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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

ANNUAL RESULTS HIGHLIGHTS:

- Revenue for the year amounted to approximately RMB520.3 million, representing an increase of approximately 7.5% from the year ended 31 December 2020.
- Profit for the year amounted to approximately RMB135.0 million, representing an increase of approximately 16.2% from the year ended 31 December 2020.
- Profit attributable to owners of the Company for the year amounted to approximately RMB120.3 million, representing an increase of approximately 16.7% from the year ended 31 December 2020.
- Basic earnings per share for the year amounted to approximately RMB0.60.
- The Board proposed the payment of final dividends of RMB0.17 per share (tax inclusive) for the year ended 31 December 2021.

The board (the “**Board**”) of directors (the “**Director**”) of Taizhou Water Group Co., Ltd. (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”). The content of this annual results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in relation to preliminary announcements of audited annual results which is prepared in accordance with the Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Such audited annual 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**”).

* For identification purposes only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
REVENUE	4	520,279	483,796
Cost of sales		<u>(293,678)</u>	<u>(279,608)</u>
Gross profit		226,601	204,188
Other income and gains	4	22,245	16,609
Administrative expenses		(55,913)	(50,263)
Other expenses		(563)	(956)
Finance costs		(13,945)	(13,343)
Share of profits of associates		473	–
PROFIT BEFORE TAX	5	178,898	156,235
Income tax expense	6	<u>(43,907)</u>	<u>(40,006)</u>
PROFIT FOR THE YEAR		<u>134,991</u>	<u>116,229</u>
Attributable to:			
Owners of the parent		120,310	103,069
Non-controlling interests		<u>14,681</u>	<u>13,160</u>
		<u>134,991</u>	<u>116,229</u>
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted (RMB)		<u>0.60</u>	<u>0.52</u>
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		<u>1,230</u>	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>1,230</u>	<u>–</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>136,221</u>	<u>116,229</u>
Attributable to:			
Owners of the parent		121,540	103,069
Non-controlling interests		<u>14,681</u>	<u>13,160</u>
		<u>136,221</u>	<u>116,229</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	9	3,582,469	2,545,168
Prepayments for property, plant and equipment		15,029	32,209
Prepayments for land use rights		165	165
Other intangible assets		290	335
Investments in associates		503,699	125,000
Deferred tax assets		22,008	21,314
Right-of-use assets	10	395,152	412,222
Total non-current assets		4,518,812	3,136,413
CURRENT ASSETS			
Inventories		4,896	3,788
Trade receivables	11	100,364	101,586
Prepayments, other receivables and other assets		23,602	13,662
Pledged bank deposits		17,534	17,238
Cash and cash equivalents		190,699	230,369
Total current assets		337,095	366,643
CURRENT LIABILITIES			
Trade payables	12	61,683	60,145
Other payables and accruals		764,365	343,231
Interest-bearing bank and other borrowings		89,240	193
Deferred government grants		3,261	3,261
Lease liabilities	10	19,729	20,875
Tax payable		29,390	14,521
Total current liabilities		967,668	442,226
NET CURRENT LIABILITIES		(630,573)	(75,583)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,888,239	3,060,830

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,888,239	3,060,830
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		2,652,743	1,963,807
Deferred government grants		103,595	76,886
Other liabilities		1,533	1,634
Total non-current liabilities		2,757,871	2,042,327
Net assets		1,130,368	1,018,503
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>13</i>	200,000	200,000
Reserves		723,174	635,634
		923,174	835,634
Non-controlling interests		207,194	182,869
Total equity		1,130,368	1,018,503

NOTES TO THE 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 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.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They 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

As at 31 December 2021, the Group recorded net current liabilities of approximately RMB630,573,000. Included therein, the Group recorded other payables and accruals of RMB764,365,000 as at 31 December 2021.

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 31 December 2021, the Group has available bank facilities with a total amount of RMB11,891,168,000 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 has been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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*

During the year, 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 during the year is set out below:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Customer 1	153,849	137,466
Customer 2	113,733	104,652
Customer 3	97,184	96,704
Customer 4	N/A*	52,219

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers	<u>520,279</u>	<u>483,796</u>

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Type of goods or services		
Sale of water	505,972	471,185
Installation services	<u>14,307</u>	<u>12,611</u>
Total revenue from contracts with customers	<u>520,279</u>	<u>483,796</u>

Timing of revenue recognition

Goods transferred at a point in time	505,972	471,185
Services transferred over time	<u>14,307</u>	<u>12,611</u>
Total revenue from contracts with customers	<u>520,279</u>	<u>483,796</u>

(b) *Contract liabilities*

The Group recognised the following revenue-related contract liabilities:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current	<u>4,562</u>	<u>3,067</u>

Contract liabilities represented the obligations to transfer goods to a customer for which the Group has received consideration. The amount was included in “Other payables and accruals” in the consolidated statement of financial position.

(i) *Significant changes in contract liabilities*

The changes in the contract liabilities are mainly attributable to the short-term advances received to transfer goods to customers and satisfaction of performance obligations.

