

TIL ENVIRO LIMITED

達力環保有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1790

Annual Report

2025



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Corporate Information

BOARD OF DIRECTORS

Chairman and Non-executive Director

Mr. Lim Chin Sean

Executive Director

Mr. Wong Kok Sun

Non-executive Director

Ms. Lim Siew Ling

Independent Non-executive Directors

Mr. Tan Yee Boon

Mr. Hew Lee Lam Sang

Mr. Tam Ka Hei Raymond

AUDIT COMMITTEE

Mr. Hew Lee Lam Sang (*Chairman*)

Mr. Lim Chin Sean

Mr. Tam Ka Hei Raymond

REMUNERATION COMMITTEE

Mr. Tan Yee Boon (*Chairman*)

Mr. Tam Ka Hei Raymond

Mr. Hew Lee Lam Sang

NOMINATION COMMITTEE

Mr. Lim Chin Sean (*Chairman*)

Ms. Lim Siew Ling (*appointed on 26 June 2025*)

Mr. Tam Ka Hei Raymond

Mr. Tan Yee Boon

Mr. Hew Lee Lam Sang (*appointed on 26 June 2025*)

AUTHORISED REPRESENTATIVES

Mr. Wong Kok Sun

Ms. Tsui Sum Yi

COMPANY SECRETARY

Ms. Tsui Sum Yi (*ACG, HKACG*)

AUDITOR

PricewaterhouseCoopers

(*Certified Public Accountants and*

Registered Public Interest Entity Auditor)

REGISTERED OFFICE IN CAYMAN ISLANDS

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

HEADQUARTERS

Unit 08, Level 61, CITIC Plaza

No. 233 Tianhe North Road

Tianhe District, Guangzhou

Guangdong Province

The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1603, 16/F

China Building, 29 Queen's Road Central

Central

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

17M Floor

Hopewell Centre

183 Queen's Road East

Wan Chai

Hong Kong

PRINCIPAL BANKER

Bank of Communications

Yinchuan Xita Sub-branch

No. 51 Xinhua West Road

Xingqing District Yinchuan

750001 Ningxia

The PRC

LEGAL ADVISER AS TO HONG KONG LAWS

Loong & Yeung

STOCK CODE

1790 (*listed on the Main Board of*

The Stock Exchange of Hong Kong Limited)

COMPANY WEBSITE

www.tilenviro.com

Chairman's Statement

On behalf of the Board, it is my pleasure to present to you our annual report and the audited financial statements of the Company and its subsidiaries (the "**Group**") for the Reporting Period.

For the year 2025, China's economic growth remained resilient at approximately 4.9% (2024: 4.9%). Consumption growth was boosted by the fiscal stimulus in the form of consumer subsidies. Export growth was robust due to the front-loading in anticipation of higher U.S. tariffs earlier in the year, as well as increased shipments to non-U.S. markets.¹

However, investment growth eased due to the decline in the real estate investment, as the property sector softened further.¹ Private sector domestic demand weakened and inflation remained low.²

BUSINESS REVIEW

For the Reporting Period, the total quantity of wastewater treated was approximately 80.3 million cubic metres, representing an increase of approximately 1.6 million cubic metres or approximately 2.0%, from the year ended 31 December 2024 at approximately 78.7 million cubic metres. This was mainly due to overall higher inflow of wastewater during the Reporting Period.

Our Group recorded a revenue of approximately HK\$230.0 million for the Reporting Period, representing a decrease of approximately HK\$0.6 million or approximately 0.3% (2024: HK\$230.6 million). The decrease was primarily attributable to lower revenue derived from the finance income from service concession arrangement by approximately HK\$2.7 million, resulted from the lower opening balance of prepayment and receivables under the service concession arrangement.

The profit after tax ("**PAT**") for the Reporting Period was approximately HK\$61.5 million, representing a decrease of approximately HK\$4.7 million or approximately 7.1% (2024: HK\$66.2 million). The decrease was primarily attributable to higher other losses, net by approximately HK\$21.1 million, resulted from the remeasurement loss on prepayment and receivables under service concession arrangement.

SHAREHOLDER VALUE AND CRAFTING A SUSTAINABLE FUTURE

Our share price ended slightly higher than where it started at the beginning of the year, closing at market price of HK\$0.57 as at 31 December 2025. It represents an increase of approximately 1.8%, as compared to the opening market price of HK\$0.56 as at 2 January 2025.

We anticipate that we will be embracing another challenging year with the uncertainties in the domestic and global market sentiments resulted from the ongoing economic slowdown in China, US-Israel war on Iran, Russia-Ukraine conflict, as well as the US-China trade tension. Amid the challenging external factors that may affect our business in the coming years, our long-term view remains positive backed by our position as a long-term concessionaire.

¹ Source: *Global Economic Prospects — January 2026, World Bank Group*

² Source: *Global Economic Outlook — December 2025, Fitch Ratings*

Chairman's Statement

PROSPECTS

For the year 2026, China's economic growth is expected to moderate. This is because subdued consumer confidence, the prolonged property sector downturn and a softer labour market are expected to impact both consumption growth and investment growth.¹

However, the moderation of both consumption growth and investment growth are expected to be partially offset by the accommodative monetary and fiscal policies. Export growth is expected to remain robust, while investor sentiment is anticipated to improve due to the relatively more stable trade policy and the partial tariff relief.¹

During the Reporting Period, there were delays in finalising the new tariff and new basic volume with the local authorities, as well as finalising the compensation agreement with Municipal Administration of Yinchuan* (銀川市城市管理局) ("**Yinchuan Municipal**") (formerly known as *Yinchuan Construction Bureau*) regarding the closing down of Plant 1.

Our Group's strategy for this year is:

- (i) to remain focused on finalising the new tariff and new basic volume with the local authorities for the expansion and/or upgrading works done on Plant 2 Phase 1, Plant 4 Phase 1 (*upgrading works*) and Plant 4 Phase 2 (*expansion works*), respectively. The new tariff would enhance the revenue of our Group, leading to positive contribution to our Group's performance. We will continue to follow up closely with the local authorities on this matter;
- (ii) to remain focused on finalising the compensation agreement with Yinchuan Municipal. We will ensure that our legal entitlements under the Concession Agreement are safeguarded and the Plant 1 compensation amount shall be computed based on the formula stated in the Concession Agreement. We will continue to follow up closely with Yinchuan Municipal on this matter; and
- (iii) to follow up closely with Yinchuan Municipal on the repayment of the outstanding wastewater treatment service fees amounting to approximately HK\$482.1 million as at 31 December 2025.

Operationally, our Group will continue to strengthen our mission of ensuring stable operation, stable outflow of treated wastewater as per the required discharge standards (穩定達標排放) under the Concession Agreement entered with the local government of Yinchuan. Our Group will also continue to focus on cost optimisation and increase efficiency in managing our Wastewater Treatment Plants.

Our Group is also eyeing for potential merger and acquisition opportunities for wastewater treatment assets in Yinchuan, Ningxia and other regions within the PRC with the aim of strengthening our footprint in the PRC and the region.

Looking ahead, we are of the view that the outlook of the wastewater treatment industry will remain positive. Accordingly, we are cautiously optimistic of the financial performance of our Group for the financial year ending 31 December 2026.

¹ Source: *Global Economic Prospects — January 2026, World Bank Group*

Chairman's Statement

APPRECIATION

Last but not least, on behalf of the Board, I would like to take this opportunity on behalf of the Board to express our sincere appreciation to our management team and our pool of talented staff whose devotion and contribution have been vital to the Group's success. Together, we shall strive for further growth and future success of our Group.

At the same time, we are deeply grateful to all our stakeholders, including our customers, suppliers, business partners, regulatory authorities and financiers for their unwavering support and trust. Finally, to our Shareholders, thank you for having faith and belief in us. We will remain dedicated to enhancing our Shareholders' value by continuing to grow the business sustainably.

TIL Enviro Limited

Lim Chin Sean

Chairman

Hong Kong, 30 March 2026

Definitions

In this annual report, unless the context other requires, the following terms shall have the meanings set forth below.

“AGM”	an annual general meeting of the Company
“Articles of Association” or “Articles”	the second amended and restated articles of association of our Company adopted on 29 June 2022 and as amended from time to time
“Board”	our board of Directors
“Company”	TIL Enviro Limited (達力環保有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 17 April 2018, whose Shares are listed on the Main Board of the Stock Exchange
“Concert Party Deed”	a confirmatory deed in relation to parties acting in concert dated 11 April 2018 entered into between Mr. Lim Chee Meng and Mr. Lim Chin Sean to confirm and record the agreement and understanding between the parties for the acknowledgement of their acting in concert (<i>having the meaning as ascribed to it under the Takeovers Code</i>)
“Concession Agreement”	the Original Concession Agreement as supplemented by the Framework Agreement
“Director(s)”	the director(s) of our Company
“Framework Agreement”	a framework agreement dated 31 May 2014 entered into between Yinchuan Construction Bureau and TYW in respect of certain upgrading and expansion works to be carried out by TYW further to those provided under the Original Concession Agreement
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“LGB Group”	the family business of our controlling shareholders, which were involved in a number of industry sectors, such as (i) public utilities and infrastructure; (ii) construction and engineering; and (iii) property development and investment etc.
“Listing”	the listing and the commencement of trading and dealing of our Shares on the Main Board of the Stock Exchange
“Listing Date”	being 29 November 2018, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplement or modified from time to time

Definitions

“Main Board”	the stock market (<i>excluding the options market</i>) operated by the Stock Exchange which is independent from and operated in parallel with GEM operated by the Stock Exchange
“Memorandum of Association” or “Memorandum”	the second amended and restated memorandum of association of our Company adopted on 29 June 2022 and as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Ningxia”	Ningxia Hui Autonomous Region* (寧夏回族自治區), the PRC
“Original Concession Agreement”	the concession agreement dated 21 September 2011 entered into between TYW and Yinchuan Construction Bureau pursuant to which TYW was granted a concession right for a term of 30 years from 21 September 2011 to 20 September 2041 to, among other things, operate, manage and maintain our four Wastewater Treatment Plants to provide wastewater treatment services in Yinchuan and undertake upgrading and expansion works (<i>where applicable</i>) on the facilities
“Plant 1” or “Yinchuan Wastewater Treatment Plant 1”	<p>Yinchuan Wastewater Treatment Plant No. 1 (銀川市第一污水處理廠) operated and managed by TYW pursuant to the Concession Agreement, is located at Bali Bridge, Manchun Town, Xingqing District, Yinchuan* (銀川市興慶區滿春鄉八里橋)</p> <p>Due to the rapid urbanisation in Yinchuan city, Plant 1 has ceased operations on 14 July 2021 and it was subsequently closed on 14 October 2021.</p>
“Plant 2” or “Yinchuan Wastewater Treatment Plant 2”	Yinchuan Wastewater Treatment Plant No. 2 (銀川市第二污水處理廠) operated and managed by TYW pursuant to the Concession Agreement, is located at Liziyuan North Road, Xixia District, Yinchuan* (銀川市西夏區麗子園北路)
“Plant 3” or “Yinchuan Wastewater Treatment Plant 3”	Yinchuan Wastewater Treatment Plant No. 3 (銀川市第三污水處理廠) operated and managed by TYW pursuant to the Concession Agreement, is located at South of Jingtian East Road, Xixia District, Yinchuan* (銀川市西夏區經天東路以南)
“Plant 4” or “Yinchuan Wastewater Treatment Plant 4”	Yinchuan Wastewater Treatment Plant No. 4 (銀川市第四污水處理廠) operated and managed by TYW pursuant to the Concession Agreement, is located at Ping Fu Qiao Village, Fengdeng Town, Jinfeng District, Yinchuan* (銀川市金鳳區豐登鎮平伏橋村)
“PRC” or “China”	the People’s Republic of China
“Prospectus”	the prospectus of our Company dated 31 October 2018 (<i>as supplement by the supplemental prospectus of our Company dated 14 November 2018 (the “Supplemental Prospectus”)</i>) in relation to the initial public offering and the listing of the Shares on the Stock Exchange

Definitions

“Reporting Period”	1 January 2025 to 31 December 2025
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“TYW”	Taliworks (Yinchuan) Wastewater Treatment Co.* (達力(銀川)污水處理有限公司), a company established with limited liability under the laws of the PRC on 6 May 2011, is a wholly-owned and operating subsidiary of our Company
“Wastewater Treatment Plants”	Plant 2, Plant 3 and Plant 4
“Yinchuan Construction Bureau”	Bureau of Housing and Urban-Rural Development of Yinchuan* (銀川市住房和城鄉建設局), formerly known as Construction Bureau of Yinchuan* (銀川市建設局)
“Yinchuan Treasury Bureau”	Finance Bureau of Yinchuan (銀川市財政局)
“%”	per cent
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“SG\$”	Singapore dollars, the lawful currency of Singapore
“US\$”	United States dollars, the lawful currency of the United States of America

If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail. The English translations of official Chinese names which are marked with “” are for identification purpose only.*

Management Discussion and Analysis

BUSINESS REVIEW

We are a wastewater treatment service provider that operates and manages three wastewater treatment facilities located in Yinchuan, the capital city of Ningxia, the PRC, delivering wastewater treatment services to the local government. We operate and manage our Wastewater Treatment Plants on a Transfer — Operate — Transfer (“TOT”) basis for 30 years since September 2011. We also undertake the upgrading and expansion of our wastewater treatment facilities to achieve higher wastewater discharge standards and to increase our designed treatment capacities.

As at 31 December 2025, our aggregate daily wastewater treatment capacity was 375,000 cubic metres per day pursuant to the cessation of Plant 1 operations. The discharge standards for all Wastewater Treatment Plants were Class IA (275,000 cubic metres per day) and Quasi Surface Water Standard Class IV (準四類水標準) (100,000 cubic metres per day).

For the Reporting Period, the total quantity of wastewater treated was approximately 80.3 million cubic metres, representing an increase of approximately 1.6 million cubic metres or approximately 2.0%, from the year ended 31 December 2024 at approximately 78.7 million cubic metres. This was mainly due to overall higher inflow of wastewater during the Reporting Period.

Our Group has actively adhered to all the prescribed discharge standards/parameters set in the national policies throughout the Reporting Period and had not encountered any material quality problems or disruption with respect to our wastewater treatment services.

During the Reporting Period, the Group recorded revenue and PAT of approximately HK\$230.0 million and HK\$61.5 million, respectively, lower than revenue and PAT of HK\$230.6 million and HK\$66.2 million in the preceding year.

The lower revenue for the Reporting Period was primarily attributable to the lower revenue derived from the finance income from service concession arrangement by approximately HK\$2.7 million. Please refer to the section headed “Financial Review — Revenue” in this annual report for further analysis.

The lower PAT for the Reporting Period was primarily attributable to higher other losses, net by approximately HK\$21.1 million, resulted from the remeasurement loss on prepayment and receivables under service concession arrangement. Please refer to the section headed “Financial Review — Other losses, net” in this annual report for further analysis.

Management Discussion and Analysis

DEVELOPMENT STRATEGY AND PROSPECTS

For the year 2026, China's economic growth is expected to moderate. This is because subdued consumer confidence, the prolonged property sector downturn and a softer labour market are expected to impact both consumption growth and investment growth.¹

However, the moderation of both consumption growth and investment growth are expected to be partially offset by the accommodative monetary and fiscal policies. Export growth is expected to remain robust, while investor sentiment is anticipated to improve due to the relatively more stable trade policy and the partial tariff relief.¹

During the Reporting Period, there were delays in finalising the new tariff and new basic volume with the local authorities, as well as finalising the compensation agreement with Yinchuan Municipal regarding the closing down of Plant 1.

Our Group's strategy for this year is:

- (i) to remain focused on finalising the new tariff and new basic volume with the local authorities for the expansion and/or upgrading works done on Plant 2 Phase 1, Plant 4 Phase 1 (*upgrading works*) and Plant 4 Phase 2 (*expansion works*), respectively. The management will continue to follow up closely with the local authorities on this matter;
- (ii) to remain focused on finalising the compensation agreement with Yinchuan Municipal regarding the closing down of Plant 1. The management will continue to follow up closely with Yinchuan Municipal on this matter; and
- (iii) to follow up closely with Yinchuan Municipal on the repayment of the outstanding wastewater treatment service fees amounting to approximately HK\$482.1 million as at 31 December 2025.

Operationally, our Group will continue to strengthen our mission of ensuring stable operation, stable outflow of treated wastewater as per the required discharge standards (穩定達標排放) under the Concession Agreement entered with the local government of Yinchuan. Our Group will also continue to focus on cost optimisation and increase efficiency in managing our Wastewater Treatment Plants.

Our Group is also eyeing for potential merger and acquisition opportunities for wastewater treatment assets in Yinchuan, Ningxia and other regions within the PRC with the aim of strengthening our footprint in the PRC and the region.

¹ Source: *Global Economic Prospects — January 2026*, World Bank Group

Management Discussion and Analysis

FINANCIAL REVIEW

Results of Operations

The following table sets out a summary of consolidated statement of comprehensive income of our Group for the years indicated:

	For the year ended 31 December	
	2025 HK\$'000	2024 HK\$'000
Revenue	230,011	230,554
Cost of sales	(51,160)	(54,455)
Gross profit	178,851	176,099
Other income	2,073	2,596
Other losses, net	(76,006)	(54,896)
General and administrative expenses	(13,471)	(13,653)
Impairment losses on financial assets	(13,375)	–
Finance costs	(22,489)	(28,086)
Profit before taxation	55,583	82,060
Income tax expense	(5,431)	(15,893)
Profit for the year	50,512	66,167
Other comprehensive income/(loss)	60,208	(45,900)
Total comprehensive income for the year	110,360	20,267

Management Discussion and Analysis

Revenue

Our Group's revenue is derived from (i) wastewater treatment operation services; and (ii) finance income from service concession arrangement.

Our revenue decreased from approximately HK\$230.6 million for the year ended 31 December 2024 to approximately HK\$230.0 million for the Reporting Period, representing a decrease of approximately HK\$0.6 million or approximately 0.3%.

Further analysis on the revenue is set out below:

- revenue derived from the wastewater treatment operation services increased from approximately HK\$113.5 million for the year ended 31 December 2024 to approximately HK\$115.7 million for the Reporting Period, representing an increase of approximately HK\$2.2 million or approximately 1.9%.

The increase was primarily attributable to the forecasted cash flow ("**FCF**") variance computed in the HK(IFRIC)-Int 12 ("**IFRIC 12**") model, as shown in the table below:

FCF Variance	2025 HK\$'000	2024 HK\$'000	Difference HK\$'000
FCF gain	24,379	20,762	3,617

- revenue derived from the finance income from service concession arrangement decreased from approximately HK\$117.0 million for the year ended 31 December 2024 to approximately HK\$114.3 million for the Reporting Period, representing a decrease of approximately HK\$2.7 million or approximately 2.3%, which was primarily attributable to the lower opening balance of prepayment and receivables under the service concession arrangement.

Cost of sales

Our cost of sales decreased from approximately HK\$54.5 million for the year ended 31 December 2024 to approximately HK\$51.2 million for the Reporting Period, representing a decrease of approximately HK\$3.3 million or approximately 6.1%.

Further analysis on the cost of sales is set out below:

- costs of wastewater treatment operation decreased from approximately HK\$36.9 million for the year ended 31 December 2024 to approximately HK\$33.8 million for the Reporting Period, representing a decrease of approximately HK\$3.1 million or approximately 8.4%. The decrease was mainly attributable to lower chemical costs by approximately HK\$1.7 million; and
- the remaining cost of sales, which consisted primarily of employee benefit expenses, depreciation and amortisation expenses, repair and maintenance costs and other costs, recorded a decrease from approximately HK\$17.5 million for the year ended 31 December 2024 to approximately HK\$17.4 million for the Reporting Period, representing a decrease of approximately HK\$0.1 million or approximately 0.6%. The decrease was mainly attributable to lower repair and maintenance costs by approximately HK\$0.8 million.

Management Discussion and Analysis

Gross profit and gross profit margin

Our gross profit increased from approximately HK\$176.1 million for the year ended 31 December 2024 to approximately HK\$178.9 million for the Reporting Period, representing an increase of approximately HK\$2.8 million or approximately 1.6%, which was primarily attributable to the lower cost of sales during the Reporting Period.

Our gross profit margin increased from 76.4% for the year ended 31 December 2024 to 77.8% for the Reporting Period.

Other income

Other income decreased from approximately HK\$2.6 million for the year ended 31 December 2024 to approximately HK\$2.1 million for the Reporting Period, representing a decrease of approximately HK\$0.5 million, or approximately 19.2%. The decrease was mainly attributable to the lower interest income by approximately HK\$0.3 million, resulted from lower cash and bank balances.

Other losses, net

Our Group recorded other losses, net of approximately HK\$76.0 million for the Reporting Period, representing an increase of approximately HK\$21.1 million or approximately 38.4%, from approximately HK\$54.9 million for the year ended 31 December 2024. The increase was mainly attributable to the higher remeasurement loss on prepayment and receivables under service concession arrangement by approximately HK\$19.9 million.

General and administrative expenses

General and administrative expenses decreased from approximately HK\$13.7 million for the year ended 31 December 2024 to approximately HK\$13.5 million for the Reporting Period, representing a decrease of approximately HK\$0.2 million or approximately 1.5%. The decrease was primarily due to lower professional fees by approximately HK\$0.6 million during the Reporting Period.

Finance costs

Finance costs decreased from approximately HK\$28.1 million for the year ended 31 December 2024 to approximately HK\$22.5 million for the Reporting Period, representing a decrease of approximately HK\$5.6 million, or approximately 19.9%. The decrease was primarily attributable to lower interest expenses on borrowings by approximately HK\$5.7 million during the Reporting Period, resulted from: (i) downward revision of the 5-year People's Bank of China loan prime rate; and (ii) the repayment of long-term loans of approximately HK\$84.2 million during the Reporting Period.

Management Discussion and Analysis

Income tax expense

We incurred income tax expense of approximately HK\$15.9 million for the year ended 31 December 2024 and approximately HK\$5.4 million for the Reporting Period, representing a decrease of approximately HK\$10.5 million or approximately 66.0%, at effective tax rates of approximately 19.4% and 9.7%, respectively.

The low effective tax rate was mainly attributable to the reduced corporate income tax rate from 25.0% to 15.0%, announced by the China tax administration in April 2019. The new tax incentive policy is applicable to corporates involved in environment protection industry for tax assessment years from 2019 to 2021. In January 2022, this new tax incentive policy was extended for additional 2 years to 2023. In August 2023, this new tax incentive policy was extended again for additional 4 years to 2027.

Profit and total comprehensive income for the year

As a result of the foregoing factors, our profit for the year decreased from approximately HK\$66.2 million for the year ended 31 December 2024 to approximately HK\$50.2 million for the Reporting Period, representing a decrease of approximately HK\$16.0 million, or approximately 24.2%.

The total comprehensive income for the Reporting Period amounted to approximately HK\$110.4 million as compared to approximately HK\$20.3 million for the year ended 31 December 2024. The difference between the profit for the year and the total comprehensive income for the year was due to the currency translation differences from the translation of RMB, being the functional currency of the operating entities in the PRC to HK\$, being the reporting currency (31 December 2025 RMB/HK\$ closing rate: 1.1089; 31 December 2024 RMB/HK\$ closing rate: 1.0642).

Earnings per Share

For the Reporting Period, the earnings per Share for profit attributable to owners of the Company (*basic and diluted*) was HK\$0.05 per Share (2024: HK\$0.07 per Share).

Prepayment and receivables under service concession arrangement

Our prepayment and receivables under service concession arrangement that were classified as (i) current assets were approximately HK\$439.1 million and HK\$253.5 million as at 31 December 2024 and 31 December 2025, respectively; and (ii) non-current assets were approximately HK\$1,221.7 million and HK\$1,389.5 million as at 31 December 2024 and 31 December 2025, respectively.

Our total prepayment and receivables under service concession arrangement amounted to approximately HK\$1,660.8 million and HK\$1,643.0 million as at 31 December 2024 and 31 December 2025, respectively. This represented a decrease of approximately HK\$17.8 million or approximately 1.1%, primarily due to the remeasurement loss on prepayment and receivables under service concession arrangement.

Trade and other receivables

Our Group's trade and other receivables increased by approximately HK\$156.5 million, or approximately 45.6%, to approximately HK\$500.0 million as at 31 December 2025 from approximately HK\$343.5 million as at 31 December 2024.

The increase was primarily attributable to the increase of trade receivables by approximately HK\$155.4 million, resulted from the temporary delayed settlement process by Yinchuan Municipal.

Management Discussion and Analysis

Cash and bank balances

Our Group's cash and bank balances decreased by approximately HK\$88.9 million, or approximately 66.5%, to approximately HK\$44.7 million as at 31 December 2025 as compared to approximately HK\$133.6 million as at 31 December 2024. The decrease in cash on bank balances was primarily due to the repayment of long-term loans of approximately HK\$84.2 million. The cash and bank balances were denominated in HK\$, RMB, SG\$ and US\$.

Borrowings

As at 31 December 2025, our Group had bank borrowings, which were denominated in RMB, of approximately HK\$563.1 million (31 December 2024: HK\$622.1 million), represented by short-term working capital loans of approximately HK\$18.3 million (31 December 2024: HK\$18.4 million) and long-term loans of approximately HK\$544.8 million (31 December 2024: HK\$603.7 million), which were denominated in RMB. This represented a decrease of approximately HK\$59.0 million or approximately 9.5%.

The decrease in borrowings was primarily due to the repayment of long-term loans of approximately HK\$84.2 million during the Reporting Period.

Liquidity and Capital Resources

Our principal liquidity and capital requirements primarily related to costs and expenses from business operations, as well as purchase of equipment, if any. As at 31 December 2025, the net current assets and net assets of our Group amounted to approximately HK\$533.0 million and HK\$1,501.2 million, respectively (31 December 2024: net current assets and net assets of approximately HK\$648.3 million and HK\$1,379.5 million, respectively).

Gearing Ratio

As at 31 December 2025, the gearing ratio (*calculated by net debts divided by total equity; net debts include total borrowings minus cash and bank balances*) was approximately 35.2% (31 December 2024: approximately 35.4%).

Contingent Liabilities

Our Group did not have any material contingent liabilities or outstanding litigation as at 31 December 2025.

Off-balance Sheet Arrangements

As at 31 December 2025, save as disclosed, we have not, nor do we expect, to enter into, any off-balance sheet arrangements. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

Management Discussion and Analysis

Foreign Currency Risk

Our Group principally operates in the PRC with most of the transactions being settled in RMB, which is the functional currency of most of the group entities. Foreign currency risk arises from the recognised assets and liabilities and net investments in foreign operations. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through financing activities denominated in the relevant foreign currencies, including the US\$ (the "**Non-functional Currency**").

Fluctuations in exchange rates between the functional currencies of respective group entities and Non-functional Currency in which our group entities conduct business may affect our Group's financial position and results of operations. Our Group seeks to limit its exposure to foreign currency risk by closely monitoring and minimising its net foreign currency position.

Charges on the Group's Assets

As at 31 December 2025, the Group's borrowings are secured by contractual rights to receive revenue generated by the Group and the land use right granted by the government in relation to the parcel of land at which all our wastewater treatment plants are situated.

Employees and Remuneration Policies

Our Group had 127 full-time employees as at 31 December 2025 (2024: 125). Remuneration is determined on various factors such as their work experience, educational background, qualifications or certifications possessed.

The compensation package for our employees generally comprises basic wages, over-time work allowances, bonuses, retirement benefits and other staff benefits. We conduct annual review of the performance of our employees for determining the level of bonus, salary adjustment and promotion of our employees. For the year ended 31 December 2025, our employee benefit expenses were approximately HK\$20.9 million (2024: HK\$20.1 million). Our Company has adopted a share option scheme pursuant to which the Directors and employees of our Group are entitled to participate.

