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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 2022**

#### **ANNUAL RESULTS HIGHLIGHTS:**

- Revenue for the year ended 31 December 2022 amounted to approximately RMB542.7 million, representing an increase of approximately 4.3% from the year ended 31 December 2021.
- Profit for the year ended 31 December 2022 amounted to approximately RMB57.8 million, representing a decrease of approximately 57.2% from the year ended 31 December 2021.
- Profit attributable to owners of the Company for the year ended 31 December 2022 amounted to approximately RMB55.9 million, representing a decrease of approximately 53.5% from the year ended 31 December 2021.
- Basic earnings per share for the year ended 31 December 2022 amounted to approximately RMB0.28.
- The Board proposed the payment of final dividends of RMB0.075 per share (tax inclusive) for the year ended 31 December 2022.

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 2022 (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 2022*

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>REVENUE</b>	4	<b>542,659</b>	520,279
Cost of sales		<u>(331,380)</u>	<u>(293,678)</u>
Gross profit		<b>211,279</b>	226,601
Other income and gains	4	<b>15,531</b>	22,245
Administrative expenses		<b>(66,919)</b>	(55,913)
Other expenses		<b>(718)</b>	(563)
Finance costs		<b>(48,733)</b>	(13,945)
Share of profits and losses of associates		<u><b>(17,844)</b></u>	<u>473</u>
<b>PROFIT BEFORE TAX</b>	5	<b>92,596</b>	178,898
Income tax expense	6	<u><b>(34,842)</b></u>	<u>(43,907)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>57,754</b></u>	<u>134,991</u>
Attributable to:			
Owners of the parent		<b>55,925</b>	120,310
Non-controlling interests		<u><b>1,829</b></u>	<u>14,681</u>
		<u><b>57,754</b></u>	<u>134,991</u>
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic and diluted (RMB)	8	<u><b>0.28</b></u>	<u>0.60</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates		<u><b>(1,195)</b></u>	<u>1,230</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<u><b>(1,195)</b></u>	<u>1,230</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>56,559</b></u>	<u>136,221</u>
Attributable to:			
Owners of the parent		<b>54,730</b>	121,540
Non-controlling interests		<u><b>1,829</b></u>	<u>14,681</u>
		<u><b>56,559</b></u>	<u>136,221</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>4,372,312</b>	3,582,469
Prepayments for property, plant and equipment		<b>5,449</b>	15,029
Prepayments for land use rights		<b>165</b>	165
Other intangible assets		<b>270</b>	290
Investments in associates		<b>522,160</b>	503,699
Deferred tax assets		<b>26,228</b>	22,008
Right-of-use assets	10	<b>373,806</b>	395,152
Total non-current assets		<b>5,300,390</b>	4,518,812
<b>CURRENT ASSETS</b>			
Inventories		<b>5,259</b>	4,896
Trade receivables	11	<b>122,425</b>	100,364
Prepayments, other receivables and other assets		<b>22,030</b>	23,602
Pledged bank deposits		<b>17,785</b>	17,534
Cash and cash equivalents		<b>269,759</b>	190,699
Total current assets		<b>437,258</b>	337,095
<b>CURRENT LIABILITIES</b>			
Trade payables	12	<b>79,893</b>	61,683
Other payables and accruals		<b>1,113,227</b>	764,365
Interest-bearing bank and other borrowings		<b>96,130</b>	89,240
Deferred government grants		<b>9,341</b>	3,261
Lease liabilities	10	<b>18,829</b>	19,729
Tax payable		<b>16,451</b>	29,390
Total current liabilities		<b>1,333,871</b>	967,668
<b>NET CURRENT LIABILITIES</b>		<b>(896,613)</b>	(630,573)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,403,777</b>	3,888,239

	<i>Note</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,403,777</b>	3,888,239
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>3,093,519</b>	2,652,743
Deferred government grants		<b>141,974</b>	103,595
Other liabilities		<b>1,713</b>	1,533
Total non-current liabilities		<b>3,237,206</b>	2,757,871
Net assets		<b>1,166,571</b>	1,130,368
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	<i>13</i>	<b>200,000</b>	200,000
Reserves		<b>743,904</b>	723,174
		<b>943,904</b>	923,174
Non-controlling interests		<b>222,667</b>	207,194
Total equity		<b>1,166,571</b>	1,130,368

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

## 1. CORPORATE AND GROUP INFORMATION

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

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

In the opinion of the directors, the Company does not have an immediate holding company or ultimate holding company.

