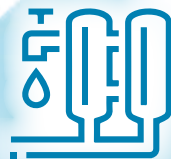




台州市水務集團股份有限公司 Taizhou Water Group Co., Ltd.*

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

Stock code : 1542



2023

INTERIM REPORT

* for identification purposes only

CONTENT

Corporate Information	2
Definitions	4
Financial Highlights	6
Management Discussion and Analysis	7
Other Information	14
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	20
Interim Condensed Consolidated Statement of Financial Position	21
Interim Condensed Consolidated Statement of Changes in Equity	23
Interim Condensed Consolidated Statement of Cash Flows	25
Notes to Interim Condensed Consolidated Financial Statements	27





CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yang Jun (*Chairman of the Board*)
Mr. Pan Gang

Non-executive Directors

Mr. Lin Genman
Ms. Fang Ya
Mr. Yu Yangbin
Mr. Ye Xiaofeng
Mr. Yang Yide
Mr. Guo Dingwen
Mr. Lin Yang
Mr. Shao Aiping (appointed on 30 June 2023)
Mr. Wang Haibo (resigned on 8 May 2023)

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
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. Lin Genman
Ms. Hou Meiwen

STRATEGY COMMITTEE

Mr. Yang Jun (*Chairman*)
Mr. Pan Gang
Ms. Fang Ya
Mr. Ye Xiaofeng
Mr. Lin Yang
Mr. Shao Aiping (appointed on 30 June 2023)
Mr. Huang Chun
Mr. Wang Haibo (resigned on 8 May 2023)

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



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



DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Binhai Water”	Taizhou Binhai Water Co., Ltd.* (台州市濱海水務有限公司), a limited liability company established in the PRC on 7 June 2016 and a subsidiary of our Company owned as to 51% by our Company and 49% by Taizhou City Water, our subsidiary, as at the date of this interim report
“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
“Independent Third Party(ies)”	party(ies) who is (are) not connected person(s) of the Company and its subsidiaries
“Joint Venture Agreement”	the agreement dated 19 April 2023 entered into between the Company and Zhejiang Yongan in relation to the formation of the Joint Venture Company
“Joint Venture Company”	Zhejiang Xianzhiquan Water Co., Ltd.* (浙江仙之泉水業有限公司), a limited liability company established on 24 May 2023 by the Company and Zhejiang Yongan under the laws of the PRC pursuant to the Joint Venture Agreement

* For identification purpose only

Definitions



“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
“Potential Construction Works”	the potential construction works in respect of the construction and installation of water supply pipeline from Taizhou Water Treatment Plant to Jiaojiang District (Luqiao section)
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the 6-month period from 1 January 2023 to 30 June 2023
“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
“Taizhou City Water”	Taizhou City Water Co., Ltd.* (台州城市水務有限公司), a limited liability company established in the PRC on 30 September 2003 and a subsidiary of the Company owned as to 82% by the Company and 18% by Wenling Water Group Co., Ltd.* (溫嶺市水務集團有限公司), respectively, as at the date of this interim report
“Taizhou South Bay Water Supply”	Taizhou South Bay Water Supply Co., Ltd.* (台州市南部灣區水務有限公司), limited liability company established in the PRC on 13 March 2018 and a subsidiary of our Company owned as to 60% by our Company and 40% by Yuhuan Water Supply Group Co., Ltd.* (玉環市水務集團有限公司) as at the date of this interim report
“Zhejiang Yongan”	Zhejiang Yongan Water Group Co., Ltd.* (浙江永安水務集團有限公司), a limited liability company incorporated under the laws of the PRC on 1 June 1977

* For identification purpose only



FINANCIAL HIGHLIGHTS

The Board is pleased to announce the following financial summary:

RESULTS

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Revenue	280,258	236,020
(Loss)/profit before tax	(48,151)	55,112
Income tax expense	(14,422)	(17,521)
(Loss)/profit for the period	(62,573)	37,591
Attributable to:		
Owners of the parent	(50,354)	31,597
Non-controlling interests	(12,219)	5,994
	(62,573)	37,591
(Loss)/earnings per share attributable to ordinary equity holders of the parent Basic and diluted (RMB)	(0.25)	0.16

ASSETS AND LIABILITIES

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
	Total assets	5,699,103
Total liabilities	4,610,899	4,571,077
Total equity	1,088,204	1,166,571
Equity attributable to owners of the parent	877,756	943,904
Non-controlling interests	210,448	222,667
Net assets	1,088,204	1,166,571



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2020, the Party Central Committee published the 14th Five-Year Plan* (「十四五」規劃), 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”* (《台州市「十四五」水安全保障規劃》), 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 2023 is the third 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. With the fundamental goal of improving the water security guarantee capability in the southern area of Taizhou, the Group strives for excellence in the construction and management of water resource allocation projects this year.

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), the Taizhou Water Supply System (Phase II), the Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV), with a designed raw water supply capacity of approximately 1,220,000 tonnes per day, and a designed municipal water supply capacity of 750,000 tonnes per day in southern Taizhou.

