, China Water's solar-powered direct drinking water treatment room became a focal point for visits and photography, praised by many visitors as the "most beautiful plant room", and has emerged as one of the Group's most successful landmark projects.

INNOVATIVE MULTI-SCENARIO SERVICES – DIRECT DRINKING WATER TRUCKS AT MUSIC FESTIVALS

At large-scale events such as music festivals and concerts, bottled water is typically the primary beverage consumed by attendees, resulting in significant plastic waste. The Group firmly believes that direct drinking water offers unparalleled carbon reduction and plastic reduction benefits, and is committed to innovating multi-scenario services to leverage the environmental advantages of direct drinking water in more diverse settings.

In June 2024, the Changsha Strawberry Music Festival took place as scheduled, attracting over 50,000 attendees. The Group deployed its self-developed high-end direct drinking water trucks to the music festival site at the Changsha International Convention and Exhibition Centre, providing safe, healthy, and convenient drinking water services for fans and staff. The direct drinking water vehicles were positioned in convenient locations, with seven drinking water points set up. The Company also organised on-site interactive activities and media promotions to enhance brand visibility and raise awareness of the low-carbon and environmentally friendly characteristics of direct drinking water. During the entire music festival, the direct drinking water vehicles supplied over 13 tonnes of purified water, serving approximately 25,000 people.

By integrating water needs into the music festival, China Water championed its environmental advocacy, rejecting plastic packaging, reducing carbon footprints, promoting "freshly made" direct drinking water as a new consumer trend, advocating green drinking water and spreading low-carbon and positive message!

PROTECTING THE RED HOLY LAND – COMPLETION AND COMMISSIONING OF DIRECT DRINKING WATER PROJECT AT THE LIU SHAOQI MEMORIAL HALL

As a national 5A-rated scenic area and a base for patriotic education, the Liu Shaoqi Memorial Hall, dedicated to the founding statesman Liu Shaoqi, attracts numerous visitors from across the country each year. The Group was honoured to collaborate with the memorial hall to construct a direct drinking water system for the entire scenic area. Given the significant historical and cultural value of the Liu Shaoqi Memorial Hall, the direct drinking water project imposed higher standards in terms of construction plans, safety measures, and on-site management. Since the project commenced, leadership from the parties involved has personally participated in technical briefings and conducted multiple on-site visits to ensure the project progresses to the highest standards and quality. Following the successful completion and commissioning of the project, visitors' experience has been further enhanced, marking a significant and demonstrative step forward for China Waters' direct drinking water initiatives in improving cultural tourism services.

SAFEGUARDING PUBLIC'S LIQUID LIFELINE, INNOVATING THE FUTURE OF CITIES

Urban water supply is a foundational public utility closely tied to national economy and people's livelihood, directly impacting public health and well-being, urban safety operations, and sustainable economic development. The Group has been deeply rooted in the water supply sector for over two decades, consistently adhering to the business philosophy of "Water-oriented, Kindness to Society". Through scientific planning and innovative practices, the Group has gradually established a comprehensive system of institutional norms and standards covering the entire process. Leveraging standardised management, service brand development, and intelligent operations, we have successfully transitioned from a traditional water supply company to a modern integrated water services operator. This transformation provides safer, higher-quality, and more efficient water supply guarantees for new urbanisation and integrated urban-rural development.

During the reporting period

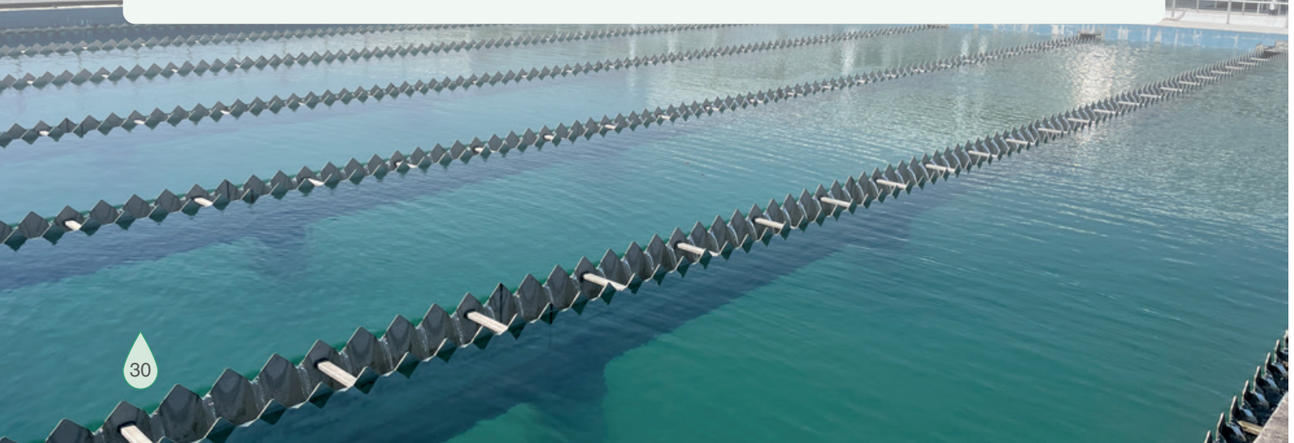
1.50 billion m^3
Cumulative clean water supply volume

30 million people
Enjoyed drinking water and water security

Official commissioning of the Qingji Industrial Park Water Plant Construction Project in Gong'an County

The Qingji Industrial Park Water Plant in Gong'an County is a key local livelihood project and industrial support project, with a total investment of RMB120 million. It is being constructed and operated to high standards by the Group. The project commenced construction in July 2022 and officially began water supply operations in August 2024. The plant covers an area of 72 mu, with a designed total water supply capacity of 90,000 m^3 per day, and phase I construction capacity of 45,000 m^3 per day. The plant not only provides production water for the entire Qingji Industrial Park but also meets the domestic water needs of approximately 50,000 residents in multiple areas such as the Chengnan New District, Zhanqian Area and Yangjiachang Town of Gong'an County.

The completion and operation of the Qingji Industrial Park Water Plant, together with the other three water plants operated by the Group in Gong'an County, have formed a new "four-plant joint supply" landscape. This has effectively alleviated the mismatch of water supply and demand in urban and rural area, significantly improved water supply reliability, and laid a solid foundation for promoting high-quality development of the county's economy.



REDUCING THE IMPACT OF SEWAGE AND ADVANCING ENVIRONMENTAL IMPROVEMENT

The Group regards sewage treatment as a core component of promoting environmental improvement. Through the establishment of a professional management platform, Shenzhen Jinda Environmental Holdings Co., Ltd., the Group strengthens supervision and guidance over its sewage-related businesses. For each sewage treatment plant, the Group continues to promote upgrading and renovation projects to ensure that all treatment facilities meet the Grade 1-A standard of the "Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant" (GB18918-2002). This not only effectively reduces pollutant concentrations but also focuses on enhancing water resource recycling rates, thereby reinforcing safeguards for regional water environmental safety.

During the reporting period

252 million m^3
Cumulative volume of treated sewage

87,697 tonnes
Chemical oxygen demand (COD) reduced

38,501 tonnes
Biochemical oxygen demand (BOD) reduced

46,161 tonnes
Suspended solids (SS) reduced

6,712 tonnes
Ammonia nitrogen (NH_3-N) reduced

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 SUPPORT RURAL REVITALISATION

Urban-rural water supply integration holds multiple strategic significances for the Group. First, it improves rural drinking water safety by standardising pipeline layout and water quality standards, enabling rural residents to bid farewell to "poor water quality, low water pressure, and unstable water supply". Second, it promotes resource optimisation by breaking down the fragmented urban-rural water supply system through water source allocation, water plant construction, and pipeline interconnection. Third, it supports urban-rural integration by narrowing the gap in public services between urban and rural areas, providing a solid foundation for rural industrial revitalisation and improved living environments. Fourth, it strengthens ecological protection by adhering to the principles of coordinated implementation of planning, management and allocation in water supply, reducing the risk of water source pollution caused by decentralised rural water supply systems, and promoting coordinated ecological governance between urban and rural areas to achieve the development goal of "protecting our invaluable assets of lucid waters and lush mountains".

During the reporting period

140 thousand
New rural household users

490 thousand
New rural water users

Final push for completion of the urban-rural water supply integration project in Jizhou District

To establish a long-term operation and maintenance mechanism for rural water supply projects in Jizhou District, Ji'an City, and to enhance the management and service standards of rural water supply, the Group signed an "Urban-Rural Water Supply Integration Project Cooperation Agreement" with the Jizhou District People's Government in 2021. The plan is to complete the project within 3-4 years, with cooperation following the principle of "launching across all aspects, implementing in phase, and improving across whole organisation.' with the extension of urban water supply networks as the main focus, supplemented by small-scale centralised water supply projects, to achieve full coverage of rural water supply.

The total investment for the urban-rural water supply integration project in Jizhou District is approximately RMB290 million, benefiting 102,400 residents across four townships. 2024 marks the final year of the project's implementation, during which the Group is fully committed to advancing progress. This includes replacing rural small-scale water supply facilities with the extension of water supply networks from three urban water treatment plants, while setting up five booster stations in suitable terrains and laying over 1,600 kilometres of pipelines. This has fully utilised the existing water plants' supply capacity, with 536 out of 538 natural villages in the towns of Jizhou District now having formal water supply access, achieving a water supply coverage rate of 99.63%.

DRAINAGE INTEGRATION IN URBAN AND RURAL AREAS TO ADVANCE THE CONCEPT OF ECOLOGICAL CIVILISATION

Improving the living environment in urban and rural areas and building beautiful, livable rural communities are important measures to promote integrated urban-rural development, foster harmonious synergy between towns and villages, and advance the concept of ecological civilisation. The Group closely aligns with the needs of urban-rural ecological environment governance, actively pursuing integrated urban-rural drainage services. Through the construction and operation of sewage treatment facilities and drainage networks, the Group systematically address urban-rural sewage management challenges, fostering an ecological landscape characterised by "clear waters, green shores, and beautiful scenery".