## 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 2022, the Group recorded net current liabilities of approximately RMB896,613,000. Included therein, the Group recorded the other payables and accruals of RMB1,113,227,000 as at 31 December 2022.

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 2022, the Group has available bank facilities with a total amount of RMB7,283,000,000 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.

### 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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 Reporting Period, 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer 1	161,334	153,849
Customer 2	109,541	113,733
Customer 3	103,174	97,184
Customer 4	55,018	N/A*

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

#### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from contracts with customers	<u>542,659</u>	<u>520,279</u>

##### Revenue from contracts with customers

###### (a) *Disaggregated revenue information*

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Type of goods or services</b>		
Sale of water	524,051	505,972
Installation services	<u>18,608</u>	<u>14,307</u>
Total revenue from contracts with customers	<u>542,659</u>	<u>520,279</u>

###### **Timing of revenue recognition**

Goods transferred at a point in time	524,051	505,972
Services transferred over time	<u>18,608</u>	<u>14,307</u>
Total revenue from contracts with customers	<u>542,659</u>	<u>520,279</u>

###### (b) *Contract liabilities*

The Group recognised the following revenue-related contract liabilities:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current	<u>4,675</u>	<u>4,562</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 amount 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:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the Reporting Period:		
Installation services	<b>4,562</b>	3,067

(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:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year	<b>20,938</b>	21,963



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.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Other income</b>		
Bank interest income	3,094	2,715
Government grants	745	864
Value added tax refund	11,289	10,962
Others	403	149
	<u>15,531</u>	<u>14,690</u>
<b>Gains</b>		
Gains on acquisition of associates	–	7,519
Gain on disposal of items of property, plant and equipment	–	36
	<u>15,531</u>	<u>7,555</u>
	<u>15,531</u>	<u>22,245</u>

## 5. PROFIT BEFORE TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories sold*	318,605	282,480
Cost of services provided	12,775	11,198
Depreciation of property, plant and equipment	82,747	53,267
Depreciation of right-of-use assets	11,972	9,003
Amortisation of other intangible assets**	131	88
Impairment of trade receivables, net	430	168
Impairment of financial assets included in prepayments, other receivables and other assets	–	55
Government grants***	(745)	(864)
Foreign exchange differences, net	322	87
Auditor's remuneration	3,805	5,790
Employee benefit expense (excluding directors', chief executive's and supervisors' remuneration):		
Wages and salaries	49,070	44,786
Pension scheme contributions	9,335	6,601
Staff welfare expenses	10,445	8,668
	<u>68,850</u>	<u>60,055</u>
Loss/(gain) on disposal of items of property, plant and equipment	<u>61</u>	<u>(36)</u>

- \* The cost of inventories sold includes RMB124,945,000 (2021: RMB90,679,000) 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 Reporting Period, except for Taizhou Environmental Development Co., Ltd., the provision for current income tax in Mainland China was based on the statutory rate of 25% (2021: 25%) of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008.

Taizhou Environmental Development Co., Ltd. is qualified as a small and micro enterprise and was entitled to a preferential income tax rate of 2.5% (2021: 2.5%) for the taxable income less than or equal to RMB1,000,000 and a preferential income tax rate of 5% (2021: 10%) for the taxable income between RMB1,000,000 and RMB3,000,000 during the Reporting Period.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax – Mainland China		
Charge for the year	39,062	44,601
Deferred tax	(4,220)	(694)
	<hr/>	<hr/>
Total tax charge for the year	<b>34,842</b>	<b>43,907</b>

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:

	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit before tax	<u>92,596</u>		<u>178,898</u>	
Tax at the statutory tax rate of 25% in Mainland China	23,149	25.0	44,725	25.0
Lower tax rate for specific provinces or enacted by local authority	74	0.1	7	–
Profits and losses attributable to associates	4,461	4.8	(118)	(0.1)
Income not subject to tax	–	–	(1,880)	(1.0)
Effect of non-deductible expenses	437	0.5	162	0.1
Tax losses not recognised	6,948	7.4	1,508	0.8
Tax losses utilised from previous years	<u>(227)</u>	<u>(0.2)</u>	<u>(497)</u>	<u>(0.3)</u>
Tax charge at the Group's effective rate	<u>34,842</u>	<u>37.6</u>	<u>43,907</u>	<u>24.5</u>

## 7. DIVIDENDS

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final – RMB0.075 (2021: RMB0.17) per ordinary share	<u>15,000</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.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculation of basic earnings per share is based on:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<u>56,201</u>	<u>120,310</u>
	<b>Number of shares</b>	
	2022	2021
<b>Shares</b>		
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
<b>31 December 2022</b>								
At 1 January 2022:								
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>
At 1 January 2022, net of accumulated depreciation								
Cost	167,960	185,770	31,689	9,276	4,307	89	3,183,378	3,582,469
Additions	-	-	2,803	1,489	560	42	857,496	862,390
Capitalisation of depreciation of right-of-use assets (note 10)	-	-	-	-	-	-	12,435	12,435
Disposals	-	(1,810)	(42)	(18)	-	-	-	(1,870)
Depreciation provided during the year	(31,583)	(36,657)	(10,696)	(2,471)	(1,652)	(53)	-	(83,112)
Transfers	894,657	2,600,408	248,852	3,923	-	-	(3,747,840)	-
At 31 December 2022, net of accumulated depreciation	<u>1,031,034</u>	<u>2,747,711</u>	<u>272,606</u>	<u>12,199</u>	<u>3,215</u>	<u>78</u>	<u>305,469</u>	<u>4,372,312</u>
At 31 December 2022:								
Cost	1,323,453	3,239,514	516,602	67,900	12,368	308	305,469	5,465,614
Accumulated depreciation	(292,419)	(491,803)	(243,996)	(55,701)	(9,153)	(230)	-	(1,093,302)
Net carrying amount	<u>1,031,034</u>	<u>2,747,711</u>	<u>272,606</u>	<u>12,199</u>	<u>3,215</u>	<u>78</u>	<u>305,469</u>	<u>4,372,312</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
<b>31 December 2021</b>								
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								
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>

## 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:

	<b>Lands</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
As at 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 and 1 January 2022	<b>395,152</b>	<b>395,152</b>
Additions	<b>3,061</b>	<b>3,061</b>
Depreciation recognised in profit or loss during the year	<b>(11,972)</b>	<b>(11,972)</b>
Depreciation capitalised in property, plant and equipment during the year ( <i>note 9</i> )	<b>(12,435)</b>	<b>(12,435)</b>
	<u>373,806</u>	<u>373,806</u>
As at 31 December 2022	<b>373,806</b>	<b>373,806</b>

#### (b) *Lease liabilities*

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

	<b>2022</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>
Carrying amount at 1 January	<b>19,729</b>	20,875
Additions	–	15,412
Payments during the year	<b>(900)</b>	(16,558)
	<u>18,829</u>	<u>19,729</u>
Carrying amount at 31 December	<b>18,829</b>	19,729
Analysed into:		
Current portion	<b>18,829</b>	19,729
	<u>18,829</u>	<u>19,729</u>

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

	<b>2022</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>
Depreciation charge of right-of-use assets	<b>11,972</b>	9,003
	<u>11,972</u>	<u>9,003</u>

