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Taizhou Water Group Co., Ltd.*

台州市水務集團股份有限公司

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

(Stock Code: 1542)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

INTERIM RESULTS HIGHLIGHTS:

For the six months ended 30 June 2024:

- Revenue amounted to approximately RMB300.3 million, representing an increase of approximately 7.1% over the corresponding period of last year.
- Loss for the period amounted to approximately RMB46.9 million (for the six months ended 30 June 2023: a loss of approximately RMB62.6 million).
- Loss attributable to owners of the parent amounted to approximately RMB36.3 million (for the six months ended 30 June 2023: a loss attributable to owners of the parent of approximately RMB50.4 million).
- Basic loss per share amounted to approximately RMB0.18 (for the six months ended 30 June 2023: basic loss per share of approximately RMB0.25).
- The Board did not recommend the distribution of an interim dividend for the six months ended 30 June 2024.

The board (the “**Board**”) of directors (the “**Directors**”) of Taizhou Water Group Co., Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”). The content of this interim results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to preliminary announcements of the unaudited interim results and the Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants. The relevant unaudited interim results have also been reviewed and confirmed by the Board and the audit committee of the Board (the “**Audit Committee**”). Unless otherwise stated, the financial data of the Company are presented in Renminbi (“**RMB**”).

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

For the six months ended 30 June 2024

	<i>Notes</i>	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
REVENUE	5	300,346	280,258
Cost of sales		<u>(232,713)</u>	<u>(219,300)</u>
Gross profit		67,633	60,958
Other income and gains	5	15,248	8,120
Administrative expenses		(41,343)	(38,950)
Other expenses		(227)	(188)
Finance costs	7	(68,728)	(61,198)
Share of profits and losses of associates		<u>(5,338)</u>	<u>(16,893)</u>
LOSS BEFORE TAX	6	(32,755)	(48,151)
Income tax expense	8	<u>(14,162)</u>	<u>(14,422)</u>
LOSS FOR THE PERIOD		<u>(46,917)</u>	<u>(62,573)</u>
Attributable to:			
Owners of the parent		(36,276)	(50,354)
Non-controlling interests		<u>(10,641)</u>	<u>(12,219)</u>
		<u>(46,917)</u>	<u>(62,573)</u>
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted (RMB)		<u>(0.18)</u>	<u>(0.25)</u>
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive loss of associates		<u>(1,656)</u>	<u>(794)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		<u>(1,656)</u>	<u>(794)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(48,573)	(63,367)
Attributable to:			
Owners of the parent		(37,932)	(51,148)
Non-controlling interests		<u>(10,641)</u>	<u>(12,219)</u>
		<u>(48,573)</u>	<u>(63,367)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2024

		30 June 2024	31 December 2023
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	4,298,032	4,331,872
Prepayments for property, plant and equipment		12,064	9,652
Prepayments for land use rights		–	165
Other intangible assets		340	233
Investments in associates		522,685	529,679
Deferred tax assets		29,435	25,213
Right-of-use assets		367,786	365,760
		<hr/>	<hr/>
Total non-current assets		5,230,342	5,262,574
CURRENT ASSETS			
Inventories		5,235	4,855
Trade and notes receivables	<i>12</i>	177,370	146,801
Prepayments, other receivables and other assets		31,738	32,337
Pledged bank deposits		8,636	8,595
Cash and cash equivalents		349,158	447,830
		<hr/>	<hr/>
Total current assets		572,137	640,418
CURRENT LIABILITIES			
Trade payables	<i>13</i>	83,255	75,310
Other payables and accruals		893,308	1,032,517
Interest-bearing bank and other borrowings		75,236	75,536
Deferred government grants		9,745	9,733
Corporate debt instruments		152,256	150,891
Lease liabilities		684	684
Tax payable		14,759	14,847
		<hr/>	<hr/>
Total current liabilities		1,229,243	1,359,518
NET CURRENT LIABILITIES		(657,106)	(719,100)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,573,236	4,543,474
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2024

	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	4,573,236	4,543,474
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	3,415,066	3,331,784
Deferred government grants	126,876	131,823
Other liabilities	2,000	2,000
Total non-current liabilities	3,543,942	3,465,607
Net assets	1,029,294	1,077,867
EQUITY		
Equity attributable to owners of the parent		
Share capital	200,000	200,000
Reserves	634,341	672,273
	834,341	872,273
Non-controlling interests	194,953	205,594
Total equity	1,029,294	1,077,867

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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, pipeline direct drinking water, packaged drinking water and tap water directly to end-users and the installation of the water pipelines for distributing tap water to end-users.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 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 2023.