(ii) *Revenue recognised in relation to contract liabilities*

The following table shows the amounts of revenue recognised during the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2021 RMB'000	2020 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Installation services	3,067	1,683

(c) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Sale of water

The performance obligation is satisfied upon delivery of the water and payment is generally due within two months.

Installation services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of installation and customer acceptance.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2021 RMB'000	2020 <i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year	21,963	16,030

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other income		
Bank interest income	2,715	3,649
Government grants	864	455
Value added tax refund	10,962	11,553
Others	149	775
	<u>14,690</u>	<u>16,432</u>
Gains		
Gains on acquisition of associates	7,519	–
Foreign exchange gains, net	–	177
Gain on disposal of items of property, plant and equipment	36	–
	<u>7,555</u>	<u>177</u>
	<u>22,245</u>	<u>16,609</u>

5. PROFIT BEFORE TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of inventories sold*	282,480	270,529
Cost of services provided	11,198	9,079
Depreciation of property, plant and equipment	53,267	51,823
Depreciation of right-of-use assets	9,003	8,570
Amortisation of other intangible assets**	88	95
Impairment of trade receivables, net	168	1,779
Impairment of financial assets included in prepayments, other receivables and other assets	55	216
Government grants***	(864)	(455)
Foreign exchange differences, net	87	(177)
Auditor's remuneration	5,790	6,359
Employee benefit expense (excluding directors', chief executive's and supervisors' remuneration):		
Wages and salaries	44,786	40,300
Pension scheme contributions	6,601	2,902
Staff welfare expenses	8,668	6,570
	<u>60,055</u>	<u>49,772</u>
(Gain)/loss on disposal of items of property, plant and equipment	<u>(36)</u>	<u>2</u>

- * The cost of inventories sold includes RMB90,679,000 (2020: RMB84,922,000) relating to staff costs, depreciation of property, plant and equipment and depreciation of right-of-use assets for the year, which are also included in the respective total amounts disclosed above for each type of expenses.
- ** The amortisation of other intangible assets for the year is included in “Cost of sales” and “Administrative expenses” in the consolidated statement of profit or loss and other comprehensive income.
- *** The government grants mainly represent compensation by the local government to support the Group’s operation in Taizhou City, the PRC. There were no unfulfilled conditions or contingencies attached to these government grants.

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax – Mainland China		
Charge for the year	44,601	40,455
Deferred tax	(694)	(449)
	<u>43,907</u>	<u>40,006</u>
Total tax charge for the year	<u>43,907</u>	<u>40,006</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2021		2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit before tax	178,898		156,235	
Tax at the statutory tax rate of 25% in Mainland China	44,725	25.0	39,059	25.0
Lower tax rate for specific provinces or enacted by local authority	7	–	(12)	–
Profits attributable to associates	(118)	(0.1)	–	–
Income not subject to tax	(1,880)	(1.0)	–	–
Effect of non-deductible expenses	162	0.1	305	0.2
Tax losses not recognised	1,508	0.8	1,505	0.9
Tax losses utilised from previous years	(497)	(0.3)	(851)	(0.5)
	<u>43,907</u>	<u>24.5</u>	<u>40,006</u>	<u>25.6</u>
Tax charge at the Group’s effective rate	<u>43,907</u>	<u>24.5</u>	<u>40,006</u>	<u>25.6</u>

7. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Proposed final – RMB0.17 (2020: RMB0.17) per ordinary share	<u>34,000</u>	<u>34,000</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

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

The calculation of basic earnings per share is based on:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<u>120,310</u>	<u>103,069</u>
	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>200,000,000</u>	<u>200,000,000</u>

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Pipelines RMB'000	Machinery and equipment RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021								
At 1 January 2021:								
Cost	419,290	636,632	263,917	61,776	11,669	266	2,110,430	3,503,980
Accumulated depreciation	(240,074)	(432,431)	(228,564)	(51,400)	(6,219)	(124)	-	(958,812)
Net carrying amount	<u>179,216</u>	<u>204,201</u>	<u>35,353</u>	<u>10,376</u>	<u>5,450</u>	<u>142</u>	<u>2,110,430</u>	<u>2,545,168</u>
At 1 January 2021, net of accumulated depreciation								
At 1 January 2021, net of accumulated depreciation	179,216	204,201	35,353	10,376	5,450	142	2,110,430	2,545,168
Additions	217	-	1,603	820	670	-	1,064,705	1,068,015
Capitalisation of depreciation of right-of-use assets (note 10)	-	-	-	-	-	-	23,479	23,479
Disposals	(4)	-	(1)	(5)	(16)	-	-	(26)
Depreciation provided during the year	(20,901)	(22,715)	(6,027)	(2,674)	(1,797)	(53)	-	(54,167)
Transfers	9,432	4,284	761	759	-	-	(15,236)	-
At 31 December 2021, net of accumulated depreciation	<u>167,960</u>	<u>185,770</u>	<u>31,689</u>	<u>9,276</u>	<u>4,307</u>	<u>89</u>	<u>3,183,378</u>	<u>3,582,469</u>
At 31 December 2021:								
Cost	428,796	640,916	266,249	63,089	11,808	266	3,183,378	4,594,502
Accumulated depreciation	(260,836)	(455,146)	(234,560)	(53,813)	(7,501)	(177)	-	(1,012,033)
Net carrying amount	<u>167,960</u>	<u>185,770</u>	<u>31,689</u>	<u>9,276</u>	<u>4,307</u>	<u>89</u>	<u>3,183,378</u>	<u>3,582,469</u>