Material Acquisitions and Disposals

During the year ended 31 December 2025, our Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Significant Investments Held

As at 31 December 2025, our Group had no significant investments.

Future Plans for Material Investments

Our Group did not have any plans for material investments and capital assets as at 31 December 2025.

Events after the Reporting Period

Our Group has no material subsequent event after the Reporting Period and up to the date of this annual report.

Final Dividends

No final dividend has been recommended by the Board for the year ended 31 December 2025 and 2024, respectively.

Report of Directors

The Directors are pleased to present to the Shareholders their report together with the audited consolidated financial statements of our Group for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The principal activity of our Company is investment holding. Its main subsidiary is principally engaged in wastewater treatment services and managing and operating four wastewater treatment facilities in Yinchuan, Ningxia, the PRC.

RESULTS AND APPROPRIATIONS

The results of our Group for the year ended 31 December 2025 are set out on pages 99 to 155 of this annual report. The Board did not recommend the payment of a final dividend for the year ended 31 December 2025.

BUSINESS REVIEW

A fair review of the business of our Group during the year and a discussion on our Group's future business development are set out in the sections headed "Chairman's Statement" on pages 3 to 5 and "Management Discussion and Analysis" on pages 9 to 16 of this annual report.

The above discussions form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTY

Various risks and uncertainties that our Group may face are as follows:

- (i) our Group may not be able to renew our Concession Agreement upon its expiry and may not be able to secure new projects to sustain or grow our business;
- (ii) over 90% of our Group's revenue were from our Group's largest customer, Yinchuan Construction Bureau. In the event that the Concession Agreement is early terminated, it could have a material adverse impact on our business, financial condition and operational results;
- (iii) we recognise revenue from our wastewater treatment construction services for the upgrading and expansion works, but typically do not receive any actual payments in return for that until the operational phase of these upgraded and/or expanded parts, which may adversely affect our results of operations and liquidity, and our revenue may decline after all of the upgrading and expansion works have been completed; and
- (iv) our Group may not be granted revisions to our tariffs and/or basic volumes in a timely manner and we cannot guarantee that such revisions could fully cover the increase in our actual costs incurred in day-to-day operations as well as in our contemplated upgrading and expansion works which are capital intensive in nature.

Report of Directors

COMPLIANCE WITH LAWS AND REGULATIONS

Concerted efforts are exerted to ensure compliance with the laws and regulations of the jurisdictions in which our Group operates.

Health and Safety Compliance

Pursuant to national and local health and safety laws and regulations in the PRC, we are required to provide our employees with a safe working environment. Therefore, we have established comprehensive work place safety policies and guidelines for our employees. Each of our wastewater treatment facilities maintains its own emergency reporting system in case of safety hazards. Our employees are provided with protective gears and clothing within our Wastewater Treatment Plants. We also conduct regular inspection and maintenance checks on our equipment to ensure that they are in compliance with the applicable national or industrial standards in respect of their design, manufacturing, installation and use.

During the Reporting Period, we had complied with the applicable national and local occupational health and safety laws and regulations in all material respects and we had not been imposed any sanctions or penalties for any non-compliance with applicable laws and regulations on health and safety in the PRC.

Environmental Matters

We are subject to various laws and regulations regarding environmental protection and water quality of treated wastewater discharged from our Wastewater Treatment Plants. In carrying out the upgrading and expansion works at our Wastewater Treatment Plants, we are required under the relevant PRC laws to conduct environmental impact assessment and submit the relevant environmental impact assessment report on specific potential impact on the environment by the construction works and the design plan of pollution preventing facilities for approval by the relevant government authorities. In this connection, we will engage a licensed environmental impact assessment consultant to assist us to prepare the environmental impact assessment report prior to our commencement of the construction works for the upgrading and/or expansion of our Wastewater Treatment Plants. For our provision of wastewater treatment services, we have duly obtained a pollutant discharge permit for each of our Wastewater Treatment Plants in accordance with the PRC law. As a wastewater treatment service provider and pursuant to the Concession Agreement, we are obliged to ensure the wastewater treated by our facilities meets the relevant discharge standards. For this purpose, we have implemented various quality control measures.

We have implemented measures in the operation of our business to ensure compliance with applicable requirements under the PRC environmental laws and regulations. During the Reporting Period, we had not received any major claims or penalties for failing to comply with the relevant environmental-related licensing and environmental protection requirements.

Corporate Governance Compliance

On corporate governance, our Group complies with the requirements under the Listing Rules and the SFO for, among other things, the disclosure of information and corporate governance, and our Group has adopted the Model Code set out in Appendix C3 to the Listing Rules.

Report of Directors

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group's success also depends on the support from our employees, customers and suppliers.

Employees

Employees are regarded as important and valuable assets of our Group. The objective of our Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within our Group for career advancement.

The compensation package for our employees generally comprises basic wages, over-time work allowances, bonuses, retirement benefits and other staff benefits. We conduct annual review of the performance of our employees for determining the level of bonus, salary adjustment and promotion of our employees.

TYW has a labour union. During the Reporting Period, we have not experienced any strikes or other material labour disputes that have materially disrupted our operations. Our Directors believe that we have maintained a good working relationship with our employees.

Customers

Our largest major customer is Yinchuan Construction Bureau, a government authority of the PRC. Our Group provides professional and quality wastewater treatment service whilst maintaining long term profitability, business and asset growth.

Despite the fact that the most of our revenue has been contributed by our largest customer, Yinchuan Construction Bureau, and we only have one TOT project to operate and manage the Wastewater Treatment Plants under the Concession Agreement, our Directors believe that the reliance between us and Yinchuan Construction Bureau is mutual and complimentary in the manner that our customer also relies on our expertise, experience, funding capabilities and human resources we put into our operations to process wastewater generated in Yinchuan so as to facilitate the local government in achieving its goal in environmental protection and protect the livelihoods of the local communities. The sustainability of our business is further safeguarded by the fact that we have entered into the Concession Agreement with Yinchuan Construction Bureau for a fixed term of 30 years. During such concession period, we shall have an exclusive right to operate and manage our Wastewater Treatment Plants to provide our wastewater treatment services with a pre-agreed tariff and a contractually guaranteed basic volume of wastewater applicable to our individual Wastewater Treatment Plants for the purpose of calculation of our wastewater treatment service fees which guarantees us a stable level of incoming cash flow, provided that we are able to deliver our wastewater treatment services up to the required standards.

Suppliers

During the Reporting Period, our principal suppliers were construction contractors, design institutes and supervision agencies engaged by us to carry out our contemplated upgrading and expansion works, suppliers of chemicals used in our wastewater treatment processes and suppliers of materials for equipment maintenance and replacements. We have been working with our major suppliers for periods ranging from one year to more than five years.

It is our general policy to maintain a list of approved suppliers in order to avoid over-relying on a single supplier. We have stable business relationships with our suppliers and they are familiar with our demand on quantity and requirements as to the quality of the materials and equipment required by us. During the Reporting Period, we were able to purchase or seek quotations or select the suppliers from multiple suppliers for each type of materials, equipment and services and we did not experience any shortage of our major materials, equipment and we do not anticipate any difficulties in this regard in the foreseeable future.

Report of Directors

RESERVES

Details of movements in the reserves of our Group during the year ended 31 December 2025 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

Under the Companies Act of the Cayman Islands and the provisions of the Articles of Association, the Company's share premium account may be applied by the Company in paying distributions or dividend to Shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2025, the Company's reserves available for distribution to the Shareholders amounted to approximately HK\$593,341,000 (2024: approximately HK\$593,460,000).

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2025, our Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

BANK BORROWINGS

Details of the bank borrowings of our Group as at 31 December 2025 are set out in note 22 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of our Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of our Company during the year are set out in note 21 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme" in this report, no equity-linked agreements were entered into during the year ended 31 December 2025 or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

Pursuant to article 191 of the Articles of Association, subject to relevant laws, every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of our Company against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

Report of Directors

DIRECTORS

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

Non-Executive Directors

Mr. Lim Chin Sean (*Chairman*)

Ms. Lim Siew Ling

Executive Director

Mr. Wong Kok Sun

Independent Non-Executive Directors

Mr. Tan Yee Boon

Mr. Hew Lee Lam Sang

Mr. Tam Ka Hei Raymond

In accordance with Article 108(a) of the Articles of Association, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years and, being eligible, offer themselves for re-election for the forthcoming year. Also, in accordance with Article 112 of the Article of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election. Mr. Lim Chin Sean and Mr. Tam Ka Hei Raymond will retire at the forthcoming AGM and will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Our executive Director has entered into an appointment contract with our Company for a fixed term of one year, and each of our non-executive Directors and independent non-executive Directors has entered into a service contract with our Company for a fixed term of three years. All Directors are subject to retirement by rotation and re-election at AGM of the Company at least once every three years. The appointment contract and service contracts can be terminated by giving not less than three months' notice in writing served by either our Company or the respective Director.

No Director has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year.

Report of Directors

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration for the Directors and senior management comprises basic salary and discretionary bonus. Details of the amount of emoluments of Directors paid for the year ended 31 December 2025 are set out in note 10 to the consolidated financial statements.

The scope of the remuneration of the senior management officers is as follows:

Remuneration bands	Number of person(s)
HK\$0 to HK\$750,000	2
HK\$750,000 to HK\$1,500,000	1

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2025, the interests and short positions of each Director of our Company in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (*within the meaning of Part XV of the SFO*) as recorded in the register which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or are required to be kept under Section 352 of the SFO or required to be notified to our Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held/ interested in	Approximate Percentage of interest
Mr. Lim Chin Sean (<i>note 1</i>)	Interest held jointly with other persons; interest in a controlled corporation	750,000,000	75.00%
Ms. Lim Siew Ling (<i>note 2</i>)	Interest in a controlled corporation	62,212,500	6.22%

Notes:

1. Sparkle Century Group Limited ("**Sparkle Century**") is wholly-owned by LGB Group (HK) Limited ("**LGB (HK)**"), which is owned as to 70.00%, 25.00% and 5.00% by LGB (Malaysia) Sdn. Bhd. ("**LGB (Malaysia)**"), Mr. Lim Chee Meng and Mr. Lim Chin Sean, respectively. LGB (Malaysia) is owned as to 28.850%, 28.850%, 11.850%, 11.850%, 11.850%, 4.625% and 2.125% by Mr. Lim Chee Meng, Mr. Lim Chin Sean, Ms. Lim Shiak Ling, Ms. Lim Ai Ling, Ms. Lim Siew Ling, Ms. Geh Sok Lan (*also known as Ms. Goay Sook Lan*) and Ms. Lim Wang Ling, respectively. As a result of the Concert Party Deed, Mr. Lim Chee Meng and Mr. Lim Chin Sean are deemed, or taken to be, interested in all the Shares held by Sparkle Century for the purposes of the SFO.
2. Sparkle Century is a beneficial owner holding 750,000,000 shares of the Company. Sparkle Century is wholly-owned by LGB Group (HK) Limited, which is owned as to 70.00%, 25.00% and 5.00% by LGB (Malaysia), Mr. Lim Chee Meng and Mr. Lim Chin Sean, respectively. LGB (Malaysia) is owned as to 28.850%, 28.850%, 11.850%, 11.850%, 11.850%, 4.625% and 2.125% by Mr. Lim Chee Meng, Mr. Lim Chin Sean, Ms. Lim Shiak Ling, Ms. Lim Ai Ling, Ms. Lim Siew Ling, Ms. Geh Sok Lan (*also known as Ms. Goay Sook Lan*) and Ms. Lim Wang Ling, respectively. As a result, Ms. Lim Siew Ling is indirectly holding 62,212,500 shares of the Company.

Report of Directors

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of shares held/ interested in	Percentage of interest
Mr. Lim Chin Sean <i>(note)</i>	Sparkle Century	Interest held jointly with other persons; interest in controlled corporation	2	100.00%
	LGB (HK)	Interest held jointly with other persons; interest in a controlled corporation	529,160,260	100.00%
	LGB (Malaysia)	Interest held jointly with other persons	11,540	57.70%
Ms. Lim Siew Ling	LGB (Malaysia)	Beneficial owner	2,370	11.85%

Note: Pursuant to Section 341(1) of the SFO, if certain conditions are met, the Directors are required to submit a disclosure of interest notice. In the event of changes in the shareholding of the Director in the associated corporation, the Director will not be required to notify the Company and the Stock Exchange unless certain conditions are met. Therefore, the latest shareholding of the Director in the associated corporation disclosed in this annual report may be different from the shareholding submitted to the Stock Exchange.

Save as disclosed above, as at 31 December 2025, none of the Directors of our Company had any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (*within the meaning of Part XV of the SFO*) which are recorded in the register which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or are required to be kept under Section 352 of the SFO or required to be notified to our Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

On 4 October 2018, a share option scheme (the “**Share Option Scheme**”) was approved and adopted by the Shareholders, under which, options may be granted to any Eligible Participants (*as defined below*) to subscribe for Shares subject to the terms and conditions stipulated in the Share Option Scheme. Our Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees. The Share Option Scheme shall be valid and effective for a period of 10 years commencing from 4 October 2018. The remaining term of the Share Option Scheme is approximately 2 years and 8 months.

The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine to the following persons (the “**Eligible Participants**”): (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries; (ii) any directors (*including non-executive directors and independent non-executive directors*) of our Company or any of its subsidiaries; (iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Group, the assessment criteria of which are: (a) contribution to the development and performance of our Group; (b) quality of work performed for our Group; (c) initiative and commitment in performing his/her duties; and (d) length of service or contribution to our Group.

Report of Directors

The maximum number of Shares which may be issued upon exercise of all options (*excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Company*) to be granted under the Share Option Scheme and any other share option scheme of our Company must not in aggregate exceed 100,000,000 Shares, being 10% of the total number of the Shares in issue as at the Listing Date.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other scheme of our Company (*including both exercised and outstanding options*) to each participant in any 12-month period shall not exceed 1% of the total number of the Shares in issue for the time being. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting.

An offer for the grant of option must be accepted within seven days from the offer date. Options granted shall be taken up upon payment of HK\$1.00 as consideration for the grant of option. Options may be exercised at any time from the date which option is deemed to be granted and accepted and expired on the date as the Board in its absolute discretion determine and which shall not exceeding a period of 10 years from the date on which the share options are deemed to be granted and accepted but subject to the provisions for early termination thereof contained in the Share Option Scheme.

The subscription price for the ordinary shares under the Share Option Scheme shall be determined by the Board and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; and (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

No share option has been granted by our Company since its adoption and no share options were outstanding, lapsed, cancelled or exercised under the Share Option Scheme during the Reporting Period. Therefore, the total number of Shares available for grant under the Share Option Scheme as at 1 January 2025 and 31 December 2025 was 100,000,000 Shares, representing 10% of the issued share capital of the Company.

Report of Directors

SUBSTANTIAL SHAREHOLDER'S INTERESTS

As at 31 December 2025, according to the register kept by our Company under Section 336 of the SFO, the corporations or persons (other than a Director of our Company) had interests or short positions in the Shares or underlying Shares which fell to be disclosed to our Company under Divisions 2 and 3 of Part XV of the SFO were as follows:

Interests in the Shares of our Company

Name	Capacity/Nature of interest	Number of Shares held/ interested in ^(note 5)	Percentage of interest
Mr. Lim Chee Meng (notes 1 & 2)	Interest held jointly with other persons; interest in a controlled corporation	750,000,000 (L)	75%
LGB (Malaysia) (note 1)	Interest in a controlled corporation	750,000,000 (L)	75%
LGB (HK) (note 1)	Interest in a controlled corporation	750,000,000 (L)	75%
Sparkle Century	Beneficial owner	750,000,000 (L)	75%
Ms. Lee Li May (note 3)	Interest of spouse	750,000,000 (L)	75%
Ms. Cheong Sze Theng (note 4)	Interest of spouse	750,000,000 (L)	75%

Notes:

- LGB (Malaysia) beneficially owns 70% of the entire issued share capital of LGB (HK), which beneficially owns 100% of the issued share capital of Sparkle Century. As such, each of LGB (Malaysia) and LGB (HK) is deemed, or taken to be, interested in all the Shares held by Sparkle Century for the purposes of the SFO.
- Sparkle Century is wholly-owned by LGB (HK), which is owned as to 70.00%, 25.00% and 5.00% by LGB (Malaysia), Mr. Lim Chee Meng and Mr. Lim Chin Sean, respectively. LGB (Malaysia) is owned as to 28.850%, 28.850%, 11.850%, 11.850%, 11.850%, 4.625% and 2.125% by Mr. Lim Chee Meng, Mr. Lim Chin Sean, Ms. Lim Shiak Ling, Ms. Lim Ai Ling, Ms. Lim Siew Ling, Ms. Geh Sok Lan (also known as Ms. Goay Sook Lan) and Ms. Lim Wang Ling, respectively. As a result of the Concert Party Deed, Mr. Lim Chee Meng and Mr. Lim Chin Sean are deemed, or taken to be, interested in all the Shares held by Sparkle Century for the purposes of the SFO.
- Ms. Lee Li May is the spouse of Mr. Lim Chee Meng and is therefore deemed to be interested in 750,000,000 Shares in which Mr. Lim Chee Meng has, or is deemed to have, for the purpose of the SFO.
- Ms. Cheong Sze Theng is the spouse of Mr. Lim Chin Sean and is therefore deemed to be interested in 750,000,000 Shares in which Mr. Lim Chin Sean has, or is deemed to have, for the purpose of the SFO.
- The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as at 31 December 2025, no other person (other than a Director of our Company) had registered an interest or short position in the Shares or underlying Shares of our Company which fell to be disclosed to our Company under Divisions 2 and 3 of Part XV of the SFO.

Report of Directors

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the related party transactions as disclosed in note 26 to the consolidated financial statements, there were no other transactions, arrangements or contracts of significance in relation to the business of our Group in which a Director or any of his connected entity was materially interested, whether directly or indirectly, subsisted at any time during the year ended 31 December 2025.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of our Group were entered into or existed during the year ended 31 December 2025.

RELATED PARTY TRANSACTIONS

The significant related party transactions that did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules made during the year ended 31 December 2025 were disclosed in note 26 to the consolidated financial statements.

COMPETING INTEREST

There were no Directors or their respective close associates had engaged in or had any interest in any business which, directly or indirectly, competes or may compete with the business of our Group as at 31 December 2025 or at any time during the year ended 31 December 2025.

DEED OF NON-COMPETITION

Each of LGB (Malaysia), Mr. Lim Chee Meng, Mr. Lim Chin Sean, Ms. Lim Shiak Ling, Ms. Lim Ai Ling, Ms. Lim Siew Ling, Ms. Geh Sok Lan, Ms. Lim Wang Ling, LGB (HK) and Sparkle Century (the "**Covenantors**") has entered into a deed of non-competition ("**Deed of Non-competition**") on 4 October 2018 with the Company, to the effect that each of the Covenantors will not directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with the business of our Group from time to time.

Our Company has received the annual confirmation of the Covenantors in respect of their compliance with the non-competition undertakings under the Deed of Non-competition during the year ended 31 December 2025. The independent non-executive Directors also reviewed the Covenantors' compliance with the non-competition undertakings.

The independent non-executive Directors confirmed that the Covenantors were not in breach of the non-competition undertakings during the year ended 31 December 2025.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S SECURITIES

None of our Company or any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the year ended 31 December 2025. As at 31 December 2025, no treasury shares (*as defined under the Listing Rules*) were held by the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association although there is no restriction against such rights under the laws in the Cayman Islands.

Report of Directors

TAX RELIEF AND EXEMPTION

Our Company is not aware of any relief on taxation available to the Shareholders by reason of their holding of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

CORPORATE GOVERNANCE REPORT

The corporation governance report of our Group during the year ended 31 December 2025 is set out in the section headed "Corporate Governance Report" on pages 28 to 46 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2025, sales to our Group's five largest customers accounted for approximately 100% of our sales and sales to our Group's largest customer included therein accounted for approximately 100%.

During the year ended 31 December 2025, purchase from our Group's five largest suppliers accounted for approximately 70% of our total purchases and purchase from our Group's largest supplier included therein accounted for approximately 22%.

To the best knowledge of the Directors, none of the Directors, their close associates or any Shareholder (*which to the knowledge of the Directors own more than 5% of the Shares in issue*) had an interest in our Group's five largest customers or suppliers.

SUBSEQUENT EVENTS

Our Group has no material subsequent event after the Reporting Period and up to the date of this annual report.

PUBLIC FLOAT

Our Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to our Company and within the knowledge of the Directors.

FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of our Group for the last five financial years is set out on page 156.

AUDITOR

The accompanying consolidated financial statements have been audited by PricewaterhouseCoopers who shall retire and, being eligible, offer themselves for re-appointment at the 2026 AGM. Having approved by the Board upon the recommendation of the Audit Committee, a resolution to re-appoint PricewaterhouseCoopers as the independent auditor of our Company and to authorise the Board to fix its remuneration will be proposed at the 2026 AGM.

On behalf of the Board

Lim Chin Sean

Chairman

Hong Kong, 30 March 2026

Corporate Governance Report

The Board has hereby submitted its Corporate Governance Report (the “**CG Report**”) for 2025 to the Shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company is committed to maintain high standards of corporate governance to protect the interests of its Shareholders and to enhance corporate value and accountability. Our Company has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) as contained in Part 2 of Appendix C1 to the Listing Rules as its own corporate governance code. The Board has reviewed our Company’s corporate governance practices and satisfied that our Company has complied with all the applicable code provisions of the CG Code throughout the Reporting Period.

The Board will examine and review, from time to time, our Company’s corporate governance practices and operation in order to comply with the relevant provisions under the Listing Rules and to protect Shareholders’ interests.

COMPANY’S PURPOSES, VALUES AND STRATEGIES

On 30 March 2022, the Board has adopted a statement on the Company’s purposes, values and strategies. The Board believes that the Company’s culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. The Company is committed to developing a positive and progressive culture that is built on its purposes, values and strategies as shown below:

Purposes

The company strives the followings:

1. Environmental Matters

- (i) To provide wastewater treatment services to protect the environment and to ensure the wastewater treated by the facilities meets all the relevant discharge standards/parameters; and
- (ii) To ensure strict compliance with applicable requirements under the environmental laws and regulations of the PRC, including but not limited to PRC Environmental Protection Law* (《中華人民共和國環境保護法》) and the PRC Law on Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》).

2. Health and Safety Compliance

- (i) To provide the employees with a safe working environment; and
- (ii) To ensure that the equipment is in compliant with the applicable national or industrial standards in respect of their design, manufacturing, installation and use.

3. Corporate Governance Compliance

To ensure compliance with the requirements under the Listing Rules and SFO for, among other things, the disclosure of information and corporate governance in public documents.

Corporate Governance Report

4. Risk Management and Internal Control

To maintain a sound and effective internal control and risk management systems for:

- Safeguarding shareholders' investments;
- Safeguarding Company's assets against misappropriation and disposition at all times;
- Ensuring compliance with relevant laws, rules and regulations;
- Ensuring proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; and
- Providing reasonable assurance against material misstatement, loss or fraud.

Values

The Company strives to adopt the following values:

- (i) Eco-friendly;
- (ii) Safety;
- (iii) Transparency; and
- (iv) Accountability

Strategies

The Company aims to achieve its purpose and values through the following strategies:

1. Environmental Matters

- (i) Implement various measures below:

- Quality control;

Actively pursue strict and standardised quality control procedures and monitoring systems such that the operators will carry routine inspection on the Wastewater Treatment Plants.

- Quality control team;

The quality control team shall possess relevant academic qualifications and the necessary industry experience to perform laboratory analyses on incoming and outflowing wastewater.

Corporate Governance Report

- Examination of water quality;
 - (i) Regular laboratory analyses are performed on the water samples collected at the inflow and outflow of each of the Wastewater Treatment Plants; and
 - (ii) The water samples are collected on a regular basis from the Wastewater Treatment Plants.
- Inspection of chemicals;
 - (i) The quality control team will perform regular analysis on the chemicals procured to ensure the quality is up to standard; and
 - (ii) Any substandard quality of chemicals will be reported to the plant manager and/or the senior management for investigation and decision making together with follow up actions.
- Regular inspection; and
 - (i) For every two hours, inspections are carried out by the operating team in order to avoid disruptions to the operations; and
 - (ii) Installation of electronic tracking devices at various locations within the plant to ensure that such regular inspections are carried out on schedule.
- Regular maintenance of instruments and equipment.

The in-house team of technicians will carry out regular repair and maintenance on all the facilities and equipment.

- (ii) Implement measures and procedures for waste gases emission, wastewater treatment and solid waste management, as shown below:

Waste gases emission

- Adopt advanced sewage treatment technology and equipment, and optimised the layout of facilities; and
- Enhance the afforestation work in the sewage treatment plant area and its surroundings to reduce the influence of odour on the environment.

Wastewater treatment

- Adopt intercept processing to improve the efficiency of pollutant treatment in the wastewater; and
- Perform regular laboratory analyses on the water samples collected at the inflow and outflow of each of the Wastewater Treatment Plants.

Solid waste management

- Transport the sludge to disposal sites designated by the local government.

Corporate Governance Report

2. Health and Safety Compliance

- (i) Establish comprehensive workplace safety policies and guidelines for the employees;
- (ii) Maintain emergency reporting system in case of safety hazard at each of the wastewater treatment facilities;
- (iii) Provide employees with protective gears and clothing within the Wastewater Treatment Plants; and
- (iv) Conduct regular inspection and maintenance checks on the equipment.

3. Corporate Governance Compliance

Adopt the Model Code as set out in Appendix C3 to the Listing Rules.

4. Risk Management and Internal Control

- (i) Establish a set of comprehensive risk management policies and measures to identify, evaluate and manage risks arising from the operations;
- (ii) Design control procedures;
- (iii) The Board oversees the overall risk management of the Group and endeavours to identify, control impact of the identified risks and facilitate implementation of coordinated mitigating measures; and
- (iv) The Board to engage an independent internal auditor to conduct the annual review of the risk management and internal control systems.

The Board sets and promotes Company's culture and expects and requires all employees to reinforce. All of our new employees are required to attend orientation and training programs so that they may better understand our Company's culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. The Board considers that the Company's culture and the purposes, values and strategies of the Group are aligned.

Corporate Governance Report

DIRECTORS' SECURITIES TRANSACTIONS

Our Company has adopted the Model Code as our own code of conduct regarding Directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the Reporting Period.

BOARD OF DIRECTORS

Composition

During the Reporting Period, the Board comprises six Directors and their respective roles were as follows:

Non-executive Directors

Mr. Lim Chin Sean (*Chairman*)

Ms. Lim Siew Ling

Executive Director

Mr. Wong Kok Sun

Independent Non-executive Directors

Mr. Tan Yee Boon

Mr. Hew Lee Lam Sang

Mr. Tam Ka Hei Raymond

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. Among members of the Board, Mr. Lim Chin Sean and Ms. Lim Siew Ling are sibling. Ms. Lim Siew Ling is the sister of Mr. Lim Chin Sean, non-executive Director and chairman of the Board (the "**Chairman**"). Save as disclosed therein, there is no relationship (*whether financial, business, family or other material or relevant relationships*) amongst members of the Board, senior management or substantial Shareholder or controlling Shareholder of our Company.

The composition of the Board is well balanced with each Director having extensive corporate and strategic planning experience, sound industry knowledge and/or professional expertise. All independent non-executive Directors have offered sufficient time and efforts to serve the business affairs of our Company. They also possess appropriate academic and professional qualifications and related management experience and have contributed to the Board with their professional opinions. The Board believes that the ratio among executive Director and non-executive Directors is reasonable and appropriate. The Board also believes that the participation of independent non-executive Directors shall offer their independent judgment on issues relating to strategy, performance, conflict of interest and management process such that the interests of all Shareholders and our Group are considered and safeguarded.

Role and Function

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of our Group and to ensure the availability of resources as well as the effectiveness of its system of internal control and risk management.