Urban and rural drainage integration PPP project in Ningxiang

The urban-rural drainage integration project in Ningxiang, as a key project in ecological civilisation construction, is implemented using the public-private partnership (PPP) model, with a total investment of RMB1.518 billion. It covers 51 sub-projects across the entire region, aiming to address issues such as aging urban-rural drainage networks, insufficient sewage treatment capacity, and prominent flood risks through systematic governance. In 2024, the Group completed the final stages of the upgrading and renovation of 12 ongoing township sewage treatment plants construction, while simultaneously accelerating the development of the Jinzhou New Town sewage treatment plant project and its ancillary pipeline network. The plant has a treatment capacity of 100,000 m^3 per day and adheres to the Grade 1-A standard of the "Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant" (GB18918-2002). Additionally, improvements were made to the flood control projects at four flood-prone areas in the urban area.

The Urban and rural drainage integration PPP project in Ningxiang involves multiple sites and complex construction conditions. The Group has consistently prioritised this project, actively collaborating with government departments, holding regular coordination meetings to address challenges, and ensuring that progress and quality remain under control. Currently, the overall progress of the project aligns with expectations.

WHOLE-PROCESS ENVIRONMENTAL MANAGEMENT SYSTEM

China Water has established a whole-process environmental management system to lay a solid foundation for sustainable development, having formulated the Environmental and Social Management System (ESMS) as early as 2011. This system requires all investment and construction projects undertaken by the Group and its subsidiaries to initiate a comprehensive identification and analysis of environmental and social risks from the initiation stage of a project. It mandates the development of detailed improvement plans targeting potential risks such as ecological impacts and community relations, while integrating information disclosure, stakeholder negotiation, and supervision mechanisms to achieve closed-loop management throughout the project's entire lifecycle.

In terms of implementation of safeguards, the Group established an engineering construction management center in 2019 to move forward risk control measures to the project preparation stage, ensuring compliance throughout the process. In 2022, an ESG task force was established to coordinate environmental and social management at a strategic level. Additionally, through regular special audits of engineering construction projects, a closed-loop management system of "audit – rectification – re-verification' has been established to ensure that environmental and social risks remain within a controllable range.

In 2024, the Group organised relevant functional departments and invited several project management experts to conduct a comprehensive and in-depth revision of the ESMS. This revision closely aligns with the Group's latest strategic direction and avant-garde ESG concepts, systematically optimising core modules such as the system framework, risk mechanisms, and implementation standards to further enhance the scientific, forward-looking, and operational nature of environmental and social risk management. The latest version of the ESMS has been officially distributed to all subsidiaries across the Group, providing more precise institutional guidance for subsequent project lifecycle management.

GREEN 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 (ten '000)	Proportion of proceeds used (%)
Supporting the investment and construction of green projects	26,000	52.00
Supplementing the working capital of green projects	13,400	26.80
Repaying domestic bank loans for the construction of green projects	10,600	21.20
Total	**50,000**	**100.00**

2025

The Group successfully issued an 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 the aforementioned lead global coordinators, 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.

ENERGY-SAVING AND EMISSION 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, incorporating energy consumption indicators into the performance appraisal system of its subsidiaries to enforce energy conservation and emission reduction responsibilities through rigid constraints. The Group annually forms internal teams to assess energy-saving potential, while collaborating with third-party professional institutions to implement specific measures. This approach establishes a comprehensive energy management system covering data collection, energy consumption analysis, technological upgrades, and effectiveness evaluation, driving continuous optimisation of energy consumption levels.

EMISSIONS

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 CO_2, H_2S and NH_3 produced in the course of bioprocessing; sludge mainly includes silt, garbage and excess activated sludge; major pollutants in treated discharge are COD, SS and NH_3-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 2025 (tonnes)	Total volume of emissions during 2024 (tonnes)	Total volume of emissions during 2023 (tonnes)	Emission method	Applicable laws and regulations that are subject to compliance
City water supply business	Sludge	Naturally dissolved substances and water purifiers	202,968	195,790	191,169	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 Prevention and Control of Environmental Pollution by Solid Waste" "Ambient Air Quality Standards" "Environmental Quality Standards for Surface Water" "Environmental Quality Standards for Underground Water Emission" "Standards for Odour Pollutants" "Pollutants Emission Standards of Urban Sewage Water Treatment Plant"
Sewage treatment business	Air emission	H_2S	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	3,787	3,775	3,592	Up-to-standard emission	
		SS	1,230	1,039	1,284	Up-to-standard emission	
		NH_3	124	131	146	Up-to-standard emission	
	Sludge	Silt, garbage and excess activated sludge	97,849	85,971	87,801	Sludge from domestic sewage treatment plants is used for reclamation and electricity generation after dehydration and desiccation	

Calculation of emission: ΣΣ average post-treatment concentration of pollutant x total volume of sewage treated

GHG EMISSION (A1.2)

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.

The calculation boundary covers all companies engaged in water supply, environmental protection, and direct drinking water businesses.

Category	Scope 1	Scope 2	Scope 3	Total	Emission intensity
City water supply business	1,779	151,279	20,379	173,437	0.10 tonnes/ kilotonnes of water
Environmental protection business	139,001	31,433	4,433	174,867	0.69 tonnes/ kilotonnes of water
Pipeline direct drinking water business	268	637	731	1,636	0.002 tonnes/ kilotonnes of water
Total	141,048	183,349	25,543	349,940	

Notes: ① GHG emissions are calculated on a CO_2 equivalent basis (in tonnes).

② For other businesses, scope 1 emissions were 364 tonnes, scope 2 emissions were 5,795 tonnes and scope 3 was not applicable, totalling 6,159 tonnes.

HAZARDOUS WASTES (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 9,982 tonnes, representing an emission intensity of 0.25 tonnes/kilotonnes of water, all of which were collected and properly handled by qualified professional companies.

NON-HAZARDOUS WASTES (A1.4/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 300,817 tonnes, representing an emission intensity of 0.12 tonnes/kilotonnes of water for the water supply business and 0.46 tonnes/kilotonnes of water for domestic sewage treatment. 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.

USE OF RESOURCES

The Group has implemented refined management and established a performance evaluation system covering core indicators such as unit power consumption, leakage ratio, self-use rate, and clean energy utilisation rate for its water supply and sewage treatment companies. The Group also adheres to the principle of combining conservation with innovation and enhances resource and energy efficiency through management, potential tapping and third-party professional support.

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

Category	Electricity consumption (MWh)	Electricity consumption per unit (kW·h/1,000m³)	Fuel consumption (tonnes)
City water supply business	440,700	253	625
Environmental protection business	62,467	296	49
Pipeline direct drinking water business	1,808	N/A	117
Other businesses	11,144	N/A	116
Total	516,119	N/A	907
The total energy consumption of electricity and fuel was 1,943,016 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).

During the reporting period, energy consumption of the water supply business accounted for 14.48% of production costs, which remained relatively steady compared to 14.27% in the corresponding period of the previous year; energy consumption of the sewage treatment business accounted for 22.95% of production costs, which was lower than 23.21% in the corresponding period of the previous year; average electricity consumption per unit of water supply was 253 kW·h/1,000 m^3, which was lower than the industry average of 300 kW·h/1,000m^3.

China Water's "Dual Carbon" goal by 2035:

213 kW·h/1,000m^3
Average electricity consumption per unit of water supply

over **60**%
Energy self-sufficiency rate in sewage treatment plants

ENERGY-SAVING MODIFICATION (A1.5/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 7 retrofitting projects with a total investment of over RMB6.30 million during the year.

Energy-saving retrofit of the pumping stations in water plants of Yuncheng Silver Dragon

Yuncheng Silver Dragon Water Affairs Co., Ltd. operates four water plants. After assessing the pump stations at each water plant, the company signed an energy management contract with a third-party professional institution to jointly develop an energy-saving retrofitting plan for the water pumps. By the end of 2024, the company completed energy-saving retrofit on eight water pumps at the Daqu Water Plant, Jiezhou Water Plant, and Zhenxinzhuang Water Plant, with an expected annual electricity savings of over 15%.

Upgrade and retrofit of the electricity distribution system in Chongqing Yongchuan Qiaoli Water Affairs Co., Ltd.

After analysing and evaluating the electricity distribution systems of three water plants, the company identified energy-saving potential and invested RMB500,000 to replace three high-energy-consuming S9-type transformers with new S13 dry-type transformers. To minimise the impact on residents' water supply in the area, the company developed a detailed night-time operation plan and successfully completed the transformer replacement at midnight on 20 March 2025. The new transformers not only operate efficiently with lower power consumption but also have significantly enhanced stability, completely resolving the risk of power overloads during peak water supply periods.

REDUCE LEAKAGE RATIO

The Group innovatively adopted a water-saving energy contract management approach, with the headquarters taking the lead in establishing a special working group to conduct on-site work at 13 subsidiaries with high leakage ratio. The working group assessed and considered aspects such as water supply scheduling, pressure control, pipeline leak detection, pipeline repair, meter management, and information technology construction, formulated a plan in a scientific manner to reduce leakage, and supervised its implementation, achieving remarkable results. During the reporting period, the average leakage ratio of the Group's water supply business was 14.10%, which was lower than the industry average of 23.22%.

China Water's "Dual Carbon" goal by 2035:

<10%	<12%
Leakage ratio for prefecture-level urban water supply companies	Leakage ratio for county-level urban water supply companies

PROMOTE GREEN OFFICE (A1.5/A2.3)

To thoroughly implement the concept of green operations and strengthen energy conservation and emission reduction measures, the Group issued the "Notice on Promoting Green Office Practices" during the year and supervised its implementation.

Firmly establish a green office mindset: promote the spirit of frugality, understand the importance of low-carbon and environmentally friendly office practices, and transform green office practices into normal practices.

Fully implement paperless office 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.

Make good use of information-based office platforms: 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.

Cultivate habits and a corporate culture of thrift and frugality: 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.

