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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 2020

ANNUAL RESULTS HIGHLIGHTS:

- Revenue for the year amounted to approximately RMB483.8 million, representing an increase of approximately 2.5% from the year ended 31 December 2019.
- Profit for the year amounted to approximately RMB116.2 million, representing an increase of approximately 11.2% from the year ended 31 December 2019.
- Profit attributable to owners of the Company for the year amounted to approximately RMB103.1 million, representing an increase of approximately 11.5% from the year ended 31 December 2019.
- Basic earnings per share for the year amounted to approximately RMB0.52.
- The Board proposed the payment of final dividends of RMB0.17 per share (tax inclusive) for the year ended 31 December 2020.

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 2020 (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 2020

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
REVENUE	4	483,796	472,148
Cost of sales		<u>(279,608)</u>	<u>(284,616)</u>
Gross profit		204,188	187,532
Other income and gains	4	16,609	12,949
Administrative expenses		(50,263)	(43,856)
Other expenses		(956)	(747)
Finance costs		<u>(13,343)</u>	<u>(15,399)</u>
PROFIT BEFORE TAX	5	156,235	140,479
Income tax expense	6	<u>(40,006)</u>	<u>(35,958)</u>
PROFIT FOR THE YEAR AND OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>116,229</u>	<u>104,521</u>
Attributable to:			
Owners of the parent		103,069	92,540
Non-controlling interests		<u>13,160</u>	<u>11,981</u>
		<u>116,229</u>	<u>104,521</u>
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted (RMB)		<u>0.52</u>	<u>0.62</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,545,168	1,772,391
Prepayments for property, plant and equipment		32,209	11,797
Prepayments for land use rights		165	52,612
Other intangible assets		335	–
Investment in an associate		125,000	125,000
Deferred tax assets		21,314	20,865
Right-of-use assets	10	412,222	384,484
Total non-current assets		3,136,413	2,367,149
CURRENT ASSETS			
Inventories		3,788	4,432
Trade receivables	11	101,586	104,038
Prepayments, other receivables and other assets		13,662	172,610
Pledged bank deposits		17,238	16,742
Cash and cash equivalents		230,369	264,357
Total current assets		366,643	562,179
CURRENT LIABILITIES			
Trade payables	12	60,145	76,809
Other payables and accruals		343,231	299,791
Interest-bearing bank and other borrowings		193	55,000
Deferred government grants		3,261	3,261
Lease liabilities	10	20,875	19,372
Tax payable		14,521	12,458
Total current liabilities		442,226	466,691
NET CURRENT (LIABILITIES)/ASSETS		(75,583)	95,488
TOTAL ASSETS LESS CURRENT LIABILITIES		3,060,830	2,462,637

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,060,830	2,462,637
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		1,963,807	1,479,000
Deferred government grants		76,886	80,176
Other liabilities		1,634	1,242
Total non-current liabilities		2,042,327	1,560,418
Net assets		1,018,503	902,219
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>13</i>	200,000	200,000
Reserves		635,634	564,550
		835,634	764,550
Non-controlling interests		182,869	137,669
Total equity		1,018,503	902,219

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 2020, the Group recorded net current liabilities of approximately RMB75,583,000. Included therein, the Group recorded the other payables and accruals of RMB343,231,000 as at 31 December 2020.

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. Having considered the cash flows from operations and the positive operating results, the directors are of the opinion the Group is able to meet in full its financial obligations as they fall due for the foreseeable future and it is appropriate to prepare the consolidated financial statements 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 2020. 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Customer 1	137,466	139,917
Customer 2	104,652	104,683
Customer 3	96,704	94,358
Customer 4	52,219	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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers	<u>483,796</u>	<u>472,148</u>

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Type of goods or services		
Sale of water	471,185	461,215
Installation services	<u>12,611</u>	<u>10,933</u>
Total revenue from contracts with customers	<u>483,796</u>	<u>472,148</u>

Timing of revenue recognition

Goods transferred at a point in time	471,185	461,215
Services transferred over time	<u>12,611</u>	<u>10,933</u>
Total revenue from contracts with customers	<u>483,796</u>	<u>472,148</u>