Implementation and execution of the policies and strategies formulated by the Board and the daily operations are delegated from the Board to the management of our Company. In addition, an audit committee (the "**Audit Committee**"), a remuneration committee (the "**Remuneration Committee**") and a nomination committee (the "**Nomination Committee**") have been set up to assist the Board in fulfilling certain responsibilities. Further details of these committees are set out in the paragraph headed "Board Committees" of this annual report.

Corporate Governance Report

Chairman and Chief Executive

Pursuant to the code provision C.2.1 of the CG Code, the roles of the chairman of the Board and the chief executive should be separated and should not be performed by the same individual.

As at 31 December 2025, Mr. Lim Chin Sean served as the Chairman, was responsible for managing our Group's business development, devising the business strategies, ensuring good corporate governance practices and procedures are established and encourage all the Directors to make constructive contribution to the Board.

Pursuant to the resignation of Mr. Wong Kok Sun from the chief executive position with effect from 1 January 2023, the Company currently has not appointed any chief executive. The day-to-day management of business has been properly delegated to different individuals by the Board.

Mr. Wong Kok Sun, being the executive Director, is responsible for the overall strategic planning and supervising daily operation of the Group. With the support of the senior management, the executive Director has the general responsibility for day-to-day management of the Group's business, implementation of the policies of the Board and making operational decisions.

The Board is regularly provided with adequate, complete and reliable information of the Company in a timely manner, which includes but not limited to, the recent development and prospects of the Group. Therefore, the Board considers that there is sufficient balance of power and authority between the Board and the management of the Company, and that power is not concentrated in the hands of any one individual.

Independence of Independent Non-executive Directors

Pursuant to the requirement of Rule 3.10 of the Listing Rules, our Company has appointed three independent non-executive Directors, two of whom have appropriate professional qualification in accounting and financial management expertise. Our Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to the requirements under Rule 3.13 of the Listing Rules. Based on such confirmation, the Company is of the view that all the independent non-executive Directors have met the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that they are independent.

During the Reporting Period, the Chairman has met with all independent non-executive Directors without the presence of the executive Director. This has complied with the relevant Code Provisions of the CG Code which required that the chairman of the Board should at least annually hold meetings with the independent non-executive directors without the presence of other directors.

Directors' and Officers' Liabilities Insurance

Our Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management of our Company arising out of corporate activities.

Corporate Governance Report

Board Meetings

The Board shall meet regularly to discuss the overall strategy, financial, internal and compliance controls, risk management and operating performance of our Group, in addition to the regular meetings for reviewing and approving our Group's annual and interim results. For those Directors who cannot attend these meetings in person, they can participate through electronic media.

The company secretary of our Company (the "**Company Secretary**") assists the chairman of the Board to prepare the agenda of the meetings and each Director may request to include any relevant matters on the agenda. Generally, at least 14 days' notice is given for the regular Board meetings by our Company. For other Board meetings, reasonable notices shall be given to all Directors. All substantive agenda items have comprehensive briefing papers, which are, in general, circulated three days before convening each Board meeting.

All Directors are able to seek advice and services from the Company Secretary and our appointed legal adviser on the Board procedures and all applicable laws, rules and regulations, and corporate governance matters. Draft minutes of Board meetings and the Board committees meetings are circulated to all Directors for comment and approval as soon as practicable after the meetings. Minutes of Board meetings and Board committee meetings are kept by the Company Secretary and open for inspection at reasonable time on reasonable notice. Should a matter being considered involve a potential conflict of interest of a Director, the Director involved in the transaction would be requested to leave the boardroom and/or abstain from voting. The matter would be discussed and resolved by other Directors by physical board meeting rather than a written resolution. The Directors, upon reasonable request, may seek independent professional advice on issues related to our Group's business at our Company's expenses.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Our executive Director has entered into an appointment contract with our Company for a specific term of one year, which can be terminated by either our Company or such Director by giving not less than three months' notice in writing. Each of the non-executive Director and independent non-executive Directors has entered into a service contract with our Company for a specific term of three years, which can be terminated by either our Company or such Director by giving not less than three months' notice in writing. Each Director is subject to retirement by rotation and re-election at AGM in accordance with the Articles and the Listing Rules.

Pursuant to the Articles, one-third of all Directors (*whether executive or non-executive*) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation and re-election at each AGM at least once every three years.

The Articles provide that any Director appointed by the Board to fill a casual vacancy in the Board or as an addition to the existing Board, shall hold office only until the first annual general meeting of our Company after his/her appointment and be subject to re-election at such meeting.

Our Company may, in accordance with the Articles, by ordinary resolution remove any Director before the expiration of his/her term of office notwithstanding anything in the Articles or in any agreement between our Company and such Director.

DIRECTORS' TRAINING

Code Provision C.1.1 of the CG Code provides that newly appointed Directors should receive a comprehensive, formal and tailored induction on appointment. This is to ensure that they have a proper understanding of our Company's operations and business and are fully aware of their responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and our Company's business and governance policies.

Code Provision C.1.4 of the CG Code provides that Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remain informed and relevant.

Corporate Governance Report

The newly appointed Director received a comprehensive, formal and tailored induction training before the appointment from the Company's legal adviser. Also, all Directors are encouraged to participate in continuous professional development activities by ways of attending training and/or reading materials relevant to our Company's business or to the Directors' duties and responsibilities. A summary of professional training received by Directors for the year ended 31 December 2025 according to the records provided by the Directors is as follows:

	Attending seminar(s)/ programme(s)/ conference(s) and/ or reading materials relevant to the business or directors' duties
Mr. Lim Chin Sean	✓
Mr. Wong Kok Sun	✓
Ms. Lim Siew Ling	✓
Mr. Tan Yee Boon	✓
Mr. Hew Lee Lam Sang	✓
Mr. Tam Ka Hei Raymond	✓

BOARD DIVERSITY POLICY

On 4 October 2018, the Board adopted a board diversity policy (the "**Board Diversity Policy**") setting out the approach to achieve diversity on the Board. Our Company considered diversity of Board members can be achieved through consideration of a number of aspects, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Directors' appointments will be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board. The above measurements will be reviewed and considered when the Nomination Committee reviewed the composition of the Board.

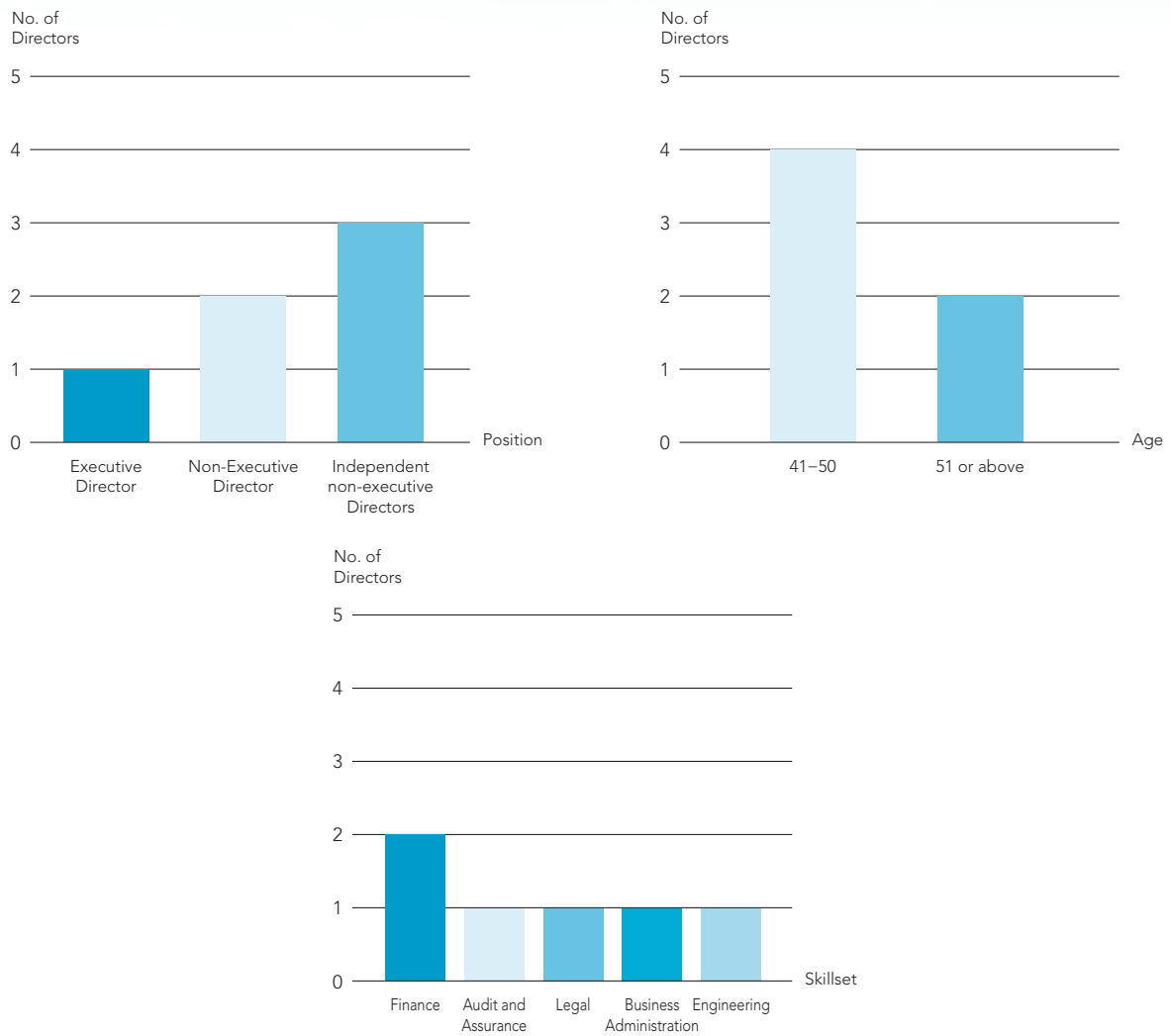
Measurable Objectives

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (*from the Board downwards*) are appropriately structured so that a diverse range of candidates are considered.

The Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board, how and when gender diversity will be achieved in respect of the Board, the numerical targets and timelines set for achieving gender diversity on the Board and the measures adopted to develop a pipeline of potential successors to the Board to achieve gender diversity. The Nomination Committee will make recommendations in relation to the aforesaid to the Board for adoption and consideration.

Corporate Governance Report

An analysis of the current Board composition based on the range of diversity perspectives is set out as follows:



Each of the Board members possessed different skillset, including engineering, business administration, legal, audit and assurance and finance. The Board is characterised by significant diversity in terms of age and skillset.

The Board has reviewed and considered the implementation and effectiveness of the Board Diversity Policy to be effective during the Reporting Period.

Corporate Governance Report

BOARD AND WORKFORCE DIVERSITY

Board Diversity

The Board acknowledges the importance of gender diversity. On 23 December 2024, the Company has appointed a new female Director and made an announcement on the websites of the Stock Exchange and the Company accordingly. The Company has complied with Rule 13.92 of the Listing Rules, where issuers with a single gender board shall appoint at least a director of a different gender on the board no later than 31 December 2024. As at 31 December 2025, our Company has different gender on the Board, as the Board comprises of 5 male Directors and 1 female Director.

The Nomination Committee is responsible for ensuring the diversity of the Board members and will review the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee assisted the Board to review the policy concerning the diversity of Board members and believes that the Board has already had a diverse mix of gender, skills, knowledge and experience. The Company will strive to achieve gender balance of the Board through the above measures to be implemented by the Nomination Committee in accordance with the Board Diversity Policy. We will actively identify female individuals suitably qualified to become the Board members.

To further ensure gender diversity of the Board in the long run, the Group will take opportunities to increase the proportion of female members of the Board, identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become the Board members, which will be reviewed by the Nomination Committee periodically in order to develop a pipeline of potential successors to the Board to promote gender diversity of the Board.

Workforce Diversity

The gender ratio in the workforce (*including senior management*) for the year ended 31 December 2025 is 1.7:1. The management opines that gender diversity at the workforce has been achieved based on the current gender ratio, as the operational and technical team at the Wastewater Treatment Plants consists of male employees, while female employees usually work as backroom staffs. Nonetheless, the management will look to hire more suitable female employees at the Wastewater Treatment Plants.

The Group will continue to maintain the gender diversity at the workforce. For further details of the gender ratio and the relevant data, please refer to the environmental, social and governance report of the Company in this annual report.

NOMINATION POLICY

The Board has adopted a director nomination policy (the "**Nomination Policy**") on 21 February 2019 setting out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board for appointment or (ii) Shareholders for election, as a Director. In evaluating and selecting any candidate for directorship, the Nomination Committee shall consider a number of factors, including but not limited to, the candidates' skills, knowledge, experience and professional expertise, independence, diversity on the Board, character and integrity, willingness to devote adequate time to discharge duties as a Board member and such other criteria that are appropriate to the business of our Company.

According to the Nomination Policy, the Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company as a nominee for election to the Board and the appointment or re-appointment of Directors and succession planning for Directors is subject to the approval of the Board. In order to achieve and/or maintain gender diversity, the Nomination Committee will propose a pipeline of potential successors to the Board to achieve gender diversity.

The Board has the relevant procedures for Directors' nomination which are pursuant to the Listing Rules and the Articles. The details are set out in the section headed "Shareholders' Rights".

Corporate Governance Report

DIVIDEND POLICY

The Board has adopted a dividend policy on 21 February 2019 in recommending dividends, to allow the Shareholders to participate in our Company's profits and for our Company to retain adequate reserves for future growth. In recommending or declaring dividends, our Company shall maintain adequate and sufficient cash reserves for meeting its working capital requirements and future growth as well as the Shareholders' value. Our Company does not have any pre-determined dividend payout ratio and there can be no assurance that dividends will be paid in any particular amount, if at all, for any given period.

The Board has the full discretion to declare and distribute dividends to the Shareholders, subject to the Articles of Association, all applicable laws and regulations, by taking into account a number of factors, including but not limited to, (i) our Company's actual and expected financial performance; (ii) retained earnings and distributable reserves of our Group; (iii) the level of our Group's debts to equity ratio, return on equity and the relevant financial covenants; and (iv) the general economic conditions, business cycle of our Group's business and other internal and external factors that may have an impact on the business or financial performance and position of our Company.

Any final dividend for a financial year will be subject to Shareholders' approval. The dividend policy and the declaration and/or payment of dividends are subject to the Board's continuing determination that the dividend policy and the declaration and/or payment of dividends would be in the best interests of our Group and Shareholders.

POLICY ON OBTAINING INDEPENDENT VIEWS AND INPUT

On 30 March 2022, the Board has adopted a policy on obtaining independent views and input (the "**Board Independence Policy**"), which demonstrates the Company's commitment to high standards of corporate governance, and making good governance integral to the Company's culture.

According to the Board Independence Policy, the chairman of the Board has a responsibility to provide the Board with all the information that is relevant to the discharge of the Board's responsibilities. The Board therefore, expects to receive timely advice on all material information about the activities, performance and projects of the Group, particularly including any significant variances from a planned course of action.

The Board, Board committees or individual Directors may seek such independent professional advice, views and input as considered necessary to fulfil their responsibilities and in exercising independent judgement when making decisions in furtherance of their Directors' duties at the Company's expense (the "**Mechanism**"). The Mechanism is established to ensure independent views and input are available to the Board and should be disclosed in the CG Report of the Company.

In the event that independent professional advice, views and input are considered necessary, the Board shall first communicate with the Company Secretary and provide background and details of the relevant matters which require independent views and input. The Board may direct any questions, queries, concerns or specific advice to be sought to the Company Secretary or elect anyone in charge who will then contact the Company's professional advisers within a reasonable period of time. Any advice received from professional advisers shall be received in written form and duly documented. The Board is expected to exercise independent judgement in forming their decisions from professional advice given.

Corporate Governance Report

The Board also has access to senior management which will be brought into formal and informal contact at the Board meetings or other corporate events. The Board has full access to all information provided by the senior management.

The Board has reviewed and considered the implementation of the Board Independence Policy and Mechanism to be effective during the Reporting Period.

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, Remuneration Committee and Nomination Committee with specific terms of reference.

Audit Committee

The Audit Committee was established on 4 October 2018 with written terms of reference in compliance revised on 6 December 2022 with Rule 3.22 of the Listing Rules and paragraph D.3 of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control system and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee consists of one non-executive Director, namely Mr. Lim Chin Sean, and two independent non-executive Directors, namely Mr. Hew Lee Lam Sang and Mr. Tam Ka Hei Raymond. Mr. Hew Lee Lam Sang currently serves as the chairman of the Audit Committee.

During the Reporting Period, two Audit Committee meetings were held. The following is a summary of the matters reviewed by the Audit Committee with recommendations to the Board for approval during the Reporting Period:

- reviewed the audited financial statements, audit findings and recommendations of the external auditor for the year ended 31 December 2024;
- evaluated the external auditor's qualifications, performance and independence for the year ended 31 December 2024;
- reviewed our Group's internal control and risk management systems for the year ended 31 December 2024;
- reviewed the unaudited interim results and report from external auditor for the six months ended 30 June 2025; and
- reviewed the audit strategy memorandum from the external auditor for the year ended 31 December 2025.

Corporate Governance Report

Remuneration Committee

The Remuneration Committee was established on 4 October 2018 with written terms of reference revised on 6 December 2022 in compliance with Rule 3.26 of the Listing Rules and paragraph E.1 of the CG Code. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations to the Board on the remuneration packages of individual Directors and senior management and on other employee benefit arrangements.

The Remuneration Committee consists of three independent non-executive Directors, namely Mr. Tan Yee Boon, Mr. Tam Ka Hei Raymond and Mr. Hew Lee Lam Sang. Mr. Tan Yee Boon currently serves as the chairman of the Remuneration Committee.

During the Reporting Period, one Remuneration Committee meeting was held. The following is a summary of matters reviewed by the Remuneration Committee with recommendations to the Board for approval during the Reporting Period:

- reviewed the policy and structure for the remuneration of the Directors and senior management; and
- reviewed the remuneration of the Directors and senior management for the year ended 31 December 2024.

Directors' Remuneration Policy

Our Directors receive compensation in the form of salaries, benefits in kind and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of our Group. Our Group regularly reviews and determines the remuneration and compensation package of our Directors, by reference to market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the performance of our Group.

Nomination Committee

The Nomination Committee was established on 4 October 2018 with written terms of reference revised on 6 December 2022 and 26 June 2025 in compliance with paragraph B.3 of the CG Code. The primary duties of the Nomination Committee are to make recommendations to the Board on appointments of our Directors, to assess the independence of the independent non-executive Directors, to review the time commitment required of the Directors and to evaluate whether the Directors have committed adequate time to discharge their responsibilities to review and implement the Nomination Policy and to consider related matters.

The Nomination Committee consists of two non-executive Directors, namely Mr. Lim Chin Sean and Ms. Lim Siew Ling (*appointed on 26 June 2025*), and three independent non-executive Directors, namely Mr. Tam Ka Hei Raymond, Mr. Tan Yee Boon and Mr. Hew Lee Lam Sang (*appointed on 26 June 2025*). Mr. Lim Chin Sean currently serves as the chairman of the Nomination Committee.

Corporate Governance Report

During the Reporting Period, one Nomination Committee meeting was held. The following is a summary of matters reviewed by the Nomination Committee with recommendations to the Board for approval during the Reporting Period:

- reviewed and considered the Board structure, size, composition and Board diversity (*including gender, skills, knowledge and experience etc.*);
- reviewed and considered the gender diversity at the workforce;
- reviewed the effectiveness of the related Board Diversity Policy and Nomination Policy;
- assessed the independence of independent non-executive Directors; and
- reviewed and considered the retirement and re-nomination of Directors for re-election at the AGM.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the balance of expertise, skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the requirements of the business of our Group and other relevant statutory requirements and regulations. Further, pursuant to the Board Diversity Policy and the Nomination Policy, the Nomination Committee, when reviewing the composition of the Board, will have regard to the diversity of the Board, which includes gender, age, cultural and educational background, length of service, skills, knowledge and professional experience of the Board. Our Company recognises and embraces the benefits of diversity of Board members.

Attendance Records of Meetings

The attendance of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and general meeting during the Reporting Period is set out in the following table:

	Board Meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Number of meetings held during the year	5	2	1	1	1
Name of Directors					
Non-executive Directors					
Mr. Lim Chin Sean (<i>Chairman</i>)	5/5	2/2	–	1/1	1/1
Ms. Lim Siew Ling	5/5	–	–	–	1/1
Executive Director					
Mr. Wong Kok Sun	5/5	–	–	–	1/1
Independent non-executive Directors					
Mr. Tan Yee Boon	5/5	–	1/1	1/1	1/1
Mr. Hew Lee Lam Sang	5/5	2/2	1/1	–	1/1
Mr. Tam Ka Hei Raymond	5/5	2/2	1/1	1/1	1/1

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties set out in code provision A.2 of the CG Code, namely: (i) to develop and review our Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor our Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (*including in relation to securities trading*) applicable to employees and Directors; and (v) to review our Company's compliance with the CG Code and disclosure in the corporate governance report in our Company's annual report.

COMPANY SECRETARY

Ms. Tsui Sum Yi ("**Ms. Tsui**") from Vistra (Hong Kong) Limited, an external service provider, has been engaged by our Company as our Company Secretary to support the Board by ensuring good information flow within the Board and that the Board policy and procedures are followed.

The primary contact person of the Company is Mr. Wong Kok Sun, the executive Director of our Company. Ms. Tsui has confirmed that she has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements during the Reporting Period.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility in maintaining a sound and effective internal control and risk management systems for our Group to safeguard Shareholders' investments and assets of our Company at all times.

Our Company has established a set of comprehensive risk management policies and measures to identify, evaluate and manage risks arising from our operations.

The processes used to identify, evaluate and manage significant risks by our Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect our Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Corporate Governance Report

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

Control procedures have been designed to safeguard assets against misappropriation and disposition; ensure compliance with relevant laws, rules and regulations; ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; and to provide reasonable assurance against material misstatement, loss or fraud.

Our Board is responsible for the risk management and internal control systems of our Company and reviewing their effectiveness. The Board oversees the overall risk management of our Group and endeavours to identify, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risk management and internal control systems of our Company are designed to manage rather than eliminate the risk of failures to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Our Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within our Group in light of the size, nature and complexity of our Group's business. It was decided that the Board would be directly responsible for internal control of our Group and for reviewing its effectiveness.

The Board has engaged an external professional service firm as its risk management and internal control review adviser (the "**Adviser**") to conduct the annual review of the risk management and internal control systems for the year ended 31 December 2025. Such review is conducted annually and cycles reviewed are under rotation basis. The Adviser has reported findings and areas for improvement to the Audit Committee and management. The Board and the Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the Adviser are properly followed up by our Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

Our Company has appointed external professional advisors (*including the legal and other advisors*) for provision of professional advice on how we observe all applicable related laws and regulations.

Our professional advisors and our Company assess the likely impact of any unexpected and significant event that may have on the price of the Shares or their trading volume and decides whether the relevant information is considered to be inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO. Executive Director and Company Secretary may also have responsibility for approving certain announcements and/or circulars to be issued by the Company under powers delegated by the Board from time to time.

Corporate Governance Report

ANTI-CORRUPTION POLICY

The Company has put the anti-corruption policy (the “**Anti-Corruption Policy**”) in place to safeguard the Group against bribery and corruption. Our Company is committed to upholding high standards of business integrity, honesty and transparency in all the business dealings and has zero tolerance towards any forms of bribery and corruption.

Under the Anti-Corruption Policy, employees are prohibited from soliciting, accepting or offering any bribe in conducting the Group’s business or affairs, whether in Hong Kong or elsewhere.

The Anti-Corruption Policy is reviewed periodically and shall be updated when necessary to align with the applicable laws and regulations, as well as the industry best practices.

During the Reporting Period, there was no non-compliance case in relation to bribery and corruption.

WHISTLEBLOWING POLICY

The Company has put the whistleblowing policy (the “**Whistleblowing Policy**”) in place. Our Company is committed to achieving and maintaining the highest standards of openness, probity and accountability.

The Whistleblowing Policy aims to encourage employees and other stakeholders of the Group to raise concerns, as well as to provide reporting channels and procedures on reporting possible improprieties in confidence and anonymity about impropriety, misconduct, malpractice or irregularities in relation to any matters relating to the Group.

Our Company will handle all reported cases confidentially with care and will treat the whistleblower’s concerns fairly and properly, if any.

The Whistleblowing Policy is reviewed periodically and shall be updated when necessary to align with the applicable laws and regulations, as well as the industry best practices.

DIRECTORS’ RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of our Company for the year ended 31 December 2025 and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements.

The statement of the external auditor of our Company with regard to their reporting responsibilities on our Company’s consolidated financial statements, is set out in the Independent Auditor’s Report on pages 93 to 98 of this annual report.

The Directors confirm that, to the best of their knowledge, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause our Company not to continue as a going concern. Therefore, the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

Corporate Governance Report

AUDITOR'S REMUNERATION

During the year ended 31 December 2025, the remuneration paid or payable to our Company's external auditor, in respect of its audit and non-audit services was as follows:

	HK\$'000
Audit services	1,425
Non-audit services	347
	1,772

The remuneration for non-audit services represents the professional services for review of interim financial information.

SHAREHOLDERS' RIGHTS

The general meetings of our Company provide an opportunity for communication between the Shareholders and the Board. Subject to provisions of the applicable laws in the Cayman Islands and the Listing Rules, the Articles require that an AGM to be held each year and at the venue as determined by the Board. Each general meeting, other than an AGM, shall be called an extraordinary general meeting.

Pursuant to article 64 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up share capital of our Company carrying the right of voting at general meetings of our Company shall at all times have the right, by depositing a written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by our Company.

Pursuant to article 113 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a Shareholder (*other than the person to be proposed*) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Company's principal place of business in Hong Kong (*as shown below*) provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (*if the notices are submitted after the despatch of the notice of the general meeting appointed for such election*) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Shareholders may at any time put forward their enquiries (*including the procedures for putting forward proposals at general meetings of our Company*) to the Board in writing at whose contact details as follows:

TIL Enviro Limited
Room 1603, 16/F
China Building, 29 Queen's Road Central
Central
Hong Kong

Tel No.: (852) 2543 0633

Fax No.: (852) 2543 9996

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board has adopted a shareholders' communication policy (the "**Shareholders Communication Policy**") with the objective of ensuring that the Shareholders, and in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (*including its financial performance, strategic goals and plans, material developments, governance and risk profile*), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with our Company.

The Shareholders Communication Policy is summarised as below:

- The Board shall maintain an on-going dialogue with Shareholders and the investment community, and will regularly review the Shareholders Communication Policy to ensure its effectiveness;
- Information shall be communicated to Shareholders and the investment community mainly through the Company's financial reports (*interim and annual reports*), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company website; and
- Effective and timely dissemination of information to Shareholders and the investment community shall be ensured at all times.

Any question regarding the Shareholders Communication Policy shall be directed to the Company Secretary.

As such, in accordance with the Shareholders Communication Policy, the major task and objective of our Group's investor relations is to clearly introduce our Group, including the business positioning, existing operations and future development of our Group, to the media, Shareholders, investors, analysts and investment banks through different communication channels. Our Company has maintained a corporate website at www.tilenviro.com through which our Company's updated financial information, business development, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the Shareholders and investors.

Our Company believes that good investor relations may help build more stable and consolidated shareholder base. As a result, our Company has been and will be dedicated to maintaining a higher degree of transparency, observing the Listing Rules and timely providing investors with comprehensive and accurate information, and constantly performing the obligation of the listed company on information disclosure.

The AGM also provides an important opportunity for constructive communication between the Board and Shareholders. The chairman of the Board, other members of the Board, senior management and the external auditor are present at the AGM to answer questions raised by the Shareholders, if any. The annual report together with the AGM circular is available on the websites of the Stock Exchange and the Company at least 21 days before the AGM.

