



# 台州市水務集團股份有限公司 Taizhou Water Group Co., Ltd.\*

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

Stock code : 1542

Interim Report  
**2021**



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Yang Jun (*Chairman of the Board*)  
Mr. Zhang Junzhou

### Non-executive Directors

Mr. Wang Haibo  
Mr. Wang Haiping  
Ms. Fang Ya  
Mr. Yu Yangbin  
Ms. Huang Yuyan  
Mr. Yang Yide  
Mr. Guo Dingwen  
Mr. Sun Hua<sup>(1)</sup>

### Independent Non-executive Directors

Mr. Zheng Jianzhuang<sup>(2)</sup>  
Ms. Lin Suyan  
Ms. Hou Meiwen  
Mr. Li Wai Chung  
Mr. Wang Yongyue

## REMUNERATION COMMITTEE

Mr. Wang Yongyue (*Chairman*)  
Mr. Yang Jun  
Mr. Zhang Junzhou  
Mr. Zheng Jianzhuang<sup>(2)</sup>  
Ms. Lin Suyan

## NOMINATION COMMITTEE

Mr. Yang Jun (*Chairman*)  
Mr. Yu Yangbin  
Mr. Yang Yide  
Mr. Zheng Jianzhuang<sup>(2)</sup>  
Ms. Lin Suyan  
Ms. Hou Meiwen  
Mr. Wang Yongyue

Notes:

- (1) Mr. Sun Hua has tendered his resignation as non-executive Director and a member of the strategy committee of the Board with effect from the date of the Company's next general meeting. For further details, please refer to the announcement of the Company dated 6 August 2021.
- (2) Mr. Zheng Jianzhuang has tendered his resignation as independent non-executive Director and a member of each of the remuneration committee, nomination committee and strategy committee of the Board with effect from the date of the Company's next general meeting. For further details, please refer to the announcements of the Company dated 6 and 9 August 2021.

## AUDIT COMMITTEE

Mr. Li Wai Chung (*Chairman*)  
Mr. Wang Haiping  
Ms. Hou Meiwen

## STRATEGY COMMITTEE

Mr. Yang Jun (*Chairman*)  
Mr. Zhang Junzhou  
Mr. Wang Haibo  
Ms. Fang Ya  
Ms. Huang Yuyan  
Mr. Zheng Jianzhuang<sup>(2)</sup>  
Mr. Sun Hua<sup>(1)</sup>

## JOINT COMPANY SECRETARIES

Ms. Siu Pui Wah  
Ms. Zheng Ranhan (appointed on 25 August 2021)  
Ms. Chen Liying (resigned on 21 June 2021)

## AUTHORISED REPRESENTATIVES

Mr. Yang Jun  
Ms. Siu Pui Wah

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 308 Yin Quan Road  
Xicheng Street  
Huangyan District  
Taizhou, Zhejiang Province  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14/F., Golden Centre  
188 Des Voeux Road Central  
Hong Kong

## Corporate Information

### H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

### LEGAL ADVISERS

#### As to Hong Kong law

Jingtian & Gongcheng LLP  
Suites 3203-3207  
32/F, Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

#### As to PRC law

Tian Yuan Law Firm  
10/F, China Pacific Insurance Plaza B  
No. 28 Fengsheng Lane  
Xicheng District Beijing 100032  
PRC

### COMPLIANCE ADVISER

Sinolink Securities (Hong Kong) Company Limited  
Units 2505-06, 25/F  
Low Block, Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

### PRINCIPAL BANKERS

Agricultural Bank of China, Taizhou Branch  
China Bank of Construction, Taizhou Huangyan Branch  
Industrial and Commercial Bank of China,  
Taizhou Huangyan Branch  
Bank of China, Taizhou Luqiao District Branch  
Taizhou Bank

### AUDITOR

Ernst & Young  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

### STOCK CODE

1542

### COMPANY WEBSITE

[www.zjtzwater.com](http://www.zjtzwater.com)

## DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China, but for the purpose of this interim report and for geographical reference only and except where the context otherwise requires, references in this interim report to “China” and the “PRC” do not apply to Taiwan, the Macau Special Administrative Region and Hong Kong
“Company”	Taizhou Water Group Co., Ltd.* (台州市水務集團股份有限公司), a joint stock company established in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1542)
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report, as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Group”, “we” or “our”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange and traded in HKD
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Initial Public Offering”	the successful initial public offering of the Company’s H Shares through the Stock Exchange on 31 December 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules
“Reporting Period”	the 6-month period from 1 January 2021 to 30 June 2021

## Definitions

“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	the Domestic Share(s) and/or the H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company

# FINANCIAL HIGHLIGHTS

The Board is pleased to announce the following financial summary:

## RESULTS

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Revenue	<b>259,779</b>	224,455
Profit before tax	<b>92,749</b>	67,242
Income tax expense	<b>(23,942)</b>	(17,601)
Profit and other comprehensive income for the period	<b>68,807</b>	49,641
Attributable to:		
Owners of the parent	<b>60,892</b>	43,582
Non-controlling interests	<b>7,915</b>	6,059
	<b>68,807</b>	49,641
Earnings per share attributable to ordinary equity holders of the parent Basic and diluted (RMB)	<b>0.30</b>	0.22

## ASSETS AND LIABILITIES

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
	Total assets	<b>4,068,609</b>
Total liabilities	<b>3,019,655</b>	2,484,553
Total equity	<b>1,048,954</b>	1,018,503
Equity attributable to owners of the parent	<b>862,526</b>	835,634
Non-controlling interests	<b>186,428</b>	182,869
Net assets	<b>1,048,954</b>	1,018,503

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

In 2020, the Party Central Committee published the 14th Five-Year Plan, proposing to continuously improve the quality of the environment, enhance public awareness of the ecological environment, improve the quality and stability of the ecosystem, establish a rigid system of water conservation, and comprehensively improve the efficiency of resource utilization. The Water Resources Bureau of Taizhou City has also published the “14th Five-Year Plan for Water Safety in Taizhou City”, which proposes to basically build a modern water network framework in Taizhou with reasonable layout and reliable protection. With the rapid release of demand driven by top-level design such as carbon neutrality and the 14th Five-Year Plan, the implementation of Taizhou’s local environmental protection policies will have a positive impact on the Group’s ability to ensure water supply safety, broaden the layout of its industrial chain and promote industrial transformation and upgrading.

## DEVELOPMENT STRATEGIES AND OUTLOOK

The year of 2021 is the first year of implementing the 14th Five-Year Plan and embarking on a new journey to build China into a modern socialist country in all respects. The Group follows the direction of water and environmental protection policies, integrates internal and external resources, focuses on the core positioning of “integrated

development operator of water and environmental protection resources” and the construction of two platforms, namely, “investment, financing, construction, management and transportation platform for water and environmental protection engineering” and “integrated development and utilization platform for water and environmental protection resources ” and forms the layout of two industrial sectors, “water sector + environmental protection sector”. The Group is committed to becoming an excellent water service provider and comprehensive development operator of water and environmental protection resources in the Yangtze River Delta region. The Group initiated the integration of water supply services in this year. Through the acquisition of equity interests in other water supply companies in Taizhou, the Group will enjoy the benefits of an expanded industrial chain and economic scale, and strengthen its position as a leading water supply service provider in Taizhou.

The Group will try to tap into the ecological environmental protection area and actively develop areas covering wastewater, reusable water, solid waste disposal and venous industrial park etc. to promote the development of green environmental protection business. The Group actively carries out cooperation and exchange with universities to explore the future layout of the Group’s environmental protection business, promote cooperation among industrial, academic and research areas to achieve a win-win development for schools and enterprises.

