Taizhou Water Group Co., Ltd.*
台州市水務集團股份有限公司
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1542)

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS UNDER 2025 YUHUAN WATER SUPPLY FRAMEWORK AGREEMENT

REVISION OF THE ANNUAL CAPS OF THE 2025 YUHUAN WATER SUPPLY FRAMEWORK AGREEMENT

Reference is made to the announcement of Taizhou Water Group Co., Ltd. (the "**Company**") dated 27 September 2024 (the "**Announcement**") in relation to, among other things, the 2025 Yuhuan Water Supply Framework Agreement entered into between the Company and Yuhuan Water Supply and the annual caps for the three years ending 31 December 2027 thereunder (the "**Existing Annual Caps**"). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, the expected annual cap for the transactions contemplated under the 2025 Yuhuan Water Supply Framework Agreement for the year ended 31 December 2025 is RMB84,000,000 (the "**2025 Existing Annual Cap**"). Based on the actual volume of municipal water provided by the Company to Yuhuan Water Supply, the actual transaction amount for the year ended 31 December 2025 is approximately RMB88,097,000 ("**Actual Transaction Amount**"), which has exceeded the 2025 Existing Annual Cap. Upon enquiry by the Board and investigation into the matter internally, it was noted that the discrepancy between the 2025 Existing Annual Cap and the Actual Transaction Amount was a result of an unforeseen significant increase in the municipal water demand of Yuhuan Water Supply. Subsequent communication with Yuhuan Water Supply revealed that the notable increase in its municipal water demand was attributed to climatic factors. In view of the circumstances stated above, it is also expected that the Existing Annual Caps for the other two years ending 31 December 2027 will not be sufficient to satisfy the expected transaction amounts for the transactions contemplated under the 2025 Yuhuan Water Supply Framework Agreement for the two years ending 31 December 2027. Accordingly, on 27 March 2026, the Board resolved to enter into a supplemental agreement to the 2025 Yuhuan Water Supply Framework Agreement ("**Supplemental 2025 Yuhuan Water Supply Framework Agreement**") to revise the Existing Annual Caps for the three years ending 31 December 2027. Save for the revision of the Existing Annual Caps, all other terms and provisions of the 2025 Yuhuan Water Supply Framework Agreement shall remain in full force and effect.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Yuhuan Water Supply is a wholly-owned subsidiary of Yuhuan Water Supply Group Co., Ltd.* (玉環市水務集團有限公司), which in turn holds 40% equity interest in Taizhou South Bay Water Supply, a 60%-owned subsidiary of the Company. Accordingly, Yuhuan Water Supply is a connected person at the subsidiary level of the Company. As (i) the Board has approved the transactions contemplated under the Supplemental 2025 Yuhuan Water Supply Framework Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Supplemental 2025 Yuhuan Water Supply Framework Agreement are fair and reasonable, on normal commercial terms in the ordinary and normal course of business of the Group and in the interests of the Company and the Shareholders as a whole, the Supplemental 2025 Yuhuan Water Supply Framework Agreement is only subject to the reporting, announcement and annual review requirements, but is exempted from the circular, independent financial adviser's advices and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

BACKGROUND

Reference is made to the Announcement in relation to, among other things, the 2025 Yuhuan Water Supply Framework Agreement entered into between the Company and Yuhuan Water Supply and the Existing Annual Caps for the three years ending 31 December 2027 thereunder.