* For identification purpose only



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. The Taizhou Water Supply System (Phase III) has a raw water supply capacity of 480,000 tonnes per day, including a raw water supply capacity of 150,000 tonnes per day for the Taizhou Water Supply System (Phase IV). During the Reporting Period, the raw water sales volume was 64.5 million tonnes, representing an increase of 5.6 million tonnes as compared with 58.9 million tonnes for the six months ended 30 June 2022.

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. The water treatment plant in the East Zone of the Taizhou Water Supply System (Phase III) has a designed municipal water supply capacity of 284,000 tonnes per day and the South Bay water treatment plant of the Taizhou Water Supply System (Phase IV) has a designed municipal water supply capacity of 100,000 tonnes per day. During the Reporting Period, municipal water sales volume was 76.0 million tonnes, representing an increase of 17.3 million tonnes as compared with 58.7 million tonnes for the six months ended 30 June 2022.

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 Zenguo Town). During the Reporting Period, tap water sales volume was 5.3 million tonnes, as compared to 5.2 million tonnes for the six months ended 30 June 2022.

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 RMB4.1 million, representing a decrease of RMB7.8 million as compared to approximately RMB11.9 million for the six months ended 30 June 2022.



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 put into operation in October 2022.

The construction of the Taizhou Water Supply System (Phase IV) commenced in November 2018 and put into operation in August 2022.

During the Reporting Period, the Group was actively promoting the inspections, rectification and settlement of the tender section works of the Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV). Meanwhile, the Group initiated the approval of changes in the construction of the Taizhou Water Supply System (Phase III) and the adjustment of the estimate.

In addition, on 31 March 2023, the Board resolved to approve the potential construction works in respect of the construction and installation of water supply pipeline from Taizhou Water Treatment Plant to Jiaojiang District (Luqiao section) (the **“Potential Construction Works”**). Taizhou City Water Co., Ltd. shall select the potential contractor to conduct the Potential Construction Works by way of tender. The tender document in respect of the Potential Construction Works were submitted to and made available on the government’s website of Taizhou Public Resource Trading Network (台州市公共資源交易網) on 7 June 2023. The Company will hold a separate general meeting to seek the approval from the shareholders of the Company (the **“Shareholders”**) with respect to the Potential Construction Works in due course. For further details of the Potential Construction Works, please refer to the announcements of the Company dated 31 March 2023 and 30 May 2023.



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 RMB44.3 million or 18.8%, from approximately RMB236.0 million for the six months ended 30 June 2022 to approximately RMB280.3 million for the Reporting Period.

(1) Raw water supply

Revenue of the Group generated from sales of raw water increased by RMB10.1 million or 16.9%, from approximately RMB59.7 million for the six months ended 30 June 2022 to approximately RMB69.8 million for the Reporting Period.

(2) Municipal water supply

Revenue of the Group generated from sales of municipal water increased by RMB40.9 million or 28.8%, from approximately RMB142.1 million for the six months ended 30 June 2022 to approximately RMB183.0 million for the Reporting Period. The increase was mainly attributable to the commencement of operations in the second half of 2022 for both the Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV), managed by Binhai Water and Taizhou South Bay Water Supply, respectively. As at the date of this interim report, both Binhai Water and

Taizhou South Bay Water Supply are subsidiaries of the Company. As a result, the Group's municipal water sales volume increased from 58.7 million tonnes for the six months ended 30 June 2022 to 76.0 million tonnes for the Reporting Period.

(3) Tap water supply

Revenue of the Group generated from sales of tap water increased by RMB1.1 million or 4.9%, from approximately RMB22.3 million for the six months ended 30 June 2022 to approximately RMB23.4 million for the Reporting Period.

(4) Installation services

Revenue of the Group generated from installation services decreased by RMB7.8 million or 65.5%, from approximately RMB11.9 million for the six months ended 30 June 2022 to approximately RMB4.1 million for the Reporting Period. The decrease was mainly due to the decrease of municipal mains installation projects.

1.2 Cost of sales

The Group's cost of sales increased by RMB79.0 million or 56.3%, from approximately RMB140.3 million for the six months ended 30 June 2022 to approximately RMB219.3 million for the Reporting Period. The increase was mainly due to the increase of depreciation after the Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV) were put into operation.

Management Discussion and Analysis



1.3 *Gross profit and gross profit margin*

As a result of the above, the Group's gross profit decreased by RMB34.7 million or 36.3%, from approximately RMB95.7 million for the six months ended 30 June 2022 to approximately RMB61.0 million for the Reporting Period. Gross profit margin decreased from 40.6% for the six months ended 30 June 2022 to 21.8% for the Reporting Period.

1.4 *Other income and gains*

Other income and gains increased by RMB2.9 million or 55.8%, from approximately RMB5.2 million for the six months ended 30 June 2022 to approximately RMB8.1 million for the Reporting Period. The increase was mainly due to the increase in revenue of Binhai Water for the Reporting Period, resulting in the increase of VAT refund.