## Management Discussion and Analysis

### BUSINESS REVIEW

As a leading water supply service provider in Taizhou, the Group's principal business includes supply of raw water, municipal water and tap water, ranking the first in Taizhou in terms of raw water and municipal water supply. The Group also offers tap water directly to end-users and engages in the installation services of water pipelines for distributing tap water to end-users.

The Group owns, operates and manages the Taizhou Water Supply System (Phase I) and the Taizhou Water Supply System (Phase II), with a designed raw water supply capacity of approximately 740,000 tonnes per day, and designed municipal water supply capacity of 366,000 tonnes per day in southern Taizhou. The Group has commenced the construction of the Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV) in February 2018 and November 2018, respectively.

Pursuant to the "Notice on the Issue of Implementation Opinions on the Reform of Integration of Water Supply in Taizhou" (關於印發《台州市區水務一體化改革實施意見》的通知) issued by the Municipal Committee Office of Taizhou (中共台州市委辦公室) and the Taizhou Municipal People's Government Office (台州市人民政府辦公室) on 17 September 2018, it was stressed that the integration of water supply in Taizhou is essential for improving people's livelihood, promoting integrated development of urban areas, efficient use of water and the transformation and upgrade of water supply business in Taizhou.

On 20 May 2021, the Company entered into a Jiaojiang equity transfer agreement with Taizhou Jiaojiang Urban Development Investment Group Co., Ltd.\* (台州市椒江城市發展投資集團有限公司) and a Luqiao equity transfer agreement with Taizhou Luqiao District Urban Construction Group Co., Ltd.\* (台州市路橋區城市建設集團有限公司), respectively, to acquire 45% equity interest in each of Taizhou Water Supply Co., Ltd.\* (台州自來水有限公司) ("**Taizhou Water Supply**"), Taizhou Jiaobei Water Supply Co., Ltd.\* (台州市椒北供水有限公司) ("**Jiaobei Water Supply**") and Taizhou Luqiao Water Supply Co., Ltd.\* (台州市路橋自來水有限公司) ("**Luqiao Water Supply**"). For further details, please refer to the section headed "Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures" in this interim report.

With the expanded water supply network and water supply facilities after the acquisitions, the Group would enjoy the benefits of an expanded ecological chain and economy scale, expand the geographical coverage of the Group's water supply network in various districts of Taizhou, and improve the overall profitability of the Group.

## Management Discussion and Analysis

### 1. Raw Water Supply Project

The designed water supply capacity of Taizhou Water Supply System (Phase I) is 250,000 tonnes per day, and the raw water is supplied to local municipal water service providers and Wenling Zeguo Water Supply Co., Ltd. (a wholly-owned subsidiary of the Company). The raw water supply capacity of the Taizhou Water Supply System (Phase II) is 490,000 tonnes per day, of which 380,000 tonnes per day is supplied to Taizhou Water Treatment Plant of the Group. During the Reporting Period, the raw water sales volume was 58.5 million tonnes, representing an increase of 4.3 million tonnes as compared with 54.2 million tonnes for the six months ended 30 June 2020.

### 2. Municipal Water Supply Project

Taizhou Water Treatment Plant of the Taizhou Water Supply System (Phase II) has a designed municipal water supply capacity of 366,000 tonnes per day and is responsible for providing the municipal water which is sold local municipal water service providers. During the Reporting Period, municipal water sales volume was 70.3 million tonnes, representing an increase of 8.1 million tonnes as compared with 62.2 million tonnes for the six months ended 30 June 2020.

### 3. Tap Water Supply Project

The Group is responsible for supplying tap water to local end-users of Zeguo Town, Wenling City (including commercial users, government authorities, industrial users and residential households in Zeguo Town). During the Reporting Period, tap water sales volume was 5.2 million tonnes, as compared to 4.7 million tonnes for the six months ended 30 June 2020.

### 4. Installation Services

In connection with tap water supply services, the Group undertakes water pipeline installation works to connect new end-users to the Group's pipeline network and charges an installation fee for such services. During the Reporting Period, revenue from installation services amounted to approximately RMB6.8 million, representing an increase of RMB3.4 million as compared to approximately RMB3.4 million for the six months ended 30 June 2020.

### 5. Construction Project

Construction projects in progress of the Group are the Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV).

The construction of the Taizhou Water Supply System (Phase III) commenced in February 2018 and is expected to complete in February 2022, aiming to supply water to the Taizhou Bay Economic Zone and to resolve the increasing water demand in the areas where the Group have been providing services to.

The construction of the Taizhou Water Supply System (Phase IV) commenced in November 2018 and is expected to complete in April 2022, aiming to supply water to the South Bay Zone of Taizhou and to provide raw water and municipal water at the same time.

During the Reporting Period, the Group relentlessly pushed the progress of the construction projects. Currently, the construction of comprehensive buildings and the foundation treatment of the water treatment plants of the Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV) have been delivered for inspection and acceptance, and the tunnel lining and pipeline installation are progressing as scheduled.

## Management Discussion and Analysis

### FINANCIAL REVIEW

#### 1. Analysis of Key Items of Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Continuing Operations

##### 1.1 Revenue

Revenue of the Group increased by RMB35.3 million or 15.7%, from approximately RMB224.5 million for the six months ended 30 June 2020 to approximately RMB259.8 million for the Reporting Period.

##### (1) Raw water supply

Revenue of the Group generated from sales of raw water increased by RMB5.4 million or 10.0%, from approximately RMB54.1 million for the six months ended 30 June 2020 to approximately RMB59.5 million for the Reporting Period. Such increase was primarily attributable to the increase in sales volume of raw water from 54.2 million tonnes for the six months ended 30 June 2020 due to the impact of the COVID-19 pandemic to 58.5 million tonnes for the Reporting Period.

##### (2) Municipal water supply

Revenue of the Group generated from sales of municipal water increased by RMB24.2 million or 16.4%, from approximately RMB147.4 million for the six months ended 30 June 2020 to approximately RMB171.6 million for the Reporting Period. The increase was mainly due to (i) the increase in municipal water sales volume from 62.2 million tonnes for the six months ended 30 June 2020 to 70.3 million tonnes for the Reporting Period; and (ii) the increase in the average unit selling price of raw water sold by the Group during the Reporting Period, mainly due to the 10% reduction of the price of raw water sold by the Group to middle and downstream water supply companies based on the actual volume of water sold by such companies to enterprise end-users due to the impact of the COVID-19 pandemic in 2020.

##### (3) Tap water supply

Revenue of the Group generated from sales of tap water increased by RMB2.3 million or 11.7%, from approximately RMB19.6 million for the six months ended 30 June 2020 to approximately RMB21.9 million for the Reporting Period.

##### (4) Installation services

Revenue of the Group generated from installation services increased by RMB3.4 million or 100.0%, from approximately RMB3.4 million for the six months ended 30 June 2020 to approximately RMB6.8 million for the Reporting Period, mainly due to the impact of the COVID-19 pandemic during the six months ended 30 June 2020.

## Management Discussion and Analysis

### 1.2 *Cost of sales*

The Group's cost of sales increased by RMB7.6 million or 5.7%, from approximately RMB134.1 million for the six months ended 30 June 2020 to approximately RMB141.7 million for the Reporting Period. The increase was mainly due to the increase in the raw water procurement fee, primarily attributable to the increase in raw water procurement volume.

