

INTERIM REPORT 2020



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

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

Stock code : 1542

** For identification purposes only*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yang Jun (*Chairman of the Board*)
(appointed on 5 June 2020)

Mr. Zhang Junzhou

Mr. Yan Chuanhua (resigned on 5 June 2020)

Non-executive Directors

Mr. Wang Haibo

Mr. Wang Haiping

Ms. Fang Ya

Mr. Yu Yangbin

Ms. Huang Yuyan

Mr. Yang Yide

Mr. Guo Dingwen

Mr. Sun Hua (appointed on 5 June 2020)

Mr. Ye Jianhua (resigned on 10 March 2020)

Independent Non-Executive Directors

Mr. Zheng Jianzhuang

Ms. Lin Suyan

Ms. Hou Meiwen

Mr. Li Wai Chung

Mr. Wang Yongyue

REMUNERATION COMMITTEE

Mr. Wang Yongyue (*Chairman*)

Mr. Yang Jun (appointed on 5 June 2020)

Mr. Zhang Junzhou

Mr. Zheng Jianzhuang

Ms. Lin Suyan

Mr. Yan Chuanhua (resigned on 5 June 2020)

NOMINATION COMMITTEE

Mr. Yang Jun (*Chairman*)

(appointed on 5 June 2020)

Mr. Yu Yangbin

Mr. Yang Yide

Mr. Zheng Jianzhuang

Ms. Lin Suyan

Ms. Hou Meiwen

Mr. Wang Yongyue

Mr. Yan Chuanhua (resigned on 5 June 2020)

AUDIT COMMITTEE

Mr. Li Wai Chung (*Chairman*)

Mr. Wang Haiping

Ms. Hou Meiwen

STRATEGY COMMITTEE

Mr. Yang Jun (*Chairman*)

(appointed on 5 June 2020)

Mr. Zhang Junzhou

Mr. Wang Haibo

Ms. Fang Ya

Ms. Huang Yuyan

Mr. Zheng Jianzhuang

Mr. Sun Hua (appointed on 5 June 2020)

Mr. Ye Jianhua (resigned on 10 March 2020)

Mr. Yan Chuanhua (resigned on 5 June 2020)

JOINT COMPANY SECRETARIES

Ms. Chen Liying

Ms. Siu Pui Wah

AUTHORISED REPRESENTATIVES

Mr. Yang Jun (appointed on 5 June 2020)

Ms. Siu Pui Wah

Mr. Yan Chuanhua (resigned on 5 June 2020)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 308 Yin Quan Road

Xicheng Street

Huangyan District

Taizhou, Zhejiang Province

PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14/F., Golden Centre

188 Des Voeux Road Central

Hong Kong

Corporate Information

H SHARE REGISTRAR

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183 Queen's Road East
Wan Chai
Hong Kong

LEGAL ADVISER

As to Hong Kong law

Jingtian & Gongcheng LLP
Suites 3203-3207
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The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law

Tian Yuan Law Firm
10/F, China Pacific Insurance Plaza B
No. 28 Fengsheng Lane
Xicheng District Beijing 100032
PRC

COMPLIANCE ADVISER

Sinolink Securities (Hong Kong) Company Limited
Units 2505-06, 25/F
Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China, Taizhou Branch
China Bank of Construction, Taizhou Huangyan Branch
Industrial and Commercial Bank of China,
Taizhou Huangyan Branch
Bank of China, Taizhou Luqiao District Branch
Taizhou Bank

AUDITOR

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

STOCK CODE

1542

COMPANY WEBSITE

www.zjtzwater.com

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Binhai Water”	Taizhou Binhai Water Co., Ltd.* (台州市濱海水務有限公司), a limited liability company established in the PRC on 7 June 2016, a wholly-owned subsidiary of the Company as of the date of this interim report
“Board” or “Board of Directors”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China, but for the purpose of this interim report and for geographical reference only and except where the context otherwise requires, references in this interim report to “China” and the “PRC” do not apply to Taiwan, the Macau Special Administrative Region and Hong Kong
“Company”	Taizhou Water Group Co., Ltd.* (台州市水務集團股份有限公司), a joint stock company established in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1542)
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report, as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“Group”, “we” or “our”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange and traded in HKD
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Initial Public Offering”	the successful initial public offering of the Company’s H Shares through the Stock Exchange on 31 December 2019