## 11. TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	16,409	17,299
Due from related parties	<u>159,631</u>	<u>136,250</u>
	176,040	153,549
Impairment	<u>(53,615)</u>	<u>(53,185)</u>
	<u><b>122,425</b></u>	<u><b>100,364</b></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 2022, certain of the Group's trade receivables with a carrying amount of RMB110,447,000 (2021: RMB87,659,000) 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	101,854	99,509
3 to 6 months	19,023	–
6 to 12 months	1,045	–
1 to 2 years	503	–
2 to 3 years	<u>–</u>	<u>855</u>
	<u><b>122,425</b></u>	<u><b>100,364</b></u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At beginning of year	53,185	53,017
Impairment losses, net	<u>430</u>	<u>168</u>
At end of year	<u><b>53,615</b></u>	<u><b>53,185</b></u>

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:

	<b>Gross carrying amount</b> <i>RMB'000</i>	<b>Expected credit loss rate</b>	<b>Expected credit losses</b> <i>RMB'000</i>
<b>As at 31 December 2022</b>			
Less than 1 year	<b>122,510</b>	<b>0.48%</b>	<b>588</b>
Between 1 and 2 years	<b>812</b>	<b>38.05%</b>	<b>309</b>
Over 2 years	<b>4,038</b>	<b>100.00%</b>	<b>4,038</b>
Default receivables	<b>48,680</b>	<b>100.00%</b>	<b>48,680</b>
	<b>176,040</b>		<b>53,615</b>
<b>As at 31 December 2021</b>			
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



## 12. TRADE PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	<u>79,893</u>	<u>61,683</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	52,918	43,082
3 to 6 months	18,956	15,152
6 to 12 months	4,224	49
Over 12 months	<u>3,795</u>	<u>3,400</u>
	<u>79,893</u>	<u>61,683</u>

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

## 13. SHARE CAPITAL

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Issued and fully paid:		
Domestic shares of 150,000,000 (2021: 150,000,000) of RMB1.00 each	150,000	150,000
H shares of 50,000,000 (2021: 50,000,000) of RMB1.00 each	<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

In 2022, the report of the 20th National Congress of the Communist Party of China focused on “accelerating the construction of a new development pattern and making efforts to promote high-quality development”, which pointed out that we should adhere to the principle of promoting high-quality development, organically combine the implementation of the strategy of expanding domestic demand with emphasis on the structural reform on the supply side. We will focus on improving total factor productivity, the resilience and security of industrial chain and supply chain as well as the urban-rural integration and coordinated regional development. National ministries and commissions have also promulgated a number of important policies and documents, such as the Guiding Opinion on Accelerating the Promotion of Construction of Urban Environmental Infrastructures (《關於加快推進城鎮環境基礎設施建設的指導意見》), the “14th Five-Year” Plan for Water Safety (《「十四五」水安全保障規劃》), and the “14th Five-Year” Plan for the Construction of Urban Drainage and Flood Control Systems (《「十四五」城市排水防澇體系建設行動計劃》), which have pointed out the direction for the development of the water industry.

The People’s Government of Taizhou City has made “optimizing the business environment” a key task of the government. Through the issuance of the Thirty Opinions on Further Optimizing the Business Environment and Developing and Strengthening Market Subjects (《關於進一步優化營商環境發展壯大市場主體的三十條意見》) and related supporting policy documents, more high-quality enterprises and talents will settle in Taizhou, and with the optimization of the business environment and hence greater investment attraction, the total economic volume and population scale of Taizhou are expected to reach to a new level in the future, and the total water supply scale of the Group is also expected to achieve a new breakthrough in the future.

### DEVELOPMENT STRATEGIES AND OUTLOOK

The year of 2022 is the second year of the implementation of the “14th Five-Year” Plan. The Group follows the direction of water and environmental protection policies, integrates internal and external resources, continues to deepen the reform of state-owned enterprises around the core positioning of “integrated development operator of water and environmental protection resources” and continuously promotes the optimization of the layout and restructuring of the state-owned economy. The Group is committed to becoming an excellent water service provider and comprehensive development operator of water and environmental protection resources in the Yangtze River Delta region. During the Reporting Period, the Group invested in the construction of the Taizhou Water Diversion Project (Phase III of the water supply system) and the South Bay Water Diversion Project (Phase IV of the water supply system), which entered into operation and played a role in stabilizing the quality and increasing the quantity of water during the peak water consumption period in the summer, thereby bringing the Group’s total water supply scale to a new level. In the next stage, the Group will strive to complement the whole industrial chain of water services by actively planning and implementing a number of new projects such as high-quality drinking water, packaged drinking water and comprehensive land remediation to create new profit growth points and lay a solid foundation for the Group to accelerate the transformation and upgrading of high-quality development.