	Buildings RMB'000	Pipelines RMB'000	Machinery and equipment RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020								
At 1 January 2020:								
Cost	416,537	635,923	262,027	59,508	11,185	266	1,293,243	2,678,689
Accumulated depreciation	(219,768)	(410,183)	(222,596)	(49,070)	(4,578)	(103)	-	(906,298)
Net carrying amount	<u>196,769</u>	<u>225,740</u>	<u>39,431</u>	<u>10,438</u>	<u>6,607</u>	<u>163</u>	<u>1,293,243</u>	<u>1,772,391</u>
At 1 January 2020, net of accumulated depreciation								
196,769	225,740	39,431	10,438	6,607	163	1,293,243	1,772,391	
Additions	639	-	1,229	831	647	-	791,249	794,595
Capitalisation of depreciation of right-of-use assets (note 10)	-	-	-	-	-	-	31,011	31,011
Disposals	-	-	-	(4)	(5)	-	-	(9)
Depreciation provided during the year	(20,306)	(22,248)	(5,968)	(2,478)	(1,799)	(21)	-	(52,820)
Transfers	2,114	709	661	1,589	-	-	(5,073)	-
At 31 December 2020, net of accumulated depreciation	<u>179,216</u>	<u>204,201</u>	<u>35,353</u>	<u>10,376</u>	<u>5,450</u>	<u>142</u>	<u>2,110,430</u>	<u>2,545,168</u>
At 31 December 2020:								
Cost	419,290	636,632	263,917	61,776	11,669	266	2,110,430	3,503,980
Accumulated depreciation	(240,074)	(432,431)	(228,564)	(51,400)	(6,219)	(124)	-	(958,812)
Net carrying amount	<u>179,216</u>	<u>204,201</u>	<u>35,353</u>	<u>10,376</u>	<u>5,450</u>	<u>142</u>	<u>2,110,430</u>	<u>2,545,168</u>

10. LEASES

The Group as a lessee

The Group has lease contracts for land used in its operations with lease periods of 2 to 50 years. Lump sum payments were made upfront to acquire certain of these land leases, and no ongoing payments will be made under the terms of these land leases. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Lands <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2020	384,484	384,484
Additions	67,319	67,319
Depreciation recognised in profit or loss during the year	(8,570)	(8,570)
Depreciation capitalised in property, plant and equipment during the year (<i>note 9</i>)	(31,011)	(31,011)
	<u>412,222</u>	<u>412,222</u>
As at 31 December 2020 and 1 January 2021	412,222	412,222
Additions	15,412	15,412
Depreciation recognised in profit or loss during the year	(9,003)	(9,003)
Depreciation capitalised in property, plant and equipment during the year (<i>note 9</i>)	(23,479)	(23,479)
	<u>395,152</u>	<u>395,152</u>
As at 31 December 2021	395,152	395,152

(b) *Lease liabilities*

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Carrying amount at 1 January	20,875	19,372
Additions	15,412	67,319
Transfer from prepayments for land use rights	–	(50,194)
Payments during the year	(16,558)	(15,622)
	<u>19,729</u>	<u>20,875</u>
Carrying amount at 31 December	19,729	20,875
Analysed into:		
Current portion	19,729	20,875
	<u>19,729</u>	<u>20,875</u>

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation charge of right-of-use assets	<u>9,003</u>	<u>8,570</u>

11. TRADE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	17,299	62,017
Due from related parties	<u>136,250</u>	<u>92,586</u>
	153,549	154,603
Impairment	<u>(53,185)</u>	<u>(53,017)</u>
	<u>100,364</u>	<u>101,586</u>

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 31 December 2021, certain of the Group's trade receivables with a carrying amount of RMB87,659,000 (2020: RMB89,146,000) 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	99,509	96,995
3 to 6 months	–	1,057
6 to 12 months	–	735
1 to 2 years	–	2,027
2 to 3 years	<u>855</u>	<u>772</u>
	<u>100,364</u>	<u>101,586</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of year	53,017	51,238
Impairment losses, net	168	1,779
At end of year	53,185	53,017

The Group has applied the simplified approach to provide for expected credit losses under HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the credit risk characteristics and the days past due of each group of trade receivables to measure the expected credit losses. The Group considers the historical loss rate and adjusts for forward-looking macroeconomic data in calculating the expected credit loss rate. The expected credit losses were determined according to a provision matrix as follows:

	Gross carrying amount <i>RMB'000</i>	Expected credit loss rate	Expected credit losses <i>RMB'000</i>
As at 31 December 2021			
Less than 1 year	100,081	0.57%	570
Between 1 and 2 years	–	37.08%	–
Over 2 years	4,788	82.21%	3,935
Default receivables	48,680	100.00%	48,680
	153,549		53,185
As at 31 December 2020			
Less than 1 year	99,474	0.69%	686
Between 1 and 2 years	3,054	33.63%	1,027
Over 2 years	3,395	77.29%	2,624
Default receivables	48,680	100.00%	48,680
	154,603		53,017

12. TRADE PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	<u>61,683</u>	<u>60,145</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	43,082	41,091
3 to 6 months	15,152	15,562
6 to 12 months	49	55
Over 12 months	<u>3,400</u>	<u>3,437</u>
	<u>61,683</u>	<u>60,145</u>

The trade payables are non-interest-bearing and are normally settled on terms of one to two months.