Definitions

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules
“Reporting Period”	the 6-month period from 1 January 2020 to 30 June 2020
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	the Domestic Share(s) and/or the H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“Taizhou South Bay Water Supply”	Taizhou South Bay Water Supply Co., Ltd.* (台州市南部灣區水務有限公司), a limited liability company established in the PRC on 13 March 2018 and a 60%-owned subsidiary of the Company as of the date of this interim report

FINANCIAL HIGHLIGHTS

The Board is pleased to announce the following financial summary:

RESULTS

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Revenue	224,455	225,786
Profit before tax	67,242	70,363
Income tax expense	(17,601)	(18,474)
Profit and other comprehensive income for the period	49,641	51,889
Attributable to:		
Owners of the parent	43,582	46,340
Non-controlling interests	6,059	5,549
	49,641	51,889
Earnings per share attributable to ordinary equity holders of the parent Basic and diluted (RMB)	0.22	0.31

ASSETS AND LIABILITIES

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
	Total assets	3,153,151
Total liabilities	2,233,276	2,027,109
Total equity	919,875	902,219
Equity attributable to owners of the parent	776,147	764,550
Non-controlling interests	143,728	137,669
Net assets	919,875	902,219

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

On 4 March 2020, the general offices of the Communist Party of China Central Committee and the State Council jointly issued the “Guiding Opinions on Building a Modern Environmental Governance System” (《關於構建現代環境治理體系的指導意見》) (the “**Opinion**”), which proposed the guiding principles of “firmly upholding the concept of green development and giving the utmost priority to the deepened primary role of enterprises”, with an aim to promote green production and services among the ecological environmental protection industries and actively practice green production methods. The Opinion formulates clear requirements for driving the water industry to protect the ecological environment from the sources of pollution, optimising the input of raw materials and eliminating backward production processes and technologies. This will help the water industry to accelerate the pace of upgrading.

This year is also a crucial year for the implementation of the Zhejiang Province Rural Drinking Water Standards Promotion Action Plan (2018-2020) (《浙江省農村飲水達標提標行動計劃(2018–2020)》), under which water enterprises within the province proactively cooperated with the local government so as to promote the extension of pipeline networks in urban areas and to improve the urban and rural water supply landscape according to the targets of pipelines reaching villages and homes. A strict measuring and charging approach of “One account, One water meter” (一戶一錶) has been introduced for rural drinking water, and a market-oriented mechanism that suits the local conditions in respect of water supply in rural areas has also been actively exploring. All these initiatives create new development opportunities for water enterprises.

DEVELOPMENT STRATEGIES AND OUTLOOK

In the second half of 2020, the Group will continue to adhere to the concept of “focusing on environmental protection and energy saving, ensuring high-quality water supply and servicing everyone”. Under the backdrop against the threat of the novel coronavirus (“**COVID-19**”) pandemic and confronted with the extraordinary period of “People’s Fight against the Epidemic”, all members of the Group will stick to our original aspiration and tackle various difficulties. The Group strives to operate the Taizhou Water Supply System (Phase I) and the Taizhou Water Supply System (Phase II) in a consistent and steady manner, with an aim to ensure the safety of water supply in the second half of 2020.

The Group is actively promoting the construction of the key projects while maintaining a stable operation and ensuring the safety of water supply. The Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV) have been accredited as the Zhejiang Province Key Construction Project (浙江省重點建設項目), both of which also serve as the Group’s key projects in expanding its downstream business to optimise the industrial chain. The Group will spare no efforts to eliminate the adverse impact of short-term suspensions caused by the COVID-19 pandemic in the first half of the year, and seize every opportunity to resume work and production to catch up with the construction progress, in the pursuit of driving the projects to achieve speed, quality and efficiency improvement, thus ensuring that the key projects will be completed as scheduled.