1.5 *Administrative expenses*

Administrative expenses increased by RMB12.8 million or 48.9%, from approximately RMB26.2 million for the six months ended 30 June 2022 to approximately RMB39.0 million for the Reporting Period because the wages and other expenses originally included in the construction-in-progress were transferred to administrative expenses after the Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV) were put into operation.

1.6 *Finance costs*

Finance costs increased by RMB53.7 million or 716.0%, from approximately RMB7.5 million for the six months ended 30 June 2022 to approximately RMB61.2 million for the Reporting Period. The increase was mainly due to that the interest originally capitalized is expensed after the Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV) were put into operation.

1.7 *Income tax expense*

Income tax expense decreased by RMB3.1 million or 17.7%, from approximately RMB17.5 million for the six months ended 30 June 2022 to approximately RMB14.4 million for the Reporting Period. Such decrease was primarily due to the decrease in profit before tax.

1.8 *Loss after tax and loss margin after tax*

During the Reporting Period, the Company recorded a loss after tax of approximately RMB62.6 million as compared with a profit after tax of approximately RMB37.6 million for the six months ended 30 June 2022. Further, the Company's loss margin after tax for the six months ended 30 June 2023 was 22.3% as compared with a profit margin after tax of 15.9% for the six months ended 30 June 2022. The turnaround of result from profit to loss was mainly due to the commencement of operations of Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV). As these construction projects have been completed and converted into fixed assets of the Group, the interests originally capitalized are currently recognized as expenses. In addition, there has been a substantial increase in the depreciation of fixed assets.

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

2.1 *Property, plant and equipment*

As at 31 December 2022 and 30 June 2023, property, plant and equipment were approximately RMB4,372.3 million and RMB4,325.7 million, respectively, and mainly comprised construction in progress, water supply pipelines, buildings, machinery and equipment for water supply business. The decrease was primarily attributable to the depreciation on fixed assets.



Management Discussion and Analysis

2.2 *Right-of-use assets*

As at 31 December 2022 and 30 June 2023, right-of-use assets were approximately RMB373.80 million and RMB369.7 million, respectively.

2.3 *Inventories*

As at 31 December 2022 and 30 June 2023, inventories were approximately RMB5.3 million and RMB5.4 million, respectively. Inventories mainly comprised chemicals used in the water treatment process.

2.4 *Trade receivables*

As at 31 December 2022 and 30 June 2023, trade receivables were approximately RMB122.4 million and RMB157.9 million, respectively. Trade receivables were related to receivables from customers of the water supply business. The increase in trade receivables was due to the increase in revenue of raw water supply and municipal water supply.

2.5 *Prepayments, other receivables and other assets*

As at 31 December 2022 and 30 June 2023, prepayments, other receivables and other assets were approximately RMB22.0 million and RMB27.4 million, respectively.

2.6 *Trade payables*

As at 31 December 2022 and 30 June 2023, trade payables were approximately RMB79.9 million and RMB78.8 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 2022 and 30 June 2023, other payables and accruals were approximately RMB1,113.2 million and RMB1,013.7 million, respectively.

2.8 *Deferred government grants*

As at 31 December 2022 and 30 June 2023, deferred government grants were approximately RMB151.3 million and RMB146.6 million, respectively. Such decrease was mainly due to amortization.

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 2023, cash and bank balance of the Group was approximately RMB260.0 million (as at 31 December 2022: approximately RMB269.8 million). As at 30 June 2023, total borrowings of the Group were approximately RMB3,322.6 million (as at 31 December 2022: approximately RMB3,189.6 million) and included bank and other loans, with 86.2% of bank and other loans at floating rates. As at 30 June 2023, gearing ratio of the Group (total debts divided by total equity as at the end of the period) was 305.3% (as at 31 December 2022: 273.4%). The increase in gearing ratio was mainly due to the increase in bank and other borrowings of approximately RMB152.0 million for the construction of Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV).



SIGNIFICANT INVESTMENTS

For the six months ended 30 June 2023, the Group did not hold any significant investment in equity interest in any other company (for the six months ended 30 June 2022: nil).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 19 April 2023, the Company and Zhejiang Yongan Water Group Co., Ltd.* (浙江永安水務集團有限公司) (the “**Zhejiang Yongan**”), a third party independent of the Company, its subsidiaries and its connected persons, entered into a joint venture agreement in relation to the formation of Zhejiang Xianzhiquan Water Co., Ltd.* (浙江仙之泉水業有限公司) (the “**Joint Venture Company**”). The Board considers that there is significant demand for healthy drinking spring water in the Yangtze River Delta region. The Directors consider that the formation of the Joint Venture Company will provide an opportunity for the Group to take advantage of the natural spring water reserves of the Tianshi Town, Xianju County (仙居縣田市鎮) for the purpose of commercializing bottled water under the Joint Venture Company’s own brand and sales channel. As at the date of this interim report, the Company owns 51% equity interest in the Joint Venture Company. The Joint Venture Company is a non-wholly owned subsidiary of the Company, and its financial results are consolidated into the Group’s consolidated financial statements. For further details, please refer to the circular of the Company dated 31 May 2023.