The Company has evaluated the implementation and effectiveness of its Shareholder Communication Policy during the Reporting Period. Having considered the multiple channels of communication and no complaints regarding shareholders' communication has been received during the Reporting Period, the Board considers the Shareholder Communication Policy was effective.

CONSTITUTIONAL DOCUMENTS

There were no significant changes in our Company's Memorandum and Articles of Association during the Reporting Period.

Biographical Details of Directors and Senior Management

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Lim Chin Sean, aged 44, was appointed as a Director on 17 April 2018, and re-designated as the Chairman and a non-executive Director on 11 May 2018. He is also a director of various subsidiaries of our Group. Mr. Lim is responsible for the strategic development and providing advice on the operations and management of our Group. He is also the chairman of our Nomination Committee and a member of our Audit Committee.

Mr. Lim joined LGB Group in Malaysia from September 2003. His work experience includes construction and engineering, business analyst, information technology and property development in LGB Group in Malaysia. He is responsible for merger and acquisition activities. Mr. Lim has worked in several IT companies and was instrumental in setting up various business including data centre, network infrastructure and business applications, etc. He is also a board member of several property companies, and his role includes daily operations in property development and investments covering across Malaysia, Singapore, Australia, the United Kingdom and Japan.

He was appointed as a non-independent non-executive director of Parkwood Holdings Berhad (*which is listed on the Main Market of Bursa Malaysia Securities Berhad*) (Stock Code: 2682) on 26 September 2007. He was re-designated as an executive director on 23 November 2016 and subsequently appointed as an executive chairman on 22 February 2024.

Mr. Lim was a non-independent non-executive director of Taliworks Corporation Berhad (*which is listed on the Main Market of Bursa Malaysia Securities Berhad*) (Stock Code: 8524) from May 2011 to June 2024. Mr. Lim together with his family members are the controlling shareholders of Taliworks Corporation Berhad (*which previously owned the equity interest of the operating subsidiaries of our Group prior to its disposal of the entire interest in our Group in May 2016*).

Mr. Lim obtained a bachelor's degree in Computer System Engineering from the University of Kent, the United Kingdom in July 2003. He is the brother of Ms. Lim Siew Ling, non-executive Director of the Company.

EXECUTIVE DIRECTOR

Mr. Wong Kok Sun, aged 53, was appointed as a Director on 11 May 2018, and re-designated as an executive Director on 11 May 2018. He joined our Group as the chief executive officer in May 2012 and resigned from this position with effect from 1 January 2023. Mr. Wong is primarily responsible for overall strategic planning and supervising daily operation of our Group. He has accrued abundant experience in wastewater treatment business in the PRC through working in our Group since 2012 and, in particular, led the management and operation of our principal operating subsidiary, TYW, since its early stage of development. He is also a director of various subsidiaries of our Group.

Prior to joining our Group, Mr. Wong was the representative of Beijing Representative Office of Orient Resource Holdings Limited (*a company listed on the Australian Stock Exchange Limited*) (Stock Code: ORH) which is primarily engaged in extraction of minerals from tailings, since October 2005. From April 2002 to September 2004, he acted as an executive director of Aptus Holdings Limited, whose shares were then listed on the GEM of the Stock Exchange (Stock Code: 8212).

He obtained a bachelor's degree in Business Administration from the Western Michigan University, the United States of America in April 1996 and a master's degree of Business Administration from Tsinghua University, the PRC in May 2011.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Ms. Lim Siew Ling, aged 46, was appointed as a Non-Executive Director on 23 December 2024. She has been a key member of SWM Group from January 2003, initially taking on the role of Head of Treasury, and has made significant contributions throughout her tenure. In her current role as Director, Ms. Lim is responsible in overseeing the Group financial strategy and planning, playing a pivotal role in developing and executing financial strategies that support the Group's long-term objectives. She is also a member of our Nomination Committee.

Ms. Lim's expertise in corporate finance includes managing cash flow, mitigating financial risks, and ensuring transparency in financial reporting. Her strategic vision and meticulous attention to detail have been instrumental in driving the Group's financial success. She provides strategic counsel to senior management and the Board, offering valuable insights on market trends, risks, and ensuring adherence to financial regulations.

Ms. Lim holds a Bachelor of Commerce degree with a major in Economics and Finance, from Curtin University of Technology (*now known as Curtin University*), Australia, in December 2000. She is the sister of Mr. Lim Chin Sean, non-executive Director and chairman of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tan Yee Boon (陳于文), aged 50, was appointed as an independent non-executive Director on 4 October 2018. He is responsible for supervising and providing independent judgement to our Board. Mr. Tan is also the chairman of our Remuneration Committee and a member of our Nomination Committee.

He obtained his bachelor's degree in laws from the University of South Wales (*formerly known as University of Glamorgan*), the United Kingdom in June 1997 and the Certificate of Legal Practice from the Legal Qualifying Board of Malaysia in November 1998.

He was admitted as an advocate and solicitor of the High Court of Malaya in November 1999. He was the founder and has been a partner of Messrs. David Lai & Tan, a firm of advocates and solicitors in Malaysia since May 2013. He is currently practicing as an advocate and solicitor of the High Court of Malaysia. In addition to his expertise in commercial and corporate disputes through his legal practice, Mr. Tan possesses extensive experience in restructuring, corporate finance, merger and takeovers, capital reduction and schemes of arrangement.

Mr. Tan has been: (i) an independent non-executive director and independent non-executive chairman of Ecoscience International Berhad (*which is listed on the ACE Market of Bursa Malaysia Berhad since July 2022*) (Stock Code: 0255) since August 2021; (ii) an independent non-executive director of Ev Dynamics (Holdings) Limited (*which is listed on the Main Board of the Stock Exchange*) (Stock Code: 476) since June 2016; (iii) an independent non-executive deputy chairman of Propel Global Berhad (*which is listed on the Main Market of Bursa Malaysia Berhad*) (Stock Code: 0091) since April 2022; and (iv) an independent non-executive director of Feytech Holdings Berhad (*which is listed on the Main Market of Bursa Malaysia Berhad since 21 May 2024*) (Stock Code: 5322) since August 2023.

Mr. Tan was an independent non-executive director of Protasco Berhad (*which is listed on the Main Market of Bursa Malaysia Berhad*) (Stock Code: 5070) from January 2013 to December 2024.

Biographical Details of Directors and Senior Management

Mr. Hew Lee Lam Sang, aged 62, was appointed as an independent non-executive Director on 4 October 2018. He is responsible for supervising and providing independent judgement to our Board. Mr. Hew Lee is also the chairman of our Audit Committee and a member of each of our Remuneration Committee and Nomination Committee.

Mr. Hew Lee qualified as a Certified Public Accountant in Malaysia in 1988 and has more than 32 years of experience in the auditing and business advisory profession with KPMG in Malaysia. Mr. Hew Lee was the Managing Director of the Advisory Practice of KPMG in Malaysia before his retirement from practice at the end of 2015. His vast experience includes both internal and external auditing, advising clients on initial public offerings, review of financial forecast and projections, corporate restructuring, share valuation, corporate governance advisory, forensic investigations and sustainability advisory.

Mr. Hew Lee has been an independent non-executive director of Parkwood Holdings Berhad (*which is listed on the Main Market of Bursa Malaysia Berhad*) (Stock Code: 2682) since 29 January 2019, as well as SEG International Bhd (*which is listed on the Main Market of Bursa Malaysia Berhad*) (Stock Code: 9792) since 21 June 2023.

Mr. Hew Lee is a member of the Malaysian Institute of Certified Public Accountants since July 1988 and a member of Malaysian Institute of Accountants since March 1990.

Mr. Tam Ka Hei Raymond (譚家熙), aged 45, was appointed as an independent non-executive Director on 4 October 2018. He is responsible for supervising and providing independent judgement to our Board. Mr. Tam is also a member of each of our Audit Committee, Remuneration Committee and Nomination Committee.

Mr. Tam has been: (i) an independent non-executive director of Cornerstone Technologies Holdings Limited (*which is listed on GEM of the Stock Exchange*) (Stock Code: 8391) since 1 July 2019; (ii) an independent non-executive director of Grand Power Logistics Group Limited (*which is listed on GEM of the Stock Exchange*) (Stock Code: 8489) since 11 December 2020; and (iii) a non-executive director and chairman of Dashan Education Holdings Limited (*which is listed on the Main Board of the Stock Exchange*) (Stock Code: 9986) since 22 December 2025.

Mr. Tam has over 17 years of experience in corporate finance. He is currently a director of the corporate finance department at Yu Ming Investment Management Limited, a wholly-owned subsidiary of Da Yu Financial Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1073) and a licensed holder to carry on Type 1 (*dealing in securities*), Type 4 (*advising on securities*), Type 6 (*advising on corporate finance*) and Type 9 (*asset management*) regulated activities under the SFO.

He obtained his bachelor of arts degree in Accounting and Finance with Computing from University of Kent, the United Kingdom in July 2002.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

The following table sets forth certain information of our senior management as at the date of this annual report:

Name	Age	Date of joining our Group	Position	Role and Responsibilities
Mr. Nicholas Leng Hui (龍輝)	35	16 December 2019	Head of corporate affairs	Overall corporate affairs
Mr. Han Ning (韓寧)	67	16 September 2013	General manager	Overall daily management and operations
Mr. Loke Guan Aik	44	1 June 2011	Deputy general manager	Assisting the general manager in daily management and operations

Mr. Nicholas Leng Hui (龍輝), aged 35, joined our Group as a senior corporate finance executive on 16 December 2019 and was subsequently promoted to head of corporate affairs in April 2025.

Mr. Leng is primarily responsible for managing the overall corporate affairs of the Group, especially compliance with relevant rules and regulations of the Stock Exchange. He has over 9 years of working experience in corporate finance, as well as accounting and finance.

Prior to joining our Group, Mr. Leng was the corporate finance manager of WYNCORP Advisory Sdn. Bhd. He was primarily involved in initial public offering ("IPO") engagements, as well as provision of corporate finance advisory services. He has successfully completed a few IPO engagements.

Mr. Leng holds a Bachelor of Business and Commerce degree (*majoring in both accounting and banking & finance*) from Monash University, Australia in November 2012 and a Master of Commerce degree from Deakin University, Australia in October 2013. He is also a member of CPA Australia since October 2018.

Mr. Han Ning (韓寧), aged 67, joined our Group as the general manager since 16 September 2013.

Mr. Han has gained more than 26 years of experience in the water and wastewater treatment industry. In particular, before joining our Group, he was appointed as an overseas project manager of ENV Water (Singapore) Pte. Ltd., responsible for projects in the PRC and other Southeast Asian countries.

Mr. Han obtained a bachelor's degree in Agricultural Machinery Engineering (農業機械工程) from Luoyang Institute of Agricultural Machinery (洛陽農業機械學院) (*now known as Henan University of Science and Technology (河南科技大學)*), the PRC in July 1982 and a master's degree in Agricultural Machinery Design and Production (農機設計製造) from Jiangsu Institute of Technology (江蘇工學院) (*now known as Jiangsu University (江蘇大學)*), the PRC in June 1988. In addition, he obtained a professional qualification as an engineer of agricultural machinery (農機工程師) in the PRC in August 1991.

Mr. Loke Guan Aik, aged 44, joined our Group as a financial manager on 1 June 2011, and was appointed as a deputy general manager since December 2016.

From October 2004 to May 2011, Mr. Loke worked as a business development executive in Sungai Harmoni Sdn. Bhd., which is a wholly-owned subsidiary of Taliworks Corporation Berhad. He has over 21 years of working experience in finance, administrative and purchasing departments in wastewater treatment industries, and is primarily responsible for managing, operating and exploring business opportunities for our Group.

He obtained his bachelor of arts degree honours in Business Administration from the University of East London, the United Kingdom in March 2004.

Environmental, Social and Governance Report

ABOUT THIS REPORT

TIL Enviro Limited (the “**Company**” together with its subsidiaries, collectively, “**we**”, “**us**”, “**our**” or the “**Group**”) is pleased to present our annual Environmental, Social and Governance Report (the “**Report**”) for year ended 31 December 2025 to provide an overview of the Group’s management of significant issues affecting the operation, including environmental, social and governance (“**ESG**”) issues.

The Board has overall responsibility for the Group’s ESG strategy and reporting. The Board is responsible for evaluating and determining the Group’s ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

REPORTING PERIOD

This Report illustrated the Group’s initiative and performance on the environmental and social aspects for the period from 1 January 2025 to 31 December 2025 (the “**Reporting Period**”).

REPORTING SCOPE

This Report covers the Group’s main subsidiary, TYW which is principally engaged in the wastewater treatment business in Yinchuan, the PRC, which accounted for 100% of the Group’s total revenue for the Reporting Period. The Group will continue to optimise and improve the coverage of disclosure in this Report.

REPORTING BASIS

This Report was prepared in accordance to the Environmental, Social, and Governance Reporting Code (“**ESG Reporting Code**”) set out in Appendix C2 to the Listing Rules. The Group has complied with the disclosure requirements of the “comply or explain” provisions set out in the ESG Reporting Code. During the process of preparation of this Report, we have summarised the Group’s performance in corporate and social responsibilities based on the principles of “Materiality, Quantitative, Balance and Consistency”. Please refer to the table below for our understanding and response to such reporting principles.

Reporting Principles	Definitions	Our Response
Materiality	The issues covered in this Report should reflect the significant impacts of the Group on the economy, environment and society, or the scope of assessments and decisions of stakeholders being affected.	Through continuous communication with stakeholders, combined with the Group’s strategic development and business operations, we can identify current material sustainable development issues.
Quantitative	The Report should disclose key performance indicators (“ KPIs ”) in a measurable manner.	The Group quantitatively discloses its environmental and social KPIs, and provides textual explanations on quantitative resources.
Balance	The Report should reflect fairly the overall sustainability performance of the Group.	The Group has explained in detail the sustainable development issues that have a significant impact in the business, including the results achieved and the challenges it faces.
Consistency	The Group should use consistent disclosure principles for the preparation of the Report.	The Group will ensure that the disclosure scope and reporting methods of the Report are generally consistent every year.

Environmental, Social and Governance Report

Source of information

The information disclosed in this Report is derived from the Group's formal documents, statistics or public information. The Board is responsible for the truthfulness, accuracy and completeness of its contents.

Access to this Report

The Report is available in both English and Chinese versions. If there is any discrepancy between the English and Chinese versions of the Report, the English version shall prevail. The electronic copy of the Report is available on the Group's company website at www.tilenviro.com or the website of the Stock Exchange at www.hkexnews.hk.

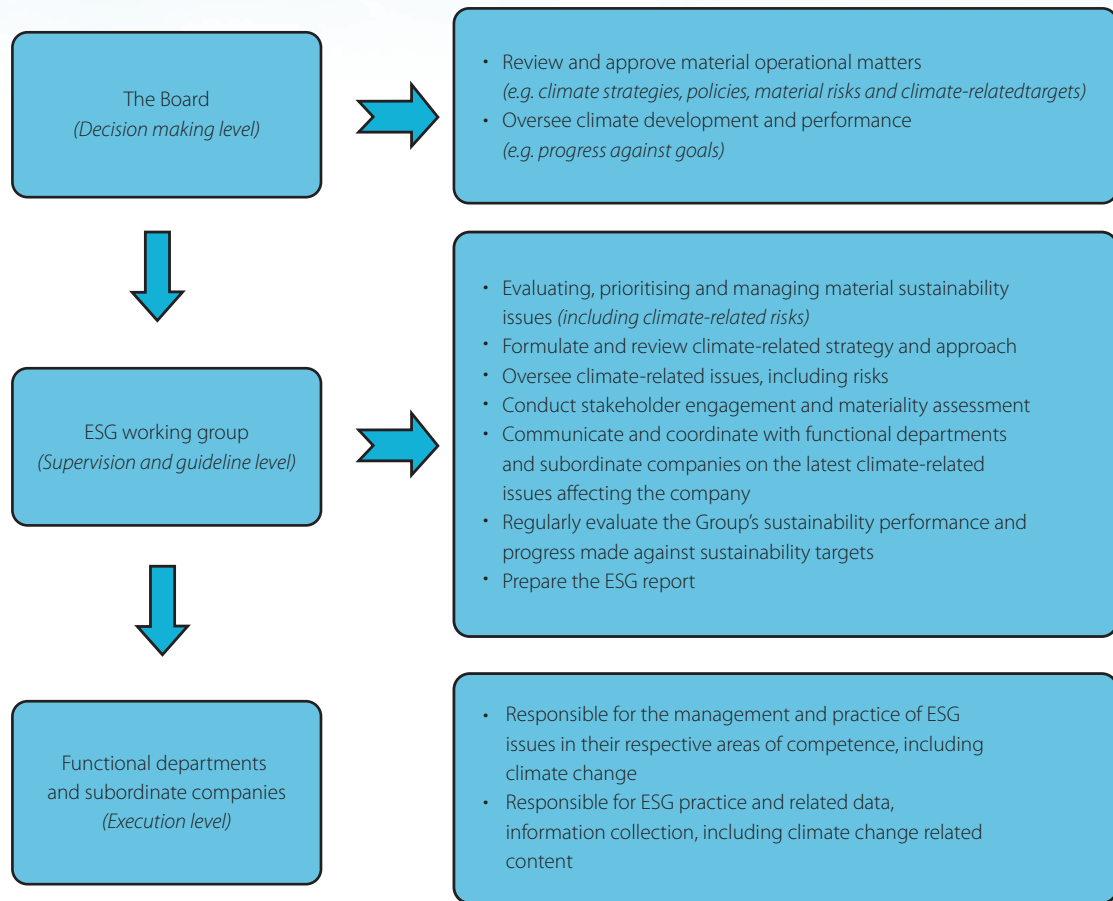
Sustainability Governance

The Group has established an ESG framework to promote and implement the Group's sustainability strategy. To ensure effective ESG management, our ESG governance structure, composed of the Board, ESG working group, respective functional departments and subordinate companies, was established to promote ESG management and disclosure.

The Board, the ultimate decision-making body of the Group, is responsible for the Group's ESG governance. The Board steers the Group's sustainable development forward and bears the overall responsibility of its ESG efforts. The Board also oversees climate-related risks and opportunities during board meetings on an annual basis to ensure that our climate development and performance are on track. In the future, the Board will continue to strengthen ESG risk management and improve ESG working mechanism and regulatory processes to enhance its ESG governance standard. The ESG working group comprising various head of business and functional departments, serving on the supervision and coordination level, is responsible for implementing ESG governance strategy, coordinating ESG matters, compiling ESG reports, and reporting relevant work progress to the Board on a regular basis. To oversee duties performed by the ESG working group, climate-related performance targets are set at the group level to assist our Board in evaluating the effectiveness of its climate strategy and measures on an annual basis. Each functional department and subordinate company, serving on the execution level, is responsible for rolling out initiatives set up by the ESG working group and reporting relevant work progress and data.

The established governance structure ensures that the Board can make informed decisions when integrating climate-related considerations into our overall business strategies. To support this, relevant training materials are provided to the Board and senior management with the latest knowledge on climate change to deepen understanding of the context of climate change and response actions.

Environmental, Social and Governance Report



STAKEHOLDERS ENGAGEMENT

The Group emphasised on the participation of its key stakeholders, including employees, customers, government and suppliers etc. All of them had a substantial impact on the success of the Group's businesses or activities.

In compiling the Report, the Group consulted its internal stakeholders to monitor and manage its impact on all aspects of the environment and society. Besides, the Group has established various engagement channels for its stakeholders to understand their concerns regarding the Group's operation. The Group believes that stakeholders' engagement has significant level of influence in developing sustainable strategies to fulfil social responsibilities, which is the basis for the Group's strategy formulation and decision making.

The Group welcomes feedback from stakeholders on our sustainability initiatives as stated in the Report. Please do not hesitate to send your feedback to us at info@tilenviro.com.

Environmental, Social and Governance Report

Materiality Assessment

The Group attaches importance to the materiality assessment of ESG issues for the purpose of timely and comprehensive understanding of the materiality of each ESG issue to the business development of the Group and the expectation of stakeholders, in order to facilitate the Group's effective disclosure of ESG information and continuous improvement in the management level of relevant issues. The materiality assessment on ESG issues of the Group during the Reporting Period covers the following steps:

- Step 1 The Group identified the following 21 issues in accordance with the disclosure requirements set out in the ESG Reporting Code and based on the business characteristics and daily operation of the Group. These issues are considered to have impacts on the environment and the society during our operation.
- Step 2 Based on the understanding of the demands and expectations of stakeholder during the daily operation, the Group determined the materiality of ESG issues by benchmarking the key points and the trend of ESG works of industry peers.
- Step 3 Based on the result of the materiality assessment, the Group discussed and determined the key disclosure of the Report for the Reporting Period and the key points for improvement in the future ESG work of the Group.

Social Aspects			Environmental Aspects		
1. Equal opportunity	5. Prevention of child labour and forced labour	9. Complaint handling	13. Community investment	14. Exhaust emissions	18. Energy consumption
2. Employment and employee benefits	6. Selection and evaluation of suppliers	10. Protection of intellectual property rights		15. Greenhouse gas ("GHG") emissions	19. Water consumption
3. Occupational health and safety	7. Control and management on environmental and social risks along the supply chain	11. Customer data privacy and data security		16. Wastewater emissions	20. Management of risks associated with Environmental and Natural Resources
4. Employee development and training	8. Service quality	12. Anti-corruption and money laundering		17. Solid waste emissions	21. Climate change

According to the results of materiality assessment, 13 material topics* are regarded as the most concerned issues of stakeholder and the Group. Taking into account of the environmental and social responsibilities, the Group will pay more attention to the above areas and strive to achieve continuous improvement and sustainable business development.

* In bold.

Environmental, Social and Governance Report

A. ENVIRONMENTAL ASPECTS

Aspect A1: Emissions

To demonstrate commitment to sustainable development and compliance with laws and regulations relating to environmental protection, the Group endeavours to minimise the environmental impact of the business activities and maintain green operations and green office practices.

The Group's wastewater treatment business is an environmental protection business. We currently operate and manage a total of three wastewater treatment facilities with a designed capacity of 375,000 m³ per day, and the discharge standard for all plants were National Wastewater Discharge Standards (GB18918-2002) ("**Class IA standard**") (275,000 m³ per day) and Quasi Surface Water Standard Class IV (準四類水標準) (100,000 m³ per day). As a wastewater treatment service provider, the Group is subjected to various laws and regulations regarding environmental protection and the discharged standard of treated wastewater from our Wastewater Treatment Plants. For the upgrading and expansion work at our Wastewater Treatment Plants, we have engaged a licensed environmental impact assessment consultant to assist us in preparing the environmental impact assessment report to the relevant government authorities for approval prior to the commencement of the construction works. For our provision of wastewater treatment services, we have duly obtained a pollutant discharge permit for each of our Wastewater Treatment Plants in accordance with the PRC law. Pursuant to the Concession Agreement, we are also obliged to ensure the wastewater treated by our facilities meet the relevant discharge standards. For this purpose, we have implemented various quality control measures as detailed in "Aspect B6: Product Responsibility" in this Report.

The Group has implemented measures in the operation of our business to ensure strict compliance with the relevant laws and regulations in the PRC, including but not limited to PRC Environmental Protection Law* (《中華人民共和國環境保護法》) and the PRC Law on Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》). Such measures and procedures include, amongst other things, waste gases emission, wastewater treatment and solid waste management:

Environmental, Social and Governance Report

Emissions:	Source:	Measures:
Waste gases	Waste gases emissions were mainly derived from malodorous gases generated during the wastewater treatment process.	<ul style="list-style-type: none"> — In upgrading and expanding the wastewater treatment plant, the Group adopted advanced sewage treatment technology and equipment, and optimised the layout of facilities such as building covers around the treatment plant to reduce the odour. — Afforestation work in the sewage treatment plant area and its surroundings is enhanced to reduce the influence of odour on the environment.
Wastewater	Inflow of wastewater from the external pipeline network in Yinchuan.	<ul style="list-style-type: none"> — The discharge of the treated wastewater was required to fulfil relevant standards, such as Urban Wastewater Treatment Plant Discharge Standards* (城鎮污水處理廠污染物排放標準) (GB18918–2002), before being ultimately discharged into the Yellow River. — The Group adopted intercept processing to improve the efficiency of pollutant treatment in the wastewater. — The Group has laboratories situated within certain Wastewater Treatment Plants, where regular laboratory analyses are performed on the water samples collected at the inflow and outflow of each of our Wastewater Treatment Plants as mentioned in “Aspect B6: Product Responsibility” in this Report.
Solid waste	The solid waste mainly consists of sludge, chemical sample waste and household waste generated from the treatment process.	<ul style="list-style-type: none"> — In order to dispose of the large amount of sludge generated in the wastewater treatment process in a “harmless, reduced and resource-based” way, the sludge, upon concentration and dehydration and other treatments by the Group, was transported to disposal sites designated by the local government. — The Group strictly abides by the standardised management regulations for solid waste produced in the course of production, experimentation, or inspection and maintenance, then performs sorted collection, centralised storage, regular reporting, and compliant disposal.

Environmental, Social and Governance Report

During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations related to environmental protection.

Regarding hazardous and non-hazardous wastes, our hazardous waste produced mainly consists of chemical sample waste in daily operation. Non-hazardous waste includes mainly sludge and household waste. The Group has a strict classification system for different types of waste. Each type of waste has specific storage location and collection procedures. There is a precaution implemented for the leakage of waste to prevent pollution. The waste is separately stored and handled with the ledger for record.

During the Reporting Period, the Group generated/consumed no significant hazardous waste and packaging materials due to its business nature.

Our wastewater treatment process helped to reduce the emission of large amount of Chemical Oxygen Demand (“**COD**”), ammonia, phosphorus and other substances in urban sewage and protected the natural environment. During the Reporting Period, the main effluents such as COD, ammonia and phosphorus were 31% (2024: 29%), 73% (2024: 61%) and 67% (2024: 63%), respectively, which were lower than the emission limits of Class IA standard (*lowest percentage is disclosed among the three Wastewater Treatment Plants*).

Regarding Scope 3 other indirect emissions, carbon emissions may be emitted by our suppliers and service providers in our value chain that may not be environmental-friendly.

To mitigate our indirect impact through third-party suppliers and service providers, we plan to strengthen our ESG practices and actively research the carbon footprint of our third-party suppliers and service providers and enlist environmental protection capability as one of our assessment elements when evaluating such suppliers and service providers to ensure that our suppliers and service providers are fully competent in carrying out sustainable operations and exerts continuous effort to minimise environmental impact.

When screening those suppliers and service providers in the future, low carbon (*i.e. evidenced with environmental compliance history and certification in environmental protection*) will be our top priority criteria with evaluation metrics emphasizing environmental impact, energy and resource utilisation, use of renewable energy and other innovative means for producing a smaller carbon footprint.

Besides, we have a long practice of encouraging our employees to make their travelling and commuting as energy efficient as possible. For instance, our practice requires our employees to select economy class as a preference for business travel.

We are aware of the significance of reducing our Scope 3 other indirect emissions, by implementing practical measures in our daily operation during the Reporting Period as mentioned above. We identified our Scope 3 GHG emissions among the 15 categories and noted that the first 7 categories are relevant to our business. The remaining categories are not included (*i.e. Category 8, 9, 10, 11, 12, 13, 14 and 15*) as they are irrelevant to our business or data are unavailable and unreliable for quantification.

Environmental, Social and Governance Report

During the Reporting Period, we have disclosed our scope 3 GHG emissions for selected categories (*i.e. Category 3, 5 and 6*). We recognise that there are still data gaps within the data reported and we aim to expand our data disclosure for other categories moving forward. Please refer to section headed "Appendix I- Overview of KPIs" for details

In view of our continuous effort, we target to maintain zero substantial non-compliance case in relation to the wastewater and solid waste until the end of our concession period (*i.e. year 2041*).

* *For identification purposes only*

Aspect A2: Use of Resources

The Group places high priority on the efficient use of resources. The major resources used by the Group are electricity and water. The Group strives to improve the efficient use of natural resources, such as minimising waste/emissions and implementing effective recycling programmes. Practical measures are implemented as follows.