13. SHARE CAPITAL

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Issued and fully paid:		
Domestic shares of 150,000,000 (2020: 150,000,000) of RMB1.00 each	150,000	150,000
H shares of 50,000,000 (2020: 50,000,000) of RMB1.00 each	<u>50,000</u>	<u>50,000</u>
	<u>200,000</u>	<u>200,000</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

2021 was the year in which the prevention and control of the novel coronavirus epidemic entered into normalization. Affected by the epidemic, the water industry will face a surge in short-term disinfection demand and a sustained long-term industry improvement in quality. Short-term residential water demand and medical disinfection water demand will usher in a small increase. Sewage treatment enterprises will face severe challenges. The Ministry of Ecology and Environment proposed “medical sewage discharge without disinfection treatment or treatment does not meet the criteria is strictly prohibited (嚴禁未經消毒處理或處理未達標的醫療污水排放)”, “local ecological and environmental departments should urge urban sewage treatment plants to effectively strengthen the disinfection work (地方生態環境部門要督促城鎮污水處理廠切實加強消毒工作)” in the “Notice on Doing a Good Job in the Supervision of Medical Sewage and Urban Sewage in the Pneumonia Epidemic of Novel Coronavirus Infection (關於做好新型冠狀病毒感染的肺炎疫情醫療污水和城鎮污水監管工作的通知)” released on 1 February, which will, to a certain extent, increase the disposal costs of sewage enterprises.

In the long run, according to the results of the ecological environment quality test released by the Ministry of Ecology and Environment, the overall quality of surface water and drinking water sources in China remains stable, and the prevention and control work of sewage treatment has played a significant effect. After the epidemic, the four major trends of smart water construction, the improvement of urban sewage pipe network quality, the upgrade of water resources safety protection measures, and the construction of sludge harmless disposal facilities of China’s water industry will continue, and the government will also continue to increase policy and financial support for the development of the water industry, so the water industry is expected to usher in new development opportunities.

DEVELOPMENT STRATEGIES AND OUTLOOK

The year of 2021 marks the first year of implementing the 14th Five-Year Plan and embarking on a new journey to build China into a modern socialist country in all respects. Benchmarking the objective of building a pioneer city in pursuit of common prosperity with high-quality development, the Group resolutely implemented the decisions and deployments of the Municipal Party Committee and the Municipal Government to accelerate the progress of water conservancy infrastructure network construction, following closely the new development concept and the trend of water and environmental protection policies. The Group successfully completed the integration of water supply services in this year. Through the acquisition of equity interests in other water supply companies in Taizhou, the Group will enjoy the benefits of an expanded industrial chain and economic scale, and strengthen its position as a leading water supply service provider in Taizhou.

The Group will try to tap into the ecological environmental protection area 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. Meanwhile, due to the rapid advancement of telecommunication technology and the rapid construction of 5G network in the PRC, the Group will focus on the application of information technology in the water industry and promote the construction of the smart water platform. Development of major functions of business applications including GIS, production administration, dispatching management and business finance system is expected to be basically completed within this year.

BUSINESS REVIEW

As a leading water supply service provider in Taizhou, the Group's principal businesses are 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 of water pipelines for distributing tap water to end-users.

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

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. ("**Wenling Zeguo Water Supply**"), a wholly-owned subsidiary of the Company. The raw water supply capacity of 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. For the year ended 31 December 2021, the raw water sales volume was 117.7 million tonnes, representing an increase of approximately 7.8% as compared with 109.2 million tonnes for the year ended 31 December 2020.

2. Municipal Water Supply Project

Taizhou Water Treatment Plant of the Taizhou Water Supply System (Phase II) has a designed municipal water supply capacity of 366,000 tonnes per day and is responsible for selling municipal water to local municipal water service providers. For the year ended 31 December 2021, municipal water sales volume was 139.2 million tonnes, representing an increase of approximately 2.7% as compared with 135.5 million tonnes for the year ended 31 December 2020.

3. Tap Water Supply Project

As at 31 December 2021, the Group was responsible for supplying tap water to end-users of Zeguo Town, Wenling City (including commercial users, government authorities, industrial users and residential households in Zenguo Town). For the year ended 31 December 2021, tap water sales volume was 11.1 million tonnes, representing an increase of approximately 7.8% as compared with 10.3 million tonnes for the year ended 31 December 2020.