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 RMB3,322.6

million (as at 31 December 2022: approximately RMB3,189.6 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 RMB19,904 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 2022: 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 2023, the Group had 246 employees (as at 30 June 2022: 230). During the Reporting Period, the employee benefit expenses amounted to approximately RMB41.6 million (for the six months ended 30 June 2022: RMB36.6 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.

* For identification purpose only



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 2023 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 2023 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. Wang Haibo resigned as a non-executive Director and a member of the Strategy Committee with effect from 8 May 2023.

Mr. Shao Aiping was appointed as a non-executive Director and a member of the Strategy Committee with effect from 30 June 2023.

Mr. Pan Gang resigned as the general manager and the chairman of Taizhou South Bay Water Supply on 19 May 2023 and 20 June 2023, respectively.

Ms. Lin Suyan was appointed as an independent director of Hangzhou Yingpu Environmental Technology Co., Ltd. (杭州英普環境技術股份有限公司) (a company listed on the National Equities Exchange and Quotations, stock code: 873709) with effect from 7 March 2023.

Mr. Li Wai Chung was appointed as the vice chairman of the second council of the financial investment branch of the Chinese Association of Plastics and Aesthetics with effect from 28 July 2023.

Mr. Xu Hailong was appointed as the chairman of Taizhou South Bay Water Supply with effect from 20 June 2023.



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

As at 30 June 2023, 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 ⁽¹⁾	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 ⁽²⁾	Domestic Shares	10,058,338 (L)	6.71%	5.03%

Notes:

- (1) As at 30 June 2023, 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 2023, 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 2023, 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 ⁽¹⁾	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.* ⁽²⁾	Interest in controlled corporation	Domestic Shares	43,250,855	28.83%	21.63%
Taizhou Urban Construction and Investment Development Group Co., Ltd.* ⁽²⁾	Beneficial owner	Domestic Shares	43,250,855	28.83%	21.63%
The Finance Bureau of Huangyan District of Taizhou* ⁽³⁾	Interest in controlled corporation	Domestic Shares	26,679,541	17.79%	13.34%
Taizhou Huangyan State-owned Capital Investment Operation Group Co., Ltd.* ⁽³⁾	Interest in controlled corporation	Domestic Shares	26,679,541	17.79%	13.34%
Zhejiang Yongning Financial Consulting Co., Ltd.* ⁽³⁾	Beneficial owner	Domestic Shares	26,679,541	17.79%	13.34%
Taizhou Finance Bureau of Jiaojiang District* ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	22,222,893	14.82%	11.11%
Taizhou Jiaojiang Infrastructure Investment Company ⁽⁴⁾	Beneficial owner	Domestic Shares	22,222,893	14.82%	11.11%
Zhejiang International Business Group Co., Ltd. ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	20,116,677	13.41%	10.06%
Zhejiang Zheshang Asset Management Co., Ltd.* ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	20,116,677	13.41%	10.06%
Taizhou State-owned Assets Investment Group Co., Ltd. ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	20,116,677	13.41%	10.06%
Zhejiang Taxin Asset Management Co., Ltd.* ⁽⁵⁾	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%