IMPLEMENTATION OF RENEWABLE ENERGY PROJECTS (A1.5)

The Group continues to explore new applications and models for renewable energy utilisation, focusing on cutting-edge industry technologies. In the photovoltaic sector, the Group has been steadily advancing the construction of photovoltaic power plants over the years. By 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. In 2024, the Group further deepened its innovative strategic layout by initiating a feasibility study on photovoltaic-storage integration, and has taken the lead in collaborating with third-party professional institutions in Xinyu City, Jiangxi Province, to conduct feasibility studies and technical scheme evaluations, with an aim to break through the bottlenecks in renewable energy utilisation through the "photovoltaic + energy storage" model, thereby opening up new possibilities for the efficient utilisation of clean energy.

During the reporting period

72,365 MWh
Clean Energy provided

14%
Accounted for total electricity consumption (approximately)

85 MW
Total installed capacity of PV power generation units

18%
Accounted for total electricity consumption under full-load operation (approximately)

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

The Regulation on Water Conservation, approved by the State Council of the PRC, has officially come into effect on 1 May 2024. 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".

Core indicator control: The leakage ratio is the core indicator of water conservation efforts. The Group places high priority on this indicator at the strategic level, establishing a dedicated task force to provide overarching guidance, and has maintained this indicator below 15% year-on-year, effectively enhancing water resource utilisation efficiency.

Production Process Optimisation: In water treatment processes, the Group has implemented delicacy management as a key strategy. By optimising backflushing and sludge drainage parameters, and installing additional reflux systems, the Group has controlled the self-use rate at water plants to below 3.5%, outperforming the 5% to 10% range stipulated in the "Standard for Design of Outdoor Water Supply" (GB50013-2018).

Water Conservation and Protection Promotions: Making use of key events as opportunities to promote water conservation and protection beliefs. At the World Water Day (22 March), World Earth Day (22 April), and World Environment Day (5 June) of each year, companies at all levels simultaneously conduct water source protection and water conservation themed promotional activities. Through science popularisation lectures, and community interactions, etc., a social consensus on "saving water, cherishing water, caring for water and protecting water" is fostered.

During the reporting period

1,800.80 million tonnes
Total water withdrawal

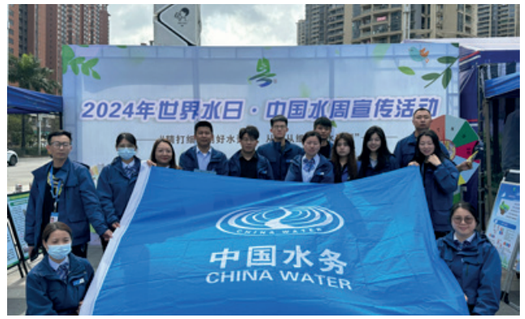
1,745.19 million tonnes
Total water supply

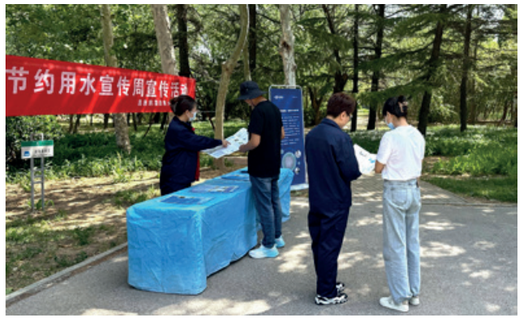
55.61 million tonnes
Total water consumption

3.09% (A2.2)
Water consumption rate per unit

China Water's "Dual Carbon" goal by 2035:

<2%
Self-use water ratio in water plants





ENVIRONMENT AND NATURAL RESOURCES (A3.1)

The construction and operation of water projects have phased impacts on the environment and natural resources. During the preliminary preparation stage, the selection of water sources and plant sites should balance resource development and ecological protection, and must avoid ecologically sensitive areas. During the construction stage, temporary environmental impacts such as wastewater, exhaust gases, waste residues, and noise generated by construction activities can be mitigated through optimised construction processes and the installation of pollution control facilities. Most pollutants will gradually dissipate after construction is completed. During the operational management phase, the focus is on sustainable water resource extraction and ecological restoration. Water extraction must be controlled in accordance with the quotas specified in the water extraction permit, while measures such as vegetation restoration are implemented to ensure that the project's environmental and natural resource impacts are minimised throughout its entire lifecycle.

Continuous Water Stress Assessment

China's water resources are unevenly distributed, with the south being water-rich and the north facing water scarcity. 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 business 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	1,409.5	4,515	3,121.8	14
Guangdong	1,956.0	12,706	1,540.2	10
Hubei	1,094.2	5,838	1,874.3	6
Hunan	1,190.1	6,568	1,812.0	5
Chongqing	698.4	3,191	2,188.7	2

Note: Map and data extracted from "China Water Resources Bulletin 2023"; permanent population data extracted from "China Statistical Yearbook 2024"

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.

International report reference certification permits are fully obtained

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 high water stress areas, accounting for approximately 4% of the total when measured by water withdrawal volume.

Strict Implementation of Environmental Impact Assessment on Construction Projects

The Group strictly complies with the requirements of the "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 comprehensive environmental impact assessments for new, renovated, or expanded planning or construction projects, and to engage third-party institutions with professional qualifications to prepare environmental impact assessment reports. This ensures that the potential environmental impacts of construction projects are evaluated in a scientific and rigorous manner.

Considering the time lag between the completion of the environmental impact assessment report and the actual commencement of project construction, during which local ecological and environmental conditions may change, the Group has established a dynamic assessment mechanism. Prior to the project's commencement, the Group arranges experts and technical personnel to form a review team to conduct specialised reviews of the project's design and construction plans, and perform a secondary assessment of the potential environmental impacts of the project.

During the reporting period, all engineering construction projects undertaken by the Group did not fall in any categories that may cause significant environmental impacts as listed in the "Catalogue for the Classified Administration of Environmental Protection for Construction Projects (2021 Edition)" published by the Ministry of Ecology and Environment.

Deeply Implement Green Construction Practices

Green construction refers to construction activities in which resources are saved and negative impact on the environment is reduced to the maximum extent through scientific management and technological advancement on the premise of guaranteeing the basic requirements of quality and safety in the construction of projects. The Group has been actively implementing green construction practices, strictly enforcing the major project command centre responsibility system, and has established nine major project command centres, including the Ningxiang Shizishan Water Plant Project, to comprehensively oversee project planning, design, schedule, quality, safety, and environmental impact, ensuring the smooth implementation of engineering projects. Additionally, the Group is revising and improving the "China Water Construction Management System" in accordance with the "Code for Green Construction of Building" and "Evaluation Standard for Green Construction of Building", taking into fully consideration of the resource and energy utilisation during construction processes, as well as ecological and environmental impacts, to strengthen the comprehensive application of green construction technologies to achieve the goals of energy conservation, land conservation, water conservation, and material conservation.

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:

10%

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

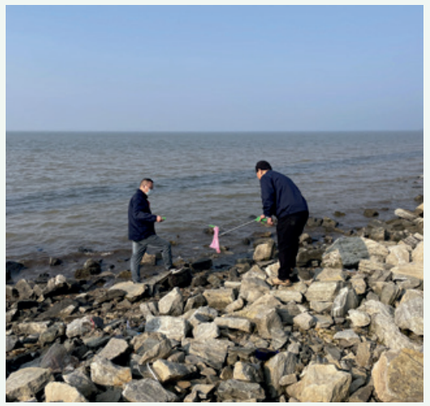
Category	Type	Consumption (tonnes)	Unit average consumption (kg/1,000 m^3)
Water purifier	PAC	17,508	11.1
	$Al_2(SO_4)_3$	232	7.1
	NaOH	277	1.8
Disinfectant	Liquid chlorine	972	1.3
	ClO_2	1,365	2.7
	NaClO	12,458	7.5

Ecological Restoration and Biodiversity Conservation

Ecological environment and biodiversity are precious assets of the Earth and the foundation for human survival and development. In 2024, the Ministry of Ecology and Environment issued the "China Biodiversity Conservation Strategy and Action Plan (2023-2030)", clearly outlining the tasks for constructing a social action system for biodiversity conservation, continuously improving ecological environment quality, and enhancing the synergistic management of biodiversity and climate change. The Group closely follows national strategies, focuses on its core businesses, and conducts ecological restoration and biodiversity conservation from multiple aspects.

Changyi Penghao Water Supply Company conducts ecological conservation practices at Bohai Bay

Bohai Bay is a crucial ecological barrier in China, but it faces severe environmental challenges due to rapid industrialisation. Changyi Penghao Water Supply Co., Ltd., a subsidiary of the Group located adjacent to Bohai Bay, actively implements ESG principles and has launched a special ecological protection initiative at Bohai Bay. In December 2024, the company organised employees to clean up various types of litter along the coastal walking path while conducting patrols of the surrounding waters, with a focus on identifying illegal feeding and hunting of seabirds. Additionally, employees used professional equipment to test water quality in the intertidal zone, observing and recording the populations and numbers of intertidal organisms such as shellfish and crabs, providing support to the assessment work for the ecological health of the region. Following such actions, the company actively communicated with local authorities, reported on the on-site condition, and discussed potential joint protection plans.



Make wildlife protection leaflets

Organise river inspections

Construction compliance

All sites selected for construction and operation projects have undergone rigorous examination and passed third-party environmental impact assessments. There had been no cases of occupying or damaging ecological reserves, rare wildlife reserves or natural heritage sites.

Enrichment of plant area

Tailored ecological restoration strategy for each water plant is implemented to create suitable habitats for passerines, fish, amphibians, and other organisms through planting native plants, establishing artificial wetlands, and creating shallow water areas, while ensuring production safety.

Ecological inspection

Integrate ecological protection requirements into daily tasks such as water source inspections, pipeline patrols, and water quality sampling and testing, establish a routine inspection mechanism, and ensure real-time monitoring of ecological conditions and rapid response to environmental issues.

Thematic activities

Actively organize a series of ecological protection activities, arrange employees to visit ecological areas such as reservoirs, riverbanks, and wetland parks, and carry out tasks such as garbage clean-up, tree planting, water quality monitoring, and legal literacy campaigns to effectively enhance public awareness of ecological protection.