Going concern assumption

As at 30 June 2024, the Group recorded net current liabilities of approximately RMB657,106,000, in which the Group recorded the other payables and accruals of RMB893,308,000.

In view of the net current liabilities position, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 30 June 2024, the Group has available bank facilities with a total amount of RMB3,872,500,000 which can be utilised in the next twelve months. Taking into account these additional financial resources available to the Group and the internally generated funds from operations, the directors believe that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due. Therefore, the consolidated financial statements have been prepared on a going concern basis.

3. 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 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the "2020 Amendments")
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

4. 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 Chinese Mainland.

(b) *Non-current assets*

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

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 2024 and 2023 are set out below:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Customer 1	73,247	73,077
Customer 2	80,956	69,327
Customer 3	51,657	47,495
Customer 4	39,468	40,354

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue from contracts with customers	300,346	280,258

Revenue from contracts with customers

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Type of goods or services		
Sale of water	292,227	276,207
Installation services	8,119	4,051
Total	<u>300,346</u>	<u>280,258</u>
Timing of revenue recognition		
Goods transferred at a point in time	292,227	276,207
Services transferred over time	8,119	4,051
Total	<u>300,346</u>	<u>280,258</u>
Other income		
Value added tax refund	6,006	5,179
Bank interest income	3,653	2,077
Government grants	5,104	108
Others	435	351
Subtotal	<u>15,198</u>	<u>7,715</u>
Gains		
Foreign exchange gains, net	–	20
Gain on disposal of items of property, plant and equipment	50	385
Total	<u>15,248</u>	<u>8,120</u>

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	227,656	215,827
Cost of services provided	5,057	3,473
Depreciation of property, plant and equipment	97,298	94,841
Depreciation of right-of-use assets	5,374	7,371
Amortisation of other intangible assets	92	67
Impairment of trade receivables, net	686	(237)
Impairment of financial assets included in prepayments, other receivables and other assets, net	(694)	(1)
Government grants	(5,104)	(108)
Foreign exchange differences, net	3	(20)
Gain on disposal of items of property, plant and equipment	50	(385)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	64,058	59,945
Interest on other borrowings	6,497	6,105
Interest on corporate debt instrument	2,534	–
Less: interest capitalised	(4,361)	(4,852)
Total	68,728	61,198

8. 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 Co., Ltd. (“**Taizhou Environmental Development**”), the provision for current income tax in Chinese Mainland was based on the statutory rate of 25% (2023: 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, Zhejiang Xianzhiquan Water Co., Ltd.* (浙江仙之泉水業有限公司) (“**Xianzhiquan**”) and Taizhou Bishui Water Technology Co., Ltd.* (台州碧水科工有限公司) (“**Bishui Water**”) are qualified as small and micro enterprises and were entitled to a preferential income tax rate of 5% (2023: 5%).

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – Chinese Mainland		
Charge for the period	18,384	18,107
Deferred tax	(4,222)	(3,685)
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Total	14,162	14,422
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9. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 and does not recommend any interim dividend for the six months ended 30 June 2024.

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss 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 2024 and 2023.

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic loss per share calculation	(36,276)	(50,354)
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	Number of shares	
	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	200,000,000	200,000,000
11. PROPERTY, PLANT AND EQUIPMENT		
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Carrying amount at beginning of period/year	4,331,872	4,372,312
Additions	63,521	154,727
Capitalisation of depreciation of right-of-use assets	–	239
Disposals	(63)	(784)
Depreciation provided during period/year	(97,298)	(194,622)
Carrying amount at end of period/year	4,298,032	4,331,872
12. TRADE AND NOTES RECEIVABLES		
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	17,816	20,741
Due from related parties	214,035	179,855
Subtotal	231,851	200,596
Impairment	(54,481)	(53,795)
Total	177,370	146,801

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 2024, certain of the Group's trade receivables with a carrying amount of RMB164,052,000 (31 December 2023: RMB130,376,000) were pledged to secure the Group's bank loans.