4. Installation Services

In connection with tap water supply services, the Group undertakes water pipeline installation works to connect new end-users to the Group's pipeline network and charges an installation fee for such services. For the year ended 31 December 2021, revenue from installation services amounted to RMB14.3 million, representing an increase of approximately 13.5% as compared with RMB12.6 million for the year ended 31 December 2020.

5. Construction Project

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

The construction of the Taizhou Water Supply System (Phase III) commenced in February 2018 and is expected to complete in June 2022, aiming to supply water to the Taizhou Bay Economic Zone and to resolve the increasing water demand in the areas the Group have already supplied water to. The designed raw water supply capacity of Taizhou Water Supply System (Phase III) is 580,000 tonnes per day in the short term and 1,000,000 tonnes per day in the long term; and the designed municipal water supply capacity is 284,000 tonnes per day in the short term and 884,000 tonnes per day in the long term.

The construction of Taizhou Water Supply System (Phase IV) commenced in November 2018 and is expected to complete in June 2022, aiming to supply water to South Bay Zone of Taizhou and to provide raw water and municipal water at the same time. In the short term, the designed raw water supply capacity is 150,000 tonnes per day, and the designed municipal water supply capacity is 100,000 tonnes per day. In the long term, the designed raw water supply capacity is 300,000 tonnes per day, and the designed municipal supply water capacity is 200,000 tonnes per day.

As at 31 December 2021, all the water conveyance tunnels of the Taizhou Water Supply System (Phase III) had been fully commissioned, the construction of the main civil structure of the water treatment plant in the East Zone has topped off, the tendering process for the On-Emergency North-South Water Source Mutual Backup Project has completed, and construction of the Jiaojiang section has commenced. Sections 1 & 2 of the water conveyance tunnels of the Taizhou Water Supply System (Phase IV) had been fully commissioned.

FINANCIAL REVIEW

1 Analysis of Key Items of Consolidated Statement of Profit or Loss and Other Comprehensive Income

1.1 Revenue

Revenue of the Group increased by RMB36.5 million or 7.5%, from approximately RMB483.8 million for the year ended 31 December 2020 to approximately RMB520.3 million for the Reporting Period.

(1) Raw water supply

Revenue of the Group generated from sales of raw water increased by RMB11.2 million or 10.3%, from approximately RMB108.8 million for the year ended 31 December 2020 to approximately RMB120.0 million for the Reporting Period. Such increase was primarily attributable to the increase in the sales volume of raw water from 109.2 million tonnes for the year ended 31 December 2020 to 117.7 million tonnes for the Reporting Period due to the impact of the COVID-19 pandemic in 2020.

(2) Municipal water supply

Revenue of the Group generated from sales of municipal water increased by RMB20.3 million or 6.4%, from approximately RMB318.7 million for the year ended 31 December 2020 to approximately RMB339.0 million for the Reporting Period. The increase was mainly due to (i) the increase in municipal water sales volume from 135.5 million tonnes in 2020 to 139.2 million tonnes in 2021; and (ii) the increase in the average unit selling price of raw water sold by the Group during the Reporting Period, mainly due to the 10% reduction of the price of raw water sold by the Group to middle and downstream water supply companies based on the actual volume of water sold by such companies to enterprise end-users due to the impact of the COVID-19 pandemic in 2020.

(3) Tap water supply

Revenue of the Group generated from sales of tap water increased by RMB3.3 million or 7.6%, from approximately RMB43.7 million for the year ended 31 December 2020 to approximately RMB47.0 million for the Reporting Period.

(4) Installation services

Revenue of the Group generated from installation services increased by RMB1.7 million or 13.5%, from approximately RMB12.6 million for the year ended 31 December 2020 to approximately RMB14.3 million for the Reporting Period.

1.2 Cost of sales

The Group's cost of sales increased by RMB14.1 million or 5.0%, from approximately RMB279.6 million for the year ended 31 December 2020 to approximately RMB293.7 million for the Reporting Period. The increase was mainly due to the increase in the raw water procurement fee, primarily attributable to the increase in raw water procurement volume.

1.3 Gross profit and gross profit margin

As a result of the above, the Group's gross profit increased by RMB22.4 million or 11.0%, from approximately RMB204.2 million for the year ended 31 December 2020 to approximately RMB226.6 million for the Reporting Period. Gross profit margin increased slightly from 42.2% for the year ended 31 December 2020 to 43.6% for the Reporting Period.

1.4 Other income and gains

Other income and gains increased by RMB5.7 million or 34.3%, from approximately RMB16.6 million for the year ended 31 December 2020 to RMB22.3 million for the Reporting Period, which was mainly due to the gains on acquisition of associates in 2021.

1.5 Administrative expenses

Administrative expenses increased by RMB5.6 million or 11.1%, from approximately RMB50.3 million for the year ended 31 December 2020 to approximately RMB55.9 million for the Reporting Period, which was mainly due to the increase in employee benefit expenses.

1.6 Finance costs

Finance costs increased slightly by RMB0.6 million or 4.5%, from approximately RMB13.3 million for the year ended 31 December 2020 to approximately RMB13.9 million for the Reporting Period.