* For identification purpose only

Other Information



Name of Shareholder	Nature of interest	Class of Shares	Number of Shares held ⁽¹⁾	Approximate percentage of shareholding in the class of Shares issued (%)	Approximate percentage of shareholding in the total Shares issued (%)
Qufeng Holdings Limited ⁽⁶⁾	Beneficial owner	Domestic Shares	10,058,338	6.71%	5.03%
Mr. Yang Yide ⁽⁶⁾	Interest in controlled corporation	Domestic Shares	10,058,338	6.71%	5.03%
Shanghai Yushen Enterprise Management Consulting Co., Ltd. ⁽⁷⁾	Interest in controlled corporation	Domestic Shares	10,058,338	6.71%	5.03%
Shanghai Lipin Sanmin Culture Communication Co., Ltd. ⁽⁷⁾	Beneficial owner	Domestic Shares	10,058,338	6.71%	5.03%
Mr. Lin Maoyuan ⁽⁷⁾	Interest in controlled corporation	Domestic Shares	10,058,338	6.71%	5.03%
Shanghai Industrial Investment (Holdings) Company Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
Shanghai Industrial Investment Treasury Company Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
Shanghai Investment Holdings Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
Shanghai Industrial Holdings Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
S.I. Infrastructure Holdings Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
S.I. Triumph Power Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
SIIC Environment Holdings Ltd. ⁽⁸⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
SIIC Environment Tech (Hong Kong) Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
Shanghai Yangtze River Delta Water Environment Investment Fund Limited ⁽⁸⁾	Beneficial owner	H Shares	12,500,000	25.00%	6.25%
Mr. Chung Chi Man ⁽⁹⁾	Interest in controlled corporation	H Shares	11,999,000	23.99%	6.00%
Billion Shine International Investment Limited ⁽⁹⁾	Interest in controlled corporation	H Shares	11,999,000	23.99%	6.00%
Innovax Holdings Limited ⁽⁹⁾	Interest in controlled corporation	H Shares	11,999,000	23.99%	6.00%
Ms. Lee Yin Har ⁽¹⁰⁾	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 2023, 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 and Investment Development Group Co., Ltd. is ultimately 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 and 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 Taizhou Finance Bureau of Jiaojiang District. By virtue of the SFO, the Taizhou 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 (i) 40% by Taizhou State-owned Assets Investment Group Co., Ltd., a company wholly owned by Taizhou State Owned Capital Operation Group Co., Ltd.; and (ii) 60% by Zhejiang Zheshang Asset Management Co., Ltd., which is in turn owned as to approximately 58.64% 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., Taizhou State Owned Capital Operation Group 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) Qufeng Holdings Limited is owned as to 80% by Mr. Yang Yide. By virtue of the SFO, Mr. Yang Yide was deemed to have an interest in the Shares held by Qufeng Holdings Limited.
- (7) Shanghai Lipin Sanmin Culture Communication Co., Ltd. is held as to 10% by Mr. Ying Lan and 90% by Shanghai Yushen Enterprise Management Consulting Co., Ltd., which is in turn wholly owned by Mr. Lin Maoyuan. By virtue of the SFO, each of Shanghai Yushen Enterprise Management Consulting Co., Ltd. and Mr. Lin Maoyuan is deemed to be interested in the Domestic Shares held by Shanghai Lipin Sanmin Culture Communication Co., Ltd..
- (8) 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.
- (9) Innovax Holdings Limited is owned as to 75% by Billion Shine International Investment Limited, which is wholly-owned by Mr. Chung Chi Man.
- (10) 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 2023, 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.



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 2023, 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 2023 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 2023

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

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	4	280,258	236,020
Cost of sales		(219,300)	(140,296)
Gross profit		60,958	95,724
Other income and gains	4	8,120	5,229
Administrative expenses		(38,950)	(26,176)
Other expenses		(188)	(142)
Finance costs	6	(61,198)	(7,512)
Share of profits and losses of associates		(16,893)	(12,011)
(LOSS)/PROFIT BEFORE TAX	5	(48,151)	55,112
Income tax expense	7	(14,422)	(17,521)
(LOSS)/PROFIT FOR THE PERIOD		(62,573)	37,591
Attributable to:			
Owners of the parent		(50,354)	31,597
Non-controlling interests		(12,219)	5,994
		(62,573)	37,591
(Loss)/earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted (RMB)		(0.25)	0.16
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates		(794)	(213)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(794)	(213)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(63,367)	37,378
Attributable to:			
Owners of the parent		(51,148)	31,384
Non-controlling interests		(12,219)	5,994
		(63,367)	37,378



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	4,325,657	4,372,312
Prepayments for property, plant and equipment		350	5,449
Prepayments for land use rights		165	165
Other intangible assets		203	270
Investments in associates		504,473	522,160
Deferred tax assets		29,913	26,228
Right-of-use assets		369,661	373,806
Total non-current assets		5,230,422	5,300,390
CURRENT ASSETS			
Inventories		5,414	5,259
Trade receivables	11	157,939	122,425
Prepayments, other receivables and other assets		27,392	22,030
Pledged bank deposits	12	17,913	17,785
Cash and cash equivalents	12	260,023	269,759
Total current assets		468,681	437,258
CURRENT LIABILITIES			
Trade payables	13	78,800	79,893
Other payables and accruals		1,013,666	1,113,227
Interest-bearing bank and other borrowings	15	77,325	96,130
Deferred government grants		9,341	9,341
Lease liabilities		18,429	18,829
Tax payable		14,823	16,451
Dividend payable		15,000	–
Total current liabilities		1,227,384	1,333,871
NET CURRENT LIABILITIES		(758,703)	(896,613)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,471,719	4,403,777



Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	Note	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		4,471,719	4,403,777
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	3,245,292	3,093,519
Deferred government grants		137,290	141,974
Other liabilities		933	1,713
Total non-current liabilities		3,383,515	3,237,206
Net assets		1,088,204	1,166,571
EQUITY			
Equity attributable to owners of the parent			
Share capital		200,000	200,000
Reserves		677,756	743,904
		877,756	943,904
Non-controlling interests		210,448	222,667
Total equity		1,088,204	1,166,571



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent						
	Share capital	Capital reserve*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023 (audited)	200,000	119,269	66,979	557,656	943,904	222,667	1,166,571
Loss for the period	-	-	-	(50,354)	(50,354)	(12,219)	(62,573)
Other comprehensive income for the period:							
Share of other comprehensive income of associates	-	(794)	-	-	(794)	-	(794)
Total comprehensive loss for the period	-	(794)	-	(50,354)	(51,148)	(12,219)	(65,737)
Final 2022 dividend declared	-	-	-	(15,000)	(15,000)	-	(15,000)
At 30 June 2023 (unaudited)	200,000	118,475	66,979	492,302	877,756	210,448	1,088,204