Electricity

Electricity saving measures are encouraged that electrical appliances are required to be set as energy saving mode where possible. We set the air conditioning systems at 25°C. For computers, the idle automatically mode is 20 minutes or less. Also, power supply should be switched off when they are not in use. Preference will be given to office equipment with relatively high energy efficiency.

Water

The Group did not encounter any problems in sourcing water that is fit for purpose. Recycled water generated can be used for cleaning purposes amounting to approximately 5,143,304 m³ during the Reporting Period (2024: 5,522,959 m³). The Group encourages employees to reduce water wastage, for example, by strengthening the management of water saving in office, advocating employees to turn off faucets timely and eliminating the phenomenon of running water. Also, the Group promotes the use of water saving sanitary and water distribution appliances.

Fuel consumption for motor vehicles

The Group actively identified aged vehicles and modified their engines from petrol/diesel type to compressed natural gas type with less emission.

Aspect A3: the Environment and Nature Resources

The Group raises employees' awareness on environmental issues through education and training and encourages employees' support in improving the Group's performance, promote environmental awareness amongst the customers, business partners and shareholders and support community activities in relation to environmental protection and sustainability. The Group evaluates and monitors past and present business activities impacting upon health, safety and environmental matters. With the integration of policies mentioned in sections "Aspect A1: Emissions" and "Aspect A2: Use of Resource", the Group strives to minimise the impacts to the environment and natural resources.

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B. SOCIAL ASPECTS

Aspect B1: Employment

Our Group believes that the key to our success is our ability to recruit, retain, motivate and develop talented and experienced staff members. We endeavour to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group. Our Group's employment handbook sets out our standards for compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Our Group entered into separate labour contracts with each of our employees in accordance with the applicable labour laws of PRC. The package includes basic wages, over-time work allowances, bonuses, retirement benefits and other staff benefits. We conduct annual review of the performance of our employees for determining the level of bonus, salary adjustment and promotion of our employees. Our Group recruits employees from the open market based on various factors such as their work experience, educational background, qualifications or certifications possessed. We believe that the above arrangement can maintain good relationship with our employee.

During the Reporting Period, there were no material non-compliance regarding employment brought against our Group or our employees.

Aspect B2: Health and Safety

The Group places emphasis on occupational health and work safety in our three Wastewater Treatment Plants. Pursuant to national and local health and safety laws and regulations in the PRC, we are required to provide our employees with a safe working environment. Therefore, we have established comprehensive workplace safety policies and guidelines for our employees. Each of our wastewater treatment facilities maintains its own emergency reporting system in case of safety hazards. Our employees are provided with protective gears and clothing within our Wastewater Treatment Plants. We also conduct regular inspection and maintenance checks on our equipment to ensure that they are in compliance with the applicable national or industrial standards in respect of their design, manufacturing, installation and use. With regards to insurance, the Group had made social security insurance and housing fund contributions for its employees in accordance with the requirements pursuant to the applicable laws and regulations. We also have maintained property all risks insurance, machinery breakdown insurance, employer's liability insurance and public liability insurance for the operation of our Wastewater Treatment Plants.

During the Reporting Period, there were no material non-compliance cases noted in relation to health and safety laws and regulations.

Aspect B3: Development and Training

The Group recognises the importance of providing training for the development of our employees. To ensure the continuous professional development our employees and to familiarise our employees with our quality control systems, we offer relevant in-house training to our employees at our wastewater treatment facility. We also encourage our employees in attending external industry-related trainings by providing subsidy as set out in our employment handbook.

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Aspect B4: Labour Standards

The Group strictly complies with relevant labour laws and regulations in the PRC. The Group prohibits the use of child labour and forced labour that violate fundamental human rights and also poses threat to sustainable social and economic development. The human resources department strictly complies with relevant labour laws and regulations in the PRC to implement recruitment.

In the recruitment processes, the human resources department takes effective procedures to verify applicants' age and inspects their identification documents and valid proof of identity before hiring any of them. Employment contracts and other records, documenting all relevant details of the employees (*including age*) are properly maintained for verification by relevant statutory body upon request.

During the Reporting Period, we did not identify any issue related to child labour or forced labour within the Group.

Aspect B5: Supply Chain Management

The Group works closely with its suppliers who are committed to high quality, environmental, health and safety standards. Our principal suppliers were construction contractors, design institutes and supervision agencies engaged by us to carry out our contemplated upgrading and expansion works, suppliers of chemicals used in our wastewater treatment processes and suppliers of materials for equipment maintenance and replacements from PRC (Reporting Period: 161 suppliers and service providers in PRC; 2024: 160 suppliers and service providers in PRC). It is our general policy to maintain a list of approved suppliers in order to avoid over-relying on a single supplier. We have stable business relationships with our suppliers and they are familiar with our demand on quantity and requirements as to the quality of the materials and equipment required by us.

For procurement of materials and equipment and construction-related services within the scope of our contemplated upgrading and expansion works, we must go through tender processes irrespective of the purchase or subcontracting amounts. During such process, a tender document will be issued by us to the suppliers who are invited to submit their tenders. A tender committee with several members will be established, comprising a majority of independent third parties' representatives chosen by balloting from a pool of local industry experts selected by the local government, and the remaining being representative(s) from us. The tender committee will evaluate the bids taking into consideration the factors including but not limited to qualification, expertise, price, past performance, quality of material and payment terms of the bidders. The committee will then rank the bidders based on the result of evaluation. Generally, we will enter into the procurement contract with the bidder who has the highest ranking.

For procurement of materials and equipment not related to our contemplated upgrading and expansion works, we have established a centralised internal procurement policy for the selection of suppliers. Depending on the type of materials, equipment or services to be procured, if the purchase amount is expected to exceed a certain threshold, we will invite multiple suppliers to provide quotations for our selection. Preference will be given to suppliers with certification and qualification related to environmental protection.

During the Reporting Period, we believe there are no significant environmental and social risks for our management decision on supply chain management.

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Aspect B6: Product Responsibility

Quality control

The Group has actively pursued strict and standardised quality control procedures and monitoring systems such that the operators will carry routine inspection on our Wastewater Treatment Plants. This is to ensure stable operations and avoid any disruption to our operations.

Quality control team

Our quality control team consists of 10 members, with one of them being the quality control manager, all of whom possess relevant academic qualifications and the necessary industry experience to perform laboratory analyses on incoming and outflowing wastewater.

Examination of water quality

We have laboratories situated within certain of our Wastewater Treatment Plants, where regular laboratory analyses are performed on the water samples collected at the inflow and outflow of each of our Wastewater Treatment Plants. The water samples are collected on a regular basis from the Wastewater Treatment Plants. In the event the levels of pollutants in the incoming wastewater were found to have exceeded the designed parameters, our technical team will be alerted and take necessary measures to ensure the outflow water quality meets the relevant standards. If the pollutants in the incoming wastewater significantly exceed the design of products such that our outflow water quality may be affected, we will promptly report to the relevant governmental authorities. Under the Concession Agreement, we shall not be liable for not meeting the relevant discharge standard and in case we suffer any loss due to such kind of incident not caused by our own fault, we are entitled to compensation from local government.

Online real-time monitoring by government

Each of our wastewater treatment facilities has a sensor installed at its outflow pipes which transmits the key parameter data directly to the local environmental protection bureau for monitoring the quality of wastewater treated by our facilities on real time basis. Such online real-time sensors and meters are maintained and controlled by independent third parties designated by the local government.

Inspection of chemicals

Certain chemicals are used by us during wastewater treatment process. Our quality control team will perform regular analysis on such chemicals procured by us to ensure the quality is up to standard. Any substandard quality of chemicals will be reported to the plant manager and/or our senior management for investigation and decision making together with follow up actions. This is to ensure our treated wastewater meets all the prescribed discharge standard/parameters.

Regular inspection

For every two hours, inspections are carried out by our operating team in order to avoid disruptions to our operations. Any unusual circumstances will be reported to the manager of the plant and/or our senior management for investigation and decision-making together with follow up actions and report to environmental related government authorities, if necessary. Electronic tracking devices are installed at various locations within the plant to ensure that such regular inspections are carried out on schedule.

Regular maintenance of instruments and equipment

To avoid disruptions to our operations, our in-house team of technicians will carry out regular repair and maintenance on all the facilities and equipment. In some occasions where we need external supports on the repair and maintenance works, we will hire external specialists to help us perform necessary repair and maintenance in order to avoid any disruption to our operations.

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Intellectual property

The Group did not have any registered trademarks or any trademarks pending in Hong Kong. The Group have registered one domain name — tilenviro.com, which is used by our Group.

During the Reporting Period, we have not received any material claim against us for infringement of any trademark nor were we aware of any pending or threatened claims in relation to any such infringement, nor had any material claim been made by us against third parties in relation to the infringement of intellectual property rights owned by us or third parties.

Privacy Protection

The Group is committed to ensuring personal data and privacy of its customers are kept confidential. The Group has implemented various measures to prevent unauthorised access of customers' data, such as installation on all computers together with backup services security features which require password access to information stored on the hard disk or server and only authorised personnel can access to confidential documents.

In addition, all staff members are reminded of the importance of keeping confidential any aspects of the Group's business and the need to comply with the "Code of Confidentiality" whose details are laid down in our employment handbook.

During the Reporting Period, there are no disputes between our Group and our customers in respect of the quality of work performed by us and there were no cases of non-compliance against laws and regulations related to products responsibilities.

Aspect B7: Anti-Corruption

To ensure the workplace operates in a fair and transparent manner, the Group has formulated whistleblowing policy to avoid suspected corruption and provided channels such as by letter, fax, meeting, email or phone call for employees to report suspected corruption. If there is any suspected case related to corruption, employees are encouraged to report it through the mentioned channels. All these practical actions enhance the sense of belonging and fair play among our various stakeholders. Besides that, anti-corruption training through email was provided to senior management of the Company during the Reporting Period.

The Group has been in strict compliance with law and regulation related to anti-corruption. During the Reporting Period, there was no legal case regarding corrupt practices brought against the Group or its employees.

Aspect B8: Community Investment

As a socially responsible company, the Group is committed to understanding the needs of the communities in which we operate. The Group strives to develop long-term relationship with our stakeholders and seek to make contributions to programmes that have a positive impact on community development.

During the Reporting Period, the Group organised an open day for our employees together with their family members at Plant 2. The Group aimed to spread environmental awareness to the participants through a combination of educational and interactive games, as well as site visit.

Such activities not only strengthened the bond between the employees' family members but also provide a good platform for promoting environmental protection.

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C. CLIMATE-RELATED DISCLOSURES

Climate change is a common challenge faced by all humanity. We have deeply recognised the complex challenges and valuable opportunities presented by climate change, striving to achieve harmonious coexistence between the enterprise and the environment. We refer to the ESG Reporting Code to continuously enhance our ability to identify and manage climate-related risks and enhance the Group's capacity to respond to climate change, leveraging a more sophisticated climate risk management, and more ambitious climate goals, to drive the industry's low-carbon transformation and upgrading, and contribute to the national "dual carbon" strategic goals.

Governance

The Group places great emphasis on climate change governance. We integrate climate change-related matters into our sustainability governance system, comprising "the Board-ESG Working Group-Functional Departments and Subordinate Companies". The Board is responsible for identifying and determining material climate-related issues, proposing suggestions for climate-related goals, policies, and structures, and continuously enhancing the effectiveness of climate governance. The Board reviews progress on climate-related matters reported by ESG Working Group annually. For more details, please refer to section "Sustainability Governance" of this ESG report. The Group prioritises the capacity building of the Board and management in the field of climate related expertise. When establishing the ESG Working Group, members with relevant professional knowledge backgrounds are included. Relevant training materials are provided for the Board and senior management on climate change-related topics, thereby ensuring they possess the necessary expertise to manage and oversee climate-related issues.

Strategy and Risk management

The Board's Audit Committee oversees climate-related risks that have been incorporated into the Group's enterprise risk register. We identify and manage ESG risks alongside other business and operational risks through our integrated risk management process and report to the Board on an annual basis. This is embedded in our daily operations, financial and investment activities, internal controls and strategy development and business planning.

A materiality assessment conducted as stated in page 54 of this ESG report helped us to determine material issues for the Group and our stakeholders, including topic of climate change as highlighted in our materiality matrix.

During the Reporting Period, we have conducted a climate-related scenario analysis to assess the resilience of our strategy to climate-related physical and transition risks over different timeframe to our Group. To ensure strategic alignment, we have defined short-term (*current*), medium-term (*by year 2030*), and long-term (*by year 2041*) horizons based on our business strategic processes, asset lifetimes, and internal policy milestones. Under our Enterprise Risk Management ("**ERM**") framework, our risk register incorporates the risks associated with climate-related physical and transition risks and ensure climate change adaptation or mitigation policies are in place.

Our ERM framework also ensures periodic risk assessment and monitoring cycles are in place to understand the relevant risks and assess the needs to refresh our risk appetite.

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Under our ERM framework, processes used to identify, evaluate and manage significant risks (*including significant climate-related issues*) by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

As a result of above risk management process, the table below provides an overview of climate-related risks with the greatest potential impact on our Group's business under different time horizon.

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Climate-related Risks	Description	Potential Financial Impact
Physical Risks		
Acute risk (<i>short-term</i>)	<ul style="list-style-type: none"> • Extreme weather such as floods by heavy rain may damage the Company's buildings and facilities, resulting in business interruption. • Strong winds and dust storms cause damage to power supply facilities and disrupt operations. • Extreme weather such as extremely cold and hot weather will increase health and safety risks for employees and may lead to supply chain disruptions. • Extremely cold weather will rupture water distribution pipes, water metres and sewage pipes and thus reducing the efficiency of the wastewater treatment system. 	<ul style="list-style-type: none"> • Cause loss of assets and increase costs to operate & maintain the Company's business due to business interruption. • Negatively impact operations and increase operating costs. • Higher costs for human resource.
Chronic risk (<i>medium to long-term</i>)	<ul style="list-style-type: none"> • Climate change-induced rising river levels from climate change may cause facility damage and increase the energy consumption of drainage. • Climate change may exacerbate water stress and increase the frequency/intensity of droughts which in turn affect the water supply in the city. • Higher temperatures may exacerbate odour impacts from wastewater treatment plants, as well as additional cooling equipment and treatment costs. • Exposure to extreme heat will cause chronic damage to employees' health. 	<ul style="list-style-type: none"> • Facilities damages cause financial loss and increase infrastructure maintenance costs. • Lower revenue due to lesser wastewater treated. • Higher energy costs. • Higher costs for odour treatment. • Higher cost for human resource

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Climate-related Risks	Description	Potential Financial Impact
Transition Risks		
Policy and legal risks (medium to long-term)	<ul style="list-style-type: none"> The Company's wastewater treatment operations may be subject to regulatory restrictions on GHG emissions. Climate-related disclosure requirements will be stricter. Failure to meet stricter emissions compliance requirements and establish an effective internal response mechanism could expose to potential litigation risks. 	<ul style="list-style-type: none"> Compliance with the climate reporting obligations of the Hong Kong Stock Exchange will be gradually expanded, with higher quality emissions data required, resulting in increased compliance costs. Projects need to be upgraded, resulting in additional investment or increased operating costs.
Pricing of GHG Emissions (medium to long-term)	<ul style="list-style-type: none"> The government is highly likely to introduce a number of levies (e.g. carbon tax, carbon emission allowance, fuel tax, etc.) 	<ul style="list-style-type: none"> Additional costs arising from the increased energy costs or offsetting through transactions. Operating costs are likely to rise.
Technological risk (long term)	<ul style="list-style-type: none"> Increasingly stringent GHG emissions requirements may necessitate increased investment in decarbonisation technologies and more demand for research on related topics and may face increased technological challenges 	<ul style="list-style-type: none"> Increase investment in the research for addressing GHG emissions. Lower revenues due to lower wastewater treatment capacity. Facing growing stakeholders' expectations and requiring more stringent commitments.
Market risk (medium to long-term)	<ul style="list-style-type: none"> Stricter environmental policies could lead to a rise in the price of chemicals used in wastewater treatment. Climate change may lead to fluctuations in fuel prices. 	<ul style="list-style-type: none"> Potential increase in operating costs due to rising chemical and fuel prices. Promoting episodic energy throughout the supply chain may result in increased operating costs.

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Mitigation measures of each type of risk that already adopted by the Group are listed below:

Risks	Mitigation measures
Climate-related physical risks	<ul style="list-style-type: none"> • Create contingency plans and conduct emergency drills in advance to ensure operational stability during extreme weather. • Improve disaster preparedness of relevant personnel and provide them with necessary training. • Regularly monitor water quality and odour and progressively improve digital monitoring platforms to enhance efficiency. • Continuously improve the occupational health system, standardise the management of those who work in extreme weather environments; and provide employees with personal protective equipment according weather conditions. • Purchase insurance to cover the potential damage to our assets and employee. • Adopt more insulation measures or designs for outdoor facilities (<i>pipeline networks, water metres, backflow tanks, etc.</i>) for extreme cold weather situation. • Use of recycle water for daily operation.
Climate-related transition risks	<ul style="list-style-type: none"> • Pay close attention to climate-related laws and regulations and adjust the Company's strategic direction and development plan in a timely manner according to policy changes. • Carry out research on GHG emission reduction and gradually explore the possibility of reducing carbon emissions in wastewater treatment. • Reduce energy consumption and carbon emissions through technological improvement and operation process optimisation. • Enhance internal management and operational processes to minimise transformation costs. • Optimise operation processes and supply chain management, improve resource utilisation efficiency, and reduce costs. • Raise standards for supplier evaluation, gradually move toward green procurement and integrate suppliers' environmental performance into the selection process. • Consider shifting all vehicles to Electric Vehicles ("EVs"). • Consider installing solar panel.

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Scenario Analysis

Recognising that climate-related risks play a significant role in our business success and continuity, the Group tested the resilience of our business operations under distinct and plausible climate change scenarios against key climate-related risks and opportunities according to the ESG Reporting Code.

In our scenario analysis, the Group focused on material physical and transition risks and referenced scenarios with climate and transition pathway projections published by reputable external research bodies including Intergovernmental Panel on Climate Change ("**IPCC**") and Network of Central Banks and Supervisors for Greening the Financial System ("**NGFS**").

We have adopted two high contrast scenarios that provide robust coverage of potential climate outcomes. Based on these pathway projections, we evaluated the Group's potential impacts of these risks and opportunities against plausible future states under various time horizons until year 2041.

Our scenario analysis will be refreshed for every five years for our strategic planning purpose.

The table below summarises the parameters of our scenario analysis.

Parameter	Description
Scope	Our wastewater treatment business in Yinchuan, the PRC
Scenarios used ^(note)	<p>Climate-related Physical Risks:</p> <ul style="list-style-type: none"> IPCC Sixth Assessment Report IPCC Shared Socioeconomic Pathways ("SSP") 5–8.5 (<i>High Emissions Scenario</i>); and IPCC SSP1–2.6 (<i>Low Emissions Scenario</i>) <p>Climate-related Transition Risks:</p> <ul style="list-style-type: none"> NGFS Current Policies Scenario (<i>High Emissions Scenario</i>); and NGFS Net Zero 2050 Scenario (<i>Low Emissions Scenario</i>) <p>Rationale:</p> <ul style="list-style-type: none"> The scenarios developed take reference from IPCC for climate-related physical risks and NGFS for climate-related transition risks; The sources selected provide time frames that align with our strategic planning time horizon and aligns with Paris Agreement; and The scenarios chosen will help the company assess the level of exposure from physical and transition risks and support our future strategic planning.
Time horizon	<ul style="list-style-type: none"> Short-term (<i>current</i>); Medium-term (<i>by year 2030</i>); and Long-term (<i>by year 2041</i>)

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Parameter	Description
Assumptions	<ul style="list-style-type: none"> Analysis conducted in year 2025, expect asset locations to remain materially the same over the time horizon; and Mitigation measures will remain the same.
Trend	<p>High Emissions Scenario:</p> <ul style="list-style-type: none"> Emissions continue to increase in line with current business-as-usual pathway; Current regulatory framework remains in place, with government or state intervention on climate change maintaining its current levels; Likely increased severity and frequency of climate change related weather events; and Demand for electricity and fuel remain relatively consistent with current levels. <p>Low Emissions Scenario:</p> <ul style="list-style-type: none"> Global decarbonisation trajectory in line with achieving the Paris Agreement which sets a target to limit global warming to well below 2°C and ideally 1.5°C by year 2100; Current framework would effectively continue with additional emissions reduction measures implemented by government to achieve the global 1.5°C target; Reduced likelihood of severe climate change related weather events; Policy support for EVs and the substitution of gas is driving an increase in consumption, with this growth being partially offset by energy savings from improved energy efficiency and consumer investments in distributed photovoltaic systems; and Fuel prices will rise more drastically, largely driven by aggressive carbon policy.

Note: It is important to note that these scenarios are not definitive outcomes for the Group. This scenario analysis exercise is based on assumptions that may or may not materialise and on the information available at the time of preparation and the scenarios may be influenced by additional factors beyond the assumptions made in the exercise and hence do not represent actual future outcomes.

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Assessment of Scenario Analysis

Climate-Related Physical Risks

Climate-related physical risks are risks derived from chronic risks resulting from long-term climate pattern shifts or acute risks from extreme climate events. The frequency, severity and impacts of these risks vary over different time frames and geographical locations. Revenue would decrease and operating cost would increase by factors such as business disruption from extreme weather events, labour productivity loss due to extreme weather and direct asset damage to different extent under different scenarios.

We consider the overall risk level by physical risks are low.

Climate-Related Transition Risks

Climate-related transition risks and opportunities are associated with the shift toward a low-carbon economy and the regulatory, market, and technological changes that accompany this transition. They are likely to be significant in the context of transitioning to a low-carbon economy, as such transition involves substantial changes in policies and market, as well as technological advancements that are likely to incur significant cost to businesses and societies. Operating cost would increase by factors such as rising energy cost, rising chemical cost, direct carbon cost exposure and low-carbon transition investment cost to different extent under different scenarios.

We consider the overall risk level by transition risks are moderate especially in the long term under low emissions scenario as significant climate-related policies and regulations are likely to be introduced.

Although there are a lot of uncertainties associated with these 2 scenarios, the measures which we currently have in place, as well as continuing to invest in as stated above, form the basis for business resilience in both instances showing our business and sustainability strategies, allowing us to effectively manage the risks associated with a transition to a net zero economy.

Metrics and Targets

In line with our ESG strategy and the Paris Agreement's goal in limiting warming to 1.5°C above pre-industrial levels, we have set ambitious decarbonisation targets to reduce various environmental KPIs by 5% in terms of intensity within our reporting scope by year 2041 (*as compared to the year 2025 baseline*).

To gauge the progress of our net-zero ambition, we closely monitor key metrics, including Scope 1, 2, and 3 GHG emissions, and regularly review our transition plan and targets. We have been tracking Scope 1 and 2 metrics in our operation and start to enhance our disclosure on Scope 3 metrics in 2025 to accelerate our decarbonisation efforts. We collaborate closely with all our business units to secure resources for implementing carbon reduction measures, including energy optimisation, sustainable resource utilisation, technology investments, and community collaboration for positive impacts.

We acknowledge the dynamic nature of the external environment and the necessity of regularly reviewing our targets and baselines to effectively track our progress and capitalise on the opportunities for transition. We will adopt KPIs aligned with the 1.5°C pathway for different business units and introduce financial proxies internally to quantify impacts in financed emissions. Our ESG working group will also evaluate the Group's sustainability performance and progress made against sustainability targets on an annual basis and assesses whether any revision is required.

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Regarding climate-related metrics, assets especially all items under category of “Property, plant and equipment” and “Inventories” in the consolidated statements of financial position are materially exposed to extreme weather such as flooding (*climate-related physical risks*).

Our Board expects that the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities are not significant in light of our measures taken to address climate-related risk. Please refer to the paragraphs headed “Strategy and risk management” for details.

To monitor performance across critical areas of our operation to achieve net zero goal, we track several environmental metrics to evaluate its impact.

These metrics encompass operational aspects related to:

- Energy (*measured in MWh*); and
- GHG emissions across Scope 1 and Scope 2 (*measured in tonne of equivalent CO₂*)

The table below shows an overview of the Group’s environmental targets:

	Baseline Year	Target by Year 2041
Energy consumption intensity	2025	-5%
GHG emission (Scope 1 & 2) intensity	2025	-5%

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APPENDIX I: OVERVIEW OF KPIS

1. Environmental Aspects ^(note 1)

No. of KPIS	KPIS	Unit	2025	2024
A1.1 Emissions	Sulphur Dioxide (SO _x)	kg	34.34	32.73
	Nitrogen Oxides (NO _x)	kg	724.38	629.68
	Particulate Matter (PM)	kg	16.90	14.70
	Total discharge of urban sewage reaching wastewater discharge standards	m ³	80,437,311.00	78,663,335.00
	COD reduction for urban sewage discharge	tonnes	25,662.37	24,819.72
	Discharge of COD from urban sewage	tonnes	1,961.25	2,292.24
	Ammoniacal nitrogen reduction for urban sewage discharge	tonnes	2,676.60	380.16
	Discharge of ammoniacal nitrogen from urban sewage	tonnes	62.47	77.14
	Phosphorus reduction for urban sewage discharge	tonnes	440.97	421.34
Discharge of phosphorus from urban sewage	tonnes	8.41	7.97	
A1.2 GHG emissions ^(note 2)	Scope 1 Direct emissions ^(note 3)	tonnes of equivalent CO ₂ emission	198.89	181.20
	Scope 2 Indirect emissions <i>(location-based)</i>	tonnes of equivalent CO ₂ emission	32,057.82	32,149.24
	Scope 3 Other indirect emissions	tonnes of equivalent CO ₂ emission	740.03	Nil
	Total	tonnes of equivalent CO ₂ emission	32,966.74	32,330.44
	Intensity	tonnes of equivalent CO ₂ emission/m ²	0.07	0.07
	Scope 3 Other Indirect Emissions — Category 3. Fuel and energy related activities	tonnes of equivalent CO ₂ emission	719.04	Nil
	Scope 3 Other Indirect Emissions — Category 6. Business travel	tonnes of equivalent CO ₂ emission	20.99	Nil
	Total	tonnes of equivalent CO ₂ emission	740.03	Nil

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No. of KPIs	KPIs	Unit	2025	2024
A1.4 Non-hazardous waste	Total non-hazardous waste (<i>i.e. sludge</i>)	tonnes	71,418.45	71,390.00
	Intensity	tonnes/m ²	0.15	0.15
A2.1 Energy consumption	Unleaded petrol	kWh	107,405.51	90,413.80
	Diesel	kWh	565,811.95	540,941.10
	Liquefied Petroleum Gas (LPG)	kWh	187,195.55	132,974.35
	Purchased electricity	kWh	39,291,840.00	39,403,890.00
	Total Intensity	kWh/m ²	40,152,253.01 82.67	40,168,219.25 82.71
A2.2 Water consumption	Total water consumption	m ³	20,349.00	35,186.00
	Intensity	m ³ /m ²	0.04	0.07

Notes:

1. The calculation of environmental KPIs is made reference to "A Corporate Accounting and Reporting Standard" from The GHG Protocol and the "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.
2. Our measurement approach to measure greenhouse gas emissions is by operational control due to the ability to take full ownership of all greenhouse gas emissions where we can directly influence and reduce.
3. Waste generated during operation under scope 3 emissions (*i.e. Category 5*) was already included in our scope 1 emissions as the transportation of sludge to disposal sites are carried out by our own vehicles and thus related fuel consumption are already measured.