## **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), the Taizhou Water Supply System (Phase II), the Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV). The designed raw water supply capacity is approximately 1,320,000 tonnes per day, and the municipal water supply capacity is 750,000 tonnes per day in the South Area of 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. ("**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. The raw water supply capacity of Taizhou Water Supply System (Phase III) is 580,000 tonnes per day, of which the raw water supply capacity of Taizhou Water Supply System (Phase IV) is 150,000 tonnes per day. For the year ended 31 December 2022, the raw water sales volume was 130.0 million tonnes, representing an increase of approximately 10.5% as compared with 117.7 million tonnes for the year ended 31 December 2021.

### **2. Municipal Water Supply Project**

Taizhou Water Treatment Plant of the Taizhou Water Supply System (Phase II) has a designed municipal water supply capacity of 366,000 tonnes per day, 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. Taizhou Water Treatment Plant is responsible for selling municipal water to local municipal water service providers. For the year ended 31 December 2022, municipal water sales volume was 140.8 million tonnes, representing an increase of approximately 1.1% as compared with 139.2 million tonnes for the year ended 31 December 2021.

### **3. Tap Water Supply Project**

As at 31 December 2022, 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 2022, tap water sales volume was 11.3 million tonnes, representing an increase of approximately 1.8% as compared with 11.1 million tonnes for the year ended 31 December 2021.

### **4. Installation Services**

In connection with tap water supply services, the Group undertakes water pipeline installation works to connect new end-users to the Group's pipeline network and charges an installation fee for such services. For the year ended 31 December 2022, revenue from installation services amounted to RMB18.6 million, representing an increase of approximately 30.1% as compared with RMB14.3 million for the year ended 31 December 2021.

### **5. Construction Project**

During the Reporting Period, 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 was put into operation in October 2022.

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

## 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 RMB22.4 million or 4.3%, from approximately RMB520.3 million for the year ended 31 December 2021 to approximately RMB542.7 million for the Reporting Period.

##### (1) Raw water supply

Revenue of the Group generated from sales of raw water increased by RMB17.2 million or 14.3%, from approximately RMB120.0 million for the year ended 31 December 2021 to approximately RMB137.2 million for the Reporting Period. Such increase was primarily attributable to the increase in the sales volume of raw water from 117.7 million tonnes for the year ended 31 December 2021 to 130.0 million tonnes for the Reporting Period due to the commencement of raw water supply from Taizhou South Bay Water Supply Co., Ltd.\* (台州市南部灣區水務有限公司) (the “**South Bay Water**”).

##### (2) Municipal water supply

Revenue of the Group generated from sales of municipal water decreased by RMB0.6 million or 0.2%, from approximately RMB339.0 million for the year ended 31 December 2021 to approximately RMB338.4 million for the Reporting Period.

##### (3) Tap water supply

Revenue of the Group generated from sales of tap water increased by RMB1.5 million or 3.2%, from approximately RMB47.0 million for the year ended 31 December 2021 to approximately RMB48.5 million for the Reporting Period.

##### (4) Installation services

Revenue of the Group generated from installation services increased by RMB4.3 million or 30.1%, from approximately RMB14.3 million for the year ended 31 December 2021 to approximately RMB18.6 million for the Reporting Period.

## *1.2 Cost of sales*

The Group's cost of sales increased by RMB37.7 million or 12.8%, from approximately RMB293.7 million for the year ended 31 December 2021 to approximately RMB331.4 million for the Reporting Period. The increase was mainly due to the increase in the raw water procurement fee, the inclusion of the depreciation of assets of Taizhou Binhai Water Co., Ltd.\* (台州市濱海水務有限公司) (the “**Binhai Water**”) and South Bay Water in cost and the increase in employee benefit expense.