Convene meetings on biodiversity conservation

Conduct wildlife protection awareness campaigns

Conduct tree planting activity in the plant area

Monitor the water quality of water sources

CLIMATE CHANGE (A4.1)

In his address at the 2025 Leaders Meeting on Climate and the Just Transition, Chinese President Xi Jinping stated, “However the world may change, China will not slow down its climate actions, will not reduce its support for international cooperation, and will not cease its efforts to build a community with a shared future for mankind. China is ready to work with other parties to earnestly honor the principle of common but differentiated responsibilities, do their utmost respectively and collectively, and build a clean, beautiful, and sustainable world together.” The Group actively responds to the national strategic call, comprehensively advancing corporate climate actions with the ultimate goal of achieving net-zero greenhouse gas emissions, transitioning to a green and sustainable growth model, fulfilling our environmental and social responsibilities, and contributing our expertise in water affairs to secure victory in this climate battle.

Pursuing Green Excellence – China Water Makes a Splash at the China Carbon Market Conference

On 21 July 2024, the China Carbon Market Conference was held in Wuhan, co-organised by the Ministry of Ecology and Environment, the Hubei Provincial People’s Government, and the Shanghai Municipal People’s Government. As a pioneer in green and low-carbon development, China Water showcased its innovative pipeline direct drinking water projects at the CRC Tower, with its “low-carbon scenario pathway” becoming the highlight of the event.

The project, characterised by “centralised production, decentralised circulation, technological filtration, and efficient convenience”, enables the public to enjoy healthy drinking water without leaving their homes. By reducing the use of plastic bottled water and barrel water, it effectively lowers carbon emissions, which earned high praise from participants of the conference. During the conference, government officials, corporate representatives, and media from various sectors visited the plant room of the project to gain a comprehensive understanding of the technical architecture of the pipeline drinking water system in achieving carbon and plastic reduction. They were impressed by the low-carbon scenario pathway created by the combination of eco-friendly building materials, sewage reuse systems, rain garden landscapes, and high-end direct drinking water equipment. The head of Wuhan Donghu High-Tech Zone praised the project as an outstanding green and people-oriented initiative.

The pipeline direct drinking water project at CRC Tower is just one of many green and low-carbon initiatives being actively promoted by China Water. The Group is committed to “pursuing green excellence”, continuously innovating low-carbon solutions to provide the public with more environmentally friendly and healthier products and services, and jointly addressing the climate change crisis.

Net Zero Action – China Water’s Green Operations and Low-Carbon Transition Initiatives

Policies and Actions | Measures and Achievements

2017

- The “Notice on Encouraging the Development of Clean Energy” was published.
- Research and development of water plants was conducted, pursuant to which construction of distributed photovoltaic power plant was implemented in accordance with the principle of “building whenever possible”, and the proportion of clean energy use increased from 3% to 13%.

2018

- The “Notice on Further Accelerating the Development of Direct Drinking Water Business” was published.
- The direct drinking water management center was set up to incorporate direct drinking water business as part of the Group’s development strategy.

2019

- The “Implementation Opinions on Comprehensively Promoting the Development of Direct Drinking Water Business of China Water Affairs Group Limited” was published.
- Jiangxi Yinli Direct Drinking Water Equipment Co., Ltd. was established as a joint venture with Japan’s ORIX and Toray Group with an aim to independently research and develop the core technology of direct drinking water.

2020

- The “Green Operation Proposal of China Water Affairs Group Limited” was published, which put forward the concepts of “economic production”, “clean production” and “ethical production”.
- Special working groups on reducing leakage ratio and energy saving and consumption were set up, and, with the assistance of third-party professional institutions, helped control the two key indicators of leakage and electricity consumption at a level far below the industry average, thereby effectively reducing carbon emissions.

2021

- The “Outline of the Implementation Plan for Carbon Peaking and Carbon Neutrality of China Water Affairs Group Limited” was published, which sets out the overall target of achieving “carbon peak before 2030 and net-zero emissions before 2050”.
- The direct drinking water business was established as a key measure to achieve carbon neutrality, and through the acquisition of leading pipeline direct drinking water companies, namely Nanjing Aquacup Technology Co., Ltd. and Jiangsu Haideneng Water Purification Technology Co., Ltd., the Group has become the only listed company with a nationwide presence in the pipeline direct drinking water business, and is committed to solving the huge amount of “white pollution” brought about by the consumption of bottled and barrel water.

2022

- The “Work Proposal on Net-Zero Emission of China Water Affairs Group Limited” was published to plan a reasonable pathway towards net zero emissions.
- A group-level ESG working group was set up to take charge of net-zero emissions-related work, including identifying emission reduction potential, formulating emission reduction measures, and promoting third-party certification of greenhouse gas emissions.

2023

- Greenhouse gas emission inventory and verification according to ISO 14064 was completed.
- SGS, a world leading inspection, verification and certification organisation, was appointed to carry out the work on greenhouse gas emission inventory and verification according to ISO 14064, and establish a greenhouse gas emission inventory, with the year 2023 designated as the base year.

2024

- The “Notice on Promoting Green Office Practices of China Water Affairs Group Limited” was published; the “Opinions on Firmly Advancing Water Supply Upgrades and Striving to Achieve High-Quality Development of the Direct Drinking Water Business” was published.
- Implement the “cost reduction and efficiency improvement” work requirements to reduce carbon emissions in daily operations;
- Develop benchmark projects such as the low-carbon pipeline drinking water scenario in the CRC Tower;
- Collaborate with the research team from Hubei University to drive the establishment of a methodology for “carbon reduction and plastic reduction” in pipeline direct drinking water.

Climate Risk Identification and Response

Against the backdrop of ongoing global climate change, the Group has fully recognised its potential impact on business operations. To actively address climate challenges, the Group has comprehensively and systematically identified and assessed climate risks in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Through analysis and evaluation, the Group has compiled a list of risks and formulated targeted and feasible response measures accordingly.

Type of risk		Description of risk	Time frame	Response measures
Physical risk	Flooding hazard	• Possible flooding of important equipment and facilities at the water plants, especially the semi-underground pumping stations; • Possible damage to water pipelines; • Possible water quality anomalies at the source.	Short term	• Strengthen the flood prevention facilities in the plant area and ensure the smooth flow of drainage pipes; conduct thorough consideration on the location of new plants to avoid low-lying areas that are susceptible to flooding; • Strengthen emergency repair capability; • Strengthen water quality testing and adjust chemical dosage and water processing parameters appropriately.
	Storm and typhoon	• Possible damage to buildings, structures, overhead lines, etc.; • Have impact on travelling and may cause injury or death.	Short term	• Pay close attention to meteorological information and take precautionary measures in advance when typhoon warnings are announced; • Warn staff not to go out to ensure life and safety is protected.
	Persistent drought	• Water levels at source have dropped, making it difficult to obtain water; • Possible deterioration of water quality at source.	Short to medium term	• Take necessary measures to ensure access to water, e.g. extend intake pipes, move intake pumping vessels, build weirs, etc; • Strengthen water quality testing and adjust chemical dosage and water processing parameters appropriately; • Build emergency backup water source.
	Extreme high temperature	• Mainly affects outdoor operations and construction projects and may lead to heat stroke; • Possible occurrence of electrical equipment failure and even fires.	Short term	• Suspend outdoor operations and construction work; • Implement heat prevention and ventilation measures, ensure fire-fighting equipment is fully maintained and organise fire drills.
	Cold wave and frost	• Possible damage to outdoor water meters and pipelines; • Possible damage to equipment and facilities within the plant area.	Short term	• Make sure that water meters and pipes are protected from freezing; • Implements anti-freeze measures on equipment and facilities within the plant area, and empty unused structures and pipes to prevent freezing.

Given that certain climate risks possess characteristics such as sudden onset, unpredictability, and significant destruction magnitude, even with all preventive measures in place, the Company may still face a certain degree of losses. To minimise the potential impact of such risks on business operations, the Group has taken appropriate commercial insurance coverage for all its subsidiaries. This ensures that in the event of extreme weather events, those companies can swiftly obtain financial compensation to resume normal operations as quickly as possible, thereby effectively mitigating any significant adverse effects on their financial condition.

Type of risk		Description of risk	Time frame	Response measures
Transitional risk	Policy changes	• China is implementing “dual carbon” strategy. New policies related to energy, carbon emissions and environmental protection will be gradually introduced, and the Group may face more stringent energy consumption targets and emission standards.	Short to long term	• Pay close attention to national policies, adjust the Group’s strategy in a timely manner and accelerate the efforts to achieve net-zero GHG emissions.
	Technology innovation	• New technologies, materials and processes are bound to emerge as a result of the “dual carbon” policy, and challenges will occur in the acceptance, application and control of these innovative products, including but not limited to input costs, operational difficulties, training and promotion, and stability.	Medium to long term	• In applying innovative products, select suitable enterprises to conduct trial runs, track and evaluate the outcomes, and then expand the application after the trial runs are successful.
	Business reputation	• Climate change has been recognised as a potential factor in reputational risk, and whether or not a company is active in climate action will change the public perception of the company.	Short to medium term	• Incorporate corporate climate action into sustainable development strategies, and at the same time enhance publicity to build up reputation and win the trust and support of the public.
	Market regulations	• Government regulators will be more stringent on environmental protection requirements for companies, and consumers will have an increasing preference on green and low-carbon products.	Medium to long term	• Upgrade sewage treatment plants, raise emission standards and achieve energy recovery; • Accelerate the development of environmentally friendly industries, such as direct drinking water business.

Notes: ① Short-term physical risk refers to a time frame of one month or less; medium-term physical risk refers to a time frame of one month to six months; long-term physical risk refers to a time frame of six months or more.

② Short-term transitional risk refers to a time frame of one year or less; medium-term transitional risk refers to a time frame of one year to three years; long-term transitional risk refers to a time frame of three years or more.