Management Discussion and Analysis

BUSINESS REVIEW

The principal business of the Group, as a leading water supply service provider in Taizhou, includes supply of raw water, municipal water and tap water, ranking the first in Taizhou in terms of raw water and municipal water supply. The Group also offers tap water directly to end-users and engages in the installation services of water pipelines for distributing tap water to end-users.

The Group owns, operates and manages the Taizhou Water Supply System (Phase I) 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 southern 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.

On 14 February 2020, Taizhou Development and Reform Commission issued the Implementation Opinions on the Implementation of Preferential Policies on Water, Electricity and Gas Prices of Document of Tai Zheng Fa [2020] No. 4 of the Municipal Government (Tai Fa Gai Jia Ge [2020] No. 24). The price of tap water sold by each of the water supply companies in Taizhou (including townships and towns price as well as streets) to enterprise end-users will be reduced by 10% based on the actual water consumption volume. The price of raw water of upstream Changtan Reservoir, the price of water supply of the Group (raw water and municipal water) and sewage treatment fee are all settled by 10% reduction according to the actual water volume sold by downstream water supply companies to enterprise end-users. The implementation period for the policy was from 1 February 2020 to 30 April 2020. On 20 May 2020,

Taizhou Novel Coronavirus Pneumonia Prevention and Control Headquarter Office* (台州市新型冠状病毒肺炎疫情防控指挥部办公室) issued the Notice on Increasing the Preferential Policies for Enterprise Gas and Water Consumption during the Pandemic Period (Tai Fang Zhi Ban [2020] No. 74). The implementation period for the policy of the 10% reduction of water price for enterprise end-users was extended to 30 June 2020. On 30 July 2020, Taizhou Development and Reform Commission issued the Notice of Taizhou Development and Reform Commission on Extending the Period of Periodic Reduction of Water Cost of Enterprise. The implementation period for the policy of the 10% reduction of water price for enterprise end-users is further extended to 31 December 2020. After adopting the above-mentioned policies, the average unit selling price of raw water, municipal water and tap water of the Group decreased correspondingly, and the unit price of raw water the Group purchased from Changtan Reservoir decreased accordingly from February 2020 to June 2020.

Due to the impact of the COVID-19 pandemic, the local enterprises suspended production and operation temporarily. However, as the COVID-19 pandemic was gradually under control in China, the local enterprises resumed production and operation successively. During the Reporting Period, the sales volume of raw water, municipal water and tap water of the Group were slightly affected. Affected by the COVID-19 pandemic, the sales volume of raw water of the Group decreased slightly during the Reporting Period as compared with that for the six months ended 30 June 2019. However, the rainfall volume in the Reporting Period was less than that for the six months ended 30 June 2019, which led to the increase in water demand from some downstream municipal water supply companies with small reservoirs, and accordingly the increase in the sales volume of municipal water of the Group.

Management Discussion and Analysis

1. Raw Water Supply Project

The designed water supply capacity of Taizhou Water Supply System (Phase I) is 250,000 tonnes per day, and the raw water is supplied to local municipal water service providers and Wenling Zeguo Water Supply Co., Ltd. (a wholly-owned subsidiary of the Company). The raw water supply capacity of the Taizhou Water Supply System (Phase II) is 490,000 tonnes per day, of which 380,000 tonnes per day is supplied to Taizhou Water Treatment Plant of the Group. During the Reporting Period, the raw water sales volume was 54.2 million tonnes, representing a decrease of 0.4 million tonnes as compared with 54.6 million tonnes for the six months ended 30 June 2019.

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. During the Reporting Period, municipal water sales volume was 62.2 million tonnes, representing an increase of 2.3 million tonnes as compared with 59.9 million tonnes for the six months ended 30 June 2019. Such increase was mainly attributable to the lower rainfall volume during the Reporting Period as compared to that for the six months ended 30 June 2019, which led to the increase in water demand from some downstream municipal water supply companies with small reservoirs, and accordingly the increase in the sales volume of municipal water of the Group.