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	139,783	111,854
3 to 6 months	24,411	31,955
6 to 12 months	10,406	1,428
1 to 2 years	2,770	1,429
2 to 3 years	–	135
Total	<u>177,370</u>	<u>146,801</u>

13. TRADE PAYABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade payables	<u>83,255</u>	<u>75,310</u>

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	30,133	48,465
3 to 6 months	15,915	18,479
6 to 12 months	28,862	4,934
Over 12 months	8,345	3,432
Total	<u>83,255</u>	<u>75,310</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In recent years, multiple departments of the state have continuously issued a number of policies to promote the construction of a water-saving society, focusing on the main theme of “water conservation”. In March 2024, the State Council promulgated the Water Conservation Regulations which aims to address issues in water conservation, such as strengthening water use management, improving water-saving measures, reinforcing safeguards and supervision, and strictly enforcing legal responsibilities. Efforts are being made to build a comprehensive and systematic water-saving system. At the end of 2023, the Taizhou City government also issued the Taizhou Water Resources Conservation, Protection, and Utilization Master Plan* (《台州市水資源節約保護和利用總體規劃》). The plan aims to fundamentally resolve water resource security issues by 2035 and to achieve a domestic advanced level in the conservation and intensive use of water resources. The water supply industry will pay more attention to resource conservation and environmental protection, and improving water supply efficiency and water quality assurance capabilities will become key focuses in the future.

DEVELOPMENT STRATEGIES AND OUTLOOK

During the “14th Five-Year Plan” period, the Group will focus on the overall goal of building a modern and comprehensive water group, closely follow the policy direction of the water industry, thoroughly implement the spirit of General Secretary Xi Jinping’s important expositions on water management, water conservation and water use, optimize the industrial layout, and develop new productivity. The Group’s main future planning will be deployed around three major business segments: water services, environmental protection, and modern agriculture. It will continue to deepen the reform of state-owned enterprises, and promote the optimization of the state-owned economic layout and structural adjustment with high quality. It will further strengthen and optimize its main business, steadily promote the expansion and extension of the industrial chain, focus on building a high-standard water supply security system, enhance its core functions and improve its core competitiveness. The Group will vigorously expand the scope of environmental protection business, accelerate the cultivation of rural revitalization industry, and strive to demonstrate the responsibility of water supply enterprises in promoting the practice of “three highs and three new” modernization in Taizhou.

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 984,000 tonnes per day in southern 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) (“**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. 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 no volume change as compared with 64.5 million tonnes for the six months ended 30 June 2023.

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 600,000 tonnes per day (after the Taizhou Water Treatment Plant phase II expansion project has been put into operation, the municipal water supply capacity of the Taizhou Water Supply System (Phase II) increased from 366,000 tonnes per day to 600,000 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 80.7 million tonnes, representing an increase of 4.7 million tonnes as compared with 76.0 million tonnes for the six months ended 30 June 2023.

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 5.6 million tonnes, as compared to 5.3 million tonnes for the six months ended 30 June 2023.

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 RMB8.1 million, representing an increase of RMB4.0 million as compared to approximately RMB4.1 million for the six months ended 30 June 2023.

5. Expansion Projects

In order to expand the market and increase revenue, as well as to tap into potential and improve efficiency, the Group successively established Xianzhiquan in May 2023 and Bishui Water in September 2023, to expand into the packaged drinking water and pipeline potable water projects. This will promote the optimization of the Group's industrial layout and structural adjustment to achieve high-quality development. Currently, both projects are in the early stages of business expansion. Among them, Xianzhiquan has completed the production line acceptance and started production, with an expected annual output of 13,500 tons. The packaged drinking water produced by Xianzhiquan has successively appeared at major meetings and event sites such as the Asian Games torch relay in Taizhou, the municipal party congress, and the city's two sessions. It has also been custom-produced for some government agencies and enterprises and institutions, initially realizing the transformation process of the enterprise from product production to actual sales. Bishui Water has laid out pipeline potable water project in government agencies, enterprises and institutions, and residential areas. Currently, 2 projects have been put into use, 6 projects are under construction, and 16 pipeline potable water projects for community and commercial office are planned for 2024.