Upgrade energy-efficient lighting in the plant area

Implement freeze prevention and insulation measures for equipment and pipelines

Conduct flood prevention emergency drills

Implement paperless office operations

Conduct joint inspections of water sources with relevant government departments

Hold a work deployment meeting regarding typhoon prevention

Convene a work coordination meeting on responding to extreme rain, snow, and freezing weather

Organise training on responding to climate change

Capitalizing on Climate Opportunities

The Group adopts a forward-looking strategic approach, transforming climate risks into development opportunities through systematic analysis and research to accurately identify underlying market opportunities that come with climate risks. The Group closely monitors changes in market demand to capture new trends in low-carbon consumption; keeps pace with the latest advancements in emerging technologies to explore application scenarios for green projects; and conducts in-depth research into the direction of policy environment adjustments to capitalise on favourable industrial policy. Leveraging on proactive planning and rapid response strategies, the Group has secured a leading position in sectors such as renewable energy, and low-carbon products and services, successfully cultivating new business growth drivers while achieving sustainable development in the face of climate change challenges.

Climate Opportunities		Potential Impact and Outlook
Resource Efficiency	• Reduce water consumption and leakage • Reduce material consumption	• Reduce operating costs and increase productivity • Increase automation and informationization
Energy use	• Reduce conventional energy consumption • Use of clean energy	• Reduced operating costs • Accelerate the process of carbon neutrality • Raise corporate reputation • Mitigate the impact of future fossil fuel price increases
Products and Services	• New business transformation • Changes in consumer preferences	• Increase new revenues • Diversify business operations to enhance corporate resilience • Strengthen corporate competitiveness by providing products that meet consumer preferences
Carbon Market	• Participate in the carbon market	• Increase new revenues • Contribute to the development of new carbon offsetting and carbon neutrality business
Government and Regulation	• Obtain incentives • Early compliance with regulatory requirements	• Obtain subsidized income • Improve corporate reputation
Green Finance	• Issuance of green bonds • Enhance corporate ratings	• Gain financial support for business expansion • Gain favor with financial institutions

03

PRACTISING SOCIAL CO-DEVELOPMENT

Water embodies boundless wisdom and power. Inspired by water culture, China Water has integrated the concept of “water” into every aspect of its operations and management. We adhere to the fluidity and adaptability of water while upholding its resilience and perseverance, striving to achieve social co-development. We demonstrate excellence in details and achieve excellence through concrete actions.

Talent is the core driving force of China Water. The Group adheres to a people-oriented talent management philosophy and is committed to creating a fair, just, and inclusive workplace culture. Through strengthening talent pipelines and the development of an online learning platform, the Group not only enables outstanding employees to stand out but also cultivates the backbone of the company’s future, effectively enhancing the overall quality of the workforce. The Group also provides a safe and comfortable working environment for its employees, organises a variety of team-building activities, and implements employee care measures to continuously enhance their sense of identity and belonging to the company.

Quality is the foundation of China Water. As a public utility company, the Group’s business is closely related to the business and daily life of the public, and it has always regarded product quality as the “lifeline” of the company. With years of standardisation and refinement, the Group can ensure that all aspects of urban water supply, sewage treatment, and direct drinking water production meet national, industry, and internal control standards. At the same time, through grid-based zonal management, regular water quality inspections, and supply chain management, the Group continues to deliver first-class products to society.

Service is the eternal pursuit of China Water. Drawing inspiration from the Daoist philosophy of “the highest form of goodness is like water”, the Group takes ‘benevolence’ as its fundamental starting point, with the mission of creating value for users and the goal of becoming the best of the industry. It strives to build the “China Water, Nourishing Thousands of Families with Love” service brand, having undergone three phases of brand creation, brand shaping, and brand upgrading over six years, and continuously enhance brand awareness and reputation, receiving widespread recognition for its product responsibility, exceptional service, and community contributions.

During the reporting period, the economic value created by the Group and the wealth distributed to stakeholders:

Stakeholders	Indicator	(HK$’000)	
Investors/creditors	Revenue	11,655,565	Economic value created by the Group
Suppliers (products and services)	Cost	7,250,587	Economic value allocated by the Group
Employees	Remuneration and benefit expenses	897,872	
Creditors	Finance cost	847,116	
Shareholders	Dividend allocation	456,334	
Government	Income tax	722,067	
Investors/ shareholders	Total equity	21,872,686	Economic value retained by the Group

EMPLOYMENT

The Group is committed to protecting the value of "customer satisfaction, employee satisfaction, government satisfaction, and shareholder satisfaction", and upholds the philosophy of "openness, inclusiveness, motivation, and mutual benefit". We are committed to building a harmonious and stable employment relationship, creating a comfortable working environment for employees, and providing excellent development opportunities. We strive to cultivate a high-quality workforce that is loyal, stable, united, proactive, and innovative.

Employees

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 has entered labour contracts with 10,932 employees, representing a 100% contract signing rate.

Remuneration and Benefits

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 welfare protection system, paying social insurance and housing provident fund for employees in full and in a timely manner in strict accordance with the relevant national regulations. In addition to a fully implemented paid leave system, including but not limited to annual leave, maternity leave and family leave, it also provides various allowances and subsidies for transportation, communication, business travels, festivals and working meal.

Anti-Discrimination

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 and the Law of the People's Republic of China on the Protection of Women's Rights and Interests, and has formulated, issued, and fully implemented the "Regulations on Labour and Human Rights Management of China Water Affairs Group Limited", which explicitly implements an equal employment policy, and eliminates all forms of discrimination in employment.

Employee structure by gender and age (B1.1)

Gender ratio / Age group	Male employee		Female employee	
	Number	Ratio (%)	Number	Ratio (%)
Below 25	191	1.7	164	1.5
25 to 29	691	6.3	436	4.0
30 to 39	1,609	14.7	1,701	15.5
40 to 49	1,808	16.6	1,636	15.0
50 and above	2,388	21.9	308	2.8
Total	6,687	61.2	4,245	38.8

Employee distribution by position (B1.1)

Gender ratio / Employment type	Male employee		Female employee	
	Number	Ratio (%)	Number	Ratio (%)
Senior management	787	78.0	222	22.0
Mid-level management	1,384	70.6	576	29.4
Technicians and operation workers	3,894	58.3	2,787	41.7
Others	622	48.5	660	51.5

Notes: ① Senior and mid-level management include relevant employees in the headquarter and subsidiaries of the Group;

② Out of the 10,932 employees, less than 0.5% were from overseas or from the Hong Kong, Macau and Taiwan regions of the PRC; 348 employees were dispatched labour.

Employee distribution by region (B1.1)

Gender ratio / Region	Male employee		Female employee	
	Number	Ratio (%)	Number	Ratio (%)
North China	619	5.7	392	3.6
Central China	4,040	37.0	2,856	26.0
East China	332	3.0	242	2.2
South China	908	8.2	432	4.0
Southwest China	389	3.6	223	2.0
Northwest China	28	0.3	28	0.3
Northeast China	371	3.4	72	0.7

Note: Local employee exceeds 90%.

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

Gender ratio / Region	Male employee		Female employee	
	Number	Ratio (%)	Number	Ratio (%)
North China	12	1.94	8	2.04
Central China	143	3.54	82	2.87
East China	92	27.71	58	23.97
South China	38	4.19	20	4.63
Southwest China	22	5.66	15	6.73
Northwest China	5	17.86	2	7.14
Northeast China	2	0.54	0	0.00
Total	314	–	185	–

Note: Employee turnover ratio = number of employee turnovers in the region/total number of employees in the region

Annual employee turnover by age (B1.2)

Age group	Turnover	Total amount	Ratio (%)
Under 25	46	355	12.96
25 to 29	125	1,127	11.09
30 to 39	182	3,310	5.50
40 to 49	86	3,444	2.50
50 and above	60	2,696	2.23
Total	499	10,932	4.56

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

Care for Employees

Employee satisfaction and loyalty have always been core elements of a company's success. The Group adheres to a people-oriented employment philosophy, emphasising humanized employee management and providing comprehensive support to employees, with the aim of achieving a win-win situation for both the company and its employees.

Hold regular staff meetings to build bridges between the company and its employees. Listen to employees' requests and opinions, gain a comprehensive understanding of their work and living conditions, take the initiative to resolve their concerns, and effectively eliminate their worries.

By regularly organising a variety of team-building activities such as excursions, hiking, sightseeing, and sports events, we foster a positive and vibrant team atmosphere, enhance collaboration and trust among employees, and strengthen organisational cohesion and loyalty.

Every year on International Women's Day, we plan a variety of exclusive activities for female employees, such as flower arranging, excursions, and health lectures, and distribute our thoughtful holiday gifts to female employees, giving them full respect and care, and enhancing their sense of job fulfilment at China Water.

On important holidays, management at all levels visit front-line staff to send their sincere care and greetings to employees who kept to their posts, conveying warmth and respect to them.

When an employee or his/her family member suffers from a serious illness or financial hardship, we promptly activate our assistance mechanism to provide him/her with financial and emotional support, helping him/her overcome difficult times and demonstrating the company's commitment to caring for its people.

Arrange regular comprehensive medical check-ups for employees and learn about their health conditions in a timely manner through these professional examinations.

Health and Safety (B2.3)

Always adhering to the safe production concept of "safety first and prevention", 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. Under the prevailing principle of "one post, two responsibilities", we take up safety management tasks in our daily operations. We are committed to the safety management system of "universal safety responsibility management", "major risk classification and control" and "continuous improvement and rehearsal of emergency plans". The Group has in place "Safe Production Regulation Standards" that require each level within all its subsidiaries to enter into the accountability letter for safety targets, specify the person responsible for safety management and organise regular inspection and rectification of potential hazards. Operating procedures and operation guidelines are continuously optimised during routine production. Specific plans are put in place to conduct safety training sessions and tests on employees together with full range of labour protection supplies to ensure that employees are familiarised with the management requirements and operating procedures. As of March 2025, the Group did not record any material safety production liability incident for three consecutive years (B2.1/B2.2).

Indicators	2023	2024	2025
No. of employees involved in fatal incidents	0	0	0
No. of employees involved in work injury	4	10	2
Ratio of employees involved in work injury (%)	0.035	0.086	0.018
No. of days lost due to work injury	105	514	67

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.