### 1.3 *Gross profit and gross profit margin*

As a result of the above, the Group's gross profit increased by RMB27.7 million or 30.6%, from approximately RMB90.4 million for the six months ended 30 June 2020 to approximately RMB118.1 million for the Reporting Period. Gross profit margin increased from 40.3% for the six months ended 30 June 2020 to 45.5% for the Reporting Period.

### 1.4 *Other income and gains*

Other income and gains increased by RMB2.4 million or 48.0%, from approximately RMB5.0 million for the six months ended 30 June 2020 to approximately RMB7.4 million for the Reporting Period. The increase was mainly due to the five-month value-added tax ("**VAT**") refund (for the tax period from November 2019 to March 2020) received for the six months ended 30 June 2020, while a six-month VAT refund (for the tax period from December 2020 to May 2021) was received for the six months ended 30 June 2021.

### 1.5 *Administrative expenses*

Administrative expenses increased by RMB4.5 million or 21.0%, from approximately RMB21.4 million for the six months ended 30 June 2020 to approximately RMB25.9 million for the Reporting Period. Such increase was mainly due to the increase in employee benefit expenses and audit and consultancy fees.

### 1.6 *Finance costs*

Finance costs increased by RMB0.3 million or 4.8%, from approximately RMB6.3 million for the six months ended 30 June 2020 to approximately RMB6.6 million for the Reporting Period.

## Management Discussion and Analysis

### 1.7 *Income tax expense*

Income tax expense increased by RMB6.3 million or 35.8%, from approximately RMB17.6 million for the six months ended 30 June 2020 to approximately RMB23.9 million for the Reporting Period. Such increase was primarily due to the increase in profit before tax.

### 1.8 *Profit after tax and profit margin after tax*

As a result of above, profit for the Reporting Period increased by RMB19.2 million or 38.7%, from approximately RMB49.6 million for the six months ended 30 June 2020 to approximately RMB68.8 million for the Reporting Period. Profit margin after tax increased from 22.1% for the six months ended 30 June 2020 to 26.5% for the Reporting Period.

## 2. Analysis of Key Items of Consolidated Statement of Financial Position

### 2.1 *Property, plant and equipment*

As at 31 December 2020 and 30 June 2021, property, plant and equipment were approximately RMB2,545.2 million and RMB2,981.1 million, respectively, and mainly comprised construction in progress, water supply pipelines, buildings, machinery and equipment for water supply business. The increase was primarily attributable to the additions of construction in progress of Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV).

### 2.2 *Right-of-use assets*

As at 31 December 2020 and 30 June 2021, right-of-use assets were approximately RMB412.2 million and RMB407.7 million, respectively.

### 2.3 *Inventories*

As at 31 December 2020 and 30 June 2021, inventories were approximately RMB3.8 million and RMB4.3 million, respectively. Inventories mainly comprised raw materials including chemicals used in the water treatment process.

### 2.4 *Trade receivables*

As at 31 December 2020 and 30 June 2021, trade receivables were approximately RMB101.6 million and RMB117.2 million, respectively. Trade receivables were related to receivables from customers of the water supply business. The increase in trade receivables was mainly due to the increase in sales of water.

### 2.5 *Prepayments, other receivables and other assets*

As at 31 December 2020 and 30 June 2021, prepayments, other receivables and other assets were approximately RMB13.7 million and RMB19.0 million, respectively.

## Management Discussion and Analysis

### 2.6 Trade payables

As at 31 December 2020 and 30 June 2021, trade payables were approximately RMB60.1 million and RMB60.6 million, respectively. Trade payables mainly comprised outstanding payments for raw water procurement and water resources fee.

### 2.7 Other payables and accruals

As at 31 December 2020 and 30 June 2021, other payables and accruals were approximately RMB343.2 million and RMB395.9 million, respectively. Such increase was mainly due to the increase in other payables for the construction of Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV).

### 2.8 Deferred government grants

As at 31 December 2020 and 30 June 2021, deferred government grants were approximately RMB80.1 million and RMB78.5 million, respectively.

### 2.9 Liquidity and financial resources

The Group manages its capital to ensure that its entities will be able to operate on a going concern basis and maximises the return to the Shareholders through optimisation of the debt and equity balance. During the Reporting Period, the overall strategy of the Group remained unchanged. The capital structure of the Group consisted of net debt (including borrowings net of cash and cash equivalents) and total equity (including paid-in capital/share capital, capital reserve, statutory surplus reserve, retained profits and non-controlling interests). The Group was not subject to any externally imposed capital requirements. As at 30 June 2021, cash and bank balance of the Group was approximately RMB343.8 million (as at 31 December 2020: approximately RMB230.4 million). As at 30 June 2021, total borrowings of the Group were approximately RMB2,404.0 million (as at 31 December 2020: approximately RMB1,964.0 million) and included bank and other loans, with 66.3% of bank and other loans at floating rates. As at 30 June 2021, gearing ratio of the Group (total debts divided by total equity as at the end of the period) was 229.2% (as at 31 December 2020: 192.8%). The increase in gearing ratio was mainly due to the increase in bank and other borrowings of approximately RMB440.0 million for the construction of Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV).

## Management Discussion and Analysis

### SIGNIFICANT INVESTMENTS

For the six months ended 30 June 2021, the Group did not hold any significant investment in equity interest in any other company (for the six months ended 30 June 2020: nil).

### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 20 May 2021, the Company, Taizhou Jiaojiang Urban Development Investment Group Co., Ltd.\* (台州市椒江城市發展投資集團有限公司), Taizhou Water Supply and Jiaobei Water Supply entered into an equity transfer agreement, pursuant to which the Company agreed to purchase 45% equity interest in each of Taizhou Water Supply (the “**Taizhou Water Supply Acquisition**”) and Jiaobei Water Supply (the “**Jiaobei Water Supply Acquisition**”) at an aggregate consideration of RMB46.60 million, subject to adjustment.

On 20 May 2021, the Company, Taizhou Luqiao District Urban Construction Group Co., Ltd.\* (台州市路橋區城市建設集團有限公司) and Luqiao Water Supply entered into an equity transfer agreement, pursuant to which the Company agreed to purchase 45% equity interest in Luqiao Water Supply at a consideration of RMB124.42 million, subject to adjustment (the “**Luqiao Water Supply Acquisition**”).

The Taizhou Water Supply Acquisition, Jiaobei Water Supply Acquisition and Luqiao Water Supply Acquisition were approved by the Shareholders at the 2021 first extraordinary general meeting of the Company held on 15 July 2021. As at the date of this interim report, the aforementioned acquisitions have not been completed.

For further details, please refer to the announcements of the Company dated 20 May 2021 and 15 July 2021 and the circular of the Company dated 24 June 2021.

Save as disclosed above, the Group did not have any other material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period (for the six months ended 30 June 2020: nil).

## Management Discussion and Analysis

### PLEDGE OF THE GROUP'S ASSETS

As at the end of the Reporting Period, the bank borrowings of the Group amounted to approximately RMB2,404.0 million (as at 31 December 2020: approximately RMB1,964.0 million), which were secured by the Group's trade receivables, the right of charge on the future revenue generated by Taizhou Water Supply System (Phase I, Phase II, Phase III and Phase IV). Save as disclosed above, as at the end of the Reporting Period, the Group did not pledge any other assets.

### FOREIGN EXCHANGE RISK

During the Reporting Period, the Group carried out business in the PRC and received revenue and paid its costs/ expenses in RMB. The Group had unutilised listing proceeds in Hong Kong dollar, and distributed dividends in Hong Kong dollar. The Group recognised net foreign exchange loss of approximately RMB86,000 during the Reporting Period. The Group does not currently hedge its exposure to foreign currencies.