* These reserve accounts comprise the consolidated reserves of RMB677,756,000 in the consolidated statement of financial position as at 30 June 2023.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the parent						
	Share capital	Capital reserve*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	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 CASH FLOWS

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		(48,151)	55,112
Adjustments for:			
(Gain)/loss on disposal of items of property, plant and equipment		(385)	32
Finance costs	6	61,198	7,512
Depreciation of property, plant and equipment	5	94,841	26,452
Share of losses of associates		16,893	12,011
Depreciation of right-of-use assets		7,371	4,414
Amortisation of government grants		(4,684)	(1,889)
Amortisation of other intangible assets		67	67
Impairment of trade receivables, net	11	(237)	102
Impairment of financial assets included in prepayments, other receivables and other assets		(1)	6
Foreign exchange differences, net	5	(20)	(30)
		126,892	103,789
Increase in inventories		(155)	(137)
(Increase)/decrease in trade receivables		(35,277)	9,751
(Increase)/decrease in prepayments, other receivables and other assets		(4,324)	5,800
Decrease in trade payables		(1,093)	(606)
Decrease in other payables and accruals		(8,852)	(39,695)
Increase in government grants		–	49,605
Decrease in other non-current assets		(780)	(766)
Cash generated from operations		76,411	127,741
Income tax paid		(20,149)	(33,811)
Net cash flows from operating activities		56,262	93,930



Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Note	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(125,452)	(321,278)
Prepayments for right-of-use assets		(3,626)	(3,829)
Proceeds from disposal of items of property, plant and equipment		419	2,249
Increase in pledged bank deposits		(128)	(126)
Purchase of intangible assets		–	(80)
Additional investments in an associate		–	(37,500)
Net cash flows used in investing activities		(128,787)	(360,564)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from a non-controlling shareholder		–	14,000
Repayment of bank and other borrowings		(92,032)	(281,500)
New borrowings		225,000	644,483
Interest paid		(70,199)	(68,405)
Net cash flows from financing activities		62,769	308,578
NET (INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS			
		(9,756)	41,944
Cash and cash equivalents at beginning of period		269,759	190,699
Effect of foreign exchange rate changes, net		20	30
CASH AND CASH EQUIVALENTS AT END OF PERIOD		260,023	232,673
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position and interim condensed consolidated statement of cash flows	12	260,023	232,673



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

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
Zhejiang Xianzhiquan Water Co., Ltd. ("Xianzhiquan") (浙江仙之泉水業有限公司)* ^{Note (a)}	PRC/Mainland China 24 May 2023	RMB50,000,000	51	–	Natural spring water production and supply

Note (a): Xianzhiquan, a limited liability company established on 24 May 2023 by the Company and Zhejiang Yongan Water Group Co., Ltd. under the laws of the PRC pursuant to the Joint Venture Agreement.

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



Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022.

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 2023, the Group's net current liabilities amounted to approximately RMB758,703,000. 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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

Notes to Interim Condensed Consolidated Financial Statements

30 June 2023



2.2 Changes in accounting policies and disclosures (Continued)

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group has applied the amendments on the treatment of temporary differences arising from lease from beginning, the amendments did not have any impact on the financial position or performance of the Group.

The adoption of amendments to HKAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

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 2023 and 2022 are set out below:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Customer 1	73,077	71,920
Customer 2	69,327	41,342
Customer 3	47,495	45,855
Customer 4	40,354	N/A*

* 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 period.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2023



4. Revenue, other income and gains

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from contracts with customers	280,258	236,020

Revenue from contracts with customers

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Type of goods or services		
Sale of water	276,207	224,087
Installation services	4,051	11,933
Total revenue from contracts with customers	280,258	236,020
Timing of revenue recognition		
Goods transferred at a point in time	276,207	224,087
Services transferred over time	4,051	11,933
Total revenue from contracts with customers	280,258	236,020

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Other income		
Value added tax refund	5,179	3,865
Bank interest income	2,077	836
Government grants	108	199
Others	351	299
	7,715	5,199
Gains		
Foreign exchange gains, net	20	30
Gain on disposal of items of property, plant and equipment	385	–
	8,120	5,229

Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

5. (Loss)/profit before tax

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of inventories sold	215,827	132,418
Cost of services provided	3,473	7,878
Depreciation of property, plant and equipment	94,841	26,452
Depreciation of right-of-use assets	7,371	4,414
Amortisation of other intangible assets	67	67
Impairment of trade receivables, net	(237)	102
Impairment of financial assets included in prepayments, other receivables and other assets, net	(1)	6
Government grants	(108)	(199)
Foreign exchange differences, net	(20)	(30)
(Gain)/loss on disposal of items of property, plant and equipment	(385)	32