## *1.3 Gross profit and gross profit margin*

As a result of the above, the Group's gross profit decreased by RMB15.3 million or 6.8%, from approximately RMB226.6 million for the year ended 31 December 2021 to approximately RMB211.3 million for the Reporting Period. Gross profit margin decreased slightly from 43.6% for the year ended 31 December 2021 to 38.9% for the Reporting Period.

## *1.4 Other income and gains*

Other income and gains decreased by RMB6.8 million or 30.5%, from approximately RMB22.3 million for the year ended 31 December 2021 to RMB15.5 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 RMB11.0 million or 19.7%, from approximately RMB55.9 million for the year ended 31 December 2021 to approximately RMB66.9 million for the Reporting Period, which was mainly due to the increase in employee benefit expenses because of the increase in number of employees, and the inclusion of the related depreciation and amortization expense in administrative expenses after reclassification of construction-in-progress projects to fixed assets.

## *1.6 Finance costs*

Finance costs increased by RMB34.8 million or 250.4%, from approximately RMB13.9 million for the year ended 31 December 2021 to approximately RMB48.7 million for the Reporting Period, which was mainly due to the inclusion of interest on loans of projects for Binhai Water and South Bay Water after reclassification of construction-in-progress projects to fixed assets in finance costs.

## *1.7 Income tax expense*

Income tax expense decreased by RMB9.1 million or 20.7%, from approximately RMB43.9 million for the year ended 31 December 2021 to approximately RMB34.8 million for the Reporting Period, which was primarily due to the decrease in profit before tax.

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

As a result of above, profit for the Reporting Period decreased by RMB77.2 million or 57.2%, from approximately RMB135.0 million for the year ended 31 December 2021 to RMB57.8 million for the Reporting Period. Profit margin after tax decreased from 25.9% for the year ended 31 December 2021 to 10.7% 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 2021 and 2022, property, plant and equipment were approximately RMB3,582.5 million and RMB4,372.3 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 Jiaobei Water Supply Co., Ltd., Taizhou Luqiao Water Supply Co., Ltd. and Taizhou Huangyan Urban and Rural Water Supply Co., Ltd. The increase in investment in associates as at 31 December 2022 was mainly due to the additional capital injection in the amount of RMB37.5 million in cash into Zhuxi Reservoir Development.

### *2.3 Right-of-use assets*

As at 31 December 2021 and 2022, right-of-use assets were approximately RMB395.2 million and RMB373.80 million, respectively.

### *2.4 Inventories*

As at 31 December 2021 and 2022, inventories were approximately RMB4.9 million and RMB5.3 million, respectively. Inventories mainly comprised raw materials including chemicals used in the water treatment process.

## 2.5 *Trade receivables*

As at 31 December 2021 and 2022, trade receivables were approximately RMB100.4 million and RMB122.4 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 2021 and 2022, prepayments, other receivables and other assets were approximately RMB23.6 million and RMB22.0 million, respectively. Such decrease was primarily attributable to the decrease in other receivables and prepaid taxes.

## 2.7 *Trade payables*

As at 31 December 2021 and 2022, trade payables were approximately RMB61.7 million and RMB79.9 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 2021 and 2022, other payables and accruals were approximately RMB764.4 million and RMB1,113.2 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 2021 and 2022, deferred government grants were approximately RMB106.9 million and RMB151.3 million, respectively. The increase was mainly due to the receipt of government grants of RMB50.0 million in 2022 as installment from the People's Government of Yuhuan City to reduce the costs 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 2022, cash and bank balance of the Group was approximately RMB269.8 million (as at 31 December 2021: approximately RMB190.7 million).

As at 31 December 2022, total borrowings of the Group were approximately RMB3,189.6 million (as at 31 December 2021: approximately RMB2,742.0 million) and included bank and other loans, with 85.6% of bank and other loans at floating rates.