6. Construction Project

During the Reporting Period, construction projects in progress of the Group were the Taizhou Water Supply System (Phase III), the Taizhou Water Supply System (Phase IV), the Taizhou South Water Resources Optimization Project, the packaged drinking water and the pipeline potable water projects. The construction of the Taizhou Water Supply System (Phase III) commenced in February 2018 and put into operation in October 2022, while the construction of the Taizhou Water Supply System (Phase IV) commenced in November 2018 and put into operation in August 2022. The construction of the Taizhou South Water Resources Optimization Project commenced in October 2023. The construction of the packaged drinking water of Xianzhiquan commenced in April 2023 and was formally accepted and put into operation in April 2024. The construction of the first pipeline potable water project of Bishui Water commenced in September 2023.

During the Reporting Period, the Group has been continuously promoting the acceptance, rectification and settlement for various sections of the Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV). On the basis of completing the planning and site selection for the Zhan Tang booster pump station of the Taizhou Water Supply System (Phase IV), the Group has initiated land expropriation work. The Taizhou Water Treatment Plant phase II expansion project has been put into operation. After completing the production line acceptance and starting production, Xianzhiquan Water has begun to establish a comprehensive quality control system from the water source to wastewater treatment. Bishui Water has laid out pipeline potable water project in government agencies, enterprises and institutions, and residential areas. Currently, 2 projects have been put into use, 6 projects are under construction, and 16 pipeline potable water projects for community and commercial office building are planned for 2024.

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 RMB20.0 million or 7.1%, from approximately RMB280.3 million for the six months ended 30 June 2023 to approximately RMB300.3 million for the Reporting Period.

(1) Raw water supply

Revenue of the Group generated from sales of raw water increased by RMB2.8 million or 4.0%, from approximately RMB69.8 million for the six months ended 30 June 2023 to approximately RMB72.6 million for the Reporting Period.

(2) Municipal water supply

Revenue of the Group generated from sales of municipal water increased by RMB11.7 million or 6.4%, from approximately RMB183.0 million for the six months ended 30 June 2023 to approximately RMB194.7 million for the Reporting Period. The increase was mainly attributable to the increased volume of water sold to Wenling Water Supply Co., Ltd. (“**Wenling Water Supply**”) and Taizhou Luqiao Water Supply Co., Ltd. during the first half of 2024.

(3) Tap water supply

Revenue of the Group generated from sales of tap water increased by RMB1.2 million or 5.1%, from approximately RMB23.4 million for the six months ended 30 June 2023 to approximately RMB24.6 million for the Reporting Period.

(4) Installation services

Revenue of the Group generated from installation services increased by RMB4.0 million or 97.6%, from approximately RMB4.1 million for the six months ended 30 June 2023 to approximately RMB8.1 million for the Reporting Period. The increase was mainly due to the increased “one household, one water meter installation project”.

1.2 Cost of sales

The Group's cost of sales increased by RMB13.4 million or 6.1%, from approximately RMB219.3 million for the six months ended 30 June 2023 to approximately RMB232.7 million for the Reporting Period. The increase was mainly due to the cancellation of water resource fee incentives and an increase in the volume of water sold.

1.3 Gross profit and gross profit margin

As a result of the above, the Group's gross profit increased by RMB6.6 million or 10.8%, from approximately RMB61.0 million for the six months ended 30 June 2023 to approximately RMB67.6 million for the Reporting Period. Gross profit margin increased from 21.8% for the six months ended 30 June 2023 to 22.5% for the Reporting Period.

1.4 Other income and gains

Other income and gains increased by RMB7.1 million or 87.7%, from approximately RMB8.1 million for the six months ended 30 June 2023 to approximately RMB15.2 million for the Reporting Period. The increase was mainly due to the receipt of financial subsidies from Yuhuan government by Taizhou South Bay Water Supply Co., Ltd. (the "**South Bay Water**") during the Reporting Period.

1.5 Administrative expenses

Administrative expenses increased by RMB2.3 million or 5.9%, from approximately RMB39.0 million for the six months ended 30 June 2023 to approximately RMB41.3 million for the Reporting Period because of the increased depreciation of fixed assets and the increased labor costs.

1.6 Finance costs

Finance costs increased by RMB7.5 million or 12.3%, from approximately RMB61.2 million for the six months ended 30 June 2023 to approximately RMB68.7 million for the Reporting Period. The increase was mainly due to new borrowings by the Company.

1.7 Income tax expense

Income tax expense decreased by RMB0.2 million or 1.4%, from approximately RMB14.4 million for the six months ended 30 June 2023 to approximately RMB14.2 million for the Reporting Period. Such decrease was primarily due to the decrease in profit before tax of the parent company.