(b) *Contract liabilities*

The Group recognised the following revenue-related contract liabilities:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current	<u>3,067</u>	<u>1,683</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 were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020 RMB'000	2019 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Installation services	1,683	4,110

(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:

	2020 RMB'000	2019 <i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year	16,030	7,790

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.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other income		
Bank interest income	3,649	1,227
Government grants	455	1,087
Value added tax refund	11,553	10,084
Others	775	530
	<u>16,432</u>	<u>12,928</u>
Gains		
Foreign exchange gains, net	177	–
Gain on disposal of items of property, plant and equipment	–	21
	<u>177</u>	<u>21</u>
	<u>16,609</u>	<u>12,949</u>

5. PROFIT BEFORE TAX

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of inventories sold*	270,529	277,230
Cost of services provided	9,079	7,386
Depreciation of property, plant and equipment	51,823	53,110
Depreciation of right-of-use assets	8,570	6,755
Amortisation of intangible assets**	95	–
Impairment of trade receivables, net	1,779	1,252
Impairment of financial assets included in prepayments, other receivables and other assets	216	2
Government grants***	(455)	(1,087)
Foreign exchange differences, net	(177)	–
Auditor's remuneration	6,359	1,745
Employee benefit expense (excluding directors', chief executive's and supervisors' remuneration):		
Wages and salaries	40,300	42,021
Pension scheme contributions	2,902	5,408
Staff welfare expenses	6,570	6,540
	<u>49,772</u>	<u>53,969</u>
Loss/(gain) on disposal of items of property, plant and equipment	2	(21)
Listing expenses	–	2,322
	<u>–</u>	<u>2,322</u>

- * The cost of inventories sold includes RMB84,922,000 (2019: RMB88,471,000) 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 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% (2019: 10%) for small and micro enterprises, the provision for current income tax in Mainland China was based on the statutory rate of 25% (2019: 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax – Mainland China		
Charge for the year	40,455	35,465
Deferred tax	(449)	493
	<hr/>	<hr/>
Total tax charge for the year	40,006	35,958

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:

	2020		2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit before tax	156,235		140,479	
Tax at the statutory tax rate of 25% in Mainland China	39,059	25.0	35,120	25.0
Effect of non-deductible expenses	305	0.2	82	0.1
Tax losses not recognised	1,505	0.9	1,275	0.9
Tax losses utilised from previous years	(851)	(0.5)	(427)	(0.3)
Lower tax rate for specific provinces or enacted by local authority	(12)	–	(92)	(0.1)
	<hr/>	<hr/>	<hr/>	<hr/>
Tax charge at the Group’s effective rate	40,006	25.6	35,958	25.6

7. DIVIDENDS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Proposed final – RMB0.17 (2019: RMB0.16) per ordinary share	<u>34,000</u>	<u>32,000</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 amounts 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 amounts presented in respect of a dilution.

The calculations of basic earnings per share are based on:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<u>103,069</u>	<u>92,540</u>
	Number of shares	
	2020	2019
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>150,137,000</u>

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Pipelines RMB'000	Machinery and equipment RMB'000	Computer and office equipment RMB'000	Motor vehicle 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								
Cost	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	<u>2,114</u>	<u>709</u>	<u>661</u>	<u>1,589</u>	<u>-</u>	<u>-</u>	<u>(5,073)</u>	<u>-</u>
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>

	Buildings RMB'000	Pipelines RMB'000	Machinery and equipment RMB'000	Computer and office equipment RMB'000	Motor vehicle RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019								
At 1 January 2019:								
Cost	416,207	634,373	263,249	55,185	10,545	266	515,359	1,895,184
Accumulated depreciation	(198,700)	(389,154)	(219,923)	(47,459)	(2,863)	(15)	-	(858,114)
Net carrying amount	<u>217,507</u>	<u>245,219</u>	<u>43,326</u>	<u>7,726</u>	<u>7,682</u>	<u>251</u>	<u>515,359</u>	<u>1,037,070</u>
At 1 January 2019, net of accumulated depreciation								
Cost	217,507	245,219	43,326	7,726	7,682	251	515,359	1,037,070
Additions	3,225	-	10,596	4,423	752	-	736,839	755,835
Capitalisation of depreciation of right-of-use assets (note 10)	-	-	-	-	-	-	44,360	44,360
Disposals	(2,748)	(39)	(7,942)	(18)	(3)	-	-	(10,750)
Depreciation provided during the year	(21,215)	(22,268)	(6,549)	(2,180)	(1,824)	(88)	-	(54,124)
Transfers	-	2,828	-	487	-	-	(3,315)	-
At 31 December 2019, net of accumulated depreciation	<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 31 December 2019:								
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>