### CONTINGENT LIABILITIES

As at the end of the Reporting Period, the Group did not have any material contingent liability (as at 31 December 2020: nil).

### SUBSEQUENT EVENTS AFTER REPORTING PERIOD

On 15 July 2021, the Company, China Agricultural Development Key Construction Fund Co., Ltd. (中國農發重點建設基金有限公司) (the "**Vendor**") and Taizhou Zhuxi Reservoir Development Co., Ltd.\* (台州市朱溪水庫開發有限公司) ("**Zhuxi Reservoir Development**") entered into an equity transfer agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, 9.375% equity interest in Zhuxi Reservoir Development at a consideration of RMB75.0 million. For further details, please refer to the announcement of the Company dated 15 July 2021.

On 25 August 2021, the Board has resolved to submit to the Shareholders for consideration and approval the proposed issue of the bonds denominated in foreign currencies in an aggregate principal amount of not more than US\$200,000,000 (or equivalent foreign currency) (the "**Bonds**"). The resolution on the issue of the Bonds shall be effective from the date of approval at the general meeting of the Company till the completion of the issue of the Bonds. For further details, please refer to the announcement of the Company dated 25 August 2021.

Save as disclosed above, as at the date of this interim report, the Group has no other significant events occurred after the Reporting Period that require additional disclosures or adjustments.

### EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had 199 employees (as at 30 June 2020: 189). During the Reporting Period, the employee benefit expenses amounted to approximately RMB31.6 million (for the six months ended 30 June 2020: RMB26.4 million). The employees of the Group are generally remunerated by way of fixed salary, and are also entitled to a performance based bonus, paid leave and various subsidies. During the Reporting Period, the Group did not experience any significant labour disputes causing any material impact on its normal business operations.

## Management Discussion and Analysis

### USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

The H Shares of the Company (“H Shares”) were listed on the Main Board of the Stock Exchange on 31 December 2019. The total net proceeds raised from the initial public offering was approximately HK\$167.5 million after deducting professional fees, underwriting commissions and other related listing expenses (the “Net Proceeds”). The Company will allocate the Net Proceeds according to the Company’s prospectus dated 17 December 2019 (the “Prospectus”). The intended use and balance of the Net Proceeds as at 30 June 2021 are as follows:

Intended use of Net Proceeds	Allocation of Net Proceeds	Percentage of total Net Proceeds	Amount of Net Proceeds utilised up to 30 June 2021	Amount of Net Proceeds utilised during the Reporting Period	Balance of Net Proceeds unutilised as at 30 June 2021	Intended timetable for use of the unutilised Net Proceeds
(i) For the construction of the Taizhou Water Supply System (Phase III)	HK\$150.75 million	90%	HK\$132.79 million	HK\$8.68 million	HK\$17.96 million	On or before 31 December 2021
(ii) For providing funding for the Group’s working capital and other general corporate purposes	HK\$16.75 million	10%	–	–	HK\$16.75 million	On or before 31 December 2021
<b>Total</b>	<b>HK\$167.5 million</b>	<b>100%</b>	<b>HK\$132.79 million</b>	<b>HK\$8.68 million</b>	<b>HK\$34.71 million</b>	<b>On or before 31 December 2021</b>

The Group will utilise the Net Proceeds in accordance with the intended purposes as set out in the Prospectus. The Board is not aware of any material change to the planned use of the Net Proceeds as at the date of this interim report.

## OTHER INFORMATION

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code since the Listing Date and complied with the applicable code provisions throughout the six months ended 30 June 2021 up to the date of this interim report.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and the growth of its business and to reviewing such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

### MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors and Supervisors. Specific enquiries have been made to all the Directors and Supervisors and the Directors and Supervisors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2021 up to the date of this interim report.

### CHANGE IN DIRECTORS', SUPERVISORS' AND THE SENIOR MANAGEMENT'S INFORMATION

The changes in information of the Directors, Supervisors and senior management of the Company since the date of the Company's last published annual report pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Guo Dingwen served as a director of Kunming Zhijiang Real Estate Co., Ltd.\* since May 2018 to May 2021. He has been working in the finance department of Wenling Hongzhi Labor Dispatch Co., Ltd.\* (溫嶺市宏志勞務派遣有限公司) since May 2020.

Mr. Sun Hua served as (i) the chairman, director and party branch general secretary (黨支部書記) of Zhejiang Taixin Asset Management Co., Ltd.\* (浙江台信資產管理有限公司), a substantial shareholder of the Company, since December 2018 to July 2021; and (ii) the deputy general manager of the Zheshang Asset business of Zhejiang Zheshang Asset Management Co., Ltd.\* (浙江省浙商資產管理有限公司), since September 2020 to July 2021. He has been serving as the deputy general manager of Zhejiang Zheshang Asset Management Co., Ltd. since July 2021.

Ms. Chen Liying resigned as chief accountant, secretary of the Board and a joint company secretary of the Company with effect from 21 June 2021.

## Other Information

**DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 June 2021, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

**Interests in Shares**

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Class of Shares</b>	<b>Number of Shares held<sup>(1)</sup></b>	<b>Approximate percentage of shareholding in the class of Shares issued (%)</b>	<b>Approximate percentage of shareholding in the total Shares issued (%)</b>
Mr. Yang Yide	Interest of controlled corporation <sup>(2)</sup>	Domestic Shares	10,058,338 (L)	6.71%	5.03%

Notes:

- (1) As at 30 June 2021, the Company had issued 200,000,000 Shares in total, including 150,000,000 Domestic Shares and 50,000,000 H Shares. The letter "L" denotes the person's long position in the Shares.
- (2) Qufeng Holdings Limited, which is owned as to 80% by Mr. Yang Yide, directly held 10,058,338 Domestic Shares. By virtue of the SFO, Mr. Yang Yide was deemed to have an interest in the Shares held by Qufeng Holdings Limited.

## Other Information

Save as disclosed above, as at 30 June 2021, none of the Directors, Supervisors or chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the following persons (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

### Interests in Shares

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares held <sup>(1)</sup>	Approximate percentage of shareholding in the class of Shares issued (%)	Approximate percentage of shareholding in the total Shares issued (%)
Taizhou State-owned Capital Operation Group Co., Ltd.* <sup>(2)</sup>	Interest in controlled corporation	Domestic Shares	43,250,855	28.83%	21.63%
Taizhou Urban Construction Investment Development Group Co., Ltd.* <sup>(2)</sup>	Beneficial owner	Domestic Shares	43,250,855	28.83%	21.63%
The Finance Bureau of Huangyan District of Taizhou* <sup>(3)</sup>	Interest in controlled corporation	Domestic Shares	26,679,541	17.79%	13.34%
Taizhou Huangyan State-owned Capital Investment Operation Group Co., Ltd.* (formerly known as Taizhou Huangyan State-owned Assets Operation Group Co., Ltd.)* <sup>(3)</sup>	Interest in controlled corporation	Domestic Shares	26,679,541	17.79%	13.34%
Zhejiang Yongning Financial Consulting Co., Ltd.* <sup>(3)</sup>	Beneficial owner	Domestic Shares	26,679,541	17.79%	13.34%
Taizhou Finance Bureau of Jiaojiang District* <sup>(4)</sup>	Interest in controlled corporation	Domestic Shares	22,222,893	14.82%	11.11%
Taizhou Jiaojiang Infrastructure Investment Company <sup>(4)</sup>	Beneficial owner	Domestic Shares	22,222,893	14.82%	11.11%
Zhejiang International Business Group Co., Ltd. <sup>(5)</sup>	Interest in controlled corporation	Domestic Shares	20,116,677	13.41%	10.06%
Zhejiang Zheshang Asset Management Co., Ltd.* <sup>(5)</sup>	Interest in controlled corporation	Domestic Shares	20,116,677	13.41%	10.06%
Taizhou State-owned Assets Investment Group Co., Ltd. <sup>(5)</sup>	Interest in controlled corporation	Domestic Shares	20,116,677	13.41%	10.06%