Five sewage treatment companies jointly conduct emergency drills for operations at confined space

During the 2024 National Work Safety Month, five sewage treatment companies owned by China Water jointly conducted an emergency drill for operations at confined space under the theme of "Ensuring Safe Escape Routes". The primary objectives of this drill were to identify hazardous factors associated with operations at confined space, reinforce safety precautions and operational procedures, use toxic gas detection instruments and personal protective equipment in a proper manner, and streamline the emergency response protocol activation process following an incident. Chairmen, general managers, and division heads of each company were present in the drill to oversee the activity. Frontline employees were well-equipped, the equipment was operated smoothly, emergency response plans were activated immediately following the start of the simulated accident, and first aid measures such as cardiopulmonary resuscitation were administered to the injured personnel of the simulated accident. The entire drill proceeded in an orderly and efficient manner, achieving all objectives. The safety awareness and practical operational capabilities of all participating companies were further enhanced.

Training and Development

A workforce that keeps pace with the times is fundamental to the sustainable development of an enterprise. With the motto of "Practising the Four Virtues – Virtuosity, Kindness, Perseverance and Good Conduct", the Group has established a training and development mechanism which encompasses the characteristics of China Water, focusing on the cultivation of multi-skilled talents and encouraging employees to apply what they have learnt, to solve problems with the knowledge gotten from learning, to unite their knowledge with their actions, and to create value.

The China Water Online Academy course development competition was held

The China Water Online Academy is a comprehensive online platform developed by the Group that integrates training and learning, interactive communication, and assessment management, to provide internal and external resources of "high quality, full coverage and multiple forms" for all employees. In 2024, the Group organised its first online academy course development competition, establishing a training mechanism that deeply integrates industry-academia-research-application, thereby truly achieving internal resource sharing. All employees from the Group headquarters and subsidiaries can submit their works as instructors. After review by the Group's human resources department and relevant experts, a total of 63 new courses were developed, covering multiple business areas such as water production operations, water supply services, construction management, information technology, administrative and human resources, and investment and financing management. The Group awarded prizes to outstanding courses and instructors.

As of March 2025

514

Courses launched on the Online Academy

100%

Training coverage rate

Strengthening of the talent echelon construction

The Group has established a comprehensive talent echelon construction mechanism through a "selection-reserve-training-optimisation" process, creating a well-structured and capable workforce.

- **Optimising the age structure of senior management**

Through a comprehensive evaluation process involving assessment, communication, and fair evaluation, 23 young senior managers were selected and appointed during the year.

- **Strengthening the management of reserve talents**

We have adopted a dynamic management approach for 208 reserve talents, encouraging them to actively participate in job rotation and on-the-job training to enhance their overall capabilities.

- **Organising technical and managerial staff to take up temporary positions**

A total of 30 technical and managerial staff from different positions were assigned to other subsidiaries for temporary assignments to experience new work environments and management styles.

- **Conducting specific training for management trainees**

Outstanding young employees were selected and assigned to the Group headquarter for on-the-job training to rapidly enhance their vision and professional competence.

Online water supply operating skills examination

To effectively enhance employees' professional skills and operational capabilities, the Group published the "Implementation Plan for the Water Supply Operating Skills Examination" in September 2024 and organised the first-ever group-wide online examination, with 3,398 participants. The exam adopted a fully paperless model that combined "online training and practice, online testing, video supervision, and digital grading", breaking through the limitation of space in conventional methods, expanding the scope of participants, reducing the workload of reviewers, and effectively establishing a closed-loop management mechanism of "learning-assessment-feedback". This further consolidated the Group's efforts in standardisation over the years.

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

Employment Type	Gender	Average training hours (hrs)	Percentage of employees trained (%)
Senior management	Male	96.1	100
	Female	78.7	100
Mid-level management	Male	97.1	100
	Female	97.5	100
General staff	Male	68.0	100
	Female	75.1	100

Labour Standards

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. In addition, with reference to the relevant rules of the International Labour Standards (ILS), the "Labor 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.

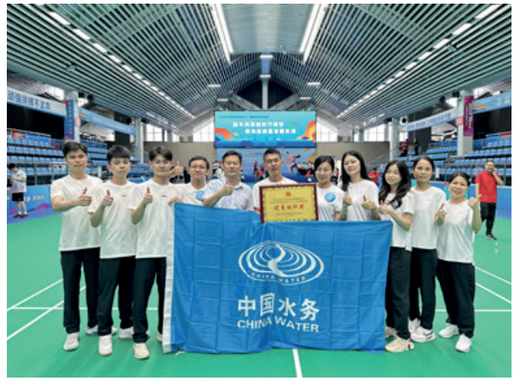
The Group respects the right of workers to choose their profession freely. Labour contracts are entered into on an equal and voluntary basis, and any form of forced labour is prohibited. The Group does not require employees to provide any collateral for employment. Employees are entitled to resign from work freely in accordance with the law.

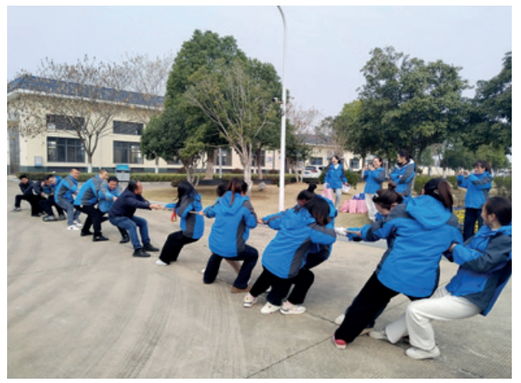
The Group strictly complies with the "Law of the People's Republic of China on the Protection of Minors" and the "Provisions on the Prohibition of Using Child Labor", and does not use child labour (aged below 16) in any workplace or work process. Employees are subject to rigorous screening during recruitment, with identity information verified prior to employment and, if necessary, approved by the local public security bureau and the bureau for labour and employment (B4.1).

The Group stipulated the working hours not exceeding the national standards, i.e. no more than 40 hours per week. Regulations for overtime work of employees are put in place. Any overtime work should be unanimously agreed upon with employees and compensated. No physical assault, mental oppression or verbal abuse of employees is allowed. The Group does not discriminate against employees at work because of their age, gender, race, and religion.

Each subsidiary of the Group has established a labour union as required. Employees may join a union of their own volition. Representatives of a union may negotiate with the respective company in respect of matters relating to their interests such as employment, wages and benefits, training and development, etc.

Human resources department and audit department have been established under the headquarters and in each subsidiary of the Group to regularly review, rectify and deal with violations of labour standards. During the reporting period, no violation of labour standards was identified (B4.2).





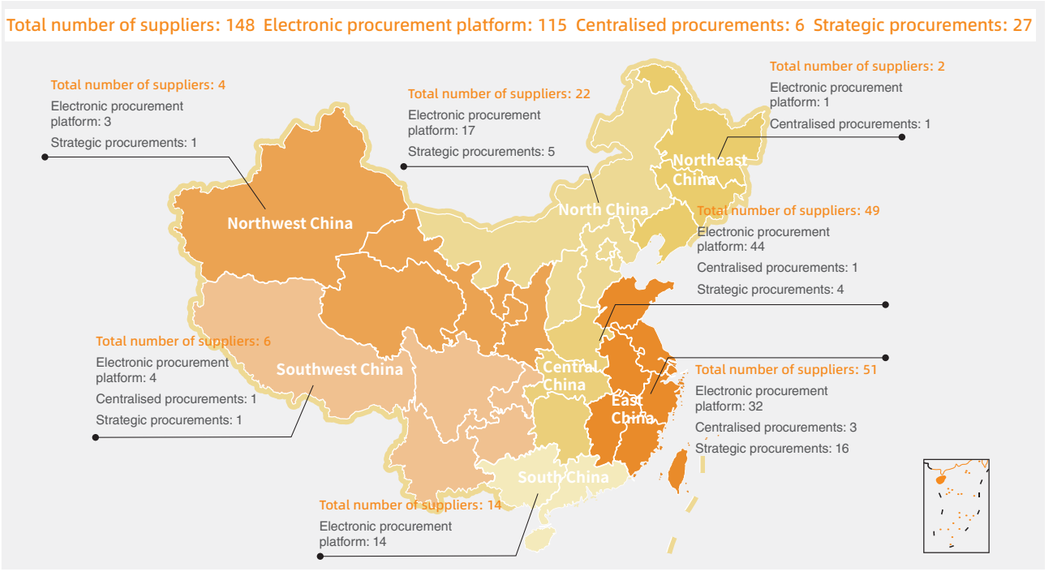
SUPPLY CHAIN MANAGEMENT

In this information age, procurement has transcended the traditional scope of securing material and become a core aspect of enterprise supply chain management. Leveraging its advantages in terms of scale and cross-region expansion, the Group carries out centralized and strategic procurement of bulk commodities. Through its professional procurement department, the Group conducts demand analysis, sets standards, and evaluates and selects suppliers. The procurement process 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, and the Contract Law of the People's Republic of China, etc., supplier management is implemented in accordance with 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 the synergies of efficiency, management and product quality are shared with its supplier partners (B5.2).

The Group closely monitors the sustainability performance of its suppliers, and incorporates ESG rating criteria into the supplier inspection, admission, management, and evaluation process. We identify suppliers' ESG risks through exchanging visits, factory inspections, regular product sampling and collecting feedback from subsidiaries, and reports to the management on significant risks (B5.3). During the reporting period, the Group's bulk commodities segment has a total of 26 centralised/strategic procurement co-operative suppliers, with 16 of them having published ESG reports or social responsibility reports.

The Group refers to suppliers' ESG disclosures during the supplier inspection stage, focusing on aspects such as environmental issues, product responsibility, occupational health and safety and ISO system certification as basis of evaluation and screening, to force them to research and develop green technologies, choose green materials, and extend the application of clean energy. In the procurement process for the construction and operation of projects, the Group tends to select suppliers with outstanding achievements in energy saving and emission reduction, with a view to injecting impetus into the creation of a sustainable supply chain and opening up a new scenario of win-win co-operation (B5.4).

