



# 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  
**2022**



# CONTENT

Corporate Information	2
Definitions	4
Financial Highlights	6
Management Discussion and Analysis	7
Other Information	13
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	19
Interim Condensed Consolidated Statement of Financial Position	20
Interim Condensed Consolidated Statement of Changes in Equity	22
Interim Condensed Consolidated Statement of Cash Flows	24
Notes to Interim Condensed Consolidated Financial Statements	26



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Yang Jun (*Chairman of the Board*)  
 Mr. Pan Gang (appointed on 28 June 2022)  
 Mr. Zhang Junzhou (resigned on 28 June 2022)

### 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. Lin Yang

### Independent Non-executive Directors

Mr. Huang Chun  
 Ms. Lin Suyan  
 Ms. Hou Meiwen  
 Mr. Li Wai Chung  
 Mr. Wang Yongyue

## REMUNERATION COMMITTEE

Mr. Wang Yongyue (*Chairman*)  
 Mr. Yang Jun  
 Mr. Pan Gang (appointed on 28 June 2022)  
 Mr. Huang Chun  
 Ms. Lin Suyan

## NOMINATION COMMITTEE

Mr. Yang Jun (*Chairman*)  
 Mr. Yu Yangbin  
 Mr. Yang Yide  
 Mr. Huang Chun  
 Ms. Lin Suyan  
 Ms. Hou Meiwen  
 Mr. Wang Yongyue

## AUDIT COMMITTEE

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

## STRATEGY COMMITTEE

Mr. Yang Jun (*Chairman*)  
 Mr. Pan Gang (appointed on 28 June 2022)  
 Mr. Wang Haibo  
 Ms. Fang Ya  
 Ms. Huang Yuyan  
 Mr. Lin Yang  
 Mr. Huang Chun

## JOINT COMPANY SECRETARIES

Ms. Siu Pui Wah  
 Ms. Zheng Ranhan

## 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  
Suite 509, Tower A  
Corporate Square, 35 Financial Street  
Xicheng District, Beijing 100033  
PRC

**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 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
“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
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the 6-month period from 1 January 2022 to 30 June 2022

## 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
“Strategy Committee”	the strategy committee of the Board
“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	
	2022 RMB'000	2021 RMB'000
Revenue	<b>236,020</b>	259,779
Profit before tax	<b>55,112</b>	92,749
Income tax expense	<b>(17,521)</b>	(23,942)
Profit and other comprehensive income for the period	<b>37,591</b>	68,807
Attributable to:		
Owners of the parent	<b>31,597</b>	60,892
Non-controlling interests	<b>5,994</b>	7,915
	<b>37,591</b>	68,807
Earnings per share attributable to ordinary equity holders of the parent Basic and diluted (RMB)	<b>0.16</b>	0.30

## ASSETS AND LIABILITIES

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
	Total assets	<b>5,236,486</b>
Total liabilities	<b>4,088,740</b>	3,725,539
Total equity	<b>1,147,746</b>	1,130,368
Equity attributable to owners of the parent	<b>920,558</b>	923,174
Non-controlling interests	<b>227,188</b>	207,194
Net assets	<b>1,147,746</b>	1,130,368

# 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 2022 is the second year of implementing the 14th Five-Year Plan. 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 successfully completed the integration of water supply services in this year. Through the acquisition of equity interests in other water supply companies in Taizhou, the Group enjoys the benefits of an expanded industrial chain and economic scale, which strengthens its position as a leading water supply service provider in Taizhou.

The Group will continue to explore 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.

## 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. Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV) are specifically launched to cater for (i) the increasing demand for water supply in the Jiaojiang District, the Luqiao District and the east of Wenling; and (ii) the anticipated demand for water supply as a result of the establishment of increasing economic activities in the Taizhou Bay Economic Zone and the South Bay Zone. On 14 July 2022, the water test run of the Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV) commenced. As at the date of this interim report, the construction of the water supply systems has been substantially completed and the water supply systems are pending the completion of inspection.

## Management Discussion and Analysis

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.

### 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) (“**Wenling Zeguo Water Supply**”). 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 58.9 million tonnes, representing an increase of 0.4 million tonnes as compared with 58.5 million tonnes for the six months ended 30 June 2021.

### 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 to local municipal water service providers. During the Reporting Period, municipal water sales volume was 58.7 million tonnes, representing a decrease of 11.6 million tonnes as compared with 70.3 million tonnes for the six months ended 30 June 2021.