1.8 Loss after tax and loss margin after tax

During the Reporting Period, the Company recorded a loss after tax of approximately RMB46.9 million as compared with a loss after tax of approximately RMB62.6 million for the six months ended 30 June 2023. Further, the Company's loss margin after tax for the six months ended 30 June 2024 was 15.6% as compared with a loss margin after tax of 22.3% for the six months ended 30 June 2023. The decrease in the loss of results was mainly due to the increase in the volume of water sold to Wenling Water Supply in the first half of 2024 and increased installation revenue from Zeguo Water Supply.

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

2.1 Property, plant and equipment

As at 31 December 2023 and 30 June 2024, property, plant and equipment were approximately RMB4,331.9 million and RMB4,298.0 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 of fixed assets.

2.2 Right-of-use assets

As at 31 December 2023 and 30 June 2024, right-of-use assets were approximately RMB365.8 million and RMB367.8 million, respectively. The increase was primarily attributable to the addition of land use rights for Binhai Water.

2.3 Inventories

As at 31 December 2023 and 30 June 2024, inventories were approximately RMB4.9 million and RMB5.2 million, respectively. Inventories mainly comprised chemicals used in the water treatment process.

2.4 Trade receivables

As at 31 December 2023 and 30 June 2024, trade receivables were approximately RMB146.8 million and RMB177.4 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 and the longer carrying period of trade receivables.

2.5 Prepayments, other receivables and other assets

As at 31 December 2023 and 30 June 2024, prepayments, other receivables and other assets were approximately RMB32.3 million and RMB31.7 million, respectively.

2.6 *Trade payables*

As at 31 December 2023 and 30 June 2024, trade payables were approximately RMB75.3 million and RMB83.3 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 2023 and 30 June 2024, other payables and accruals were approximately RMB1,032.5 million and RMB893.3 million, respectively. The decrease was mainly due to the decrease in other construction payables.

2.8 *Deferred government grants*

As at 31 December 2023 and 30 June 2024, deferred government grants were approximately RMB141.5 million and RMB136.6 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 2024, cash and bank balance of the Group was approximately RMB349.2 million (as at 31 December 2023: approximately RMB447.8 million). As at 30 June 2024, total borrowings and corporate debt instruments of the Group were approximately RMB3,642.6 million (as at 31 December 2023: approximately RMB3,558.2 million) and included bank and other loans, with 83.2% of bank and other loans at floating rates. As at 30 June 2024, gearing ratio of the Group (total debts divided by total equity as at the end of the period) was 353.9% (as at 31 December 2023: 330.1%). The increase in gearing ratio was mainly due to the increase in bank and other borrowings of approximately RMB84.4 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 2024, the Group did not hold any significant investment in equity interest in any other company (for the six months ended 30 June 2023: nil).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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 RMB3,490.3 million (as at 31 December 2023: approximately RMB3,406.8 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 loss of approximately RMB3,070 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 2023: nil).

SUBSEQUENT EVENTS AFTER REPORTING PERIOD

As at the date of this announcement, 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 2024, the Group had 251 employees (as at 30 June 2023: 246). During the Reporting Period, the employee benefit expenses amounted to approximately RMB45.9 million (for the six months ended 30 June 2023: RMB41.6 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.

CORPORATE GOVERNANCE PRACTICES

The Group strived to maintain high standards of corporate governance in order to safeguard the interests of Shareholders and enhance the corporate value and accountability. The Company has adopted the principles of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules as its own code of corporate governance.

The Company has complied with all the code provisions set out in the CG Code during the Reporting Period. The Company will continue to review and monitor its corporate governance practice to ensure the compliance of the CG Code.

MODEL CODE REGARDING SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as the code of conduct regarding securities transactions conducted by the Directors and supervisors of the Company (the “**Supervisors**”). Specific enquiries have been made to all the Directors and Supervisors and each of the Directors and Supervisors has confirmed that he/she has complied with the required standard set out in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

THE AUDIT COMMITTEE

The Audit Committee has, together with the management and the Board, reviewed the accounting principles and practices adopted by the Group and the interim results for the six months ended 30 June 2024. The Audit Committee also approved the interim results for the six months ended 30 June 2024 and submitted them to the Board for approval.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT FOR 2024 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zjtzwater.com). The interim report for 2024 of the Company containing all information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Taizhou, the PRC, 30 August 2024

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

** For identification purpose only*