## Other Information

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares held <sup>(1)</sup>	Approximate percentage of shareholding in the class of Shares issued (%)	Approximate percentage of shareholding in the total Shares issued (%)
Zhejiang Taixin Asset Management Co., Ltd. <sup>(6)</sup>	Beneficial owner	Domestic Shares	20,116,677	13.41%	10.06%
Taizhou Luqiao Public Assets Investment Management Group Co., Ltd.*	Beneficial owner	Domestic Shares	17,613,358	11.74%	8.81%
Qufeng Holdings Limited*	Beneficial owner	Domestic Shares	10,058,338	6.71%	5.03%
Shanghai Lipin Enterprise (Group) Co., Ltd. <sup>(6)</sup>	Interest in controlled corporation	Domestic Shares	10,058,338	6.71%	5.03%
Shanghai Lipin Sanmin Culture Communication Co., Ltd. <sup>(6)</sup>	Beneficial owner	Domestic Shares	10,058,338	6.71%	5.03%
Mr. Ying Wenhua <sup>(6)</sup>	Interest in controlled corporation	Domestic Shares	10,058,338	6.71%	5.03%
Shanghai Industrial Investment (Holdings) Company Limited <sup>(7)</sup>	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
Shanghai Industrial Investment Treasury Company Limited <sup>(7)</sup>	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
Shanghai Investment Holdings Limited <sup>(7)</sup>	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
Shanghai Industrial Holdings Limited <sup>(7)</sup>	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
S.I. Infrastructure Holdings Limited <sup>(7)</sup>	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
S.I. Triumph Power Limited <sup>(7)</sup>	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
SIIC Environment Holdings Ltd. <sup>(7)</sup>	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
SIIC Environment Tech (Hong Kong) Limited <sup>(7)</sup>	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
Shanghai Yangtze River Delta Water Environment Investment Fund Limited <sup>(7)</sup>	Beneficial owner	H Shares	12,500,000	25.00%	6.25%
Mr. Chung Chi Man <sup>(8)</sup>	Interest in controlled corporation	H Shares	12,128,000	24.26%	6.06%
Billion Shine International Investment Limited <sup>(8)</sup>	Interest in controlled corporation	H Shares	12,128,000	24.26%	6.06%
Innovax Holdings Limited <sup>(8)</sup>	Interest in controlled corporation	H Shares	12,128,000	24.26%	6.06%
Ms. Lee Yin Har <sup>(9)</sup>	Interest of spouse	H Shares	12,128,000	24.26%	6.06%
Orient Fund Management Co., Ltd.*	Trustee	H Shares	4,860,000	9.72%	2.43%

\* For identification purpose only

## Other Information

## Notes:

- (1) As at 30 June 2021, the Company had issued 200,000,000 Shares in total, including 150,000,000 Domestic Shares and 50,000,000 H Shares.
- (2) Taizhou Urban Construction Investment Development Group Co., Ltd. is wholly-owned by Taizhou State-owned Capital Operation Group Co., Ltd.. By virtue of the SFO, Taizhou State-owned Capital Operation Group Co., Ltd. is deemed to have an interest in the Domestic Shares held by Taizhou Urban Construction Investment Development Group Co., Ltd..
- (3) Zhejiang Yongning Financial Consulting Co., Ltd is a state-owned enterprise indirectly wholly-owned by the Finance Bureau of Huangyan District of Taizhou through its wholly-owned subsidiary, Taizhou Huangyan State-owned Capital Investment Operation Group Co., Ltd.. By virtue of the SFO, each of the Finance Bureau of Huangyan District of Taizhou and Taizhou Huangyan State-owned Capital Investment Operation Group Co., Ltd. is deemed to have an interest in the Domestic Shares held by Zhejiang Yongning Financial Consulting Co., Ltd.
- (4) Taizhou Jiaojiang Infrastructure Investment Company is a state-owned enterprise wholly-owned by the Finance Bureau of Jiaojiang District. By virtue of the SFO, The Finance Bureau of Jiaojiang District is deemed to have an interest in the Domestic Shares held by Taizhou Jiaojiang Infrastructure Investment Company.
- (5) Zhejiang Taixin Asset Management Co., Ltd. is held as to 40% by Taizhou State-owned Assets Investment Group Co., Ltd. and as to 60% by Zhejiang Zheshang Asset Management Co., Ltd., which is in turn owned as to 69.16% by Zhejiang International Business Group Co., Ltd. By virtue of the SFO, each of Taizhou State-owned Assets Investment Group Co., Ltd., Zhejiang Zheshang Asset Management Co., Ltd. and Zhejiang International Business Group Co., Ltd., is deemed to have an interest in the Domestic Shares held by Zhejiang Taixin Asset Management Co., Ltd..
- (6) Shanghai Lipin Enterprise (Group) Co., Ltd. is wholly-owned by Shanghai Lipin Sanmin Culture Communication Co., Ltd., which is in turn owned as to 99.70% by Mr. Ying Wenhua. By virtue of the SFO, each of Shanghai Lipin Sanmin Culture Communication Co., Ltd. and Mr. Ying Wenhua is deemed to be interested in the Domestic Shares held by Shanghai Lipin Enterprise (Group) Co., Ltd..
- (7) Shanghai Yangtze River Delta Water Environment Investment Fund Limited is held as to 40% by SIIC Environment Tech (Hong Kong) Limited, which is in turn wholly-owned by SIIC Environment Holdings Ltd.. SIIC Environment Holdings Ltd is held as to 6.36% by S.I. Infrastructure Holdings Limited and as to 37.92% by S.I. Triumph Power Limited, which is in turn wholly-owned by S.I. Infrastructure Holdings Limited. S.I. Infrastructure Holdings Limited is wholly-owned by Shanghai Industrial Holdings Limited, which is in turn held as to 55.13% by Shanghai Investment Holdings Limited. Shanghai Investment Holdings Limited is wholly-owned by Shanghai Industrial Investment Treasury Company Limited, which is in turn wholly-owned by Shanghai Industrial Investment (Holdings) Company Limited. By virtue of the SFO, SIIC Environment Tech (Hong Kong) Limited, SIIC Environment Holdings Ltd, S.I. Triumph Power Limited, S.I. Infrastructure Holdings Limited, Shanghai Industrial Holdings Limited, Shanghai Investment Holdings Limited, Shanghai Industrial Investment Treasury Company Limited and Shanghai Industrial Investment (Holdings) Company Limited are deemed to have an interest in the H Shares held by Shanghai Yangtze River Delta Water Environment Investment Fund Limited.
- (8) Innovax Holdings Limited is owned as to 75% by Billion Shine International Investment Limited, which is wholly-owned by Mr. Chung Chi Man.
- (9) Ms. Lee Yin Har is the spouse of Mr. Chung Chi Man. By virtue of the SFO, Ms. Lee Yin Har is deemed to be interested in all the H Shares held by Mr. Chung Chi Man.