Distribution of suppliers（B5.1）



FINGERTIP WATER SERVICE APP

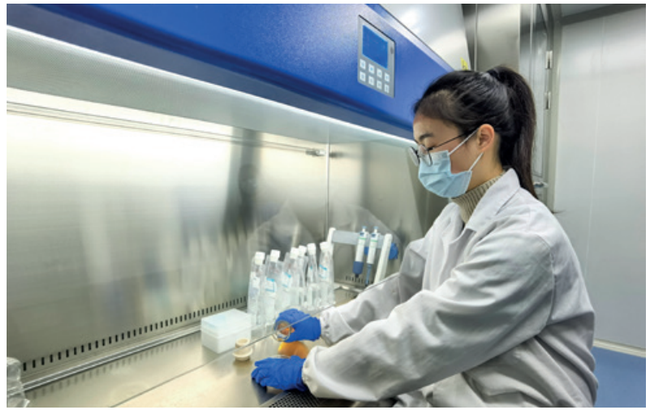
The Fingertip Water Service App is a mobile app developed by the Group that carries the service brand concept of "Nourishing Thousands of Families with Love" and integrates a variety of water services functions, with an aim to enhance service efficiency, expand the dimension of application, improve user experience, and strengthen community connection. The Fingertip Water App is designed with the concept of "services at your fingertip without needing to leave home", with convenience as the fundamental starting point, and consists of six functions, being payment enquiry, business application, customer service hotline, water service headlines, water service vision and life at the fingertip. As of March 2025, the Fingertip Water App has been launched in 75 cities with a user base of over 3.70 million.

During the reporting period, the Fingertip Water Service App smoothly integrated functionalities in relation to direct drinking water, enabling users to handle various direct drinking water services anytime, anywhere. At the same time, the Group is actively exploring the construction of a dedicated water utility data model for the mobile app, deeply exploring its application across the entire water utility scenario, innovating the application of "platform operation + AI technology", and driving the transformation of big data models from theory to practice. In practical applications, this model analyses massive amounts of multi-dimensional data, including water quality, water volume, and equipment operation status, to provide precise decision-making support in areas such as predicting water demand, ensuring water quality safety, optimising scheduling plans, and improving water resource efficiency.

To protect intellectual property rights, the Fingertip Water App has been awarded a nationally recognised computer software copyright registration certificate (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).

PRODUCT RESPONSIBILITY

Adhering to the core value of "Water-oriented, Kindness to Society", China Water considers the quality of products and services as its lifeline, implements product quality management in strict accordance with national laws and regulations, industry codes and internal control standards, and is committed to providing safe, high-quality, stable, and efficient water products and services to the general public. During the reporting period, the Group did not record any product recall due to product quality, safety and health reasons (B6.1).



Water Supply Business

The Group has over two decades of operational management experience in urban water supply, demonstrating a high level of professionalism and responsibility. The tap water supplied by its water supply companies strictly adheres to the "Standard for Drinking Water Quality" (GB 5749-2022). In terms of water quality management, a rigorous water quality monitoring system has been established, with online instruments installed throughout the entire process from water source extraction to ensure real-time monitoring of key indicators such as turbidity, acidity, residual chlorine content, and other key indicators. Additionally, the Group strictly enforces a three-tier water quality testing system comprising centralised testing, plant-level testing, and shift-based testing. In terms of water production, all water treatment plants utilise well-established and reliable water treatment processes, including coagulation, sedimentation, filtration, and disinfection. In recently constructed or renovated water treatment plants, an advanced "ozone + activated carbon" treatment process is also implemented, ensuring that the water meets all standards upon leaving the plant. In terms of equipment management, comprehensive equipment inspection, maintenance, and operation procedures have been established to ensure that equipment integrity rates exceed 95%. In terms of water supply services, the Group strictly adhere to the "Customer service for public of urban water supply" (GB/T 32063-2015) standard, while continuously improving product quality and service levels through the implementation of grid-style zonal management and brand development initiatives.

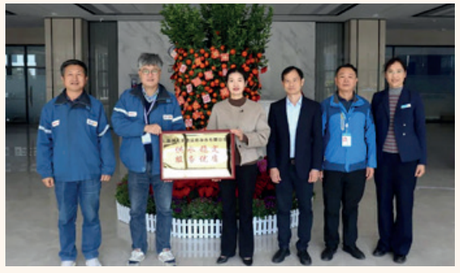
Chongqing Qiaoli Water Affairs Co., Ltd. adopted a non-stop operation method to thoroughly clean the filter material and filter heads of the filter pools

Advanced water treatment equipment was newly built at the second phase of water plant construction of Shenzhen Grand Industrial Zone Water Co., Ltd.

Huizhou Yiyuan received a plaque of appreciation for providing "stable water supply and excellent service"

On 20 January 2025, CNOOC and Shell Petrochemicals Company Limited presented a plaque of appreciation to Huizhou Daya Bay Yiyuan Water Purification Co., Ltd., a subsidiary of China Water, in recognition of the company's consistent provision of high-quality water supply services.

With the rapid development of the Daya Bay Petrochemical Industrial Park, an increasing number of large chemical companies have established their presence in the park, placing higher demands on water supply from Huizhou Yiyuan. The company has consistently adhered to China Water's business philosophy of "Water-oriented, Kindness to Society", and established a dedicated petrochemical zone management centre. This centre closely monitors the water usage of enterprises within the park, maintaining open communication through proactive visits, flow monitoring, and plant tours. By establishing a long-term communication mechanism with enterprise users, the centre promptly addresses their needs and resolves their issues, earning high recognition from enterprises within the park.



Pipeline Direct Drinking Water Business

To provide the public with the highest quality drinking water, the Group has spared no effort in the selection of materials, process design, operational methods, and maintenance services for our pipeline direct drinking water system. The pipeline direct drinking water we provide strictly complies with the "Standards for Clean Drinking Water Quality" (CJ/T 94-2005). The pipeline direct drinking water system uses food-grade stainless steel that is pressure-resistant, wear-resistant, rust-proof, and scale-free, ensuring water quality remains stable and pure during transportation; the "ultrafiltration + nanofiltration" process effectively purifies water while retaining beneficial minerals for the human body; the "ultraviolet + ozone" disinfection process is highly efficient, rapid, and thorough; the innovative dual-circulation piping system keeps water continuously filtered, preventing bacterial growth or contamination in dead corners of the pipes; a professional maintenance team monitors the operation of the plant room, promptly performing maintenance and replacements on equipment to ensure that every drop of drinking water delivered to users' homes remains as fresh as when it first flows out.

Sewage Treatment Business

The sewage treatment plants of the Group comply with the "Standard of Pollutants for Municipal Sewage Treatment Plant" (GB 18918-2002). The core processes employed in the sewage treatment plants are of mature technologies such as oxidation ditches, A^2/O (Anaerobic-Anoxic-Oxic), and MBR (membrane bioreactor), effectively removing pollutants such as organic matter, nitrogen, phosphorus, and heavy metals from sewage. Water quality online monitoring instruments are installed at all stages of the sewage treatment process, with staff monitoring in real time to ensure that the effluent quality remains stable and compliant with standards.

The effluent from the sewage treatment plant of Hanchuan Silver Dragon Water Affairs Co., Ltd. is clear and transparent, with water quality consistently meeting standards

Conducting Routine Inspections on Water Quality Safety

In June 2024, the Group issued the "Notice on Conducting Safety Production and Standardised Operation Inspections", led by the headquarters' operations department and drawing on experienced technical personnel to conduct routine inspections and supervision of all water supply companies. The inspections focused on the implementation of standards, the progress of laboratory construction, emergency response capabilities, and informatization levels, with a particular emphasis on water quality safety. The inspection work continued throughout the year, with inspection teams issuing rectification reports for each company and supervising their further efforts to strengthen water quality safety management. As of March 2025, the Group had 2 Grade I laboratories and 10 Grade II laboratories, which carried out independent testing or commissioned testing in strict accordance with the range of standards as set out in the "Standard Examination Methods for Drinking Water"(GB/T 5750-2023) (B6.4).

Fully Implementing Grid-Style Water Supply Zonal Management

Grid-style water supply zonal management is a new management mode that uses grids as the basis of regional scopes, implements incident-based management, establishes a grid responsibility system, and combines with an information management platform to achieve upward and downward linkage, information sharing and resource integration. Over the past year, as the pilot scheme demonstrated tangible results at 10 different companies, the Group decided to fully implement grid-style water supply zonal management, and have compiled and distributed the "Implementation Plan for Grid-Style Water Supply Zonal Management" to better guide subsidiaries in performing specific tasks, with an aim to achieve the ultimate goals of optimising human resource integration, continuously reducing operational costs, ensuring high-quality and stable product quality, and significantly enhancing service efficiency.

The Service Brand of "China Water, Nourishing Thousands of Families with Love"

The Service Brand of "China Water, Nourishing Thousands of Families with Love" is an important strategic initiative launched by the Group in 2018. Over the past six years, it has successfully navigated the brand creation phase, brand shaping phase, and brand upgrading phase, achieving fruitful results. Over the past year, guided by the "2024 Service Brand Development Implementation Plan", the Group has focused on implementing the "6+N" initiative while integrating service brand development efforts with ESG principles to enhance overall capabilities and solidify its industry leadership position.

「6+N」Initiative

6

- **Sign** a responsibility statement
- **Create** a platform
- **Win** various honours
- **Organise** a competition
- **Hold** a lecture
- **Implement** an evaluation

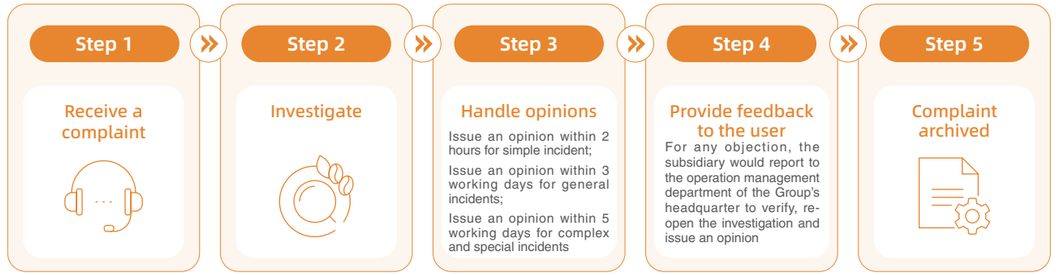
N

- **Launch** numerous (N) brand innovation projects

The Group's customer service centre has implemented a commitment system for field services and a "one-stop service" standard, with clear transparencies for all business processes, business descriptions, fee rates and processing times, so that users have less to worry about and fewer visits to make; it has set up a 24-hour hotline, so that any requests from users can be responded to in a timely manner and properly resolved; and it conducts user satisfaction surveys on a regular basis through questionnaires, actual visits, telephone call-backs, setting up suggestion boxes, and holding seminars to collect public opinions. Complaints are gathered on a regular basis, with the causes objectively analysed and corrective measures implemented. During the reporting period, the Group received a total of 3,116 complaints from customers, with a satisfaction rate in complaint handling 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 implements a star-rating-based water plant management system and organises open days from time to time, warmly inviting members of the public to visit the facility, including many curious primary and secondary school students. Under the guidance of professional guides, visitors toured the entire water production process in an orderly manner, gained a deeper understanding of water quality testing procedures, and learnt how distribution facilities deliver clean, high-quality tap water to many households. The open day provides the public with a comprehensive understanding of the behind-the-scenes operations of tap water production, thereby providing them the ability to oversee the quality of China Water's products.