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3. Social Aspects

No. of KPIs	KPIs	Unit	2025	2024
B1.1 Total number of employees	By gender			
	Male	person	74	72
	Female	person	43	44
	Total		117	116
	By employment type			
	Full-time	person	117	116
	Part-time	person	Nil	Nil
	Total		117	116
	By age group			
	30 or below	person	8	10
	31–40	person	49	51
	41–50	person	40	36
	51 or above	person	20	19
	Total		117	116
By geographical region				
PRC	person	117	116	
B1.2 Employee turnover rate	Turnover rate by gender			
	Male	%	Nil	1
	Female	%	Nil	2
	Turnover rate by age group			
	30 or below	%	Nil	Nil
	31–40	%	Nil	Nil
	41–50	%	Nil	3
	51 or above	%	Nil	5
	By geographical region			
	PRC	%	Nil	2
B2.1 Number and rate of work-related fatalities^(note)	Number of work-related fatalities	person	Nil	Nil
	Rate of work-related fatalities	%	Nil	Nil

Note: There were none work-related fatalities during 2023.

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No. of KPIs	KPIs	Unit	2025	2024	
B2.2	Number of working days lost due to work injury	Number of working days lost due to work injury	day	28	177
B3.1	Percentage of trained employees	Percentage of trained employees			
	By gender				
	Male	%	100	100	
	Female	%	100	100	
	By rank				
	Normal	%	100	100	
	Middle	%	100	100	
	Senior	%	100	100	
B3.2	Average training hours completed per employee	Average training hours completed per employee			
	By gender				
	Male	hour	92.72	98.29	
	Female	hour	96.44	102.41	
	By rank				
	Normal	hour	94.44	102.39	
	Middle	hour	96.33	102.44	
	Senior	hour	5.00	4.00	
B5.1	Number of suppliers	Number of suppliers by geographical region			
		PRC	supplier and service provider	161	160
		Total		161	160
B6.2	Number of complaints about products and services	Number of complaints about products and service received	case	Nil	Nil
B7.1	Legal cases in relation to corruption	Number of legal cases in relation to corruption filed and concluded	case	Nil	Nil

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REFERENCES TO THE ESG REPORTING CODE

Subject areas, aspects, general disclosures and KPIs	Section	Page
A. Environmental		
Aspect A1: Emissions		
General Disclosure	A1: Emissions	55–58
KPI A1.1 The types of emissions and respective emissions data.	Appendix I: Overview of KPIs	72
KPI A1.3 Total hazardous waste produced and, where appropriate, intensity.	No material hazardous waste produced during the Reporting Period	N/A
KPI A1.4 Total non-hazardous waste produced and, where appropriate, intensity.	Appendix I: Overview of KPIs	73
KPI A1.5 Description of emission targets set and steps taken to achieve them.	A1: Emissions; and Climate-Related Disclosures — Metrics and Targets	55–58 70–71
KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction targets set and steps taken to achieve them.	A1: Emissions	55–58
Aspect A2: Use of Resources		
General Disclosure	A2: Use of Resources	58
KPI A2.1 Direct and indirect energy consumption by type in total.	Appendix I: Overview of KPIs	73
KPI A2.2 Water consumption in total and intensity.	Appendix I: Overview of KPIs	73
KPI A2.3 Description of energy use efficiency and a description of targets set and steps taken to achieve them.	A2: Use of Resources; and Climate-Related Disclosures — Metrics and Targets	58 70–71
KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency and a description of targets set and steps taken to achieve them.	A1: Emissions; and A2: Use of Resources	55–58
KPI A2.5 Total packaging material used for finished products and, if applicable, with reference to per unit produced.	No packaging material was produced during the Reporting Period.	N/A

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Subject areas, aspects, general disclosures and KPIs	Section	Page
Aspect A3: The Environmental and Natural Resources		
General Disclosure	A1: Emissions; and A2: Use of Resources	55–58
KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	A1: Emissions; A2: Use of Resources; and A3: The Environmental and Natural Resources	55–58
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	B1: Employment	59
KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	Appendix I: Overview of KPIs	74
KPI B1.2 Employee turnover rate by gender, age group and geographical region.	Appendix I: Overview of KPIs	74
Aspect B2: Health and safety		
General Disclosure	B2: Health and safety	59
KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix I: Overview of KPIs	74
KPI B2.2 Lost days due to work injury.	Appendix I: Overview of KPIs	75
KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	B2: Health and safety	59

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Subject areas, aspects, general disclosures and KPIs	Section	Page
Aspect B3: Development and Training		
General Disclosure	B3: Development and Training	59
KPI B3.1 The percentage of employee trained by gender and employee category.	Appendix I: Overview of KPIs	75
KPI B3.2 The average training hours completed per employee by gender and employee category.	Appendix I: Overview of KPIs	75
Aspect B4: Labour Standards		
General Disclosure	B4: Labour Standards	60
KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	B4: Labour Standards	60
KPI B4.2 Description of steps taken to eliminate such practices when discovered.	B4: Labour Standards	60
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	B5: Supply Chain Management	60
KPI B5.1 Number of suppliers by region.	Appendix I: Overview of KPIs	75
KPI B5.2 Description of practices relating to engaging supplies, number of supplies where the practices are being implemented, how they are implemented and monitored.	B5: Supply Chain Management	60
KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	B5: Supply Chain Management	60
KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, how they are implemented and monitored.	B5: Supply Chain Management	60

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Subject areas, aspects, general disclosures and KPIs	Section	Page
Aspect B6: Product Responsibility		
General Disclosure	B6: Product Responsibility	61–62
KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	B6: Product Responsibility	61–62
KPI B6.2 Number of products and service-related complaints received and how they are dealt with.	Appendix I: Overview of KPIs	75
KPI B6.3 Description and practices relating to observing and protecting intellectual property rights.	B6: Product Responsibility	61–62
KPI B6.4 Description of quality assurance process and recall procedures.	B6: Product Responsibility	61–62
KPI B6.5 Description of customer data protection and privacy policies, how they are implemented and monitored.	B6: Product Responsibility	61–62
Aspect B7: Anti-corruption		
General Disclosure	B7: Anti-corruption	62
KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the case.	Appendix I: Overview of KPIs	75
KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	B7: Anti-corruption	62
KPI B7.3 Description of anti-corruption training provided to directors and staff.	B7: Anti-corruption	62
Aspect B8: Community Investment		
General Disclosure	B8: Community Investment	62
KPI B8.1 Focus areas of contribution (<i>e.g. education, environmental concerns, labour needs, health, culture, sport</i>).	B8: Community Investment	62
KPI B8.2 Resources contributed (<i>e.g. money or time</i>) to the focus area.	B8: Community Investment	62

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Climate-related Disclosures

Reference paragraph	Description	Section	Page
Governance			
19	An issuer shall disclose information about:		
(a)	the governance body(s) (<i>which can include a board, committee or equivalent body charged with governance</i>) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the issuer shall identify that body(s) or individual(s) and disclose information about:	Sustainability Governance Climate-Related Disclosures — Governance	52-53 63
	(i) how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate related risks and opportunities;		
	(ii) how and how often the body(s) or individual(s) is informed about climate related risks and opportunities;		
	(iii) how the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the issuer's strategy, its decisions on major transactions, and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities;		
	(iv) how the body(s) or individual(s) oversees the setting of, and monitors progress towards, targets related to climate-related risks and opportunities, including whether and how related performance metrics are included in remuneration policies; and		

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Reference paragraph	Description	Section	Page
(b)	management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about:		
	(i) whether the role is delegated to a specific management-level position or management level committee and how oversight is exercised over that position or committee; and		
	(ii) whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.		

Strategy

20	An issuer shall disclose information to enable an understanding of climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term. Specifically, the issuer shall:		
(a)	describe climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term;	Climate-Related Disclosures — Strategy and Risk management	63-70
		We consider no material climate-related opportunities were noted in our operation as per the Concession Agreement.	
(b)	explain, for each climate-related risk the issuer has identified, whether the issuer considers the risk to be a climate-related physical risk or climate-related transition risk;	Climate-Related Disclosures — Strategy and Risk management	63-70

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Reference paragraph	Description	Section	Page
	(c) specify, for each climate-related risk and opportunity the issuer has identified, over which time horizons — short, medium or long term — the effects of each climate-related risk and opportunity could reasonably be expected to occur; and	Climate-Related Disclosures — Strategy and Risk management	63-70
	(d) explain how the issuer defines ‘short term’, ‘medium term’ and ‘long term’ and how these definitions are linked to the planning horizons used by the issuer for strategic decision-making.	Climate-Related Disclosures — Strategy and Risk management	63
21	An issuer shall disclose information that enables an understanding of the current and anticipated effects of climate-related risks and opportunities on the issuer’s business model and value chain. Specifically, the issuer shall disclose:		
	(a) a description of the current and anticipated effects of climate-related risks and opportunities on the issuer’s business model and value chain; and	Climate-Related Disclosures — Strategy and Risk management	63-70
	(b) a description of where in the issuer’s business model and value chain climate-related risks and opportunities are concentrated (<i>for example, geographical areas, facilities and types of assets</i>).	We consider our business model and value chain climate-related risks and opportunities are not concentrated.	N/A
22	An issuer shall disclose information that enables an understanding of the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the issuer shall disclose:		
	(a) information about how the issuer has responded to, and plans to respond to, climate related risks and opportunities in its strategy and decision-making, including how the issuer plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the issuer shall disclose information about:	Climate-Related Disclosures — Strategy and Risk management We are considering the formation of transition plan for future disclosure.	67
	(i) current and anticipated changes to the issuer’s business model, including its resource allocation, to address climate-related risks and opportunities;		

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Reference paragraph	Description	Section	Page
	(ii) current and anticipated adaptation and mitigation efforts (<i>whether direct or indirect</i>);		
	(iii) any climate-related transition plan the issuer has (<i>including information about key assumptions used in developing its transition plan, and dependencies on which the issuer's transition plan relies</i>), or an appropriate negative statement where the issuer does not have a climate-related transition plan; and		
	(iv) how the issuer plans to achieve any climate related targets (<i>including any greenhouse gas emissions targets (if any)</i>), described in accordance with paragraphs 37 to 40; and		
	(b) information about how the issuer is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 22(a).	Climate-Related Disclosures — Strategy and Risk management	63-70
23	An issuer shall disclose information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 22(a).	Climate-Related Disclosures — Metrics and Targets	70-71
24	An issuer shall disclose qualitative and quantitative information about:		
	(a) how climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period; and	No material effect caused by climate-related risks and opportunities during the Reporting Period.	N/A
	(b) the climate-related risks and opportunities identified in paragraph 24(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.	No material effect caused by climate-related risks and opportunities within the next annual reporting period.	N/A

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Reference paragraph	Description	Section	Page
25	<p>The issuer shall provide qualitative and quantitative disclosures about:</p> <ul style="list-style-type: none"> (a) how the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration: <ul style="list-style-type: none"> (i) its investment and disposal plans; and (ii) its planned sources of funding to implement its strategy; and (b) how the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities. 	<p>Climate-Related Disclosures — Strategy and Risk management</p> <p>Climate-Related Disclosures — Strategy and Risk management</p>	<p>63-70</p> <p>63-70</p>
26	<p>An issuer shall disclose information that enables an understanding of the resilience of the issuer's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the issuer's identified climate-related risks and opportunities. An issuer shall use climate related scenario analysis to assess its climate resilience using an approach that is commensurate with an issuer's circumstances. In providing quantitative information, the issuer may disclose a single amount or a range. Specifically, the issuer shall disclose:</p> <ul style="list-style-type: none"> (a) the issuer's assessment of its climate resilience as at the reporting date, which shall enable an understanding of: <ul style="list-style-type: none"> (i) the implications, if any, of the issuer's assessment for its strategy and business model, including how the issuer would need to respond to the effects identified in the climate-related scenario analysis; (ii) the significant areas of uncertainty considered in the issuer's assessment of its climate resilience; and (iii) the issuer's capacity to adjust, or adapt its strategy and business model to climate change over the short, medium or long term; 	<p>Climate-Related Disclosures — Strategy and Risk management</p>	<p>68-70</p>

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Reference paragraph	Description	Section	Page
(b)	how and when the climate-related scenario analysis was carried out, including:	Climate-Related Disclosures — Strategy and Risk management	68-70
	(i) information about the inputs used, including:		
	(1) which climate-related scenarios the issuer used for the analysis and the sources of such scenarios;		
	(2) whether the analysis included a diverse range of climate-related scenarios;		
	(3) whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate related physical risks;		
	(4) whether the issuer used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change;		
	(5) why the issuer decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties;		
	(6) time horizons the issuer used in the analysis; and		
	(7) what scope of operations the issuer used in the analysis (<i>for example, the operation, locations and business units used in the analysis</i>);		
	(ii) the key assumptions the issuer made in the analysis; and		
	(iii) the reporting period in which the climate related scenario analysis was carried out.		

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Reference paragraph	Description	Section	Page
Risk management			
27	An issuer shall disclose information about:		
(a)	the processes and related policies it uses to identify, assess, prioritise and monitor climate related risks, including information about:	Climate-Related Disclosures — Strategy and Risk management	68-70
(i)	the inputs and parameters the issuer uses (<i>for example, information about data sources and the scope of operations covered in the processes</i>);		
(ii)	whether and how the issuer uses climate related scenario analysis to inform its identification of climate-related risks;		
(iii)	how the issuer assesses the nature, likelihood and magnitude of the effects of those risks (<i>for example, whether the issuer considers qualitative factors, quantitative thresholds or other criteria</i>);		
(iv)	whether and how the issuer prioritises climate-related risks relative to other types of risks;		
(v)	how the issuer monitors climate-related risks; and		
(vi)	whether and how the issuer has changed the processes it uses compared with the previous reporting period;		
(b)	the processes the issuer uses to identify, assess, prioritise and monitor climate-related opportunities (<i>including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities</i>); and	Climate-Related Disclosures — Strategy and Risk management	63-64
(c)	the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process.	Climate-Related Disclosures — Strategy and Risk management	63-64

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Reference paragraph	Description	Section	Page
Metrics and targets			
28	An issuer shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO ₂ equivalent, classified as:		
	(a) Scope 1 greenhouse gas emissions;	Appendix I Overview of KPIs	72
	(b) Scope 2 greenhouse gas emissions; and		
	(c) Scope 3 greenhouse gas emissions.		
29	An issuer shall:		
	(a) measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring greenhouse gas emissions;	Appendix I Overview of KPIs	72
	(b) disclose the approach it uses to measure its greenhouse gas emissions including:	Appendix I Overview of KPIs	72
	(i) the measurement approach, inputs and assumptions the issuer uses to measure its greenhouse gas emissions;		
	(ii) the reason why the issuer has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and		
	(iii) any changes the issuer made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes;		

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Reference paragraph	Description	Section	Page
(c)	for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 28(b), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer's Scope 2 greenhouse gas emissions; and	Appendix I Overview of KPIs	72
(d)	for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 28(c), disclose the categories included within the issuer's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).	A1: Emissions; and Appendix I Overview of KPIs	57-58 72
30	An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate related transition risks.	We consider our assets are not materially affected by climate-related transition risks due to our business nature.	N/A
31	An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate related physical risks.	Climate-Related Disclosures — Metrics and Targets	70-71
32	An issuer shall disclose the amount and percentage of assets or business activities aligned with climate related opportunities.	We consider no material climate-related opportunities were noted in our operation as per the Concession Agreement.	N/A
33	An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.	Climate-Related Disclosures — Metrics and Targets	70-71

Environmental, Social and Governance Report

Reference paragraph	Description	Section	Page
34	An issuer shall disclose:		
	(a) an explanation of whether and how the issuer is applying a carbon price in decision-making (<i>for example, investment decisions, transfer pricing, and scenario analysis</i>); and	We are considering the potential adoption in the future.	N/A
	(b) the price of each metric tonne of greenhouse gas emissions the issuer uses to assess the costs of its greenhouse gas emissions; or an appropriate negative statement that the issuer does not apply a carbon price in decision making.	We are considering the potential adoption in the future.	N/A
35	An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement. This may form part of the disclosure under paragraph 19(a) (iv).	We are currently not factoring the climate-related considerations into our remuneration policy and will consider the potential adoption in the future.	N/A
36	An issuer is encouraged to disclose industry based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures and other industry based disclosure requirements prescribed under other international ESG reporting frameworks.	We are considering for future disclosure.	N/A

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Reference paragraph	Description	Section	Page
37	An issuer shall disclose (a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and (b) any targets the issuer is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the issuer shall disclose:		
	(a) the metric used to set the target;	Climate-Related Disclosures — Metrics and Targets	70-71
	(b) the objective of the target (<i>for example, mitigation, adaptation or conformance with science-based initiatives</i>);		
	(c) the part of the issuer to which the target applies (<i>for example, whether the target applies to the issuer in its entirety or only a part of the issuer, such as a specific business unit or geographic region</i>);		
	(d) the period over which the target applies;		
	(e) the base period from which progress is measured;		
	(f) milestones or interim targets (<i>if any</i>);		
	(g) if the target is quantitative, whether the target is an absolute target or an intensity target; and		
	(h) how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.		
38	An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:		
	(a) whether the target and the methodology for setting the target has been validated by a third party;	Our target and methodology are currently not validated by a third party and will consider the engagement of the third party in the future.	N/A
	(b) the issuer's processes for reviewing the target;		
	(c) the metrics used to monitor progress towards reaching the target; and	Climate-Related Disclosures — Metrics and Targets	70-71
	(d) any revisions to the target and an explanation for those revisions.		

Environmental, Social and Governance Report

Reference paragraph	Description	Section	Page
39	An issuer shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the issuer's performance.	Climate-Related Disclosures — Metrics and Targets	70-71
40	For each greenhouse gas emissions target disclosed in accordance with paragraphs 37 to 39, an issuer shall disclose:		
	(a) which greenhouse gases are covered by the target;	Climate-Related Disclosures — Metrics and Targets	70-71
	(b) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target;	Climate-Related Disclosures — Metrics and Targets	70-71
	(c) whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. If the issuer discloses a net greenhouse gas emissions target, the issuer is also required to separately disclose its associated gross greenhouse gas emissions target;	Our targets are gross GHG target.	N/A
	(d) whether the target was derived using a sectoral decarbonisation approach; and	Our target and methodology are currently not validated by a third party and will consider the engagement of the third party in the future.	N/A
	(e) the issuer's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits, the issuer shall disclose:	The Group is committed to optimising our energy efficiency and climate resilience.	N/A
	(i) the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits;	We will consider the purchase of carbon credits in the future.	

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Reference paragraph	Description	Section	Page
	<ul style="list-style-type: none"> (ii) which third-party scheme(s) will verify or certify the carbon credits; (iii) the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and (iv) any other factors necessary to enable an understanding of the credibility and integrity of the carbon credits the issuer plans to use (<i>for example, assumptions regarding the permanence of the carbon offset</i>). 		
41	In preparing disclosures to meet the requirements in paragraphs 21 to 26 and 37 to 38, an issuer shall (i) refer to and consider the applicability of cross industry metrics (<i>see paragraphs 28 to 35</i>) and (ii) industry-based metrics (<i>see paragraph 36</i>).	We are considering for future disclosure.	N/A

Independent Auditor's Report



To the Shareholders of TIL Enviro Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of TIL Enviro Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which are set out on pages 99 to 155, comprise:

- the consolidated statement of financial position as at 31 December 2025;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 to the consolidated financial statements, which indicates that as of 31 December 2025, the Group had total borrowings amounting to HK\$563,135,000, out of which HK\$130,736,000 will be due for repayment within the next twelve months from 31 December 2025 while the Group had unrestricted cash and cash equivalents amounted to only HK\$44,665,000, and there was delay in settlement of trade receivables from its sole customer during the year. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matters to be communicated in our report.

The key audit matter identified in our audit is related to service concession arrangement and recognition of revenue from wastewater treatment operation services.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Service concession arrangement and recognition of revenue from wastewater treatment operation services</i></p> <p>Refer to notes 2.7, 2.9, 2.19, 4.1, 5, 7 and 17 to the consolidated financial statements.</p> <p>For the year ended 31 December 2025, the revenue from wastewater treatment operation services in respect of the service concession arrangement with the governmental authority of Yinchuan, the People's Republic of China under the "Transfer-Operate-Transfer" arrangement (the "service concession arrangement") amounted to HK\$115.7 million. As at 31 December 2025, the prepayment and receivables under the service concession arrangement amounted to HK\$1,643.0 million.</p> <p>During the service concession period, the revenue from wastewater treatment operation services is recognised on a cost-plus basis. An operating margin is adopted by management in the cost-plus model, with the assistance of an independent external valuer, taking into account the margins adopted by comparable companies.</p>	<p>Our procedures in relation to service concession arrangement and management's recognition of revenue for wastewater treatment operation services included:</p> <ol style="list-style-type: none">1. Understanding management's process in relation to the service concession arrangement and recognition of revenue for wastewater treatment operation services, and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors.2. Discussing with the independent external valuer to understand and evaluate the methodology and key assumptions used in the models of forecasted cash flows.3. Evaluating the outcome of prior period assessment of forecasted cash flows to assess the effectiveness of management's estimation process.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>The prepayment and receivables under the service concession arrangement were determined at initial recognition based on the forecasted cash flows to be derived from the service concession arrangement, which involved significant judgements and estimates including the operating margin, forecasted water tariff from the governmental authority, operating costs and inflation rates.</p> <p>Subsequent to initial recognition, management periodically reassesses and reviews the key assumptions adopted. If the revised estimates or forecasts significantly deviate from the assumptions adopted, the carrying amount of the prepayment and receivables recognised under the service concession arrangement would be adjusted.</p> <p>We focused on auditing the service concession arrangement and recognition of revenue from wastewater treatment operation services because the key assumptions, including operating margin, forecasted water tariff, forecasted operating costs and inflation rates adopted in the forecasted cash flows are subject to high degree of estimation uncertainty. The inherent risks in relation to the service concession arrangement and recognition of revenue from wastewater treatment operation services are considered significant due to the complexity of the methodology and significant management's assumptions.</p>	<ol style="list-style-type: none">4. Assessing the reasonableness of the key assumptions (<i>including operating margin, forecasted water tariff, forecasted operating costs and inflation rates</i>) adopted in the model by considering the historical data, available market information and approved budget and business plan.5. Checking data input used in the model, on a sample basis, to the Group's approved budget. <p>Based on the procedures performed, we considered the methodology and significant assumptions used by management in the service concession arrangement and recognition of revenue from wastewater treatment operation services were supported by the available evidence.</p>

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

Independent Auditor's Report

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

(Continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditor's Report

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

(Continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Tong, Benny Ho Bong (*practising certificate number: P07773*).

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 March 2026

Consolidated Income Statement

For the year ended 31 December 2025

	<i>Notes</i>	2025 HK\$'000	2024 HK\$'000
Revenue			
— Wastewater treatment operation services		115,737	113,538
— Finance income from service concession arrangement		114,274	117,016
	5	230,011	230,554
Cost of sales	8	(51,160)	(54,455)
Gross profit			
Other income	6	2,073	2,596
Other losses, net	7	(76,006)	(54,896)
General and administrative expenses	8	(13,471)	(13,653)
Impairment losses on financial assets	9	(13,375)	—
Operating profit			
Finance costs	12	(22,489)	(28,086)
Profit before income tax			
Income tax expense	13	(5,431)	(15,893)
Profit for the year			
Profit for the year attributable to:			
Owners of the Company		50,152	66,167
		50,152	66,167
Earnings per Share for profit attributable to owners of the Company			
Basic and diluted (<i>expressed in HK\$ per Share</i>)	14	0.05	0.07

The notes on pages 105 to 155 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2025

	2025 HK\$'000	2024 HK\$'000
Profit for the year	50,152	66,167
Other comprehensive income/(loss)		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	60,208	(45,900)
Total comprehensive income for the year	110,360	20,267
Total comprehensive income attributable to owners of the Company	110,360	20,267

The notes on pages 105 to 155 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2025

	<i>Notes</i>	2025 HK\$'000	2024 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	16	3,145	3,405
Right-of-use assets	28	634	315
Prepayment and receivables under service concession arrangement	17	1,389,459	1,221,653
Intangible assets	18	2,395	2,435
Restricted bank balances	21	4,436	4,257
		1,400,069	1,232,065
Current assets			
Inventories	19	1,359	1,363
Trade and other receivables	20	499,995	343,474
Prepayment and receivables under service concession arrangement	17	253,521	439,135
Cash and cash equivalents	21	44,665	133,557
		799,540	917,529
Total assets		2,199,609	2,149,594
Equity			
Capital and reserves			
Share capital	22	10,000	10,000
Reserves		600,492	540,284
Retained earnings		879,386	829,234
Total equity		1,489,878	1,379,518

Consolidated Statement of Financial Position

As at 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Liabilities			
Non-current liabilities			
Amount due to a related company	27(b)	5,565	–
Long-term borrowings	23	432,399	384,742
Lease liabilities	28	229	14
Deferred tax liabilities	25	110,308	116,118
		548,501	500,874
Current liabilities			
Trade and other payables	24	26,774	28,154
Tax payable		2,649	3,352
Amount due to a related company	27(b)	605	–
Current portion of long-term borrowings	23	112,439	218,950
Short-term borrowings	23	18,297	18,411
Lease liabilities	28	466	335
		161,230	269,202
Total liabilities		709,731	770,076
Total equity and liabilities		2,199,609	2,149,594
Net current assets		638,310	648,327
Total assets less current liabilities		2,038,379	1,880,392

The consolidated financial statements on pages 99 to 155 were approved by the Board of Directors on 30 March 2026 and were signed on its behalf.

Lim Chin Sean

Director

Wong Kok Sun

Director

The notes on pages 105 to 155 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Equity attributable to owners of the Group					
	Share capital	Share premium	Exchange reserves	Capital reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2024	10,000	658,746	(103,069)	30,507	763,067	1,359,251
Profit for the year	–	–	–	–	66,167	66,167
Currency translation differences	–	–	(45,900)	–	–	(45,900)
At 31 December 2024	10,000	658,746	(148,969)	30,507	829,234	1,379,518
At 1 January 2025	10,000	658,746	(148,969)	30,507	829,234	1,379,518
Profit for the year	–	–	–	–	50,152	50,152
Currency translation differences	–	–	60,208	–	–	60,208
At 31 December 2025	10,000	658,746	(88,761)	30,507	879,386	1,489,878

The notes on pages 105 to 155 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	<i>Notes</i>	2025 HK\$'000	2024 HK\$'000
Cash flows from operating activities			
Cash generated from operations	26(a)	22,971	168,269
Income tax paid		(15,119)	(20,635)
Net cash generated from operating activities		7,852	147,634
Cash flows from investing activities			
Purchases of property, plant and equipment		(448)	(2,775)
Interest received		1,046	1,368
Net cash generated from/(used in) investing activities		598	(1,407)
Cash flows from financing activities			
Proceeds from borrowings		17,897	18,411
Repayments of borrowings		(101,123)	(86,097)
Drawdown of amount due to a related company		6,100	–
Payments of lease liabilities		(526)	(833)
Interest paid		(22,419)	(28,086)
Net cash used in financing activities	26(b)	(100,071)	(96,605)
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year		133,557	89,971
Currency translation differences		2,729	(6,036)
Cash and cash equivalents at end of year	21	44,665	133,557

The notes on pages 105 to 155 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

1.1 General Information

TIL Enviro Limited (the “**Company**”) was incorporated in the Cayman Islands on 17 April 2018 as an exempted company with limited liability. The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The ultimate holding company is LGB (Malaysia) Sdn Bhd. (“**LGB (Malaysia)**”), a private limited liability company incorporated in Malaysia.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the wastewater treatment business in the PRC.

These consolidated financial statements are presented in HK\$, unless otherwise stated.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group has been prepared in accordance with HKFRS Accounting standards as issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.1.1 Going concern basis

As at 31 December 2025, the Group had total borrowings amounting to HK\$563,135,000, out of which HK\$130,736,000 were due for repayment within the next twelve months from 31 December 2025. As at 31 December 2025, the Group had unrestricted cash and cash equivalents amounting to HK\$44,665,000.