Save as disclosed above, as at 30 June 2021, the Company had not been notified by any other persons (other than the Directors, Supervisors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## Other Information

### DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, at no time during the Reporting Period, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors or Supervisors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or Supervisors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### AUDIT COMMITTEE

The Audit Committee has reviewed, with the management, the accounting principles and policies adopted by the Group, and reviewed and discussed the unaudited interim condensed consolidated financial statements, interim results announcement of the Group for the six months ended 30 June 2021 and this interim report, and recommended their respective adoption by the Board.

On behalf of the Board

**Mr. Yang Jun**

*Chairman of the Board*

PRC, 25 August 2021

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
<b>REVENUE</b>	4	<b>259,779</b>	224,455
Cost of sales		<b>(141,683)</b>	(134,085)
Gross profit		<b>118,096</b>	90,370
Other income and gains	4	<b>7,368</b>	5,005
Administrative expenses		<b>(25,947)</b>	(21,406)
Other expenses		<b>(168)</b>	(445)
Finance costs	6	<b>(6,600)</b>	(6,282)
<b>PROFIT BEFORE TAX</b>	5	<b>92,749</b>	67,242
Income tax expense	7	<b>(23,942)</b>	(17,601)
<b>PROFIT FOR THE PERIOD AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>68,807</b>	49,641
Attributable to:			
Owners of the parent		<b>60,892</b>	43,582
Non-controlling interests		<b>7,915</b>	6,059
		<b>68,807</b>	49,641
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic and diluted (RMB)		<b>0.30</b>	0.22

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	2,981,050	2,545,168
Prepayments for property, plant and equipment		31,025	32,209
Prepayments for land use rights		165	165
Other intangible assets		293	335
Investment in an associate		125,000	125,000
Deferred tax assets		21,665	21,314
Right-of-use assets		407,675	412,222
Total non-current assets		3,566,873	3,136,413
<b>CURRENT ASSETS</b>			
Inventories		4,341	3,788
Trade receivables	11	117,151	101,586
Prepayments, other receivables and other assets		19,024	13,662
Pledged bank deposits	12	17,410	17,238
Cash and cash equivalents	12	343,810	230,369
Total current assets		501,736	366,643
<b>CURRENT LIABILITIES</b>			
Trade payables	13	60,640	60,145
Other payables and accruals		395,915	343,231
Interest-bearing bank and other borrowings	14	31,520	193
Deferred government grants		3,261	3,261
Lease liabilities		23,729	20,875
Tax payable		16,834	14,521
Dividend payable		38,392	–
Total current liabilities		570,291	442,226
<b>NET CURRENT LIABILITIES</b>		<b>(68,555)</b>	<b>(75,583)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,498,318</b>	<b>3,060,830</b>

## Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	Note	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,498,318</b>	3,060,830
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	14	<b>2,372,480</b>	1,963,807
Deferred government grants		<b>75,250</b>	76,886
Other liabilities		<b>1,634</b>	1,634
Total non-current liabilities		<b>2,449,364</b>	2,042,327
Net assets		<b>1,048,954</b>	1,018,503
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		<b>200,000</b>	200,000
Reserves		<b>662,526</b>	635,634
		<b>862,526</b>	835,634
Non-controlling interests		<b>186,428</b>	182,869
Total equity		<b>1,048,954</b>	1,018,503

**Yang Jun**  
Director

**Zhang Junzhou**  
Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital reserve*	Statutory surplus reserve*	Retained profits*	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2021 (audited)	200,000	119,234	55,705	460,695	835,634	182,869	1,018,503	
Transfer to statutory surplus reserve	-	-	2,735	(2,735)	-	-	-	
Profit for the period and total comprehensive income for the period	-	-	-	60,892	60,892	7,915	68,807	
dividend declared to non-controlling shareholders	-	-	-	-	-	(4,356)	(4,356)	
Final 2020 dividend declared	-	-	-	(34,000)	(34,000)	-	(34,000)	
At 30 June 2021 (unaudited)	200,000	119,234	58,440	484,852	862,526	186,428	1,048,954	

\* These reserve accounts comprise the consolidated reserves of RMB662,526,000 in the consolidated statement of financial position as at 30 June 2021.

## Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital reserve*	Statutory surplus reserve*	Retained profits*	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2020 (audited)	200,000	119,234	49,792	395,524	764,550	137,669	902,219	
Profit for the period and total comprehensive income for the period	–	–	–	43,582	43,582	6,059	49,641	
Final 2019 dividend declared	–	–	–	(31,985)	(31,985)	–	(31,985)	
At 30 June 2020 (unaudited)	200,000	119,234	49,792	407,121	776,147	143,728	919,875	

\* These reserve accounts comprise the consolidated reserves of RMB576,147,000 in the consolidated statement of financial position as at 30 June 2020.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		92,749	67,242
Adjustments for:			
Gain on disposal of items of property, plant and equipment	4	(41)	–
Finance costs	6	6,600	6,282
Depreciation of property, plant and equipment		26,354	26,076
Depreciation of right-of-use assets		4,493	4,069
Amortisation of government grants		(1,636)	(1,645)
Amortisation of other intangible assets		42	–
Impairment of trade receivables, net	11	402	1,033
Impairment of financial assets included in prepayments, other receivables and other assets		9	29
Foreign exchange differences, net	5	86	(642)
		<b>129,058</b>	102,444
(Increase)/Decrease in inventories		(553)	409
Increase in trade receivables		(15,967)	(18,642)
Increase in prepayments, other receivables and other assets		(4,010)	(1,771)
Increase/(Decrease) in trade payables		495	(20,963)
Increase in other payables and accruals		59,685	1,460
Decrease in other liabilities		–	(242)
Cash generated from operations		<b>168,708</b>	62,695
Income tax paid		(21,980)	(14,585)
Net cash flows from operating activities		<b>146,728</b>	48,110

## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Note	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(417,292)	(276,872)
Prepayments for right-of-use assets		(6,726)	(2,228)
Proceeds from disposal of items of property, plant and equipment		57	–
Increase in pledged bank deposits		(172)	(116)
Net cash flows used in investing activities		(424,133)	(279,216)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of shares		–	158,931
Share issue expenses		–	(11,367)
New borrowings		440,000	210,000
Interest paid		(49,104)	(36,019)
Net cash flows from financing activities		390,896	321,545
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of period		230,369	264,357
Effect of foreign exchange rate changes, net		(50)	590
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>			
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows	12	343,810	355,386

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

## 1. Corporate and group information

The Company is a joint stock company with limited liability established in the People's Republic of China ("PRC"). The registered office of the Company is located at No.308, Yin Quan Road, Xicheng Street, Huang Yan District, Taizhou, Zhejiang Province, PRC.

The Company and its subsidiaries (together, the "Group") are principally engaged in supplying raw water, municipal water and tap water directly to end-users and the installation of the water pipelines for distributing tap water to end-users.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 31 December 2019.

### Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Taizhou City Water Co., Ltd. ("Taizhou City Water") (台州市城市水務有限公司)*	PRC/Mainland China 30 September 2003	RMB220,000,000	82	–	Centralised water production and supply
Wenling Zeguo Water Supply Co., Ltd. ("Wenling Zeguo Water Supply") (溫嶺市澤國自來水有限公司)*	PRC/Mainland China 9 November 2006	RMB30,000,000	100	–	Centralised water supply; pipeline installation service
Taizhou Environmental Development Co., Ltd. ("Taizhou Environmental Development") (台州市環境發展有限公司)*	PRC/Mainland China 5 September 2018	RMB10,000,000	100	–	Dormant
Taizhou South Bay Water Supply Co., Ltd. ("Taizhou South Bay Water Supply") (台州市南部灣區水務有限公司)*	PRC/Mainland China 13 March 2018	RMB190,000,000	60	–	Centralised water production and supply
Taizhou Binhai Water Co., Ltd. ("Binhai Water") (台州市濱海水務有限公司)*	PRC/Mainland China 7 June 2016	RMB160,000,000	51	49	Centralised water production and supply

\* These entities are limited liability enterprises established under PRC law.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2021

## 2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

## 2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39,  
HKFRS 7, HKFRS 4 and HKFRS 16  
Amendment to HKFRS 16

*Interest Rate Benchmark Reform – Phase 2*

*Covid-19-Related Rent Concessions beyond 30 June 2021*  
(early adopted)

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest-bearing bank borrowings denominated in foreign currencies.