### 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 5.2 million tonnes for the six months ended 30 June 2021.

### 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 RMB11.9 million, representing an increase of RMB5.1 million as compared to approximately RMB6.8 million for the six months ended 30 June 2021.

### 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 the water test run commenced in July 2022. As at the date of this interim report, the construction of the water supply systems has been substantially completed and the water supply systems are pending the completion of inspection. Upon completion of its construction, the Group plans to apply for the relevant permit to supply tap water directly to end-users in the areas the Taizhou Water Supply System (Phase III) passes through.

The construction of the Taizhou Water Supply System (Phase IV) commenced in November 2018 and the water test run commenced in July 2022. As at the date of this interim report, the construction of the water supply systems has been substantially completed and the water supply systems are pending the completion of inspection. The Group is, as at the date of this interim report, applying for the relevant permit to supply tap water directly to the end-users in Yuhuan City.

During the Reporting Period, the Group relentlessly pushed the progress of the construction projects. These two new water supply systems will further enhance the leading position of the Group in the water supply industry in Taizhou. Upon completion of inspections of the Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV), the total designed raw water supply capacity of the four water supply systems operated by the Group is expected to reach 1,220,000 tonnes per day. The total designed municipal water supply capacity is expected to reach 750,000 tonnes per day, representing an increase of 104.9% from that of the current two water supply systems.

## 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 decreased by RMB23.8 million or 9.2%, from approximately RMB259.8 million for the six months ended 30 June 2021 to approximately RMB236.0 million for the Reporting Period.

##### (1) Raw water supply

Revenue of the Group generated from sales of raw water increased by RMB0.2 million or 0.3%, from approximately RMB59.5 million for the six months ended 30 June 2021 to approximately RMB59.7 million for the Reporting Period.

##### (2) Municipal water supply

Revenue of the Group generated from sales of municipal water decreased by RMB29.5 million or 17.2%, from approximately RMB171.6 million for the six months ended 30 June 2021 to approximately RMB142.1 million for the Reporting Period. The decrease was mainly attributable to the new water plant in Daxi, Wenling during the Reporting Period, municipal water sales volume decreased from 70.3 million tonnes for the six months ended 30 June 2021 to 58.7 million tonnes for the Reporting Period.

##### (3) Tap water supply

Revenue of the Group generated from sales of tap water increased by RMB0.4 million or 1.8%, from approximately RMB21.9 million for the six months ended 30 June 2021 to approximately RMB22.3 million for the Reporting Period.

##### (4) Installation services

Revenue of the Group generated from installation services increased by RMB5.1 million or 75%, from approximately RMB6.8 million for the six months ended 30 June 2021 to approximately RMB11.9 million for the Reporting Period. The increase was mainly due to the renovation project for the village-level pipelines and new construction of the railway new district and other main pipeline projects.

##### 1.2 Cost of sales

The Group's cost of sales decreased by RMB1.4 million or 1.0%, from approximately RMB141.7 million for the six months ended 30 June 2021 to approximately RMB140.3 million for the Reporting Period. The decrease was mainly due to the decrease in municipal water sales volume.

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

As a result of the above, the Group's gross profit decreased by RMB22.4 million or 19.0%, from approximately RMB118.1 million for the six months ended 30 June 2021 to approximately RMB95.7 million for the Reporting Period. Gross profit margin decreased from 45.5% for the six months ended 30 June 2021 to 40.6% for the Reporting Period.

## Management Discussion and Analysis

### 1.4 *Other income and gains*

Other income and gains decreased by RMB2.2 million or 29.7%, from approximately RMB7.4 million for the six months ended 30 June 2021 to approximately RMB5.2 million for the Reporting Period. The decrease was mainly due to the decrease in revenue for the Reporting Period, resulting in the reduction of VAT refund.

### 1.5 *Administrative expenses*

Administrative expenses increased by RMB0.3 million or 1.2%, from approximately RMB25.9 million for the six months ended 30 June 2021 to approximately RMB26.2 million for the Reporting Period. Such increase was mainly due to the increase in employee benefit expenses.

### 1.6 *Finance costs*

Finance costs increased by RMB0.9 million or 13.6%, from approximately RMB6.6 million for the six months ended 30 June 2021 to approximately RMB7.5 million for the Reporting Period. The increase was mainly due to new loans.

### 1.7 *Income tax expense*

Income tax expense decreased by RMB6.4 million or 26.8%, from approximately RMB23.9 million for the six months ended 30 June 2021 to approximately RMB17.5 million for the Reporting Period. Such decrease was primarily due to the decrease in profit before tax.