ANTI-CORRUPTION

The Group attaches utmost importance to building a corruption-free culture and strictly complies with 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, to ensure that all business operations and management activities are conducted in compliance with the law. Through continuous refinement of relevant systems and procedures in areas such as finance, construction, procurement, investment, and internal audit, a comprehensive guideline to regulate the conduct of both individuals and groups, reinforce employees' moral standards and bottom-line disciplines is established. The Group maintains a zero-tolerance policy toward any acts of corruption or abuse of authority or position to harm the interests of customers, suppliers, and other third parties for personal gain. During the reporting period, the Group was not involved in any corruption-related litigation cases (B7.1).

To further strengthen its anti-corruption efforts, the Group has formulated the "Regulations on the Management of Clean Practices of China Water Affairs Group Limited" and has specifically set up an internal audit committee and an internal audit department to conduct anti-corruption inspections in a comprehensive and systematic manner. In addition, the Group voluntarily publishes its reporting hotline and email address to the public, accepting oversight and scrutiny from all sectors of society. The Group handles each report in accordance with the Supervision Law of the People's Republic of China and the "Rules on the Handling of Reports and Complaints by Discipline Inspection and Supervision Agencies", ensuring strict confidentiality measures are implemented, and any information leak about the whistleblower or the content of the report will be investigated and dealt with severely upon investigation (B7.2).

During the reporting period, the Group organised executive meetings and monthly working meetings to conduct multiple anti-corruption training sessions for all directors, supervisors, financial officers, and senior management personnel at the level of deputy general manager and above, with each person receiving an average of 6 hours training. Additionally, through the China Water Online Academy platform, anti-corruption-related courses were arranged and training sessions were conducted for all employees to foster a clean and just corporate culture (B7.3).

COMMUNITY CONTRIBUTION

The Group is committed to giving back to society and dedicated to contributing to community development. In terms of employment, the Group creates stable and sustainable job opportunities for local residents and prioritises the hiring of local candidates in its recruitment processes. Regardless of market fluctuations, the Group remains committed to avoiding layoffs whenever possible. Through measures such as internal job transfers, skills training, and business expansion, the Group ensures that every employee is placed in a suitable position, providing local employees with a solid and reliable career foundation.

In terms of operational practices, the Group pays special attention to vulnerable and disadvantaged groups. For individuals with disabilities and elderly residents living alone within the community, the Group not only waives water fees but also regularly dispatches professional maintenance teams to conduct free inspections and repairs of water supply facilities, ensuring their access to safe water. In addition, for economically disadvantaged families, the Group implements a water price discount policy, providing corresponding fee reductions based on actual circumstances to effectively alleviate the financial burden on these families.

In terms of community activities, the Group takes an active role in organising a wide range of public welfare activities, including but not limited to "service in the community", "service in the rural areas", setting up "care stations", charitable donations, voluntary blood donations, nursing home visits, and caring for military veterans, among others. These efforts aim to bring beauty and hope to every corner of the community, strengthening the symbiotic relationship between the company and the community through continuous dedication and contribution, thereby demonstrating China Water's high sense of social responsibility (B8.1/B8.2).

"Love and Support for Examinees, Safeguarding Dreams" — Shenzhen Dagongyequ Water Affairs Co., Ltd. supports Zhongkao examinees

The 2024 Junior High School Scholastic Aptitude Examination (i.e. Zhongkao) officially kicked off on 26 June. Adhering to the business philosophy of "Water-oriented, Kindness to Society", Shenzhen Dagongyequ Water Affairs Co., Ltd. organised the "Love and Support for Examinees, Safeguarding Dreams" activity at the entrance of Ping Shan Foreign Language School to provide blessings and care for students who are participating in Zhongkao, a pivotal moment in their lives. The exam lasted for three days. Employees participating in the activity arrived at the school gate at 7 a.m. each day to set up a love and support station, providing bottled water, stationeries, and emergency medications to examinees and their parents. The activity continued until the exams concluded.

The activity received unanimous praise from teachers, students, and parents. The company firmly believes that this small act of care from China Water Affairs will help students stay determined, achieve good results, and empower them to pursue their dreams. Additionally, it hopes that such charitable activities will inspire more businesses to focus on education and actively fulfil their social responsibilities.

"Flowing with Love, Sharing a Drinkable Future" — Leizhou Huayang Water Affairs Co., Ltd. has donated direct drinking water machines to the Leizhou Museum

On 22 October 2024, Leizhou Huayang Water Affairs Co., Ltd. donated a batch of direct drinking water machines to the Leizhou Museum and will assume responsibility for subsequent maintenance and operation. This charitable initiative not only meets the health and drinking water needs of visitors in the premise but also provides effective support for enhancing visitors' experience. As an important cultural landmark in the local area, the Leizhou Museum regularly welcomes a large number of citizens and tourists. Enhancing the quality of public cultural services is an ongoing priority for the museum. Previously, visitors faced difficulties accessing drinking water within the museum, and the donated direct drinking water machines have effectively addressed this service gap. The curator of the Leizhou Museum stated, "The direct drinking water machines donated by Huayang Water Affairs have created a more convenient and healthier environment for visitors. This not only enabled the full performance of the museum's public welfare function, but also helped us move towards becoming a 'warm and welcoming cultural space', adding lustre to Leizhou's cultural and tourism industry."

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Note 1: Not meaningful

REPORT OVERVIEW

This report sets out a systematic review and overview on China Water Affairs Group Limited's implementation of its corporate governance initiatives and performance of its environment and social obligations.

Reporting period:

1 April 2024 to 31 March 2025.

Reporting scope:

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

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 the Global Sustainability Standards Board.

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 environment, social and governance initiatives of China Water. Please contact us via the following means:

Tel: 852-3968 6666

Email: info@chinawatergroup.com

INDEPENDENT ASSURANCE REPORT

ASSURANCE STATEMENT
CN25/00004963

SGS-CSTC'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE CHINA WATER AFFAIRS GROUP LIMITED'S 2025 ESG REPORT

NATURE OF THE ASSURANCE/VERIFICATION
SGS-CSTC STANDARDS TECHNICAL SERVICES CO., LTD. (hereinafter referred to as SGS) was commissioned by CHINA WATER AFFAIRS GROUP LIMITED(hereinafter referred to as China Water) to conduct an independent assurance of the Chinese version of China Water's *ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT* for 2025 (hereinafter referred to as the Report).

INTENDED USERS OF THIS ASSURANCE STATEMENT
This Assurance Statement is provided with the intention of informing all China Water's Stakeholders.

RESPONSIBILITIES
The information in the Report and its presentation are the responsibility of the governing body and the management of China Water. SGS has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of assurance with the intention to inform all China Water's stakeholders.

SGS 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 ESG & Sustainability Report Assurance (SRA) protocols used to conduct assurance are based upon internationally recognised assurance standards including the AA1000 series of standards and ISAE3000.

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

Assurance Standard Options	Level of Assurance
AA1000AS v3 Type 2	Moderate

SCOPE OF ASSURANCE AND REPORTING CRITERIA
The assurance engagement was conducted to evaluate the accuracy and reliability of the sustainability performance information included in the Report. Additionally, it assessed the extent to which the Report's content is in accordance with the requirements of *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, 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; documentation and record review and validation where relevant.

LIMITATIONS AND MITIGATION
Data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

The greenhouse gas emissions related data in the Report has not undergone verification by an independent third-party auditor. In the context of the present assurance engagement, our procedures were limited to sample-based validation.

This assurance engagement was restricted to the group level of China Water and did not include traceability of original data from all subordinate institutions.

No compliance verification was conducted in respect of *Part D: Climate-related disclosures* of the *Appendix C2 Environmental, Social and Governance Reporting Code of Listing Rules* published by HKEX, and the climate-related verification was still implemented in accordance with the previous version of *Appendix C2 Environmental, Social and Governance Reporting Guide*.

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. SGS 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, the specified performance information included in the scope of assurance is accurate, reliable, and has been fairly stated.

CONCLUSIONS, FINDINGS AND RECOMMENDATIONS BASED ON *APPENDIX C2 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING CODE OF LISTING RULES* PUBLISHED BY HKEX
The assurance team concludes that the Report has been prepared in accordance with the requirements of *Appendix C2 Environmental, Social and Governance Reporting Code of Listing Rules* published by HKEX.

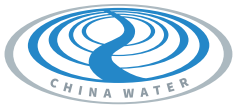
FINDINGS AND RECOMMENDATIONS
All observations pertaining to commendable practices, sustainable development activities, and managerial recommendations identified throughout the assurance process have been thoroughly documented in the *Internal Management Report on Sustainability Reporting Assurance*. This report has been officially presented to the relevant management divisions of China Water to serve as a reference for their ongoing efforts towards continuous improvement.

Signed:

For and on behalf of SGS-CSTC

David Xin
Sr. Director – Business Assurance
16/F Century Yuhui Mansion, No. 73, Fucheng Road, Beijing, P.R. China

Jul. 22nd, 2025
WWW.SGS.COM



中國水務
CHINA WATER

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