## Notes to Interim Condensed Consolidated Financial Statements

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## 2.2 Changes in accounting policies and disclosures (Continued)

The nature and impact of the revised HKFRSs are described below: (Continued)

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group, as the Group does not have rent concessions arising as a direct consequence of the covid-19 pandemic.

## 3. Operating segment information

For management purposes, the Group only has one reportable operating segment which is water supply and installation of water pipelines. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment.

### Geographic information

(a) *Revenue from external customers*

The Group operated within one geographical area as all of the Group's revenue was generated from customers located in Mainland China.

(b) *Non-current assets*

All non-current assets of the Group are located in Mainland China.

### Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the six months ended 30 June 2021 and 2020 are set out below:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Customer 1	71,984	60,996
Customer 2	63,568	49,615
Customer 3	45,232	47,352
Customer 4	29,185	24,345

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## 4. Revenue, other income and gains

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue from contracts with customers	259,779	224,455

## Revenue from contracts with customers

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Type of goods or services</b>		
Sale of water	253,019	221,082
Installation services	6,760	3,373
Total revenue from contracts with customers	259,779	224,455
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	253,019	221,082
Services transferred over time	6,760	3,373
Total revenue from contracts with customers	259,779	224,455

## Notes to Interim Condensed Consolidated Financial Statements

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## 4. Revenue, other income and gains (Continued)

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Other income</b>		
Value added tax refund	6,038	2,364
Bank interest income	1,262	1,448
Foreign exchange gain, net	–	642
Government grants	–	303
Others	27	248
	<b>7,327</b>	5,005
<b>Gain</b>		
Gain on disposal of items of property, plant and equipment	41	–
	<b>7,368</b>	5,005

## 5. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cost of inventories sold	136,220	131,835
Cost of services provided	5,463	2,250
Depreciation of property, plant and equipment	26,354	26,076
Depreciation of right-of-use assets	4,493	4,069
Impairment of trade receivables, net	402	1,033
Impairment of financial assets included in prepayments, other receivables and other assets	9	29
Government grants	–	(303)
Exchange differences, net	86	(642)
Gain on disposal of items of property, plant and equipment	(41)	–

## Notes to Interim Condensed Consolidated Financial Statements

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## 6. Finance costs

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest on bank borrowings	42,016	27,893
Interest on other borrowings	7,219	8,042
Less: Interest capitalised	(42,635)	(29,653)
	<b>6,600</b>	6,282

## 7. Income tax

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

During the period, except for Taizhou Environmental Development which was entitled to a preferential income tax rate of 10% (the six months ended 30 June 2020: 10%) for small and micro enterprises, the provision for current income tax in Mainland China was based on the statutory rate of 25% (the six months ended 30 June 2020: 25%) of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008.

The income tax expense of the Group is analysed as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax – Mainland China		
Charge for the period	24,293	17,435
Deferred tax	(351)	166
Total tax charge for the period	<b>23,942</b>	17,601

## Notes to Interim Condensed Consolidated Financial Statements

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## 8. Dividends

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Final declared and unpaid – RMB0.17 (2020: RMB0.16) per ordinary share	<b>34,036</b>	31,965

A final dividend of RMB0.17 (equivalent to HK\$0.2050) per ordinary share for the year ended 31 December 2020 of RMB34,036,000 was approved by shareholders of the Company on 23 June 2021 and was paid on 18 August 2021.

The Board did not declare any interim dividend for the six months ended 30 June 2021 (the six months ended 30 June 2020: Nil).

## 9. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

There were no potentially dilutive ordinary shares in issue during the period and therefore no adjustment has been made to the basic earnings per share amounts presented in respect of a dilution.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<b>60,892</b>	43,582

	Number of shares For the six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<b>200,000,000</b>	200,000,000

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## 10. Property, plant and equipment

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Carrying amount at beginning of period/year	2,545,168	1,772,391
Additions	453,080	794,595
Capitalisation of depreciation of right-of-use assets	9,634	31,011
Disposals	(16)	(9)
Depreciation provided during period/year	(26,816)	(52,820)
Carrying amount at end of period/year	<b>2,981,050</b>	2,545,168

## 11. Trade receivables

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	74,936	62,017
Due from related parties (note 16(b))	95,634	92,586
	<b>170,570</b>	154,603
Impairment	(53,419)	(53,017)
	<b>117,151</b>	101,586

The Group's trading terms with its customers are mainly on credit. The credit period is generally two months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

As at 30 June 2021, certain of the Group's trade receivables with a carrying amount of RMB102,085,000 (31 December 2020: RMB89,146,000) were pledged to secure the Group's bank loans (note 14).

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	109,783	96,995
3 to 6 months	3,145	1,057
6 to 12 months	2,414	735
1 to 2 years	939	2,027
2 to 3 years	870	772
	<b>117,151</b>	101,586

## Notes to Interim Condensed Consolidated Financial Statements

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## 12. Cash and cash equivalents and pledged bank deposits

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cash and bank balances	343,810	230,369
Pledged bank deposits	17,410	17,238
	<b>361,220</b>	247,607
Less: Pledged deposits for land reclamation fee	<b>(17,410)</b>	(17,238)
Cash and cash equivalents	<b>343,810</b>	230,369
Denominated in:		
RMB	<b>339,453</b>	225,612
Hong Kong dollars ("HK\$")	<b>4,357</b>	4,757
Cash and cash equivalents	<b>343,810</b>	230,369

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

## 13. Trade payables

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	<b>60,640</b>	60,145

## Notes to Interim Condensed Consolidated Financial Statements

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## 13. Trade payables (Continued)

An ageing analysis of the trade payables as at the end of the period, based on the invoice date, is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	42,187	41,091
3 to 6 months	15,030	15,562
6 to 12 months	13	55
Over 12 months	3,410	3,437
	<b>60,640</b>	60,145

## 14. Interest-bearing bank and other borrowings

	Effective interest rate (%)	Maturity	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
<b>Current</b>				
<b>Current portion of bank loans</b>				
Bank loans – secured	4.20	2022	30,000	–
Bank loans – secured	4.51	2022	844	–
Bank loans – secured	4.90	2021–2022	676	193
			<b>31,520</b>	193
<b>Non-current</b>				
<b>Bank loans</b>				
Bank loans – secured	4.90	2025–2049	1,045,324	1,015,807
Bank loans – secured	4.60	2039–2047	280,000	80,000
Bank loans – secured	4.50	2044–2049	200,000	35,000
Bank loans – secured	5.15	2027–2028	163,000	163,000
Bank loans – secured	4.63	2041–2044	130,000	130,000
Bank loans – secured	4.51	2047	44,156	30,000
<b>Other borrowings</b>				
Other borrowings – secured	2.80	2041	510,000	510,000
			<b>2,372,480</b>	1,963,807
			<b>2,404,000</b>	1,964,000

## Notes to Interim Condensed Consolidated Financial Statements

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## 14. Interest-bearing bank and other borrowings (Continued)