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

As a result of above, profit for the Reporting Period decreased by RMB31.2 million or 45.3%, from approximately RMB68.8 million for the six months ended 30 June 2021 to approximately RMB37.6 million for the Reporting Period. Profit margin after tax decreased from 26.5% for the six months ended 30 June 2021 to 15.9% for the Reporting Period. The decrease was mainly due to the decrease in the revenue from municipal water.

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

### 2.1 *Property, plant and equipment*

As at 31 December 2021 and 30 June 2022, property, plant and equipment were approximately RMB3,582.5 million and RMB3,930.5 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 2021 and 30 June 2022, right-of-use assets were approximately RMB395.2 million and RMB383.3 million, respectively.

### 2.3 *Inventories*

As at 31 December 2021 and 30 June 2022, inventories were approximately RMB4.9 million and RMB5.0 million, respectively. Inventories mainly comprised chemicals used in the water treatment process.

## Management Discussion and Analysis

### 2.4 Trade receivables

As at 31 December 2021 and 30 June 2022, trade receivables were approximately RMB100.4 million and RMB90.5 million, respectively. Trade receivables were related to receivables from customers of the water supply business. This is due to the decrease in revenue of municipal water supply and the increase in the collection of receivables.

### 2.5 Prepayments, other receivables and other assets

As at 31 December 2021 and 30 June 2022, prepayments, other receivables and other assets were approximately RMB23.6 million and RMB18.0 million, respectively.

### 2.6 Trade payables

As at 31 December 2021 and 30 June 2022, trade payables were approximately RMB61.7 million and RMB61.1 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 2021 and 30 June 2022, other payables and accruals were approximately RMB764.4 million and RMB701.1 million, respectively.

### 2.8 Deferred government grants

As at 31 December 2021 and 30 June 2022, deferred government grants were approximately RMB106.9 million and RMB154.6 million, respectively. Such increase was mainly due to the subsidy received from the Yuhuan Water Conservancy Bureau for Taizhou Water Supply System (Phase IV).

### 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 2022, cash and bank balance of the Group was approximately RMB232.7 million (as at 31 December 2021: approximately RMB190.7 million). As at 30 June 2022, total borrowings of the Group were approximately RMB3,105.0 million (as at 31 December 2021: approximately RMB2,742.0 million) and included bank and other loans, with 83.6% of bank and other loans at floating rates. As at 30 June 2022, gearing ratio of the Group (total debts divided by total equity as at the end of the period) was 270.5% (as at 31 December 2021: 242.6%). The increase in gearing ratio was mainly due to the increase in bank and other borrowings of approximately RMB363.0 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 2022, the Group did not hold any significant investment in equity interest in any other company (for the six months ended 30 June 2021: nil).

### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

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

On 21 January 2022, the then shareholders of Taizhou Zhuxi Reservoir Development Co., Ltd.\* (台州市朱溪水庫開發有限公司) (“**Zhuxi Reservoir Development**”) resolved to increase the registered capital of Zhuxi Reservoir Development from RMB800.0 million to RMB950.0 million and that the then shareholders of Zhuxi Reservoir Development shall each contribute to the capital injection (in sum of RMB150.0 million) on a pro rata basis to their existing shareholding in Zhuxi Reservoir Development (the “**Zhuxi Capital Injection**”). As at the date of this interim report, the Zhuxi Capital Injection has been completed and the Company’s total capital contribution to Zhuxi Reservoir Development increased from RMB200.0 million to RMB237.5 million and the Company’s equity interest in Zhuxi Reservoir Development remains unchanged at 25%.

For further details of the Zhuxi Capital Injection, please refer to the announcements of the Company dated 21 January 2022 and 10 February 2022.

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.

### PLEDGE OF THE GROUP’S ASSETS

As at the end of the Reporting Period, the bank borrowings of the Group amounted to approximately RMB3,105.0 million (as at 31 December 2021: approximately

RMB2,742.0 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 denominated and declared dividends in RMB. Dividend on Domestic Share will be paid in RMB and dividend on H Share will be paid in Hong Kong dollar. The Group recognised net foreign exchange gains of approximately RMB30,302 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 2021: nil).

### SUBSEQUENT EVENTS AFTER REPORTING PERIOD

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 2022, the Group had 230 employees (as at 30 June 2021: 199). During the Reporting Period, the employee benefit expenses amounted to approximately RMB36.6 million (for the six months ended 30 June 2021: RMB31.6 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.