As at 31 December 2025, the Group’s trade and other receivables amounted to HK\$501,563,000, representing an increase of HK\$158,089,000 compared to 31 December 2024. The increase in trade and other receivables was primarily due to the temporary delayed settlement by its sole customer, Yinchuan Municipal. During the year ended 31 December 2025, the Group’s revenue amounted to HK\$230,011,000, while the total amount received from Yinchuan Municipal during the year was only HK\$91,647,000.

The assessment as to whether the Group has sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2025 depends on the Group’s forecasted operating cash inflows. Considering the temporary delay in settlement from Yinchuan Municipal during the year ended 31 December 2025, the Group considers that there is significant uncertainty over the repayment schedule from Yinchuan Municipal in the twelve months from 31 December 2025, which indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Going concern basis *(Continued)*

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position, including but not limited to the following:

- (1) the management has been maintaining regular communications with Yinchuan Municipal regarding repayment arrangements, including a request to Yinchuan Municipal for repayment of RMB125,000,000 (*equivalent to approximately HK\$138,612,000*) by 31 May 2026 and an additional RMB125,000,000 (*equivalent to approximately HK\$138,612,000*) by 30 November 2026. Subsequent to the year end, the Group received cash payment from Yinchuan Municipal amounting to RMB41,348,000 (*equivalent to approximately HK\$45,850,000*) for the period from 1 January 2026 to the date of the result announcement;
- (2) the Group had borrowings due for repayment within the next twelve months amounting to HK\$130,736,000. Of this amount, the Group's current short-term bank borrowing facility (*including borrowings drawdown of HK\$18,297,000 and undrawn bank borrowing facilities of HK\$9,426,000*) is going to expire on 31 October 2026. The management has submitted a request for the renewal of short-term bank borrowing facility to the bank, which is currently under the bank's review and approval process; and
- (3) The management is actively negotiating with the bank to re-structure the repayment schedule of the borrowings.

The Directors have reviewed the Group's cashflow forecast prepared by management which covers a period of not less than twelve months from 31 December 2025. In the opinion of the Directors, in light of the above and taking into account the above plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2025. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, a material uncertainty exists as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend on the followings:

- (i) settlement from Yinchuan Municipal in a timely manner in accordance with the Group's requests, so as to generate sufficient operating cash inflows to meet its financial obligations; and
- (ii) the successful extension of the repayment schedules of the Group's bank borrowings.

Should the Group be unable to achieve the above plans and measures such that it would not be able to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.2 Amendments to standards and interpretation adopted in 2025

In 2025, the Group has adopted the following amendments to standards and interpretation which are relevant to its operations:

HKAS 21 (Amendments)	Lack of Exchangeability
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The adoption of the above amendments to standards and interpretation have no material effect on the results and financial position of the Group.

2.1.3 New standards and amendments to standards which are not yet effective

The following new standards and amendments to standards have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2026 and later periods and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 9 and HKFRS 7 (Amendments)	Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 (Amendments)	Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
HKFRS 9 and HKFRS 7 (Amendments)	Contracts Referencing Nature-dependent Electricity	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
HK Int 5	Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact to the Group, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

HKFRS 18 will replace HKAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on the presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

The Group will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with HKFRS 18.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries

2.2.1 Consolidation

(i) *Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations under acquisition accounting

The acquisition method of accounting is used to account for business combination by the Group other than business combination under common control. The consideration transferred for the acquisition of a subsidiary or business comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated income statement as a bargain purchase.

(ii) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This means that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“**CODM**”). The CODM, who is responsible for allocating resources and assessing performances of the operating segments, has been identified as the Board of Directors of the Company.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The consolidated financial statements are presented in “HK\$”, which is the Company’s functional and the Group’s presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated income statement. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within “Finance costs”. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within “Other losses, net”.

(iii) Group companies

The results and financial position of foreign operations (*none of which has the currency of a hyperinflationary economy*) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (*unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions*); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated to write off the cost to their residual value on a straight-line basis over the expected useful lives. The useful lives or principal annual rates used are:

Furniture, fixtures and equipment	20%-33%
Motor vehicles	10%-25%
Computer equipment	20%-33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

Construction in progress is stated at cost less accumulated impairment losses.

For construction in progress, all direct and indirect costs, including financing costs and foreign exchange differences on the related borrowed funds during the construction period are capitalised as the costs of the assets.

No depreciation is provided for construction in progress until such time as the relevant assets are completed and ready for intended use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Other losses, net" in the consolidated income statement.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.6 Intangible assets

(i) Service concession right

Service concession right is initially recognised at fair value of the consideration paid and subsequently stated at cost less accumulated amortisation and accumulated impairment loss. Amortisation of service concession right is calculated to write off their costs on a straight-line basis over the term of operation until September 2041. Both remaining period and method of amortisation are reviewed at each reporting date.

(ii) Computer softwares

The intangible assets are measured initially at cost, and subsequently amortised on a straight-line basis over its useful life of 1 year and carried at cost less accumulated amortisation and accumulated impairment losses.

2.7 Service concession arrangement

The Group has entered into a service concession arrangement with a governmental authority (the “**Grantor**”). The service concession arrangement is a TOT arrangement. Under the TOT arrangement, the Group pays consideration for the right from the Grantor to operate the wastewater and recycle water treatment plants that have been built and receives in return a right to operate the service project concerned for a specified period of time (the “**Service Concession Period**”) in accordance with the pre-established conditions set by the Grantor, and the service project should be transferred to the Grantor at zero consideration at the end of the Service Concession Period. Furthermore, the Group is required to complete certain upgrading and expansion works within the prescribed timelines as specified or approved by the Grantor.

The Group is generally entitled to use the facilities, while the Grantor controls and regulates the scope of service that the Group must provide with the facilities, and retains the beneficial entitlement to any residual interest in the facilities at the end of the Service Concession Period. The service concession arrangement is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the Grantor that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, and specific obligations levied on the Group to restore the facilities to a specified level of serviceability at the end of the Service Concession Period and arrangements for arbitrating disputes.

(i) Payment to the Grantor for the service concession arrangement

A prepayment (*prepayment under service concession arrangement*) is recognised for the consideration paid by the Group to the Grantor. As the payment was not for the right to a distinct good or service or a separate right-of-use that is a lease, this payment was considered as a consideration paid to a customer. The prepayment is recognised as a reduction against revenue over the Service Concession Period.

When there is an indicator that the prepayment will not be recovered, it is assessed for impairment in accordance with the policy set out in note 2.8.

The impairment loss relating to the prepayments are recognised in “Other losses, net” of the consolidated income statement.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.7 Service concession arrangement *(Continued)*

(ii) Consideration given by the Grantor

A financial asset (*receivable under service concession arrangement*) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the Grantor for the services rendered; and (b) the Grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law.

The Group has an unconditional right to receive cash if the Grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amount received from users of the public services and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset is accounted for in accordance with the policy set out for "Financial assets" in note 2.9.

An intangible asset (*service concession right*) is recognised to the extent that the Group receives a right to charge users of public services, which is not an unconditional right to receive cash because the amounts are contingent on the usage amount of services rendered. The intangible asset (*service concession right*) is accounted for in accordance with the policy set out for "Intangible assets" in note 2.6.

Differences arising from the actual outcome of the cash flows related to the guaranteed usage amount to services is recognised as an adjustment to transaction price of the services rendered in the past, thus recognised in the revenue in the period in which they arise. When there is an indication that the intangible assets may be impaired, the Group tests the intangible asset for impairment, with reference to the revised estimates in accordance with the policy set out in note 2.8.

(iii) Construction and upgrade services

The fair value of the construction and upgrade services under the concession arrangement is calculated as the estimated total construction cost plus a profit margin. The profit margins were determined by the management with reference to the valuation by an independent qualified valuer, based on prevailing market rate applicable to similar construction services rendered in similar location at date of agreement.

When there were variations between the actual cash flows and the previously estimated cashflows related to the construction and upgrade services or the expectation about future cashflows changes due to the expected changes of water tariffs and expected operating costs, the Group adjusted the revenue accordingly as it is an adjustment to the transaction price allocated to the construction or upgrade services performed.

Revenue relating to construction or upgrade services are accounted for in accordance with the policy set out for "Revenue recognition" in note 2.19.

(iv) Revenue relating to operating service

Revenue relating to operating service are accounted for in accordance with the policy set out for "Revenue recognition" in note 2.19. Costs for operating services are expensed in the period in which they are incurred.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.7 Service concession arrangement *(Continued)*

(v) Finance income

Finance income in relation to the service concession arrangement are accounted for in accordance with the policy set out for "Revenue recognition" in note 2.19.

(vi) Contractual obligations to maintain or restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licence, that is to maintain or restore the wastewater and recycle water treatment and water distribution plants it operates to a specified level of serviceability. These contractual obligations to maintain or restore the wastewater and recycle water treatment, except for upgrade element, are fulfilled continuously through the annual repair and maintenance and recognised when incurred, or through major restoration work as provision in accordance with note 2.17, where applicable.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are tested for impairment annually and when there is an indication that may be impaired. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (*cash-generating units*). Non-financial assets except for goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (*either through other comprehensive income, or through profit or loss*); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the consolidated income statement or the consolidated statement of other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets *(Continued)*

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets are classified as current assets if expected to be settled within 12 months (or in the normal operating cycle of the business if longer), otherwise, they are classified as non-current.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated income statement when the asset is derecognised or impaired. Interest income from these financial assets is recognised in the consolidated income statement using the effective interest rate method.
- **Fair value through other comprehensive income ("FVOCI"):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive is reclassified from equity to the consolidated income statement.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the consolidated income statement and presented net in the consolidated income statement within "Other losses, net" in the period in which it arises.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets *(Continued)*

(b) Measurement *(Continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated income statement as "Other income" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in "Other losses, net" in the consolidated income statement as applicable. Losses (*and reversal of impairment losses*) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(c) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at fair value through other comprehensive income and trade receivables. The Group applies a simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance for trade receivables without significant financing component. For others, the Group applies a general approach to measure the expected credit losses. Impairment on these financial assets are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The Group considers the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in external credit rating of the debtors
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet its obligations
- actual or expected significant changes in the operating results of the debtors
- significant increases in credit risk on other financial instruments of the same debtors
- significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors in the Group and changes in the operating results of the debtors.

Impairment losses are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.10 Inventories

Inventories primarily represent chemicals and are stated at the lower of cost and net realisable value.

Cost, being cost of purchase, is determined on a first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less after the end of the reporting period (*or in the normal operating cycle of the business if longer*). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (*net of transaction costs*) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.14 Borrowings and borrowing costs *(Continued)*

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at each of the reporting dates in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (*and laws*) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.15 Current and deferred income tax *(Continued)*

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central retirement benefit scheme operated by the local municipal or provincial government. The subsidiaries in the PRC are required to contribute a percentage of their payroll costs to the central retirement benefit scheme. The Group has no further payment obligations once the contributions have been paid.

(iii) Bonus plans

The Group recognises a provision where contractually obliged or when it prepares to declare discretionary bonus after evaluating employee performance as well as the financial performance of business units.

2.17 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.18 Dividends distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company and Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services in the ordinary course of the Group's activities. If contracts involve the sale of multiple services, the transaction price will be allocated to each of the performance obligations based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. Specific criteria where revenue is recognised are described below.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.19 Revenue recognition *(Continued)*

(i) Rendering of wastewater treatment operation services

Revenue from wastewater treatment operation services is recognised over the period when the services are rendered and the Group's performance provides all of the benefits received and consumed simultaneously by the customer.

(ii) Revenue from wastewater treatment construction services

Revenue from wastewater treatment construction services is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, the Group satisfies a performance obligation over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. In determining the transaction price, the Group adjusts the amount of consideration for the effect of a financing component if it is significant.

(iii) Finance income

Finance income is recognised using the effective interest rate method. Finance income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset *(after deduction of the loss allowance)*.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.20 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) as control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.

- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group *(which means that each parent, subsidiary and fellow subsidiary is related to the others)*.
 - (ii) One entity is an associate or joint venture of the other entity *(or an associate or joint venture of a member of a group of which the other entity is a member)*.
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity *(or of a parent of the entity)*.
 - (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

- (c) Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:
 - (i) that person's children and spouse or domestic partner;
 - (ii) children of that person's spouse or domestic partner; and
 - (iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Consolidated Financial Statements

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.21 Lease

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under guaranteed residual value
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- lease payments made at or before the commencement date less any lease incentives received
- initial direct costs and restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: market risk (*including foreign currency risk and interest rate risk*), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign currency risk

The Group principally operates in the PRC with most of the transactions being settled in RMB, which is the functional currency of most of the group entities. Foreign currency risk arises from the recognised assets and liabilities and net investments in foreign operations. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through financing activities denominated in the relevant foreign currencies, except for the case where the financing activities are attributable to part of the net investment. The group entities are not exposed to material foreign exchange risk of foreign currencies.

(ii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk primarily arises from bank borrowings. Bank borrowings obtained at variable rates expose the Group to cash flow interest risk which is partially offset by cash held at variable rates. The Group's interest-bearing bank borrowings, restricted bank balances and cash and cash equivalents are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to the consolidated income statement as earned/incurred.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

If the interest rates had been increased/decreased by 100 basis points at the end of the year and all other variables were held constant, the Group's profit after income tax would decrease/increase by approximately HK\$3,889,000 for the year ended 31 December 2025 (2024: HK\$3,664,000). The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represent management's assessment of a reasonably possible change in interest rate over the next twelve-month period.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward looking macroeconomic data.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

The credit risk of the Group's mainly comprise cash and cash equivalents, restricted bank balances, receivable from provision of construction services under service concession arrangement and receivable from compensation from Plant 1, and trade and other receivables, with a maximum exposure equal to the carrying amounts of these instruments. The collection of receivables under the service concession arrangement is closely monitored in order to minimise any credit risk associated with the receivables.

(i) Credit risk of cash and cash equivalents and restricted bank balances

To manage this risk arising from cash and cash equivalents and restricted bank balances, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

(ii) Credit risk of trade receivables

The Group maintains regular communications with its sole customer, Yinchuan Municipal and closely monitor the credit qualities and the collectability of these receivables by evaluating Yinchuan Municipal's settlement history, credit rating, current ability to payment. The Group applies a simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance for trade receivables without significant financing component. For details, please refer to note 20.

Given that Yinchuan Municipal is the sole customer, there exists a significant concentration of credit risk.

Due to the temporary delayed settlement by Yinchuan Municipal, the loss allowance as at 31 December 2025 and 31 December 2024 was determined as follows for trade receivables:

	31 December 2025	31 December 2024
Expected loss rate	0.3%	0.0%
Gross carrying amount — trade receivables	483,627	326,658
Loss allowance	1,544	–

The loss allowances for trade receivables as at 31 December reconcile to the opening loss allowances as follows:

	Trade receivables HK\$'000
Loss allowance at 1 January 2024, 31 December 2024 and 1 January 2025	–
Increase in loss allowance recognised in profit or loss during the year	1,544
Loss allowance at 31 December 2025	1,544

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(iii) *Credit risk of receivable from provision of construction services under service concession arrangement and receivable from compensation from Plant 1*

For receivable from provision of construction services under service concession arrangement with significant financing components and receivable from compensation for the discontinuation of Plant 1, the Group applies a general approach to measure the expected credit losses.

Due to the temporary delayed settlement process by the Grantor, it is expected that there was a significant increase of credit risk, the impairment for these receivables were measured as lifetime (2024: 12-months) expected credit losses as at 31 December 2025. For details, please refer to notes 17.

The loss allowances for receivable from provision of construction services under service concession arrangement and compensation from Plant 1 as at 31 December reconcile to the opening loss allowances as follows:

	Receivable from provision of construction services under service concession arrangement and receivable from compensation from Plant 1 HK\$'000
Loss allowance at 1 January 2024, 31 December 2024 and 1 January 2025	–
Increase in loss allowance recognised in profit or loss during the year	11,807
Loss allowance at 31 December 2025	11,807

(iv) *Credit risk of other receivables*

The directors of the Company consider the probability of default upon initial recognition of asset and to assess regularly and as at the reporting date whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations;
- actual or expected significant changes in the operating results of the third party;
- significant changes in the expected performance and behavior of the third party, including changes in the payment status of the third party.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(iv) Credit risk of other receivables *(Continued)*

A default on financial assets is when the counterparty fails to make contractual payments/repayable demand and dispute on the outstanding balances.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the consolidated income statement.

(c) Liquidity risk

Liquidity risk relates to the risk that the Company or the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company and the Group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance and the Company's and the Group's operations and meet their short-term and long-term funding requirements. The Company and the Group rely on internally generated funding and borrowings as significant sources of liquidity. In addition, on assessing the liquidity of the Group, the Company and the Group work closely with the banks on the settlement schedule of borrowings and adjust the risk assessment if necessary.

The maturity profile of the Group's financial liabilities as at the reporting dates, based on the undiscounted contractual payments, were as follows:

	Less than 1 year or no fixed term of repayment HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
At 31 December 2024					
Borrowings and interest thereon	261,021	82,359	307,917	32,031	683,328
Trade and other payables	28,154	–	–	–	28,154
Lease liabilities	347	14	–	–	361
At 31 December 2025					
Borrowings and interest thereon	150,819	154,169	304,059	–	609,047
Trade and other payables	32,944	–	–	–	32,944
Lease liabilities	487	232	–	–	719

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Fair value measurements

Financial instruments not measured at fair value include prepayment and receivables under service concession arrangement, restricted bank balances, cash and cash equivalents, trade and other receivables, borrowings, lease liabilities and trade and other payables. The financial assets and financial liabilities of the Group are measured at amortised cost. The directors consider that the carrying amount of these financial assets and liabilities approximate their fair values at 31 December 2025 and 2024.

3.2 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for the years ended 31 December 2025 and 2024.

The capital structure of the Group consists of net debt, which includes various types of borrowings, such as bank borrowings less cash and cash equivalents; and equity, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure regularly. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

The Group monitors its capital structure on the basis of a gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total debt less cash and cash equivalents.

	2025 HK\$'000	2024 HK\$'000
Borrowings	563,135	622,103
Less: Cash and cash equivalents	(44,665)	(133,557)
Net debt	518,470	488,546
Total equity	1,489,878	1,379,518
Total capital	2,008,348	1,868,064
Gearing ratio	34.8%	35.4%

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Service concession arrangement

As explained in note 2.7, the Group recognises a prepayment and financial asset and an intangible asset at the relevant fair values of the consideration paid and/or services rendered in connection with the TOT arrangement, which have been accounted for separately in the consolidated financial statements.

The segregation of the consideration for a service concession arrangement among the prepayment and financial asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, the operating margin (39.0%), interest rate (6.75%), expected future income generated from these infrastructure over its Service Concession Period including future guaranteed receipts and unguaranteed receipts, treated effluent volume and inflation of operating costs (1%-3%) in order to calculate the initial carrying value of the financial asset component and intangible asset component. These estimates are determined by the Group's management based on their experience and assessment on current and future market condition.

Since 15 October 2021, Yinchuan Municipal had discontinued to pay the wastewater treatment service fees for Plant 1 to the Group after the completion of the testing and commissioning of a third party plant, as well as obtaining the completion acceptance. A compensation, which the amount was estimated according to the calculation basis as set out in the Concession Agreement, would be entitled by the Group. The details of the closing down of Plant 1 are set out in note 17. These changes on estimation in the expected cash flows have been considered by the Group's management. As at 31 December 2025, Yinchuan Municipal is in the midst of finalising the compensation amount and the corresponding settlement schedule.

Furthermore, the management is working closely with the Yinchuan Municipal on negotiating the increase in tariff after the expansion and/or upgrading works done on Plant 2 Phase 1, Plant 4 Phase 1 (*upgrading works*) and Plant 4 Phase 2 (*expansion works*). Yinchuan Municipal is in the process of reviewing the Group's tariff increase application. Although Yinchuan Municipal has in-principle agreed on the increase in tariff, the magnitude of the tariff increment has not been agreed up to the date of authorisation for issue of these consolidated financial statements. The management will update the tariff assumptions and remeasure the carrying amount of the prepayment under service concession arrangement and receivable from provision of construction services under service concession arrangement after the Yinchuan Municipal has confirmed and agreed on the magnitude of tariff increment.

The fair value of the upgrade services under the service concession arrangement is calculated as the estimated total construction cost plus a profit margin. The construction margin (10.0%) is adopted based on the prevailing market rate applicable to similar construction service rendered. Revenue relating to construction or upgrade services are accounted for in accordance with the accounting policy in note 2.19.

According to the TOT agreement entered into by the Group and the Grantor in September 2011, the Grantor will compensate the Group if there is any change in the tax rules of Business Tax ("**BT**") or VAT during the Service Concession Period leading to increase in the Group's operating costs.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Service concession arrangement *(Continued)*

On 12 June 2015, the Ministry of Finance and the State Administration of Taxation issued the Notice on Preferential Value-added Tax Catalogue for Products and Services Involving Comprehensive Utilisation of Resources, Caishui 2015 No. 78 (hereinafter referred to as “**Caishui 2015 No. 78**”). According to Caishui 2015 No. 78, taxpayers engaged in the wastewater processing business and sales of reclaimed water are required to pay VAT with effect from 1 July 2015, with 70% and 50% of the VAT in relation to the wastewater processing business and sales of reclaimed water respectively refunded upon VAT being paid.

Since 1 July 2015, 70% and 50% of the VAT paid by the Group in relation to the wastewater processing business and the sales of reclaimed water respectively were refunded according to Caishui 2015 No. 78, and the Group was entitled to claim and have claimed the Grantor for the balance of the VAT payment under the TOT agreement. Hence management considered it is reasonable to assume these compensations will be continuously received throughout the Service Concession Period.

On 30 December 2021, the Ministry of Finance and the State Administration of Taxation issued the Announcement on Improving the Value-Added Tax Policies for the Comprehensive Utilisation of Resources (hereinafter referred to as “**Caishui 2021 No. 40**”). It has replaced the Caishui 2015 No.78. According to Caishui 2021 No. 40, from 31 March 2022 onwards, taxpayers engaged in the wastewater processing business, can enjoy VAT exemption. Hence, the Group is not subject to VAT since March 2022.

The assumptions used in the assessment are highly judgemental and interrelated, the change of one key assumption will trigger corresponding changes in other assumptions. For illustration purposes, a hypothetical change in these key assumptions would have the following changes to the financial position and results of operations of the Group as at and for the years ended 31 December 2025 and 2024.

As at and for the year ended 31 December 2025

	Hypothetical changes	Prepayment and receivables under service concession arrangement increase/ (decrease) HK\$'000	Profit after tax increase/ (decrease) HK\$'000
Plant 1 compensation timing	Delay 1 year	(23,953)	(17,572)
Operating costs	-0.5%	10,474	7,684
	+0.5%	(10,474)	(7,684)

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Service concession arrangement *(Continued)*

As at and for the year ended 31 December 2024

	Hypothetical changes	Prepayment and receivables under service concession arrangement increase/ (decrease) HK\$'000	Profit after tax increase/ (decrease) HK\$'000
Plant 1 compensation timing	Delay 1 year	(23,093)	(17,661)
Operating costs	-0.5%	10,130	7,747
	+0.5%	(10,130)	(7,747)

4.2 Useful lives of property, plant and equipment and intangible assets

The Group depreciates the property, plant and equipment, and amortises the intangible assets in accordance with the accounting policies stated in notes 2.5 and 2.6 respectively. The estimated useful lives reflect the director's estimate of the periods that the Group intends to derive future economic benefits from the use of these assets.

4.3 Impairment of prepayment and receivables under service concession arrangement

The Group has recognised prepayment and receivables under the service concession arrangement as disclosed in note 17 to the consolidated financial statements. The Group assesses the recoverability of these assets to ensure that their carrying amounts do not exceed their recoverable amounts.

For prepayments under service concession arrangement, the Group applies the accounting policy stated in note 2.8 to evaluate its recoverability. When the actual cash flows were less than forecast, it is an impairment indicator that the prepayment may not recover; and an impairment loss is recognised when the carrying amount of a prepayment exceeds its recoverable amount. The recoverable amount was determined using the value in use model, which is determined based on management's estimate of future cash flows arising from the service concession arrangement. Key assumptions underlying these estimates include forecasted water tariffs, basic volumes, as well as the timing and amount of debtor payments.

For receivables under the service concession arrangement, the Group applies the accounting policy set out in note 2.9(c) in recognising expected credit losses. As Yinchuan Municipal is the only debtor for these receivables, the provision is determined based on an individual assessment, considering factors such as credit ratings, payment history and the current ability to pay, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the Yinchuan Municipal to settle the receivables. The provision reflects either 12-month expected credit losses, or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk.

While provisions are considered to be appropriate, changes in estimation basis or in economic conditions could lead to a change in the level of provisions recorded and consequently on the charge or credit to the profit or loss.

Key judgements on provisions made are disclosed in notes 17 and 20.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.4 Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

4.5 Dividend distribution

According to applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong and meets the conditions or requirements under the double taxation arrangement entered into between the Mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. As at 31 December 2025, there was unrecognised deferred tax liabilities associated with undistributed earnings in a subsidiary and the total undistributed earnings are approximately HK\$938,819,000 (2024: HK\$866,310,000). As of 31 December 2024 and 2025, the directors consider the timing of reversal of the related temporary differences can be controlled and the temporary differences will not reverse in the foreseeable future, and hence the associated deferred tax liabilities were not recognised as of the year ends.

Significant judgement is required in determining the intention in declaring dividends in the foreseeable future and the applicable withholding tax rate. Where there is a change of the Group's intention in declaring dividends, the relevant temporary differences will reverse in the foreseeable future and thus the associated deferred tax liabilities should be recognised in the period in which such intention is changed. For the year ended 31 December 2025, if the intention has changed to declaring all the retained earnings as dividends in the foreseeable future and the applicable withholding tax rate is 10%, the profit for the year would decrease by approximately HK\$94 million (2024: HK\$87 million).

5 REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of directors of the Company.

Operating segments are reported in the manner consistent with the internal reporting provided to the CODM. The Group is subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole. The Board of Directors of the Company considers the performance assessment of the Group should be based on profit before income tax of the Group as a whole and regards the Group as a single operating segment and reviews consolidated financial statements accordingly. Therefore, the Board of Directors of the Company considers that there is only one operating segment under the requirements of HKFRS 8 "Operating Segments".

The Group provides wastewater treatment services in the PRC.

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

An analysis of the Group's revenue from contracts with the customer is as follows:

	2025 HK\$'000	2024 HK\$'000
Revenue		
Wastewater treatment operation services	115,737	113,538
Finance income from service concession arrangement	114,274	117,016
	230,011	230,554

	2025 HK\$'000	2024 HK\$'000
Timing of revenue recognition		
Over time	115,737	113,538
	115,737	113,538
Finance income from service concession arrangement	114,274	117,016
	230,011	230,554

Segment assets and liabilities

No assets and liabilities are included in the Group's segment reporting that are submitted to and reviewed by the CODM internally. Accordingly, no segment assets and liabilities are presented.

Information about major customer

External customer, who contributes over 10% of total revenue of the Group are as follows:

	2025 HK\$'000	2024 HK\$'000
Customer A	230,011	230,554

Geographical information

During the year, all the revenue was from the customer in the PRC.

As at 31 December 2025, all non-current assets held by the Group (*primarily represented by property, plant and equipment, right-of-use-assets and intangible assets as detailed in notes 16, 18 and 28*) are located in the PRC.

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Transaction price allocated to the remaining performance obligation

In accordance with the Service Concession Arrangement, the Group is obligated to perform some upgrade services and wastewater treatment operation services. For the wastewater treatment operation services, the Group's right to consideration corresponds directly with the value transferred to the Grantor, thus the Group applied the expedient of not disclose the transaction price allocated to the wastewater treatment operation services to be provided in the remaining Service Concession Period.