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year	31,520	193
In the second year	12,491	–
In the third to fifth years, inclusive	190,236	163,000
Beyond five years	1,659,753	1,290,807
	<b>1,894,000</b>	1,454,000
Other borrowings repayable:		
Within one year	–	–
In the second year	51,000	51,000
In the third to fifth years, inclusive	51,000	51,000
Beyond five years	408,000	408,000
	<b>510,000</b>	510,000
	<b>2,404,000</b>	1,964,000

Notes:

- (a) The Group's bank and other borrowings are secured by:
- (i) the pledge of the Group's trade receivables with a carrying amount of RMB102,085,000 (31 December 2020: RMB89,146,000) (note 11) and the right of charge on the future revenue generated by Taizhou water supply system (Phase I and Phase II);
  - (ii) the pledge of Binhai Water's right of charge on the future revenue generated by Taizhou water supply system (Phase III); and
  - (iii) the pledge of Taizhou South Bay Water Supply's right of charge on the future revenue.
- (b) Taizhou City Water has guaranteed certain of the Group's bank loans of up to RMB3,510,600,000 (31 December 2020: RMB3,366,700,000).
- (c) A shareholder of the Company, Taizhou Urban Construction Investment Development Group Co., Ltd. ("Taizhou Urban Construction") has guaranteed certain of the Group's bank loans of up to RMB510,000,000 (31 December 2020: RMB510,000,000).
- (d) The Company has guaranteed certain of the Group's bank loans of up to RMB6,319,400,000 (31 December 2020: RMB5,708,300,000).

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## 15. Commitments

The Group had the following capital commitments at the end of the reporting period:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for: Pipelines and buildings	<b>673,898</b>	1,114,358

## 16. Related party transactions

The Group's related parties are as follows:

Name	Relationship with the Company
Zhejiang Taizhou Landscape Engineering Co., Ltd. ("Zhejiang Taizhou Landscape")	An entity controlled by the shareholders of the Company
Taizhou Modern Construction and Engineering Co., Ltd. ("Taizhou Modern Construction")	An entity controlled by the shareholders of the Company
Taizhou Luqiao Water Supply Co., Ltd. ("Taizhou Luqiao Water Supply")	An entity controlled by the shareholders of the Company
Zhejiang Huangyan Water Supply Co., Ltd. ("Zhejiang Huangyan Water Supply")	An entity controlled by the shareholders of the Company
Wenling Water Supply Co., Ltd. ("Wenling Water Supply")	A shareholder of Taizhou City Water
Yuhuan Water Supply Co., Ltd. ("Yuhuan Water Supply")	An entity controlled by the non-controlling shareholders of a subsidiary

## Notes to Interim Condensed Consolidated Financial Statements

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## 16. Related party transactions (Continued)

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Construction services from:			
Taizhou Modern Construction	(i)	4,217	606
Zhejiang Taizhou Landscape	(i)	3,265	400
		<b>7,482</b>	1,006
Other services from:			
Zhejiang Huangyan Water Supply	(i)	17	–
		<b>17</b>	–
Purchases of water from:			
Taizhou Luqiao Water Supply	(i)	13	–
Zhejiang Huangyan Water Supply	(i)	18	–
		<b>31</b>	–
Sales of water to:			
Taizhou Luqiao Water Supply	(i)	45,232	47,352
Zhejiang Huangyan Water Supply	(i)	22,950	20,644
Yuhuan Water Supply	(i)	29,185	24,345
Wenling Water Supply	(i)	63,568	49,615
		<b>160,935</b>	141,956

Notes:

- (i) The water supply and provision of services from the related parties and the sales of water to the related parties were made according to the published prices and conditions offered by the Group and the related parties to their major customers.

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## 16. Related party transactions (Continued)

(b) Outstanding balances with related parties:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Due from related parties:		
<b>Trade in nature</b>		
Taizhou Luqiao Water Supply	21,195	20,553
Wenling Water Supply	50,128	49,116
Zhejiang Huangyan Water Supply	14,443	13,006
Yuhuan Water Supply	9,868	9,911
Balance included in trade receivables	<b>95,634</b>	92,586
Due to related parties:		
<b>Trade in nature</b>		
Taizhou Modern Construction	2,886	1,399
Zhejiang Taizhou Landscape	563	–
Balance included in other payables and accruals	<b>3,449</b>	1,399

The balances with related parties are unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	2,251	1,814
Pension scheme contributions	88	30
Total compensation paid to key management personnel	<b>2,339</b>	1,844

The related party transactions in respect of sale of water as set out in note 16(a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## Notes to Interim Condensed Consolidated Financial Statements

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## 17. Fair value and fair value hierarchy of financial instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair value	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
<b>Financial liabilities</b>				
Non-current of interest-bearing bank borrowings and other borrowings	<b>2,372,480</b>	1,963,807	<b>2,336,732</b>	1,926,334

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank and other borrowings and lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Management has assessed that the fair values of the non-current portion of interest-bearing bank and other borrowings based on prevailing market interest rates approximate to their carrying amounts. The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2021 and 31 December 2020 were assessed to be insignificant.

The Group did not have any financial assets and liabilities measured at fair value as at 30 June 2021 and 31 December 2020.

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## 17. Fair value and fair value of hierarchy of financial instruments (Continued)

## Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed:

**As at 30 June 2021**

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Non-current of interest-bearing bank borrowings and other borrowings	–	2,336,732	–	2,336,732

As at 31 December 2020

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Non-current of interest-bearing bank borrowings and other borrowings	–	1,926,334	–	1,926,334

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### 18. Events after the reporting period

On 20 May 2021, the Company, Taizhou Jiaojiang Urban Development Investment Group Co., Ltd. (“Jiaojiang Urban Development”), Taizhou Water Supply Co., Ltd. (“Taizhou Water Supply”) and Taizhou Jiaobei Water Supply Co., Ltd. (“Jiaobei Water Supply”) entered into the equity transfer agreement (the “Jiaojiang Equity Transfer Agreement”), pursuant to which Jiaojiang Urban Development has conditionally agreed to sell, and the Company has conditionally agreed to purchase, 45% equity interest in each of Taizhou Water Supply and Jiaobei Water Supply at an aggregate consideration of RMB46,600,000, subject to adjustment.

On 20 May 2021, the Company, Taizhou Luqiao District Urban Construction Group Co., Ltd. (“Luqiao Urban Construction”) and Taizhou Luqiao Water Supply entered into the equity transfer agreement (the “Luqiao Equity Transfer Agreement”), pursuant to which Luqiao Urban Construction has conditionally agreed to sell, and the Company has conditionally agreed to purchase, 45% equity interest in Taizhou Luqiao Water Supply at a consideration of RMB124,420,000, subject to adjustment.

On 15 July 2021, the ordinary resolutions approving the Jiaojiang Equity Transfer Agreement and the Luqiao Equity Transfer Agreement were passed by the independent Shareholders by way of poll at the 2021 first extraordinary general meeting. For further details, please refer to the circular of the Company dated 24 June 2021 and the announcements of the Company dated 20 May 2021 and 15 July 2021.

On 15 July 2021, the Company, China Agricultural Development Key Construction Fund Co., Ltd. (the “Vendor”) and Taizhou Zhuxi Reservoir Development Co., Ltd. (“Zhuxi Reservoir Development”) entered into the equity transfer agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, 9.375% equity interest in Zhuxi Reservoir Development at a consideration of RMB75,000,000. For further details, please refer to the announcement of the Company dated 15 July 2021.