## 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 2022 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 2022 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. Zhang Junzhou resigned as the general manager of the Company with effect from 25 January 2022 and the vice chairman of the Company, executive Director and the member of each of the Remuneration Committee and the Strategy Committee with effect from 28 June 2022.

Mr. Pan Gang was appointed as the general manager of the Company with effect from 25 January 2022 and the vice chairman of the Company, executive Director and the member of each of the Remuneration Committee and the Strategy Committee with effect from 28 June 2022.

Mr. Lu Huaping resigned as the Shareholder representative Supervisor with effect from 28 June 2022.

Ms. He Lin was appointed as the Shareholder representative Supervisor with effect from 28 June 2022.

Mr. Chen Tao resigned as the Shareholder representative Supervisor with effect from 5 August 2022.

Ms. Huang Yuyan resigned as the deputy general manager of Taizhou Luqiao Public Assets Investment Management Group Co., Ltd. (formerly known as Taizhou Luqiao Public Assets Investment Management Co., Ltd.), a substantial shareholder of the Company ("**Taizhou Luqiao Public Assets**"), in April 2022 and is now the director of Taizhou Luqiao Public Assets.

From May 2020 to February 2022, Mr. Guo Dingwen had been working in the Finance Department of Wenling Hongzhi Labour Dispatching Co., Ltd.\*; since March 2022, he has been working in the Finance Department of Wenling Cunzhi Foreign Language School.

Mr. Chen Guojun resigned as the chairman and general manager of Wenling Zeguo Water Supply in August 2022.

Mr. Xu Junwei resigned as the chairman of supervisory committee of Taizhou City Water Co., Ltd.\* (台州城市水務有限公司), a subsidiary of the Company ("**Taizhou City Water**"), in August 2022.

Mr. Bao Liwan resigned as the general manager of Taizhou City Water in August 2022.

Ms. Lin Suyan was appointed as an independent director of Hangzhou Heshun Technology Co., Ltd.\* (杭州和順科技股份有限公司), a company listed on the Shenzhen Stock Exchange in March 2022 with stock code 301237.SZ, in December 2019.

Mr. Wang Haiping has tendered his resignation as a non-executive Director and a member of the Audit Committee on 5 August 2022. The resignation will take effect from the date of the next general meeting of the Shareholders of the Company to approve the appointment of Mr. Lin Genman as a non-executive Director.

## Other Information

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

As at 30 June 2022, 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**

Name of Director	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 (%)
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 2022, 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 2022, 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 2022, 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.* <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%
Zhejiang Taxin Asset Management Co., Ltd.* <sup>(5)</sup>	Beneficial owner	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 (%)
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	11,999,000	23.99%	6.00%
Billion Shine International Investment Limited <sup>(8)</sup>	Interest in controlled corporation	H Shares	11,999,000	23.99%	6.00%
Innovax Holdings Limited <sup>(8)</sup>	Interest in controlled corporation	H Shares	11,999,000	23.99%	6.00%
Ms. Lee Yin Har <sup>(9)</sup>	Interest of spouse	H Shares	11,999,000	23.99%	6.00%
Orient Fund Management Co., Ltd.*	Trustee	H Shares	4,860,000	9.72%	2.43%
PING AN TRUST CO., LTD	Trustee	H Shares	3,616,000	7.23%	1.81%

\* For identification purpose only

## Other Information

## Notes:

- (1) As at 30 June 2022, 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 Sanmin Culture Communication Co., Ltd. is wholly-owned by Shanghai Lipin Enterprise (Group) Co., Ltd.. Shanghai Lipin Enterprise (Group) Co., Ltd. is in turn owned as to 99.70% by Mr. Ying Wenhua. By virtue of the SFO, each of Shanghai Lipin Enterprise (Group) Co., Ltd. and Mr. Ying Wenhua is deemed to be interested in the Domestic Shares held by Shanghai Lipin Sanmin Culture Communication 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 2022, 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 2022, 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 2022 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, 31 August 2022

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

For the six months ended 30 June 2022

	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
<b>REVENUE</b>	4	<b>236,020</b>	259,779
Cost of sales		<b>(140,296)</b>	(141,683)
Gross profit		<b>95,724</b>	118,096
Other income and gains	4	<b>5,229</b>	7,368
Administrative expenses		<b>(26,176)</b>	(25,947)
Other expenses		<b>(142)</b>	(168)
Finance costs	6	<b>(7,512)</b>	(6,600)
Share of profits and losses of associates		<b>(12,011)</b>	–
<b>PROFIT BEFORE TAX</b>	5	<b>55,112</b>	92,749
Income tax expense	7	<b>(17,521)</b>	(23,942)
<b>PROFIT FOR THE PERIOD</b>		<b>37,591</b>	68,807
Attributable to:			
Owners of the parent		<b>31,597</b>	60,892
Non-controlling interests		<b>5,994</b>	7,915
		<b>37,591</b>	68,807
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic and diluted (RMB)		<b>0.16</b>	0.30
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates		<b>(213)</b>	–
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>(213)</b>	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>37,378</b>	68,807
Attributable to:			
Owners of the parent		<b>31,384</b>	60,892
Non-controlling interests		<b>5,994</b>	7,915
		<b>37,378</b>	68,807