1.7 Income tax expense

Income tax expense increased by RMB3.9 million or 9.8%, from approximately RMB40.0 million for the year ended 31 December 2020 to approximately RMB43.9 million for the Reporting Period, which was primarily due to the increase in profit before tax.

1.8 *Profit after tax and profit margin after tax*

As a result of above, profit for the Reporting Period increased by RMB18.8 million or 16.2%, from approximately RMB116.2 million for the year ended 31 December 2020 to RMB135.0 million for the Reporting Period. Profit margin after tax increased from 24.0% for the year ended 31 December 2020 to 25.9% for the Reporting Period.

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

2.1 *Property, plant and equipment*

As at 31 December 2020 and 2021, property, plant and equipment were approximately RMB2,545.2 million and RMB3,582.5 million, respectively, and mainly comprised construction in progress, water supply pipelines, buildings, machinery and equipment for water supply business. The increase was primarily attributable to the additions of construction in progress related to Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV).

2.2 *Investment in associates*

Investment in associates represented the investments in which the Group had a long term interest of not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence, which included Taizhou Zhuxi Reservoir Development Co., Ltd. (“**Zhuxi Reservoir Development**”), Taizhou Water Supply Co., Ltd. (“**Taizhou Water Supply**”), Taizhou Jiaobei Water Supply Co., Ltd. (“**Jiaobei Water Supply**”), Taizhou Luqiao Water Supply Co., Ltd. (“**Taizhou Luqiao Water Supply**”) and Taizhou Huangyan Urban and Rural Water Supply Co., Ltd. (“**Huangyan Water Supply**”). The increase in investment in associates as at 31 December 2021 was mainly due to (i) the acquisitions of equity interests in Taizhou Water Supply, Jiaobei Water Supply, Taizhou Luqiao Water Supply and Huangyan Water Supply in 2021; and (ii) the acquisition of additional equity interests in Zhuxi Reservoir Development in 2021.

2.3 *Right-of-use assets*

As at 31 December 2020 and 2021, right-of-use assets were approximately RMB412.2 million and RMB395.2 million, respectively.

2.4 *Inventories*

As at 31 December 2020 and 2021, inventories were approximately RMB3.8 million and RMB4.9 million, respectively. Inventories mainly comprised raw materials including chemicals used in the water treatment process.

2.5 *Trade receivables*

As at 31 December 2020 and 2021, trade receivables were approximately RMB101.6 million and RMB100.4 million, respectively. Trade receivables are related to receivables from customers under the water supply business.

2.6 *Prepayments, other receivables and other assets*

As at 31 December 2020 and 2021, prepayments, other receivables and other assets were approximately RMB13.7 million and RMB23.6 million, respectively. Such increase was primarily attributable to the increase in contract assets arising from installation services.

2.7 *Trade payables*

As at 31 December 2020 and 2021, trade payables were approximately RMB60.1 million and RMB61.7 million, respectively. Trade payables mainly comprised outstanding payments for raw water procurement and water resources fee.

2.8 *Other payables and accruals*

As at 31 December 2020 and 2021, other payables and accruals were approximately RMB343.2 million and RMB764.4 million, respectively. Such increase was primarily attributable to the increase in other payables for the construction of Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV).

2.9 *Deferred government grants*

As at 31 December 2020 and 2021, deferred government grants were approximately RMB80.1 million and RMB106.9 million, respectively. The increase was mainly due to the receipt of government grants of RMB30.0 million in 2021 as installment from the People's Government of Yuhuan City to reduce the cost of tap water for end-users in the areas covered by Taizhou Water Supply System (Phase IV) in the future.

2.10 *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 of the Company (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 which were mainly denominated in Renminbi) 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 31 December 2021, cash and bank balance of the Group was approximately RMB190.7 million (as at 31 December 2020: approximately RMB230.4 million).

As at 31 December 2021, total borrowings of the Group were approximately RMB2,742.0 million (as at 31 December 2020: approximately RMB1,964.0 million) and included bank and other loans, with 70.90% of bank and other loans at floating rates.

As at 31 December 2021, gearing ratio of the Group (total debts divided by total equity as at the year end) was 242.6% (as at 31 December 2020: 192.8%). The increase in gearing ratio was mainly due to the increase in bank and other borrowings of approximately RMB778.0 million for the construction of Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV).

Significant Investments

For the year ended 31 December 2021, the Group did not hold any significant investment in equity interest in any other company (for the year ended 31 December 2020: nil).

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Acquisitions of Equity Interest in Taizhou Water Supply, Jiaobei Water Supply and Taizhou Luqiao Water Supply

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

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

The Taizhou Water Supply Acquisition, Jiaobei Water Supply Acquisition and Luqiao Water Supply Acquisition were approved by the Shareholders at the 2021 first extraordinary general meeting of the Company held on 15 July 2021. As at the date of this announcement, the aforementioned acquisitions have been completed.