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 2019	264,045	264,045
Additions	171,554	171,554
Depreciation recognised in profit or loss during the year	(6,755)	(6,755)
Depreciation capitalised in property, plant and equipment during the year (<i>note 9</i>)	(44,360)	(44,360)
	<u>384,484</u>	<u>384,484</u>
As at 31 December 2019 and 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	412,222	412,222

(b) *Lease liabilities*

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Carrying amount at 1 January	19,372	19,291
Additions	67,319	171,554
Transfer from prepayments for land use rights	(50,194)	(10,052)
Payments during the year	(15,622)	(161,421)
	<u>20,875</u>	<u>19,372</u>
Carrying amount at 31 December	20,875	19,372
Analysed into:		
Current portion	20,875	19,372

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Depreciation charge of right-of-use assets	8,570	6,755

11. TRADE RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	62,017	61,036
Due from related parties	92,586	94,240
	<u>154,603</u>	<u>155,276</u>
Impairment	(53,017)	(51,238)
	<u>101,586</u>	<u>104,038</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 2020, certain of the Group's trade receivables with a carrying amount of RMB89,146,000 (2019: RMB92,615,000) 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	96,995	97,752
3 to 6 months	1,057	2,713
6 to 12 months	735	1,304
1 to 2 years	2,027	2,041
2 to 3 years	772	228
	<u>101,586</u>	<u>104,038</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At beginning of year	51,238	49,986
Impairment losses, net	1,779	1,252
	<u>53,017</u>	<u>51,238</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:

	Gross carrying amount <i>RMB'000</i>	Expected credit loss rate	Expected credit losses <i>RMB'000</i>
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
	<u>154,603</u>		<u>53,017</u>
As at 31 December 2019			
Less than 1 year	102,020	0.24%	245
Between 1 and 2 years	3,255	33.64%	1,095
Over 2 years	1,321	92.20%	1,218
Default receivables	48,680	100.00%	48,680
	<u>155,276</u>		<u>51,238</u>

12. TRADE PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	<u>60,145</u>	<u>76,809</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	41,091	40,127
3 to 6 months	15,562	20,045
6 to 12 months	55	13,143
Over 12 months	3,437	3,494
	<u>60,145</u>	<u>76,809</u>

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

13. SHARE CAPITAL

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Issued and fully paid:		
Domestic shares of 150,000,000 (2019: 150,000,000) of RMB1.00 each	150,000	150,000
H shares of 50,000,000 (2019: 50,000,000) of RMB1.00 each	50,000	50,000
	200,000	200,000

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

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital <i>RMB'000</i>
At 1 January 2019	150,000,000	150,000
Initial public offering	50,000,000	50,000
At 31 December 2019, 1 January 2020 and 31 December 2020	200,000,000	200,000

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2020, the Fifth Plenary Session of the 19th Central Committee of the Communist Party of China considered and approved the “Proposals of the Central Committee of the Communist Party of China on Formulating the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives Through the Year 2035”, which states that the quality of the environment shall be continuously improved; the awareness of the ecological environment of the society shall be enhanced; the quality and stability of the ecosystem shall be strengthened; a rigid constraint system for water resources shall be established; and the efficiency of resource utilisation shall be comprehensively increased. Taizhou City issued and implemented the “Regulation on Protection of Taizhou Changtan Reservoir Drinking Water Source (《台州市長潭水庫飲用水水源保護條例》)”, which clarifies the responsibilities of all parties, continuously strengthens the construction of ecological and environmental infrastructure of drinking water sources and enhances the pollution control of drinking water sources. The Taizhou Municipal Ecology and Environment Bureau (台州市生態環境局) introduced the “zero straight drainage” policy, which stipulates that industrial sewage and domestic sewage shall not be discharged directly, and must be sent to a sewage treatment plant for treatment before discharge. Due to the rapid release of demand driven by top-level design such as carbon neutrality and the 14th Five-Year Plan, the implementation of Taizhou’s local environmental protection policies exerted a positive impact on the Group’s safety of water supply, industry chain extension and industry transformation and upgrade.