The following table shows the aggregate amount of the transaction price allocated to future upgrading services that is unsatisfied as at the end of the year:

	2025 HK\$'000	2024 HK\$'000
Wastewater treatment construction services	48,281	46,336

Management expects that the transaction price allocated to the unsatisfied performance obligation for wastewater treatment construction services as of 31 December 2025 and 2024 will be recognised as revenue during 2026.

6 OTHER INCOME

	2025 HK\$'000	2024 HK\$'000
Government subsidy	22	50
Interest income	1,046	1,368
Others	1,005	1,178
	2,073	2,596

7 OTHER LOSSES, NET

	2025 HK\$'000	2024 HK\$'000
Remeasurement loss on prepayment and receivables under service concession arrangement <i>(note)</i>	(74,324)	(54,460)
Net foreign exchange gains/(losses)	28	(432)
Others	(1,710)	(4)
	(76,006)	(54,896)

Note:

Remeasurement loss on prepayment and receivables under service concession arrangement of approximately HK\$74.3 million for the year ended 31 December 2025 is mainly attributable to the change in the certain assumptions in the IFRIC 12 model after considering the recent developments. (31 December 2024: remeasurement loss of approximately HK\$54.5 million).

Notes to the Consolidated Financial Statements

8 EXPENSES BY NATURE

	2025 HK\$'000	2024 HK\$'000
Employee benefit expenses (<i>note 10</i>)		
— Cost of sales	13,658	13,213
— General and administrative expenses	7,220	6,929
Depreciation of property, plant and equipment (<i>note 16</i>)	828	647
Depreciation of right-of-use assets (<i>note 28</i>)	548	773
Amortisation of intangible assets (<i>note 18</i>)	151	152
Costs of wastewater treatment operation and recycle water supply operation services		
— Chemical	8,066	9,723
— Utility	17,843	19,472
— Others	7,885	7,723
Legal and professional fees	820	1,251
Auditor's remuneration		
— Audit services	1,878	1,415
— Non-audit services	410	398
Rental expenses	23	23
Travelling and transportation expenses	1,001	1,053
Repair and maintenance costs	2,858	3,674
Information technology ("IT") service fee (<i>note 27</i>)	449	515
Others	993	1,148
	64,631	68,108

9 IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2025 HK\$'000	2024 HK\$'000
Impairment charges on:		
— Receivables under service concession arrangement	(11,807)	—
— Trade receivables	(1,544)	—
— Other receivables	(24)	—
	(13,375)	—

Notes to the Consolidated Financial Statements

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2025 HK\$'000	2024 HK\$'000
Wages and salaries	15,637	14,911
Social security expenses	3,852	3,688
Other staff benefits and welfare	1,389	1,543
	20,878	20,142

The Group is required to contribute certain percentage of payroll costs as set by local municipal governments to each scheme locally to fund the retirement benefit scheme. These contributions are included in "Social security expenses".

(a) Five highest paid individuals:

The five individuals during the year whose emoluments were the highest in the Group include 1 director for the year ended 31 December 2025 (2024: 1 director), whose emoluments are reflected in note 11. The emoluments payable to the remaining 4 individuals for the year ended 31 December 2025 (2024: 4 individuals), are as follows:

	2025 HK\$'000	2024 HK\$'000
Wages and salaries	2,588	2,604
Social security expenses	264	261
	2,852	2,865

The emoluments of the remaining non-directors individuals fell within the following bands:

	Number of individuals	
	2025	2024
Emolument bands		
Nil to HK\$1,000,000	4	4

During the years ended 31 December 2025 and 2024, no emoluments were paid by the Group to the director and five highest paid employees of the Group as an inducement to join the Group or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

11 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

(a) Directors' emoluments

The emoluments paid or payable to the directors of the Group are as follows:

Year ended 31 December 2025

	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking						Total HK\$'000
	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Allowances and benefits in kind HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	HK\$'000	
Chairman, non-executive director Mr. Lim Chin Sean	150	-	-	-	-	-	150
Executive director Mr. Wong Kok Sun	1,012	-	124	-	-	-	1,136
Non-executive director Ms. Lim Siew Ling	150	-	-	-	-	-	150
Independent non-executive directors							
Mr. Tan Yee Boon	150	-	-	-	-	-	150
Mr. Hew Lee Lam Sang	150	-	-	-	-	-	150
Mr. Tam Ka Hei Raymond	150	-	-	-	-	-	150
Total	1,762	-	124	-	-	-	1,886

Notes to the Consolidated Financial Statements

11 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (Continued)

(a) Directors' emoluments (Continued)

Year ended 31 December 2024

	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Allowances and benefits in kind HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking HK\$'000	Total HK\$'000
Chairman, non-executive director							
Mr. Lim Chin Sean	150	-	-	-	-	-	150
Executive director							
Mr. Wong Kok Sun	742	-	122	-	-	-	864
Non-executive director							
Ms. Lim Siew Ling (appointed on 23 December 2024)	-	-	-	-	-	-	-
Independent non-executive directors							
Mr. Tan Yee Boon	150	-	-	-	-	-	150
Mr. Hew Lee Lam Sang	150	-	-	-	-	-	150
Mr. Tam Ka Hei Raymond	150	-	-	-	-	-	150
Total	1,342	-	122	-	-	-	1,464

Notes to the Consolidated Financial Statements

11 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (Continued)

(a) Directors' emoluments (Continued)

Notes:

- (i) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiaries undertakings.
- (ii) Discretionary bonuses are determined based on the financial performance of the Group and the performance of each individual.
- (iii) During the year ended 31 December 2025 and 2024, the payments made to Mr. Wong Kok Sun were paid in respect to his capacity as an executive director.

(b) Directors' retirement and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2024: Nil).

(c) Consideration provided to third parties for making available directors' services

The Group did not pay consideration to any third parties for making available directors' services during the year (2024: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealings in favour of directors, controlled body corporate by and connected entities with such directors during the years ended 31 December 2025 and 2024.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2025 and 2024.

12 FINANCE COSTS

	2025 HK\$'000	2024 HK\$'000
Interest expenses on borrowings	22,400	28,067
Interest expenses on lease liabilities	19	19
Interest expenses on related party borrowings	70	–
Finance costs	22,489	28,086

Notes to the Consolidated Financial Statements

13 INCOME TAX EXPENSE

	2025 HK\$'000	2024 HK\$'000
Current income tax	15,004	21,707
Deferred income tax (note 25)	(9,573)	(5,814)
	5,431	15,893

Hong Kong profits tax has not been provided as the Group had no estimated assessable profit for the years ended 31 December 2025 and 2024. Taxation on Mainland China profits has been calculated on the estimated taxable profits at the rate of 15% (2024: 15%).

According to applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong and meets the conditions or requirements under the double taxation arrangement entered into between the Mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group entities as follows:

	2025 HK\$'000	2024 HK\$'000
Profit before income tax	55,583	82,060
Taxation at an applicable rate of 25% (2024: 25%)	13,896	20,515
Incomes not subject to tax	(40)	(49)
Expenses not deductible	122	3,210
Tax incentive (note)	(8,547)	(7,783)
Income tax expense	5,431	15,893

Note: In April 2019, the China tax administration released a new tax incentive policy for corporates involved in environmental protection industry whereby the qualified corporates will be able to enjoy reduced corporate income tax rate of 15% (reducing from 25%) for the next 3 years with effect from years of assessment 2019 to 2021. In January 2022, the new tax incentive policy was extended for 2 years to 2024. According to the announcement no. 38 issued by the Ministry of Finance of the PRC, State Taxation Administration, National Development and Reform Commission and Ministry of Ecology and Environment of the PRC in August 2024, the new tax incentive policy was extended again for additional 4 years to 2027. The Group is qualified to benefit from this new tax incentive policy for the year ended 31 December 2025.

Notes to the Consolidated Financial Statements

14 EARNINGS PER SHARE

(a) Basic

The basic earnings per Share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2025	2024
Profit attributable to the ordinary shareholders of the Company (HK\$'000)	50,152	66,167
Weighted average number of ordinary shares in issue (thousand)	1,000,000	1,000,000
Basic earnings per Share (HK\$)	0.05	0.07

(b) Diluted

Diluted earnings per Share is the same as basic earnings per Share as there were no potential diluted ordinary shares outstanding as at 31 December 2025 and 2024, respectively.

15 DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 2025 and 2024.

16 PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixture and equipment HK\$'000	Motor vehicles HK\$'000	Computer equipment HK\$'000	Total HK\$'000
Net book value				
At 1 January 2024	1,047	354	40	1,441
Additions	2,721	–	54	2,775
Depreciation	(502)	(108)	(37)	(647)
Disposal	(2)	–	–	(2)
Currency translation differences	(152)	(10)	–	(162)
At 31 December 2024 and 1 January 2025	3,112	236	57	3,405
Additions	357	–	91	448
Depreciation	(702)	(68)	(58)	(828)
Currency translation differences	113	8	(1)	120
At 31 December 2025	2,880	176	89	3,145

Notes to the Consolidated Financial Statements

16 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Furniture, fixture and equipment HK\$'000	Motor vehicles HK\$'000	Computer equipment HK\$'000	Total HK\$'000
At 31 December 2024				
Cost	6,591	814	294	7,699
Accumulated depreciation	(3,479)	(578)	(237)	(4,294)
Net book value	3,112	236	57	3,405
At 31 December 2025				
Cost	7,186	848	398	8,432
Accumulated depreciation	(4,306)	(672)	(309)	(5,287)
Net book value	2,880	176	89	3,145

Depreciation was charged to cost of sales and general and administrative expenses as below:

	2025 HK\$'000	2024 HK\$'000
Cost of sales	700	502
General and administrative expenses	128	145
Depreciation of property, plant and equipment	828	647

Notes to the Consolidated Financial Statements

17 PREPAYMENT AND RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENT

The following is the summarised information of the assets under service concession arrangement with respect to the Group's service concession arrangement other than those receivables that have been billed which were presented as trade receivables.

The portion of these assets expected to be recovered within one year from the reporting date is classified as a current asset.

	2025 HK\$'000	2024 HK\$'000
Prepayment and receivables under service concession arrangement	1,654,787	1,660,788
Less: loss allowance	(11,807)	–
	1,642,980	1,660,788
Classified as:		
— Current	253,521	439,135
— Non-current	1,389,459	1,221,653
	1,642,980	1,660,788

(i) Prepayment under service concession arrangement

The Group has entered into a service concession arrangement with a government authority (the "Grantor") in the PRC under TOT model in respect of its wastewater treatment services based on the TOT agreement dated September 2011 (the "Service Concession Agreement"). This service concession arrangement involves the Group as an operator (i) paying a specific amount to the Grantor for an arrangement under a TOT model; and (ii) operating and maintaining the Wastewater Treatment Plants (collectively, the "Facilities") at a specified level of serviceability on behalf of the relevant governmental authority for 30 years from September 2011, and the Group will be paid for its services over the service concession period at prices stipulated through a pricing mechanism as defined in the Service Concession Agreement.

The Group is generally entitled to use all the property, plant and equipment of the Facilities, however, the relevant governmental authority as the Grantor will control and regulate the scope of service that the Group must provide with the Facilities, and retain the beneficial entitlement to any residual interest in the Facilities at the end of the service concession period.

The service concession arrangement is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authority in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, and specific obligations levied on the Group to restore the Facilities to a specified level of serviceability at the end of the service concession period and arrangements for arbitrating disputes. The carry amount of prepayment under service concession arrangement is approximately HK\$0.8 billion as at 31 December 2025. Due to the change in certain assumptions in the IFRIC 12 model after considering recent developments, impairment loss relating to the prepayments are recognised in "Other losses, net". For details, please refer to note 7.

Notes to the Consolidated Financial Statements

17 PREPAYMENT AND RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENT *(Continued)*

(ii) Receivable from compensation from Plant 1

On 14 July 2021, Yinchuan Municipal hosted a meeting with TYW, a wholly-owned and operating subsidiary of the Company, (the “**14 July 2021 Meeting**”). During the 14 July 2021 Meeting, TYW was informed by the representatives of Yinchuan Municipal, among others, that the wastewater influent to the Plant 1 shall be diverted to the third party plant by 5 p.m. on 14 July 2021 for the third party plant to perform testing and commissioning. The testing and commissioning of the third party plant was tentatively set for 3 months ending on 14 October 2021 (the “**Transition Period**”). TYW was not allowed to dispose or change any of the facilities in the Plant 1 during the Transition Period.

During the Transition Period, Yinchuan Municipal continued to pay the wastewater treatment service fees to TYW for the wastewater influent which had been diverted to the third party plant. Upon the completion of the testing and commissioning of the third party plant, as well as obtaining the completion acceptance, the wastewater treatment service fees for the Plant 1 which were payable to TYW by Yinchuan Municipal were discontinued on 14 October 2021.

Yinchuan Municipal had set up a committee and appointed an independent third party to verify the assets of Plant 1 and in the midst of finalising the compensation amount. A compensation, which the amount was estimated according to the calculation basis as set out in the Service Concession Agreement, would be entitled by the Group. With the Group's agreement on Yinchuan Municipal's proposal on closing down of Plant 1, the management has updated the expected future income generated from Plant 1 with the estimated compensation calculated based on the Service Concession Agreement, which is classified as non-current (31 December 2024: between current and non-current portion).

(iii) Receivable from provision of construction services under service concession arrangement

The receivable under the service concession arrangement are arising from construction and upgrade services rendered representing future billable receivables under the Service Concession Agreement. They were mainly due from a governmental authority in the PRC, as the Grantor in respect of the Group's service concession arrangement. All of these financial assets are considered to have low credit risk as the counterparty has strong capability to meet its contractual cash flow obligations. Due to the temporary delayed settlement process by the Grantor, the Group applies the HKFRS 9 to measure lifetime (2024: 12-month) expected credit losses allowance using general approach for the compensation as well as receivable under service concession arrangement as at 31 December 2025. The expected credit loss rates are estimated based on the external credit rating of the Grantor, the risk of a default occurring on the assets at the end of each reporting period and are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the Grantor to settle the receivables under service concession arrangement.

Notes to the Consolidated Financial Statements

18 INTANGIBLE ASSETS

	Service concession right HK\$'000	Computer softwares HK\$'000	Total HK\$'000
Net book value			
At 1 January 2024	2,667	1	2,668
Additions	–	3	3
Amortisation	(149)	(3)	(152)
Currency translation differences	(84)	–	(84)
At 31 December 2024	2,434	1	2,435
Net book value			
At 1 January 2025	2,434	1	2,435
Additions	–	12	12
Amortisation	(148)	(3)	(151)
Currency translation differences	99	–	99
At 31 December 2025	2,385	10	2,395
Cost			
At 31 December 2024			
Cost	30,959	37	30,996
Accumulated amortisation	(28,525)	(36)	(28,561)
Net book value	2,434	1	2,435
Cost			
At 31 December 2025			
Cost	32,259	50	32,309
Accumulated amortisation	(29,874)	(40)	(29,914)
Net book value	2,385	10	2,395

Amortisation was charged to cost of sales during the years ended 31 December 2025 and 2024.

Notes to the Consolidated Financial Statements

19 INVENTORIES

	2025 HK\$'000	2024 HK\$'000
Consumables	1,359	1,363

No provision was made by the Group on inventories during the year ended 31 December 2025 and 2024. The cost of inventories recognised as expenses and included in cost of sales amounted to approximately HK\$8,066,000 for the year ended 31 December 2025 (2024: HK\$9,723,000).

20 TRADE AND OTHER RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Trade receivables	483,627	326,658
Loss allowance for trade receivables	(1,544)	–
Trade receivables, net	482,083	326,658
Other receivables	17,115	16,209
Loss allowance for other receivables	(24)	–
Other receivables, net	17,091	16,209
Prepayment	821	607
Total trade and other receivables	499,995	343,474

Notes to the Consolidated Financial Statements

20 TRADE AND OTHER RECEIVABLES *(Continued)*

Expected credit losses

The Group applied simplified approach to determine the lifetime expected credit losses for trade receivables from its sole customer, Yinchuan Municipal by assessing Yinchuan Municipal's settlement history, current ability to pay, forecast future economic conditions as well as pertaining to the economic environment in which the counterparties operated. Management also assesses internally the credit risk of Yinchuan Municipal with reference to credit ratings issued by external credit rating agencies. As the Group does not hold any collateral or other credit enhancements over these balances and the temporary delayed settlement by Yinchuan Municipal, a loss allowance was recognised by the management as of 31 December 2025.

Other receivables were mainly the refundable VAT, they were assessed individually for impairment allowance.

In general, the Group agreed the credit periods with the customer. Aging analysis of gross trade receivables at the respective reporting dates, based on the invoice dates is as follows:

	2025 HK\$'000	2024 HK\$'000
0–30 days	18,261	16,240
31–60 days	19,178	17,302
61–90 days	26,244	17,999
91–180 days	61,361	57,780
181–365 days	109,856	102,373
Over 365 days <i>(note)</i>	248,727	114,964
	483,627	326,658

Note: Yinchuan Municipal has temporarily delayed the settlement process. As a result, there are long outstanding trade receivables aged over 365 days as at 31 December 2025 and 31 December 2024.

The trade and other receivables are measured at amortised cost. The carrying amount of trade and other receivables approximates their fair values and are mainly denominated in RMB.

The maximum exposure to credit risk at each reporting date is the carrying value of trade and other receivables.

Notes to the Consolidated Financial Statements

21 CASH AND BANK BALANCES

	2025 HK\$'000	2024 HK\$'000
Non-current		
Restricted bank balances (<i>note</i>)	4,436	4,257
Current		
Cash and cash equivalents	44,665	133,557
	49,101	137,814

Note: Amount represented bank balances held at bank for guarantee for service concession arrangement. Such bank balances will be released after the expiry of the service concession arrangement.

The cash and bank balances are denominated in RMB, US\$ and HK\$.

The conversion of RMB denominated balances into foreign currencies and the remittance of foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

22 SHARE CAPITAL

	Number of Shares	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 December 2025 and 2024	10,000,000,000	100,000
Issued and fully paid		
At 31 December 2025 and 2024	1,000,000,000	10,000

Notes to the Consolidated Financial Statements

23 BORROWINGS

	2025 HK\$'000	2024 HK\$'000
Non-current		
Long-term borrowings	432,399	384,742
Current		
Current portion of long-term borrowings	112,439	218,950
Short-term borrowings	18,297	18,411
	563,135	622,103

The range of annual interest rates at each of the reporting dates are as follows:

	2025 HK\$'000	2024 HK\$'000
Short-term borrowings	4.30%–4.65%	4.30%–4.65%
Long-term borrowings	3.50%–3.95%	3.60%–4.20%

The Group's bank borrowings were repayable as follows:

	2025 HK\$'000	2024 HK\$'000
Within 1 year	130,736	237,361
Between 1 and 2 years	139,671	67,492
Between 2 and 5 years	292,728	286,353
Over 5 years	–	30,897
	563,135	622,103

The Group's borrowings as at 31 December 2025 and 2024 were secured by contractual rights to receive revenue generated by the Group under the Service Concession Agreement and the land use right granted by the government in relation to parcels of land at which all the wastewater treatment plants are situated. All bank borrowings are measured at amortised cost. The balances approximate their fair values and are denominated in RMB.

All bank borrowings are subject to certain covenants which could result in demand for early repayment by the banks as stipulated in the loan agreements, including but not limited to: the borrowers breach the terms of the loan agreements; occurrence of certain events which could affect the banks' rights; and the declaration and warranty provided by the borrowers are not factual.

Notes to the Consolidated Financial Statements

24 TRADE AND OTHER PAYABLES

	2025 HK\$'000	2024 HK\$'000
Trade payables	14,926	17,933
Retention payables	443	489
Other payables and accruals	11,405	9,732
	26,774	28,154

The carrying amounts of trade and other payables approximated their fair values as at 31 December 2025 and 2024 and are denominated in RMB and HK\$.

The aging analysis of trade payables based on the invoices dates is as follows:

	2025 HK\$'000	2024 HK\$'000
0–30 days	625	723
31–60 days	759	574
61–90 days	781	657
Over 90 days	12,761	15,979
	14,926	17,933

25 DEFERRED TAX ASSETS/LIABILITIES

Deferred tax assets and liabilities are calculated on temporary differences under the liability method using applicable taxation rates in the tax jurisdictions of the relevant entities.

The movements in deferred tax assets and liabilities during the year, without taking into accounts for the offsetting of the balances within the same tax jurisdiction, are as follows:

(a) Deferred Tax Assets

	Temporary differences on provision for impairment of financial assets HK\$'000
At 1 January 2024, 31 December 2024 and 1 January 2025	–
Credited to profit or loss	2,006
At 31 December 2025	2,006

Notes to the Consolidated Financial Statements

25 DEFERRED TAX ASSETS/LIABILITIES (Continued)

(b) Deferred Tax Liabilities

	Temporary differences on assets recognised under HK(IFRIC)-Int 12 HK\$'000	Withholding tax on undistributed earnings HK\$'000	Total HK\$'000
At 1 January 2024	120,617	5,155	125,772
Charged to profit or loss	(5,814)	–	(5,814)
Currency translation differences	(3,840)	–	(3,840)
At 31 December 2024 and 1 January 2025	110,963	5,155	116,118
Charged to profit or loss	(7,567)	–	(7,567)
Currency translation differences	4,489	(726)	3,763
At 31 December 2025	107,885	4,429	112,314

	2025 HK\$'000	2024 HK\$'000
Deferred tax assets		
— Recoverable within twelve months	310	–
— Recoverable more than twelve months	1,696	–
	2,006	–
Deferred tax liabilities		
— Payable or settle within twelve months	4,429	5,155
— Payable or settle more than twelve months	107,885	110,963
	112,314	116,118
Deferred tax assets	2,006	–
Deferred tax liabilities	(112,314)	(116,118)
Net deferred tax liabilities	(110,308)	(116,118)

Notes to the Consolidated Financial Statements

26 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from operations

	2025 HK\$'000	2024 HK\$'000
Profit before income tax	55,583	82,060
Adjustments for:		
Depreciation and amortisation	1,527	1,572
Interest income	(1,046)	(1,368)
Finance costs	22,489	28,086
Unrealised exchange differences	(28)	432
Remeasurement loss on prepayment and receivables under service concession arrangement	74,324	54,460
Impairment losses on financial assets	13,375	–
Operating profit before working capital changes	166,224	165,242
Decrease in inventories	60	406
(Increase)/decrease in trade and other receivables	(140,559)	27,629
Increase in prepayment and receivables under service concession arrangement	(248)	(14,688)
Decrease in trade and other payables	(2,506)	(10,320)
Cash generated from operations	22,971	168,269

(b) Reconciliation of liabilities arising from financing activities

This section sets out an analysis of liabilities arising from financing activities and the movements for each of the years presented.

	Short-term borrowings HK\$'000	Long-term borrowings HK\$'000	Amount due to a related company HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 January 2024	19,145	694,012	–	588	713,745
Cash inflows	18,411	–	–	–	18,411
Cash outflows	(18,517)	(67,580)	–	(833)	(86,930)
Non-cash changes					
Increase in lease liabilities from entering into new leases during the year	–	–	–	608	608
Currency translation differences	(628)	(22,740)	–	(14)	(23,382)
At 31 December 2024	18,411	603,692	–	349	622,452

Notes to the Consolidated Financial Statements

26 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Short-term borrowings HK\$'000	Long-term borrowings HK\$'000	Amount due to a related company HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 January 2025	18,411	603,692	–	349	622,452
Cash inflows	17,897	–	6,100	–	23,997
Cash outflows	(18,764)	(82,359)	–	(526)	(101,649)
Non-cash changes					
Increase in lease liabilities from entering into new leases during the year	–	–	–	870	870
Interest expense	–	–	70	–	70
Currency translation differences	753	23,505	–	2	24,260
At 31 December 2025	18,297	544,838	6,170	695	570,000

27 RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following material related party transactions:

Name

Exitra Sdn. Bhd. (note)

Taliworks (Sichuan) Limited (note)

Note: Companies controlled by the controlling shareholders of the ultimate holding company.

(a) Transactions with related parties

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following material related party transactions:

	2025 HK\$'000	2024 HK\$'000
IT expenses paid to Exitra Sdn. Bhd.	445	473

IT expenses are charged in accordance with the terms of respective agreements.

(b) Amount due to a related company

The balances below were measured at amortised cost, unsecured, 5% per annum and had fixed terms of repayment.

	2025 HK\$'000	2024 HK\$'000
Amount due to Taliworks (Sichuan) Limited		
— Current	605	–
— Non-current	5,565	–
	6,170	–

Notes to the Consolidated Financial Statements

29 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	2025 HK\$'000	2024 HK\$'000
Assets			
Non-current asset			
Investment in a subsidiary		–	–
Current assets			
Other receivables		292	212
Amounts due from subsidiaries		605,476	606,392
Cash and cash equivalents		4	18
		605,772	606,622
Total assets		605,772	606,622
Equity			
Capital and reserves			
Share capital		10,000	10,000
Share premium	<i>(a)</i>	658,746	658,746
Accumulated deficits	<i>(a)</i>	(65,405)	(65,286)
Total equity		603,341	603,460
Liabilities			
Current liability			
Other payables		2,431	3,162
Total liabilities		2,431	3,162
Total equity and liabilities		605,772	606,622
Net current assets and total assets less current liability		603,341	603,460

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2026 and was signed on its behalf.

Lim Chin Sean
Director

Wong Kok Sun
Director

Notes to the Consolidated Financial Statements

29 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note (a) Reserve movement of the Company

	Share premium HK\$'000	Accumulated deficits HK\$'000
At 1 January 2024	658,746	(57,483)
Loss for the year	–	(7,803)
At 31 December 2024 and 1 January 2025	658,746	(65,286)
Loss for the year	–	(119)
At 31 December 2025	658,746	(65,405)

30 SUBSIDIARIES

The table below lists the principal subsidiaries of the Group at 31 December 2025:

Name	Place of incorporation/ principal place of operations	Date of incorporation/ establishment	Particulars of issued share capital	Percentage of equity attributable to the Group		Principal activities	Legal form
				31 December 2025	2024		
Taliworks (Yinchuan) Wastewater Treatment Co., Ltd.	The PRC	6 May 2011	US\$78,000,000	100%	100%	Wastewater treatment	Wholly-foreign-owned enterprises under PRC law
White Empire Group Limited	BVI	12 February 2018	US\$2	100%	100%	Investment holding	Private limited company
Taliworks International Limited	Hong Kong	27 September 2002	HK\$100	100%	100%	Investment holding	Private limited company
Taliworks Environment Limited	Hong Kong,	16 December 2008	HK\$1	100%	100%	Inactive	Private limited company
Taliworks (Shanghai) Co., Ltd.	The PRC	24 July 2005	US\$125,000	100%	100%	Inactive	Wholly-foreign-owned enterprises under PRC law
Taliworks Environmental Technologies (Guangzhou) Co., Ltd.	The PRC	13 November 2019	N/A	100%	100%	Consultancy service (since December 2019)	Wholly-foreign-owned enterprises under PRC law

Financial Summary

A summary of the results and assets and liabilities of our Group for the last five financial years, as extracted from our Company's audited consolidated financial statements, is set out below:

RESULTS

	2025 HK\$'000	Year ended 31 December			
		2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue	230,011	230,554	180,353	213,351	248,536
Profit before tax	55,583	82,060	90,917	86,764	155,170
Income tax expense	(5,431)	(15,893)	(17,657)	(18,637)	(39,901)
Profit for the year attributable to:					
Owners of our Company	50,152	66,167	73,260	68,127	115,269

ASSETS AND LIABILITIES

	2025 HK\$'000	As at 31 December			
		2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Total assets	2,199,609	2,149,594	2,241,275	2,311,423	2,594,570
Total liabilities	709,731	770,076	882,024	989,392	1,180,526
Total equity	1,489,878	1,379,518	1,359,251	1,322,031	1,414,044