3. Tap Water Supply Project

The Group was responsible for supplying tap water to local end-users of Zeguo Town (including commercial users, government authorities, industrial users and residential households in Zenguo Town, Wenling City). During the Reporting Period, tap water sales volume was 4.7 million tonnes, as compared to 4.7 million tonnes for the six months ended 30 June 2019.

4. Installation Services

In connection with tap water supply services, the Group undertakes water pipeline installation works to connect new end-users to our pipeline network and charges an installation fee for such services. During the Reporting Period, revenue from installation services amounted to approximately RMB3.4 million, representing a decrease of RMB0.6 million as compared to approximately RMB4.0 million for the six months ended 30 June 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 where the Group have been providing services.

The construction of the 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.

During the Reporting Period, affected by the pandemic, the progress of our two major projects was lagged behind in the first quarter of 2020. However, the Company relentlessly pushed the progress during the second quarter of 2020. Currently, the construction of water conveyance tunnel group of the Taizhou Water Supply System (Phase III) was fully completed in August 2020. The water treatment plant in the East Zone was initially constructed. The construction of three tunnels, raw water pipelines and main structure of water treatment plant of the Taizhou Water Supply System (Phase IV) is now in full swing. The foundation treatment of the water treatment plant and the construction of its comprehensive building have been delivered for inspection and acceptance. The construction of Heluan Mountain tunnel was completed two months earlier, which was a remarkable step forward in the construction.

Management Discussion and Analysis

FINANCIAL REVIEW

1. Analysis of Key Items of Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Continuing Operations

1.1 Revenue

Revenue of the Group decreased by RMB1.3 million or 0.6%, from approximately RMB225.8 million for the six months ended 30 June 2019 to approximately RMB224.5 million for the Reporting Period.

(1) Raw water supply

Revenue of the Group generated from sales of raw water decreased by RMB1.5 million or 2.7%, from approximately RMB55.6 million for the six months ended 30 June 2019 to approximately RMB54.1 million for the Reporting Period. Such decrease was primarily attributable to (i) the sales volume of raw water decreased from 54.6 million tonnes for the six months ended 30 June 2019 to 54.2 million tonnes for the Reporting Period; and (ii) for the five months ended 30 June 2020, the price of raw water sold by the Group to middle and downstream water supply companies reduced by 10% based on the actual water volume sold by such companies to enterprise end-users, resulting in a corresponding decrease in the average unit selling price of raw water sold by the Group, due to the impact of the COVID-19 pandemic.

(2) Municipal water supply

Revenue of the Group generated from sales of municipal water increased by RMB1.1 million or 0.8%, from approximately RMB146.3 million for the six months ended 30 June 2019 to approximately RMB147.4 million for the Reporting Period. The increase was mainly due to the increase in municipal water sales volume from 59.9 million tonnes for the six months ended 30 June 2019 to 62.2 million tonnes for the Reporting Period. The rainfall volume during the Reporting Period was less than that for the six months ended 30 June 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 by RMB0.4 million or 2.0%, from approximately RMB20.0 million for the six months ended 30 June 2019 to approximately RMB19.6 million for the Reporting Period.

(4) Installation services

Revenue of the Group generated from installation services decreased by RMB0.6 million or 15.0%, from approximately RMB4.0 million for the six months ended 30 June 2019 to approximately RMB3.4 million for the Reporting Period.

Management Discussion and Analysis

1.2 Cost of sales

The Group's cost of sales decreased by RMB0.9 million or 0.7%, from approximately RMB135.0 million for the six months ended 30 June 2019 to approximately RMB134.1 million for the Reporting Period.