DEVELOPMENT STRATEGIES AND OUTLOOK

During the 13th Five-Year Plan period, the Group continued to improve its overall strength and maintain a good momentum of growth. While operating the Taizhou Water Supply System (Phase I) and the Taizhou Water Supply System (Phase II) in a sustainable manner, the Group strongly promoted the construction of the Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV) to advance its own development through the extension of the water supply coverage and the water supply network. During the 14th Five-Year Plan period, the Group will actively extend the water industry chain to further improve water supply security and enhance water operation efficiency. In response to General Secretary Xi Jinping’s call for “lucid waters and lush mountains to be treated as invaluable assets” and in line with the development trend of green environmental protection industry, during the 14th Five-Year Plan period, while focusing on the main business and maintaining stable growth, the management of the Group will try to tap into the ecological environmental protection area by incorporating the development experience of similar enterprises and actively develop the areas covering wastewater, reusable water, solid waste disposal and venous industrial park etc. to promote the development of green environmental protection industry. 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 build a smart water platform to facilitate the development of the Group.

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 2020, the raw water sales volume was 109.2 million tonnes, representing slight increase of approximately 0.9% as compared with 108.2 million tonnes for the year ended 31 December 2019. Such increase was primarily attributable to the lower rainfall volume in 2020 as compared with 2019. According to the information of Taizhou City Water Information Release Center (台州市水情發佈中心), the average rainfall volume in Taizhou decreased by 41.1% from 1,925.9 mm in 2019 to 1,134.5 mm in 2020. The Group's customers may purchase water from local small to medium-sized reservoirs. The lower rainfall volume led to the decrease in water stored in the small to medium-sized reservoirs, which increased the customers' demand for the Group's water supply. At the same time, with the lower rainfall volume, end users' water demand also increased.

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 2020, municipal water sales volume was 135.5 million tonnes, representing an increase of approximately 8.0% as compared with 125.5 million tonnes for the year ended 31 December 2019. Such increase was caused by the lower rainfall volume in 2020 as compared with 2019, which led to the decrease in water stored in the reservoirs of the Group's customers, which are small to medium in size, and therefore increased their demand for municipal water supply.

3. Tap Water Supply Project

As at 31 December 2020, 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 2020, tap water sales volume was 10.3 million tonnes, representing a slight decrease of approximately 1.0% as compared with 10.4 million tonnes for the year ended 31 December 2019.

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 2020, revenue from installation services amounted to RMB12.6 million, representing an increase of approximately 15.6% as compared with RMB10.9 million for the year ended 31 December 2019.

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 February 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 April 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 2020, 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 RMB11.7 million or 2.5%, from approximately RMB472.1 million for the year ended 31 December 2019 to approximately RMB483.8 million for the Reporting Period.

(1) Raw water supply

Revenue of the Group generated from sales of raw water decreased by RMB2.2 million or 2.0%, from approximately RMB111.0 million for the year ended 31 December 2019 to approximately RMB108.8 million for the Reporting Period. Such decrease was primarily attributable to the decrease in the average unit selling price of raw water sold by the Group, resulting from the reduction by 10% for the price of raw water sold by the Group to middle and downstream water supply companies based on the actual water volume sold by such companies to enterprise end-users, due to the impact of the COVID-19 pandemic, which was partially offset by the increase in the sales volume of raw water from 108.2 million tonnes for the year ended 31 December 2019 to 109.2 million tonnes for the Reporting Period.

(2) Municipal water supply

Revenue of the Group generated from sales of municipal water increased by RMB12.9 million or 4.2%, from approximately RMB305.8 million for the year ended 31 December 2019 to approximately RMB318.7 million for the Reporting Period. Such increase was primarily attributable to the increase in sales volume of municipal water from 125.5 million tonnes for the year ended 31 December 2019 to 135.5 million tonnes for the Reporting Period. The rainfall volume during the Reporting Period was less than that for the year ended 31 December 2019, which led to the increase in water demand from some municipal water supply companies with small reservoirs, and accordingly the increase in the sales volume of municipal water supply of the Group. This increase was partially offset by the decrease in the average unit selling price of municipal water.