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	3,930,505	3,582,469
Prepayments for property, plant and equipment		7,001	15,029
Prepayments for land use rights		165	165
Other intangible assets		303	290
Investment in associates		528,975	503,699
Deferred tax assets		22,321	22,008
Right-of-use assets		383,307	395,152
Total non-current assets		4,872,577	4,518,812
<b>CURRENT ASSETS</b>			
Inventories		5,033	4,896
Trade receivables	11	90,511	100,364
Prepayments, other receivables and other assets		18,032	23,602
Pledged bank deposits	12	17,660	17,534
Cash and cash equivalents	12	232,673	190,699
Total current assets		363,909	337,095
<b>CURRENT LIABILITIES</b>			
Trade payables	13	61,077	61,683
Other payables and accruals		701,082	764,365
Interest-bearing bank and other borrowings	15	147,796	89,240
Deferred government grants		3,225	3,261
Lease liabilities		18,829	19,729
Tax payable		13,446	29,390
Dividend payable		34,000	–
Total current liabilities		979,455	967,668
<b>NET CURRENT LIABILITIES</b>		<b>(615,546)</b>	<b>(630,573)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,257,031</b>	<b>3,888,239</b>

## Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	Note	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,257,031</b>	3,888,239
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	15	<b>2,957,170</b>	2,652,743
Deferred government grants		<b>151,348</b>	103,595
Other liabilities		<b>767</b>	1,533
Total non-current liabilities		<b>3,109,285</b>	2,757,871
Net assets		<b>1,147,746</b>	1,130,368
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		<b>200,000</b>	200,000
Reserves		<b>720,558</b>	723,174
		<b>920,558</b>	923,174
Non-controlling interests		<b>227,188</b>	207,194
Total equity		<b>1,147,746</b>	1,130,368

**Yang Jun**  
Director

**Pan Gang**  
Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent							
	Share capital	Capital reserve*	Statutory		Retained profits*	Total	Non-controlling interests	Total equity
			surplus reserve*	reserve*				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2022 (audited)	200,000	120,464	63,185	539,525	923,174	207,194	1,130,368	
Profit for the period	-	-	-	31,597	31,597	5,994	37,591	
Other comprehensive income for the period:								
Share of other comprehensive income of associates	-	(213)	-	-	(213)	-	(213)	
Total comprehensive income for the period	-	(213)	-	31,597	31,384	5,994	37,378	
Final 2021 dividend declared	-	-	-	(34,000)	(34,000)	-	(34,000)	
Transfer to statutory surplus reserve	-	-	599	(599)	-	-	-	
Capital contribution by a non-controlling shareholder	-	-	-	-	-	14,000	14,000	
At 30 June 2022 (unaudited)	200,000	120,251	63,784	536,523	920,558	227,188	1,147,746	

\* These reserve accounts comprise the consolidated reserves of RMB720,558,000 in the consolidated statement of financial position as at 30 June 2022.

## Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	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 CASH FLOWS

For the six months ended 30 June 2022

	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		55,112	92,749
Adjustments for:			
Loss/(gain) on disposal of items of property, plant and equipment		32	(41)
Finance costs	6	7,512	6,600
Depreciation of property, plant and equipment	5	26,452	26,354
Share of losses of associates		12,011	–
Depreciation of right-of-use assets		4,414	4,493
Amortisation of government grants		(1,889)	(1,636)
Amortisation of other intangible assets		67	42
Impairment of trade receivables, net	11	102	402
Impairment of financial assets included in prepayments, other receivables and other assets		6	9
Foreign exchange differences, net	5	(30)	86
		<b>103,789</b>	129,058
Increase in inventories		(137)	(553)
(Increase)/decrease in trade receivables		9,751	(15,967)
(Increase)/decrease in prepayments, other receivables and other assets		5,800	(4,010)
Increase/(decrease) in trade payables		(606)	495
Increase/(decrease) in other payables and accruals		(39,695)	59,685
Increase in government grants		49,605	–
Decrease in other non-current assets		(766)	–
Cash generated from operations		<b>127,741</b>	168,708
Income tax paid		(33,811)	(21,980)
Net cash flows from operating activities		<b>93,930</b>	146,728

## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Note	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(321,278)	(417,292)
Prepayments for right-of-use assets		(3,829)	(6,726)
Proceeds from disposal of items of property, plant and equipment		2,249	57
Increase in pledged bank deposits		(126)	(172)
Purchase of intangible assets		(80)	–
Additional investments in an associate		(37,500)	–
Net cash flows used in investing activities		(360,564)	(424,133)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital contribution from a non-controlling shareholder		14,000	–
Repayment of bank and other borrowings		(281,500)	–
New borrowings		644,483	440,000
Interest paid		(68,405)	(49,104)
Net cash flows from financing activities		308,578	390,896
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of period		190,699	230,369
Effect of foreign exchange rate changes, net		30	(50)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>232,673</b>	<b>343,810</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position and interim condensed consolidated statement of cash flows	12	232,673	343,810

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

## 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 and 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	RMB260,000,000	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	RMB200,000,000	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 2022

## 2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2022 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 2021.

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.

### Going concern assumption

As at 30 June 2022, the Group's net current liabilities amounted to approximately RMB615,546,000. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. In preparing the financial statements, the directors of the Company have considered the Group's sources of liquidity and believe that adequate funding is available to fulfill the Group's debt obligations and capital expenditure requirements. Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

## 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 2021, 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 3

Amendment to HKFRS 16

Amendments to HKAS 16

Amendments to HKAS 37

*Annual Improvements to HKFRSs 2018-2020*

*Reference to the Conceptual Framework*

*Covid-19-Related Rent Concessions beyond 30 June 2021*

*Property, Plant and Equipment: Proceeds before Intended Use*

*Onerous Contracts – Cost of Fulfilling a Contract*

Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

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

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
  
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

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

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

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
  - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

### 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 2022 and 2021 are set out below:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Customer 1	71,920	71,984
Customer 2	45,855	45,232
Customer 3	41,342	63,568
Customer 4	N/A*	29,185

\* The corresponding revenue from the customer is not disclosed as the revenue did not individually account for 10% or more of the Group's revenue for the year.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

## 4. Revenue, other income and gains

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from contracts with customers	236,020	259,779

## Revenue from contracts with customers

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Type of goods or services</b>		
Sale of water	224,087	253,019
Installation services	11,933	6,760
Total revenue from contracts with customers	236,020	259,779
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	224,087	253,019
Services transferred over time	11,933	6,760
Total revenue from contracts with customers	236,020	259,779

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Other income</b>		
Value added tax refund	3,865	6,038
Bank interest income	836	1,262
Foreign exchange gain, net	30	–
Government grants	199	–
Others	299	27
	<b>5,229</b>	<b>7,327</b>
<b>Gain</b>		
Gain on disposal of items of property, plant and equipment	–	41
	<b>5,229</b>	<b>7,368</b>

## 5. Profit before tax

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of inventories sold	132,418	136,220
Cost of services provided	7,878	5,463
Depreciation of property, plant and equipment	26,452	26,354
Depreciation of right-of-use assets	4,414	4,493
Amortisation of other intangible assets	67	42
Impairment of trade receivables, net	102	402
Impairment of financial assets included in prepayments, other receivables and other assets	6	9
Government grants	(199)	–
Exchange differences, net	(30)	86
Loss/(gain) on disposal of items of property, plant and equipment	32	(41)

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

## 6. Finance costs

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest on bank borrowings	61,328	42,016
Interest on other borrowings	7,219	7,219
Less: Interest capitalised	(61,035)	(42,635)
	<b>7,512</b>	6,600

## 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, the provision for current income tax in Mainland China was based on the statutory rate of 25% (the six months ended 30 June 2021: 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.

Taizhou Environmental Development Co., Ltd. is qualified as a small and low-profit enterprise and was entitled to a preferential income tax rate of 2.5% (the six months ended 30 June 2021: 5%) for the taxable income less than or equal to RMB1,000,000 and a preferential income tax rate of 10% (the six months ended 30 June 2021: 10%) for the taxable income between RMB1,000,000 and RMB3,000,000 during the period.