6. Finance costs

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on bank borrowings	59,945	61,328
Interest on other borrowings	6,105	7,219
Less: Interest capitalised	(4,852)	(61,035)
	61,198	7,512

Notes to Interim Condensed Consolidated Financial Statements

30 June 2023



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, the provision for current income tax in Mainland China was based on the statutory rate of 25% (2022: 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 is qualified as a small and micro enterprise and was entitled to a preferential income tax rate of 5% (2022: 2.5%) for the taxable income less than or equal to RMB1,000,000 and a preferential income tax rate of 5% (2022: 5%) 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax – Mainland China		
Charge for the period	18,107	18,916
Deferred tax	(3,685)	(1,395)
Total tax charge for the period	14,422	17,521

8. Dividends

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Final declared and unpaid – RMB0.075 (2022: RMB0.17) per ordinary share	15,000	34,000

The Board did not declare any interim dividend for the six months ended 30 June 2023 (the six months ended 30 June 2022: nil).

Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

9. (Loss)/earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/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.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 and 2022.

The calculations of basic and diluted (loss)/earnings per share are based on:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	(50,354)	31,597

	Number of shares For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	200,000,000	200,000,000

10. Property, plant and equipment

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Carrying amount at beginning of period/year	4,372,312	3,582,469
Additions	48,843	862,390
Capitalisation of depreciation of right-of-use assets	–	12,435
Disposals	(657)	(1,870)
Depreciation provided during period/year	(94,841)	(83,112)
Carrying amount at end of period/year	4,325,657	4,372,312

Notes to Interim Condensed Consolidated Financial Statements

30 June 2023



11. Trade receivables

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	17,605	16,409
Due from related parties (note 17(c))	193,712	159,631
	211,317	176,040
Impairment	(53,378)	(53,615)
	157,939	122,425

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 2023, certain of the Group's trade receivables with a carrying amount of RMB144,649,000 (31 December 2022: RMB110,447,000) 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	124,828	101,854
3 to 6 months	31,025	19,023
6 to 12 months	1,636	1,045
1 to 2 years	396	503
2 to 3 years	54	–
	157,939	122,425

Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

12. Cash and cash equivalents and pledged bank deposits

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cash and bank balances	260,023	269,759
Pledged bank deposits	17,913	17,785
	277,936	287,544
Less: Pledged deposits for land reclamation fee	(17,913)	(17,785)
Cash and cash equivalents	260,023	269,759
Denominated in:		
RMB	259,350	269,082
Hong Kong dollars ("HK\$")	673	677
Cash and cash equivalents	260,023	269,759

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and 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 0.350% to 1.550% (2022: 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payables	78,800	79,893

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	61,901	52,918
3 to 6 months	2,825	18,956
6 to 12 months	6,511	4,224
Over 12 months	7,563	3,795
	78,800	79,893

Notes to Interim Condensed Consolidated Financial Statements

30 June 2023



14. Share Capital

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Issued and fully paid:		
Domestic shares of 150,000,000 (2022: 150,000,000) of RMB1.00 each	150,000	150,000
H shares of 50,000,000 (2022: 50,000,000) of RMB1.00 each	50,000	50,000
	200,000	200,000

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

15. Interest-bearing bank and other borrowings

	Effective interest rate (%)	Maturity	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Current				
Current portion of bank loans				
Bank loans – secured	4.00	2024	20,000	–
Bank loans – secured	3.95	2024	2,000	–
Bank loans – secured	4.25	2024	8,614	–
Bank loans – secured	4.55	2024	6,700	–
Bank loans – secured	4.15	2024	11	–
Bank loans – unsecured	3.50	2024	30,000	–
Bank loans – secured	4.90	2023	–	16,130
Bank loans – secured	4.25	2023	–	2,000
Bank loans – secured	4.00	2023	–	30,000
Bank loans – unsecured	3.71	2023	–	18,000
Bank loans – unsecured	3.80	2023	–	30,000
Other borrowings				
Other borrowings – unsecured	3.00	2023	10,000	–
			77,325	96,130

Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

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

	Effective interest rate (%)	Maturity	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current				
Bank loans				
Bank loans – secured	4.55	2025–2049	772,056	–
Bank loans – secured	4.40	2043	50,000	–
Bank loans – secured	4.30	2043	30,000	–
Bank loans – secured	4.25	2045–2047	430,400	–
Bank loans – secured	4.20	2045–2047	70,000	–
Bank loans – secured	4.16	2047	45,000	–
Bank loans – secured	4.15	2048–2049	99,989	–
Bank loans – secured	4.10	2043–2046	49,467	–
Bank loans – secured	4.00	2046	25,000	–
Bank loans – secured	3.95	2035	243,000	–
Bank loans – secured	3.95	2042–2046	253,933	59,733
Bank loans – secured	4.00	2042	40,000	40,000
Bank loans – secured	4.05	2046	9,467	9,867
Bank loans – secured	4.15	2044–2047	256,980	125,000
Bank loans – secured	4.25	2035–2043	250,000	554,000
Bank loans – secured	4.28	2041–2044	130,000	80,000
Bank loans – secured	4.30	2045–2046	–	31,990
Bank loans – secured	4.35	2044	30,000	30,000
Bank loans – secured	4.40	2046	–	9,867
Bank loans – secured	4.45	2046	–	30,000
Bank loans – secured	4.55	2045–2046	–	80,000
Bank loans – secured	4.70	2025–2048	1,000	265,000
Bank loans – secured	4.50	2044–2049	–	215,000
Bank loans – secured	4.51	2047	–	45,000
Bank loans – secured	4.60	2039–2047	–	397,600
Bank loans – secured	4.63	2041–2044	–	50,000
Bank loans – secured	4.75	2045	–	100,000
Bank loans – secured	4.90	2025–2049	–	511,462
Other borrowings				
Other borrowings – secured	2.80	2041	459,000	459,000
			3,245,292	3,093,519
			3,322,617	3,189,649

Notes to Interim Condensed Consolidated Financial Statements

30 June 2023



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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year	67,325	96,130
In the second year	22,736	22,536
In the third to fifth years, inclusive	82,608	73,908
Beyond five years	2,680,948	2,538,075
	2,853,617	2,730,649
Other borrowings repayable:		
Within one year	10,000	–
In the second year	51,000	51,000
In the third to fifth years, inclusive	51,000	51,000
Beyond five years	357,000	357,000
	469,000	459,000
	3,322,617	3,189,649

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 RMB144,649,000 (31 December 2022: RMB110,447,000) (note 11); and
 - (ii) the pledge of right of charge of the Company, Taizhou City Water, Binhai Water and Taizhou South Bay Water Supply on the future revenue generated by Taizhou water supply system (Phase I, Phase II, Phase III and Phase IV).
- (b) A subsidiary of the Company, Taizhou City Water, has guaranteed certain of the Group's bank loans up to RMB1,220,800,000 (31 December 2022: RMB1,167,866,000).
- (c) A shareholder of the Company, Taizhou Urban Construction Investment Development Group Co., Ltd. ("Taizhou Urban Construction") has guaranteed certain of the Group's other borrowings of up to RMB459,000,000 (31 December 2022: RMB459,000,000).
- (d) The Company has guaranteed certain of the Group's bank loans of up to RMB3,295,680,000 (31 December 2022: RMB3,537,056,000).

Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

16. Commitments

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for:		
Pipelines and buildings	128,074	211,946

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 2023



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:

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Associates:			
Purchases of water from:			
Luqiao Water Supply	(i)	–	5
Huangyan Water Supply	(i)	11	17
		11	22
Construction services and other services from:			
Huangyan Water Supply	(i)	8	13
Sales of water to:			
Luqiao Water Supply	(i)	47,494	45,855
Huangyan Water Supply	(i)	24,418	23,088
Taizhou Water Supply	(i)	73,077	71,920
		144,989	140,863
Other related parties:			
Construction services and other services from:			
Taizhou Modern Construction	(i)	3,013	14,161
Zhejiang Taizhou Landscape	(i)	5,702	33,690
		8,715	47,851
Sales of water to:			
Yuhuan Water Supply	(i)	40,354	21,120
Wenling Water Supply	(i)	69,327	41,342
		109,681	62,462

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 RMB459,000,000 (2022: RMB459,000,000) 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 2023

17. Related party transactions (Continued)

(c) Outstanding balances with related parties:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Due from related parties:		
Trade in nature		
Taizhou Water Supply	66,809	61,367
Wenling Water Supply	71,525	51,381
Luqiao Water Supply	21,521	21,143
Huangyan Water Supply	14,929	15,102
Yuhuan Water Supply	18,928	10,638
Balance included in trade receivables	193,712	159,631
Due to related parties:		
Trade in nature		
Taizhou Modern Construction	169	–
Balance included in trade payables	169	–
Taizhou Modern Construction	6,510	4,884
Zhejiang Taizhou Landscape	5,561	7,471
Balance included in other payables and accruals	12,071	12,355
Non-trade in nature		
Huangyan Water Conservancy	88,576	88,576
Balance included in other payables and accruals	88,576	88,576

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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	1,988	2,318
Pension scheme contributions	112	123
Total compensation paid to key management personnel	2,100	2,441

Notes to Interim Condensed Consolidated Financial Statements

30 June 2023



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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial liabilities				
Non-current of interest-bearing bank portion and other borrowings	3,245,292	3,093,519	3,241,441	3,080,199

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 2023 and 31 December 2022 were assessed to be insignificant.

The Group did not have any financial assets and liabilities measured at fair value as at 30 June 2023 and 31 December 2022.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2023

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 2023

	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 portion and other borrowings	–	3,241,441	–	3,241,441

As at 31 December 2022

	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 portion and other borrowings	–	3,080,199	–	3,080,199