(3) Tap water supply

Revenue of the Group generated from sales of tap water decreased slightly by RMB0.7 million or 1.6%, from approximately RMB44.4 million for the year ended 31 December 2019 to approximately RMB43.7 million for the Reporting Period.

(4) Installation services

Revenue of the Group generated from installation services increased by RMB1.7 million or 15.6%, from approximately RMB10.9 million for the year ended 31 December 2019 to approximately RMB12.6 million for the Reporting Period. Such increase was primarily attributable (i) to the growth in the “One account, One water meter (一戶一錶)” water meter renovation projects; and (ii) the increase in municipal pipeline network installation.

1.2 Cost of sales

The Group’s cost of sales decreased by RMB5.0 million or 1.8%, from approximately RMB284.6 million for the year ended 31 December 2019 to approximately RMB279.6 million for the Reporting Period. The decrease was mainly attributable to (i) the decrease in water resources fees, primarily due to the reduction of unit water resources fee by 20% from 1 July 2020 as determined by the Zhejiang provincial government, due to the impact of the COVID-19 pandemic; and (ii) the decrease in employee benefit expenses, primarily due to the social insurance exemptions granted by local government authorities to mitigate the negative impacts of COVID-19 pandemic from February 2020.

1.3 Gross profit and gross profit margin

As a result of the above, the Group’s gross profit increased by RMB16.7 million or 8.9%, from approximately RMB187.5 million for the year ended 31 December 2019 to approximately RMB204.2 million for the Reporting Period. Gross profit margin increased slightly from 39.7% for the year ended 31 December 2019 to 42.2% for the Reporting Period.

1.4 Other income and gains

Other income and gains increased by RMB3.7 million or 28.7%, from approximately RMB12.9 million for the year ended 31 December 2019 to RMB16.6 million for the Reporting Period, which was mainly due to the increase in bank interest income and VAT refund.

1.5 Administrative expenses

Administrative expenses increased by RMB6.4 million or 14.6%, from approximately RMB43.9 million for the year ended 31 December 2019 to approximately RMB50.3 million for the Reporting Period, which was mainly due to the increase in audit and consultancy fees.

1.6 Finance costs

Finance costs decreased slightly by RMB2.1 million or 13.6%, from approximately RMB15.4 million for the year ended 31 December 2019 to approximately RMB13.3 million for the Reporting Period. Such decrease was primarily due to the combined effect of (i) the increase in interest on bank borrowings of RMB23.8 million; and (ii) the increase in interest capitalised of RMB25.9 million primarily as a result of the additional bank loans of RMB430.0 million for the year ended 31 December 2020 for the construction of Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV), interests of which were fully capitalised during the Reporting Period.

1.7 Income tax expense

Income tax expense increased by RMB4.0 million or 11.1%, from approximately RMB36.0 million for the year ended 31 December 2019 to approximately RMB40.0 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 RMB11.7 million or 11.2%, from approximately RMB104.5 million for the year ended 31 December 2019 to RMB116.2 million for the Reporting Period. Profit margin after tax increased from 22.1% for the year ended 31 December 2019 to 24.0% 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 2019 and 2020, property, plant and equipment were approximately RMB1,772.4 million and RMB2,545.2 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 Right-of-use assets

As at 31 December 2019 and 2020, right-of-use assets were approximately RMB384.5 million and RMB412.2 million, respectively. The increase was primarily attributable to (i) the additional land use rights of Taizhou City water Co., Ltd.* (台州城市水務有限公司), a subsidiary of the Company; and (ii) the increase in lands used for the construction of the Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV).

2.3 *Inventories*

As at 31 December 2019 and 2020, inventories were approximately RMB4.4 million and RMB3.8 million, respectively. Inventories mainly comprised raw materials including chemicals used in the water treatment process.

2.4 *Trade receivables*

As at 31 December 2019 and 2020, trade receivables were approximately RMB104.0 million and RMB101.6 million, respectively. Trade receivables are related to receivables from customers under the water supply business.