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax – Mainland China		
Charge for the period	18,916	24,293
Deferred tax	(1,395)	(351)
Total tax charge for the period	<b>17,521</b>	23,942

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

## 8. Dividends

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Final declared and unpaid – RMB0.17 (2021: RMB0.17) per ordinary share	<b>34,000</b>	34,036

A final dividend of RMB0.17 (equivalent to HK\$0.1992) per ordinary share for the year ended 31 December 2021 of RMB34,000,000 was approved by shareholders of the Company on 28 June 2022.

The Board did not declare any interim dividend for the six months ended 30 June 2022 (the six months ended 30 June 2021: 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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<b>31,597</b>	60,892

	Number of shares For the six months ended 30 June	
	2022 (Unaudited)	2021 (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

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

## 10. Property, plant and equipment

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Carrying amount at beginning of period/year	3,582,469	2,545,168
Additions	366,774	1,068,015
Capitalisation of depreciation of right-of-use assets	10,360	23,479
Disposals	(2,281)	(26)
Depreciation provided during period/year	(26,817)	(54,167)
Carrying amount at end of period/year	3,930,505	3,582,469

## 11. Trade receivables

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	18,517	17,299
Due from related parties (note 17(b))	125,281	136,250
	143,798	153,549
Impairment	(53,287)	(53,185)
	90,511	100,364

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 2022, certain of the Group's trade receivables with a carrying amount of RMB76,658,000 (31 December 2021: RMB87,659,000) were pledged to secure the Group's bank loans (note 15).

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	89,883	99,509
3 to 6 months	-	-
6 to 12 months	5	-
1 to 2 years	-	-
2 to 3 years	623	855
	90,511	100,364

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash and bank balances	<b>232,673</b>	190,699
Pledged bank deposits	<b>17,660</b>	17,534
	<b>250,333</b>	208,233
Less: Pledged deposits for land reclamation fee	<b>(17,660)</b>	(17,534)
Cash and cash equivalents	<b>232,673</b>	190,699
Denominated in:		
RMB	<b>231,993</b>	190,001
Hong Kong dollars ("HK\$")	<b>680</b>	698
Cash and cash equivalents	<b>232,673</b>	190,699

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. Pledged bank deposits mainly represent deposits pledged to banks to secure land reclamation fee. The pledged bank deposits carry interest at floated rates which range from 0.450% to 1.550% (2021: 0.450% to 1.550%) per annum. The bank balances and pledged bank deposits are deposited with creditworthy banks with no recent history of default.

## 13. Trade payables

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables	<b>61,077</b>	61,683

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

## 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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	16,318	43,082
3 to 6 months	1,667	15,152
6 to 12 months	39,692	49
Over 12 months	3,400	3,400
	<b>61,077</b>	61,683

## 14. Share Capital

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Issued and fully paid:		
Domestic shares of 150,000,000 (2021: 150,000,000) of RMB1.00 each	150,000	150,000
H shares of 50,000,000 (2021: 50,000,000) of RMB1.00 each	50,000	50,000
	<b>200,000</b>	200,000

All domestic shares and H shares rank pari passu with each other in terms of dividend and voting rights.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

## 15. Interest-bearing bank and other borrowings

	Effective interest rate (%)	Maturity	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>Current</b>				
<b>Current portion of bank loans</b>				
Bank loans – secured	4.20	2022	–	30,000
Bank loans – secured	4.90	2022	6,406	8,240
Bank loans – secured	4.25	2022	1,000	–
Bank loans – secured	4.90	2023	13,907	–
Bank loans – secured	4.25	2023	1,000	–
Bank loans – unsecured	3.71	2023	18,000	–
Bank loans – unsecured	3.80	2023	30,000	–
Bank loans – unsecured	4.00	2023	26,483	–
<b>Current portion of bank loans</b>				
<b>Other borrowings</b>				
Other borrowings – secured	2.80	2022	51,000	51,000
			<b>147,796</b>	89,240
<b>Non-current</b>				
<b>Bank loans</b>				
Bank loans – secured	4.25	2035–2043	315,000	–
Bank loans – secured	4.30	2045–2046	32,000	–
Bank loans – secured	4.45	2046	30,000	–
Bank loans – secured	4.50	2044–2049	340,000	290,000
Bank loans – secured	4.51	2047	45,000	45,000
Bank loans – secured	4.60	2039–2047	510,000	420,000
Bank loans – secured	4.63	2041–2044	130,000	130,000
Bank loans – secured	4.75	2045	50,000	50,000
Bank loans – secured	4.90	2025–2049	1,046,170	1,095,743
Bank loans – secured	5.15	2027–2028	–	163,000
<b>Other borrowings</b>				
Other borrowings – secured	2.80	2041	459,000	459,000
			<b>2,957,170</b>	2,652,743
			<b>3,104,966</b>	2,741,983