As at 31 December 2022, gearing ratio of the Group (total debts divided by total equity as at the year end) was 273.4% (as at 31 December 2021: 242.6%). The increase in gearing ratio was mainly due to the increase in bank and other borrowings of approximately 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 2022, the Group did not hold any significant investment in equity interest in any other company (for the year ended 31 December 2021: nil).

### **Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**

#### ***Capital injection into Zhuxi Reservoir Development***

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 would increase from RMB200.0 million to RMB237.5 million and the Company’s equity interest in Zhuxi Reservoir Development would remain unchanged at 25%.

As at the date of this announcement, the Zhuxi Capital Injection has been completed.

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

Save as disclosed above, the Group did not have any other material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

On 31 March 2023, the Board resolved to approve the construction and installation of water supply pipeline from Taizhou Water Treatment Plant to Jiaojiang District (Luqiao section), which will be funded by internal resources and banking facilities of the Group and be subject to shareholders’ approval at the forthcoming annual general meeting of the Company. For further details, please refer to the announcement of the Company dated 31 March 2023.

### **Pledge of the Group's Assets**

During the Reporting Period, the bank borrowings of the Group amounted to RMB3,189.6 million (for the year ended 31 December 2021: RMB2,742.0 million), which were secured by the Group's trade receivables, the right of charge on the future revenue generated by Taizhou Water Supply System (Phase I, Phase II, Phase III and Phase IV). Save as disclosed above, as at the end of the Reporting Period, the Group did not pledge any other assets.

### **Foreign Exchange Risk**

The Group carries out business in the PRC and receives revenue and pays its costs and expenses in RMB. The Group had bank deposits in Hong Kong dollar and the distributed dividends in Hong Kong dollar. The Group recognised net foreign exchange loss of approximately RMB0.3 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 2021: nil).

### **Subsequent Events after Reporting Period**

As at the date of this announcement, the Group has no significant events occurred after the Reporting Period which require additional disclosures or adjustments.

### **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2022, the Group had 237 employees (as at 31 December 2021: 206). During the Reporting Period, employees benefit expense amounted to approximately RMB72.1 million (for the year ended 31 December 2021: RMB62.8 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.

## ANNUAL GENERAL MEETING

The Company will hold the annual general meeting on Friday, 30 June 2023 (the “**2023 AGM**”). A notice convening the 2023 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 for the year ended 31 December 2022 at RMB0.075 (tax inclusive) per share (for the year ended 31 December 2021: RMB0.17 (tax inclusive) per share), which is subject to the approval by the Shareholders at the 2023 AGM and is expected to be distributed on or before Friday, 22 September 2023 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 12 July 2023.

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 2023 AGM**

For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Wednesday, 31 May 2023 to Friday, 30 June 2023, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to be eligible for attending the 2023 AGM, all completed transfer forms accompanied 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 Tuesday, 30 May 2023.

### **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 2023 AGM, the register of members of the Company will be closed from Thursday, 6 July 2023 to Wednesday, 12 July 2023, 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 accompanied 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 Wednesday, 5 July 2023.

## **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 of the Company (the "**Supervisor**"). Specific enquiry has 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, 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 of the Board (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. Lin Genman. 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 2022. The Audit Committee also approved the annual results and the consolidated financial statements for the year ended 31 December 2022 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 2022, but represents an extract from the consolidated financial statements for the year ended 31 December 2022 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 2022 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](http://www.hkexnews.hk)) and the Company ([www.zjtzwater.com](http://www.zjtzwater.com)). The annual report for 2022 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  
31 March 2023

*As at the date of this announcement, the executive Directors are Mr. Yang Jun and Mr. Pan Gang; the non-executive Directors are Mr. Wang Haibo, Mr. Lin Genman, Ms. Fang Ya, Mr. Yu Yangbin, Mr. Ye Xiaofeng, Mr. Yang Yide, Mr. Guo Dingwen and Mr. Lin Yang; and the independent non-executive Directors are Mr. Huang Chun, Ms. Lin Suyan, Ms. Hou Meiwen, Mr. Li Wai Chung and Mr. Wang Yongyue.*

\* For identification purpose only