The Acquisition of Equity Interest in Huangyan Water Supply

On 1 September 2021, the Company, Taizhou Huangyan Water Conservancy Development Group Co., Ltd.* (台州市黃岩水利發展集團有限公司) and Huangyan Water Supply entered into an equity transfer agreement, pursuant to which the Company agreed to purchase 45% equity interest in Huangyan Water Supply at a consideration of RMB116.27 million, subject to adjustment (the “**Huangyan Water Supply Acquisition**”).

The Huangyan Water Supply Acquisition was approved by the Shareholders at the 2021 second extraordinary general meeting of the Company held on 27 October 2021. As at the date of this announcement, the Huangyan Water Supply Acquisition has been completed.

For further details of the Taizhou Water Supply Acquisition, Jiaobei Water Supply Acquisition, Luqiao Water Supply Acquisition, and Huangyan Water Supply Acquisition, please refer to the announcements of the Company dated 20 May 2021, 1 September 2021, 30 September 2021, 27 October 2021, 29 October 2021, 30 November 2021 and 31 December 2021 and the circulars of the Company dated 24 June 2021 and 30 September 2021.

The Acquisition of Equity Interest in Zhuxi Reservoir Development

On 15 July 2021, the Company, China Agricultural Development Key Construction Fund Co., Ltd. (中國農發重點建設基金有限公司) and Zhuxi Reservoir Development entered into an equity transfer agreement, pursuant to which the Company agreed to purchase 9.375% equity interest in Zhuxi Reservoir Development at a consideration of RMB75.0 million (the “**Zhuxi Reservoir Development Acquisition**”).

As at the date of this announcement, the Zhuxi Reservoir Development Acquisition has been completed and the Company holds 25% equity interest in Zhuxi Reservoir Development.

For further details of the Zhuxi Reservoir Development Acquisition, please refer to the announcement of the Company dated 15 July 2021.

Save as disclosed above, the Group did not have any other material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period (for the year ended 31 December 2020: nil).

Pledge of the Group’s Assets

During the Reporting Period, the bank borrowings of the Group amounted to RMB2,742.0 million (for the year ended 31 December 2020: RMB1,964.0 million), which were secured by the Group’s trade receivables, the right of charge on the future revenue generated by Taizhou Water Supply System (Phase I, Phase II, Phase III and Phase IV). Save as disclosed above, as at the end of the Reporting Period, the Group did not pledge any other assets.

Foreign Exchange Risk

The Group carries out business in the PRC and receives revenue and pays its costs and expenses in RMB. The Group had the unutilised listing proceeds in Hong Kong dollar and the distributed dividends in Hong Kong dollar. The Group recognised net foreign exchange loss of approximately RMB0.1 million during the Reporting Period. The Group does not currently hedge its exposure to foreign currencies. The Group will continue to monitor foreign exchange movements to maximise the Group's cash values.

Contingent Liabilities

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

Subsequent Events

On 21 January 2022, the shareholders of Zhuxi Reservoir Development resolved to increase the registered capital of Zhuxi Reservoir Development from RMB800.0 million to RMB950.0 million and that the shareholders of Zhuxi Reservoir Development shall each contribute to the capital injection (in sum of RMB150.0 million) on a pro rata basis to their existing shareholding in Zhuxi Reservoir Development (“**Zhuxi Capital Injection**”). Upon completion of the Zhuxi Capital Injection, the Company's total capital contribution to Zhuxi Reservoir Development will increase from RMB200.0 million to RMB237.5 million and the Company's equity interest in Zhuxi Reservoir Development will remain unchanged at 25%.

As the Zhuxi Capital Injection and the Zhuxi Reservoir Development Acquisition were conducted within a 12-month period prior to and inclusive of the date of the Zhuxi Reservoir Development Acquisition, the Zhuxi Capital Injection and the Zhuxi Reservoir Development Acquisition shall be aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Zhuxi Capital Injection in aggregate with the Zhuxi Reservoir Development Acquisition was more than 5% but all were less than 25%, the Zhuxi Capital Injection and the Zhuxi Reservoir Development Acquisition, in aggregate, constituted a discloseable transaction of the Company and was therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Zhuxi Capital Injection has yet been completed. It is expected that the Company's injection of additional capital in amount of RMB37.5 million in cash into Zhuxi Reservoir Development will be paid in full on or before 31 March 2022.

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

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had 206 employees (as at 31 December 2020: 194). During the Reporting Period, employees benefit expense amounted to approximately RMB62.8 million (for the year ended 31 December 2020: RMB52.5 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.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

The H shares of the Company (the “H Shares”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 31 December 2019 (the “Listing Date”). The total net proceeds of approximately HK\$167.5 million after deducting professional fees, underwriting commissions and other related listing expenses (the “Net Proceeds”) will be allocated for utilisation in accordance with the prospectus of the Company dated 17 December 2019.