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year	96,796	38,240
In the second year	23,825	12,480
In the third to fifth years, inclusive	97,008	170,508
Beyond five years	2,377,337	2,010,755
	<b>2,594,966</b>	2,231,983
Other borrowings repayable:		
Within one year	51,000	51,000
In the second year	–	–
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>3,104,966</b>	2,741,983

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 RMB76,658,000 (31 December 2021: RMB87,659,000) (note 11) and the Company's and Taizhou City Water's 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 generated by Taizhou water supply system (Phase IV).
- (b) A subsidiary of the Company has guaranteed certain of the Group's bank loans of up to RMB2,274,883,000 (31 December 2021: RMB2,125,083,000).
- (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 2021: RMB510,000,000).
- (d) The Company has guaranteed certain of the Group's bank loans of up to RMB4,655,100,000 (31 December 2021: RMB4,724,900,000).

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

## 16. Commitments

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted, but not provided for: Pipelines and buildings	<b>768,321</b>	870,498

## 17. 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 Huangyan Water Conservancy Development Group Co., Ltd. ("Huangyan Water Conservancy")	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
Taizhou Luqiao Water Supply Co., Ltd. ("Luqiao Water Supply")	An associate of the Company
Taizhou Huangyan Urban and Rural Water Supply Co., Ltd. ("Huangyan Water Supply")	An associate of the Company
Taizhou Water Supply Co., Ltd. ("Taizhou Water Supply")	An associate of the Company

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

## 17. 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:

	Note	For the six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Associates:			
Purchases of water from:			
Luqiao Water Supply	(i)	5	13
Huangyan Water Supply	(i)	17	18
		<b>22</b>	31
Construction services and other services from:			
Huangyan Water Supply	(i)	13	17
Sales of water to:			
Luqiao Water Supply	(i)	45,855	45,232
Huangyan Water Supply	(i)	23,088	22,950
Taizhou Water Supply	(i)	71,920	71,984
		<b>140,863</b>	140,166
Other related parties:			
Construction services and other services from:			
Taizhou Modern Construction	(i)	14,161	4,217
Zhejiang Taizhou Landscape	(i)	33,690	3,265
		<b>47,851</b>	7,482
Sales of water to:			
Yuhuan Water Supply	(i)	21,120	29,185
Wenling Water Supply	(i)	41,342	63,568
		<b>62,462</b>	92,753

Note:

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

- (b) Other transactions with related parties:

A shareholder of the Company, Taizhou Urban Construction, has guaranteed certain borrowings made to the Group of up to RMB510,000,000 (2021: RMB510,000,000) as at the end of the period, as disclosed in note 15(c) to the financial statements.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

## 17. Related party transactions (Continued)

(c) Outstanding balances with related parties:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Due from related parties:		
<b>Trade in nature</b>		
Taizhou Water Supply	37,862	52,989
Wenling Water Supply	45,922	44,242
Luqiao Water Supply	21,036	21,060
Huangyan Water Supply	14,001	14,117
Yuhuan Water Supply	6,460	3,842
Balance included in trade receivables	125,281	136,250
Zhejiang Taizhou Landscape	–	1,630
Taizhou Modern Construction	–	100
Balance included in prepayments for property, plant and equipment	–	1,730
Due to related parties:		
<b>Trade in nature</b>		
Taizhou Modern Construction	3,501	1,951
Zhejiang Taizhou Landscape	8,076	50
<b>Non-trade in nature</b>		
Huangyan Water Conservancy	88,576	88,576
Balance included in other payables and accruals	100,153	90,577

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

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	2,318	2,251
Pension scheme contributions	123	88
Total compensation paid to key management personnel	2,441	2,339

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

## 18. 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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>Financial liabilities</b>				
Non-current portion of interest-bearing bank and other borrowings	<b>2,957,170</b>	2,652,743	<b>2,941,606</b>	2,636,287

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 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 2022 and 31 December 2021 were assessed to be insignificant.

The Group did not have any financial assets and liabilities measured at fair value as at 30 June 2022 and 31 December 2021.

## Notes to Interim Condensed Consolidated Financial Statements

30 June 2022

## 18. 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 2022**

	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 portion of interest-bearing bank and other borrowings	–	2,941,606	–	2,941,606

As at 31 December 2021

	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 portion of interest-bearing bank and other borrowings	–	2,636,287	–	2,636,287