2.5 *Prepayments, other receivables and other assets*

As at 31 December 2019 and 2020, prepayments, other receivables and other assets were approximately RMB172.6 million and RMB13.7 million, respectively. Such decrease was primarily attributable to the proceeds received from the initial public offering in January 2020.

2.6 *Trade payables*

As at 31 December 2019 and 2020, trade payables were approximately RMB76.8 million and RMB60.1 million, respectively. Trade payables mainly comprised outstanding payments for raw water procurement and water resources fee.

2.7 *Other payables and accruals*

As at 31 December 2019 and 2020, other payables and accruals were approximately RMB299.8 million and RMB343.2 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).

2.8 *Deferred government grants*

As at 31 December 2019 and 2020, deferred government grants were approximately RMB83.4 million and RMB80.1 million, respectively.

2.9 *Liquidity and financial resources*

The Group manages its capital to ensure that its entities will be able to operate on a going concern basis and maximises the return to the shareholders 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) 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 2020, cash and bank balance of the Group was approximately RMB230.4 million (as at 31 December 2019: approximately RMB264.4 million).

As at 31 December 2020, total borrowings of the Group were approximately RMB1,964.0 million (as at 31 December 2019: approximately RMB1,534.0 million) and included bank and other loans, with 59.3% of bank and other loans at floating rates.

As at 31 December 2020, gearing ratio of the Group (total debts divided by total equity as at the year end) was 192.8% (as at 31 December 2019: 170.0%). The increase in gearing ratio was mainly due to the increase in bank and other borrowings of approximately RMB430.0 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 2020, the Group did not hold any significant investment in equity interest in any other company (for the year ended 31 December 2019: nil).

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures (for the year ended 31 December 2019: nil).

Pledge of the Group's Assets

During the Reporting Period, the bank borrowings of the Group amounted to RMB1,964.0 million (for the year ended 31 December 2019: RMB1,534.0 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 gain of approximately RMB0.2 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 2019: nil).

Subsequent Events

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 2020, the Group had 194 employees (as at 31 December 2019: 185). During the Reporting Period, employees benefit expense amounted to approximately RMB52.5 million (for the year ended 31 December 2019: RMB56.4 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 “**Prospectus**”).

The intended uses and the balance of the Net Proceeds as at 31 December 2020 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 2020	Amount of Net Proceeds utilised during the Reporting Period	Balance of Net Proceeds unutilised as at 31 December 2020	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\$124.11 million	HK\$124.11 million	HK\$26.64 million	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%	Nil	Nil	HK\$16.75 million	By/before 31 December 2021
Total	HK\$167.5 million	100%	HK\$124.11 million	HK\$124.11 million	HK\$43.39 million	By/before 31 December 2021

The Group will utilise the Net Proceeds in accordance with the intended purposes as set out in the Prospectus. The Board is not aware of any material change to the planned use of the Net Proceeds as at the date of this announcement.

ANNUAL GENERAL MEETING

The Company will hold the annual general meeting on Wednesday, 23 June 2021 (the “**2021 AGM**”). A notice convening the 2021 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 2020 at RMB0.17 (tax inclusive) per share (for the year ended 31 December 2019: RMB0.16 (tax inclusive) per share), which is subject to the approval by the Shareholders at the 2021 AGM and is expected to be distributed on or before Wednesday, 18 August 2021 to the Shareholders whose names appear on the register of members of the Company on Sunday, 4 July 2021.

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 2021 AGM

For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Monday, 24 May 2021 to Wednesday, 23 June 2021, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to be eligible for attending the 2021 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, 21 May 2021.

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 2021 AGM, the register of members of the Company will be closed from Tuesday, 29 June 2021 to Sunday, 4 July 2021, 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, 28 June 2021.

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 Code on Corporate Governance Practices (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 C.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 2020. The Audit Committee also approved the annual results and the consolidated financial statements for the year ended 31 December 2020 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 2020, but represents an extract from the consolidated financial statements for the year ended 31 December 2020 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 2020 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 2020 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
25 March 2021

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. Sun Hua as non-executive Directors; Mr. Zheng Jianzhuang, Ms. Lin Suyan, Ms. Hou Meiwen, Mr. Li Wai Chung and Mr. Wang Yongyue as independent non-executive Directors.

* For identification purpose only