The intended uses and the balance of the Net Proceeds as at 31 December 2021 are set out below:

Intended use of Net Proceeds	Allocation of Net Proceeds	Percentage of total Net Proceeds	Amount of Net Proceeds utilised up to 31 December 2021	Amount of Net Proceeds utilised during the Reporting Period	Balance of Net Proceeds unutilised as at 31 December 2021	Intended timetable for use of the unutilised Net Proceeds
(i) For the construction of the Taizhou Water Supply System (Phase III)	HK\$150.75 million	90%	HK\$150.75 million	HK\$26.64 million	Nil	By/before 31 December 2021
(ii) For providing funding for the Group’s working capital and other general corporate purposes	HK\$16.75 million	10%	HK\$16.75 million	HK\$16.75 million	Nil	By/before 31 December 2021
Total	HK\$167.5 million	100%	HK\$167.5 million	HK\$43.39 million	Nil	By/before 31 December 2021

As at 31 December 2021, the total amount of Net Proceeds had been fully utilised.

ANNUAL GENERAL MEETING

The Company will hold the annual general meeting on Tuesday, 28 June 2022 (the “**2022 AGM**”). A notice convening the 2022 AGM will be published and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

FINAL DIVIDEND

The Board recommends to distribute a final dividend in respect of the year ended 31 December 2021 at RMB0.17 (tax inclusive) per share (for the year ended 31 December 2020: RMB0.17 (tax inclusive) per share), which is subject to the approval by the Shareholders at the 2022 AGM and is expected to be distributed on or before Friday, 23 September 2022 to the Shareholders whose names appear on the register of members of the Company on Sunday, 10 July 2022.

According to the Enterprise Income Tax Law of the PRC and its implementation regulations (the “**EIT Law**”), the tax rate of the enterprise income tax applicable to the income of a non-resident enterprise deriving from the PRC is 10%. For this purpose, any H Shares registered under the name of non-individual enterprise, including the H Shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organisations or entities, shall be deemed as shares held by non-resident enterprise shareholders (as defined under the EIT Law). The Company will distribute the dividend to those non-resident enterprise Shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

Any resident enterprise (as defined under the EIT Law) which has been legally incorporated in the PRC or which was established pursuant to the laws of foreign countries (regions) but has established effective administrative entities in the PRC, and whose name appears on the Company’s H Share register should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the official chop of the law firm issuing the opinion affixed thereon) and relevant documents to Company’s H Share register, Computershare Hong Kong Investor Services Limited, in due course, if they do not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa (1993) No. 045 Document (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (the “**Notice**”) issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprise which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and the PRC. Thus, 10% individual income tax will be withheld from the dividend payable to any individual holders of H Shares whose names appear on the H Share register of members of the Company on the record date, unless otherwise stated in the relevant taxation regulations, tax treaties or the Notice.

CLOSURE OF REGISTER OF MEMBERS

1. For determining the entitlement to attend and vote at the 2022 AGM

For determining the entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Sunday, 29 May 2022 to Tuesday, 28 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to be eligible for attending the 2022 AGM, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Friday, 27 May 2022.

2. For determining the entitlement to the proposed final dividend

For determining the entitlement to the proposed final dividend subject to the approval by Shareholders at the 2022 AGM, the register of members of the Company will be closed from Tuesday, 5 July 2022 to Sunday, 10 July 2022, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to be eligible for receiving the proposed final dividend, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 4 July 2022.

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 14 to the Listing Rules as its own code of corporate governance.

During the Reporting Period, the Company has complied with all the code provisions set out in the CG Code. 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 CONDUCTED

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct regarding transactions conducted by the Directors and supervisors. Specific enquiry has been made to all the Directors and supervisors (the "**Supervisor**") of the Company 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, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries had bought back, sold or redeemed any listed securities of the Company during the Reporting Period.

THE AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and Paragraph D.3 of the CG Code. The Audit Committee consists of two independent non-executive Directors including Mr. Li Wai Chung and Ms. Hou Meiwen and one non-executive Director, Mr. Wang Haiping. The Audit Committee is chaired by Mr. Li Wai Chung.

The Audit Committee has reviewed, with the management and the Board, the accounting principles and policies adopted by the Company, the audited annual results and the audited consolidated financial statements of the Company for the year ended 31 December 2021. The Audit Committee also approved the annual results and the consolidated financial statements for the year ended 31 December 2021 and submitted them to the Board for approval.

SCOPE OF WORK OF THE AUDITORS ON THE ANNUAL RESULTS ANNOUNCEMENT

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2021, but represents an extract from the consolidated financial statements for the year ended 31 December 2021 which have been audited by the auditors of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The financial information has been reviewed by the Audit Committee and approved by the Board.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT FOR 2021 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zjtzwater.com). The annual report for 2021 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
28 March 2022

As at the date of this announcement, the Board comprises Mr. Yang Jun and Mr. Zhang Junzhou as executive Directors; Mr. Wang Haibo, Mr. Wang Haiping, Ms. Fang Ya, Mr. Yu Yangbin, Ms. Huang Yuyan, Mr. Yang Yide, Mr. Guo Dingwen and Mr. Lin Yang as non-executive Directors; Mr. Huang Chun, Ms. Lin Suyan, Ms. Hou Meiwen, Mr. Li Wai Chung and Mr. Wang Yongyue as independent non-executive Directors.

* For identification purpose only