As disclosed in the Announcement, the 2025 Existing Annual Cap for the transactions contemplated under the 2025 Yuhuan Water Supply Framework Agreement for the year ended 31 December 2025 is RMB84,000,000. Based on the actual volume of municipal water provided by the Company to Yuhuan Water Supply, the Actual Transaction Amount for the year ended 31 December 2025 is approximately RMB88,097,000, which has exceeded the 2025 Existing Annual Cap. Upon enquiry by the Board and investigation into the matter internally, it was noted that the discrepancy between the 2025 Existing Annual Cap and the Actual Transaction Amount was a result of an unforeseen significant increase in the municipal water demand of Yuhuan Water Supply. Subsequent communication with Yuhuan Water Supply revealed that the notable increase in its municipal water demand was attributed to climatic factors. In view of the circumstances stated above, it is also expected that the Existing Annual Caps for the other two years ending 31 December 2027 will not be sufficient to satisfy the expected transaction amounts for the transactions contemplated under the 2025 Yuhuan Water Supply Framework Agreement for the two years ending 31 December 2027. Accordingly, on 27 March 2026, the Board resolved to enter into the Supplemental 2025 Yuhuan Water Supply Framework Agreement to revise the Existing Annual Caps for the three years ending 31 December 2027.

Save for the revision of the Existing Annual Caps, all other terms and provisions of the 2025 Yuhuan Water Supply Framework Agreement shall remain in full force and effect.

SUPPLEMENTAL 2025 YUHUAN WATER SUPPLY FRAMEWORK AGREEMENT

Date

27 March 2026

Parties

Yuhuan Water Supply and the Company

Revision of Existing Annual Caps

The Existing Annual Caps are revised as follows:

	Year ended/ending 31 December		
	2025	**2026**	**2027**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Existing Annual Caps	84,000	86,000	87,000
Revised Annual Caps	90,000	106,000	110,000

The revised annual caps are determined based on arm's length negotiations between Yuhuan Water Supply and the Company having considered, among others, the following factors and assumptions:

(a) the Group's municipal water supply to Yuhuan Water Supply surpassed its original projection of 35 million tons for the year ended 31 December 2025, reaching 39.1 million tons, an excess of 4.1 million tons. Thus, the historical transaction amount incurred for the year ended 31 December 2025, being approximately RMB88,097,000, in relation to the municipal water provided by the Group to Yuhuan Water Supply under the 2025 Yuhuan Water Supply Framework Agreement exceeded the 2025 Existing Annual Cap (the "**Incident**");

(b) in light of the proposed substantial increase in municipal water demand from Yuhuan Water Supply, the Group anticipates that its supply volume will be approximately 12–15% higher than originally projected for the two financial years ending 31 December 2026 and 31 December 2027;

(c) the scale and operations of each of the relevant members of the Group; and

(d) a buffer of approximately 10-20% to account for any potential material fluctuations of the demand and/or price of the municipal water provided by the Company.

The above projection is assumed solely based on the information currently available to the Group for determining the revised annual caps and shall not be regarded as any indication directly or indirectly as to the respective revenue, profitability or trading prospects of the Company or the Group.

Save for the revision of the Existing Annual Caps, all other terms and conditions of the 2025 Yuhuan Water Supply Framework Agreement (including the pricing guideline and payment term) remain unchanged. As stated in the 2025 Yuhuan Water Supply Framework Agreement, the pricing guideline of the 2025 Yuhuan Water Supply Framework Agreement would be determined on the basis of (i) the water prices as approved by Taizhou DRC; and (ii) the price adjustment as fixed and promulgated by Taizhou DRC from time to time. As at the date of the Announcement, pursuant to the Notification on Temporary Water Prices for the Taizhou Water Diversion Project and the South Bay Water Diversion Project (Tai Fa Gai Price [2022] No. 263) (《關於台州市引水工程、南部灣區引水工程臨時水價的通知》(台發改價格[2022]263號)) issued by the Taizhou DRC, the approved and/or adjusted unit selling price of municipal water for both Taizhou City Water and Taizhou South Bay Water Supply is set at RMB2.47/m^3 (excluding tax: RMB2.3981/m^3). Payment for the transactions contemplated under the 2025 Yuhuan Water Supply Framework Agreement shall be made every month on the basis of the volume of municipal water supplied by the Group.

From 1 January 2026 to the date of this announcement, the transaction amount of the volume of municipal water supplied by the Group under the 2025 Yuhuan Water Supply Framework Agreement has not exceeded the original annual cap for the financial year ending 31 December 2026. If the total transaction amounts of any following financial years under the 2025 Yuhuan Water Supply Framework Agreement (as amended and supplemented by the Supplemental 2025 Yuhuan Water Supply Framework Agreement) are expected to exceed the revised annual caps, the Company will re-comply with the relevant requirements in accordance with the Listing Rules, such as by publishing a further announcement or seeking approval from independent Shareholders, if applicable.

REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL 2025 YUHUAN WATER SUPPLY FRAMEWORK AGREEMENT

The Group has been providing municipal water to Yuhuan Water Supply in its ordinary course of business for use by the residents and enterprises in Yuhuan District of Taizhou. For the purpose of enhancing the business management and efficiency of the parties, the Company and Yuhuan Water Supply entered into the 2025 Yuhuan Water Supply Framework Agreement. As the increase in demand for the municipal water by Yuhuan Water Supply is anticipated to exceed the original projection for the two years ending 31 December 2027, in order to capture the business opportunities, the Group believes it is prudent and necessary, to enter into the Supplemental 2025 Yuhuan Water Supply Framework Agreement to increase the Existing Annual Caps to actively support the Group's business and development. Having considered the above factors, the Board (including the independent non-executive Directors) considers that the 2025 Yuhuan Water Supply Framework Agreement (as revised by the Supplemental 2025 Yuhuan Water Supply Framework Agreement) and the transactions contemplated thereunder (together with the revised annual caps) are negotiated on an arm's length basis and are on normal commercial terms or better, in the interests of the Company and the Shareholders as a whole, fair and reasonable and in the ordinary and usual course of business of the Group.

INTERNAL CONTROL POLICIES AND PROCEDURES

In order to avoid recurrence of the Incident, in addition to the internal control measures established and adopted by the Company as set out in the Announcement, the Company has also taken the following measures and actions:

(a) reviewed and further enhanced the validation procedures of taking water volume measurement, including requiring the business departments to strengthen their focus on rainfall levels and the Group's own water source reserves in the Yuhuan area, closely monitor the water volume and conduct checks of the readings by the end of each month, and promptly report any changes in water demand conditions within Yuhuan city;

(b) to arrange regular internal training sessions to the Directors and employees on water volume monitoring and Listing Rules requirements in relation to the continuing connected transactions; and

(c) the finance department will conduct monthly statistical analysis of the water supply volume to Yuhuan Water Supply and track the corresponding transaction amount. All relevant departments will enhance communication to ensure that information across all departments is updated in a timely and accurate manner.

INFORMATION OF THE PARTIES INVOLVED

Yuhuan Water Supply

Yuhuan Water Supply principally engages in the supply of municipal water in Yuhuan District of Taizhou. As at the date of this announcement, Yuhuan Water Supply is ultimately owned as to 90% and 10% by the Finance Bureau of Yuhuan City and Zhejiang Provincial Department of Finance, respectively.

The Company

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

LISTING RULES IMPLICATIONS

As at the date of this announcement, Yuhuan Water Supply is a wholly-owned subsidiary of Yuhuan Water Supply Group Co., Ltd.* (玉環市水務集團有限公司), which in turn holds 40% equity interest in Taizhou South Bay Water Supply, a 60%-owned subsidiary of the Company. Accordingly, Yuhuan Water Supply is a connected person at the subsidiary level of the Company. As (i) the Board has approved the transactions contemplated under the Supplemental 2025 Yuhuan Water Supply Framework Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the Supplemental 2025 Yuhuan Water Supply Framework Agreement are fair and reasonable, on normal commercial terms in the ordinary and normal course of business of the Group and in the interests of the Company and the Shareholders as a whole, the Supplemental 2025 Yuhuan Water Supply Framework Agreement is only subject to the reporting, announcement and annual review requirements, but is exempted from the circular, independent financial adviser's advices and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

As none of the Directors has material interest in the Supplemental 2025 Yuhuan Water Supply Framework Agreement, no Director was required to abstain from voting on the Board resolutions in relation to the Supplemental Agreement.

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

Taizhou, the PRC
27 March 2026

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

* *For identification purpose only*