The decrease was mainly due to the decrease in employee benefit expenses by RMB1.8 million from approximately RMB19.3 million for the six months ended 30 June 2019 to approximately RMB17.5 million for the Reporting Period, mainly because the construction of the Taizhou Water Supply System (Phase III) entered the critical stage this year, and the project construction increased significantly. Therefore, the Company assigned additional engineering and technical personnel to participate in the construction management and operation, whose employee benefit expenses were fully capitalised and transferred to the construction in progress. The decrease was partially offset by the increase of approximately RMB0.9 million in raw water procurement fees and water resources fees, mainly due to the slight increase in raw water procurement during the Reporting Period.

1.3 Gross profit and gross profit margin

As a result of the above, our gross profit decreased by RMB0.3 million or 0.3%, from approximately RMB90.7 million for the six months ended 30 June 2019 to approximately RMB90.4 million for the Reporting Period. Gross profit margin increased slightly from 40.2% for the six months ended 30 June 2019 to 40.3% for the Reporting Period.

1.4 Other income and gains

Other income and gains decreased by RMB2.9 million or 36.7%, from approximately RMB7.9 million for the six months ended 30 June 2019 to approximately RMB5.0 million for the Reporting Period. The decrease was mainly due to the five-month value-added tax ("**VAT**") refund (for the tax period from November 2019 to March 2020) received for the six months ended 30 June 2020, while a seven-month VAT refund (for the tax period from October 2018 to April 2019) was received for the six months ended 30 June 2019.

1.5 Administrative expenses

Administrative expenses increased by RMB2.3 million or 12.0%, from approximately RMB19.1 million for the six months ended 30 June 2019 to approximately RMB21.4 million for the Reporting Period. Such increase was mainly due to certain regular service fees of the professional institutions incurred in relation to compliance with requirements of a listed company.

1.6 Finance costs

Finance costs decreased by RMB2.4 million or 27.6%, from approximately RMB8.7 million for the six months ended 30 June 2019 to approximately RMB6.3 million for the Reporting Period. Such decrease was primarily due to the combined effect of (i) the increase in interest on bank borrowings of RMB11.6 million; and (ii) the increase in interest capitalised of RMB14.1 million primarily as a result of the additional long-term bank loans of RMB476.0 million for the 12 months ended 30 June 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.

Management Discussion and Analysis

1.7 *Income tax expense*

Income tax expense decreased by RMB0.9 million or 4.9%, from approximately RMB18.5 million for the six months ended 30 June 2019 to approximately RMB17.6 million for the Reporting Period. Such decrease 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 RMB2.3 million or 4.4%, from approximately RMB51.9 million for the six months ended 30 June 2019 to approximately RMB49.6 million for the Reporting Period. Profit margin after tax decreased from 23.0% for the six months ended 30 June 2019 to 22.1% 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 30 June 2020, property, plant and equipment were approximately RMB1,772.4 million and RMB2,055.2 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 30 June 2020, right-of-use assets were approximately RMB384.5 million and RMB417.8 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 30 June 2020, inventories were approximately RMB4.4 million and RMB4.0 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 30 June 2020, trade receivables were approximately RMB104.0 million and RMB121.6 million, respectively. Trade receivables are related to receivables from customers under the water supply business. The increase in trade receivables was mainly due to that some downstream water supply companies extended the payment period as a result of the impact of the COVID-19 pandemic.

Management Discussion and Analysis

2.5 *Prepayments, other receivables and other assets*

As at 31 December 2019 and 30 June 2020, prepayments, other receivables and other assets were approximately RMB172.6 million and RMB13.1 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 30 June 2020, trade payables were approximately RMB76.8 million and RMB55.8 million, respectively. Trade payables mainly comprised outstanding payments for raw water procurement and water resources fee.

2.7 *Other payables and accruals*

As at 31 December 2019 and 30 June 2020, other payables and accruals were approximately RMB299.8 million and RMB283.2 million, respectively. Such decrease was mainly due to the payment of listing expenses during the Reporting Period.

2.8 *Deferred government grants*

As at 31 December 2019 and 30 June 2020, deferred government grants were approximately RMB83.4 million and RMB81.8 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 through optimisation of the debt and equity balance. During the Reporting Period, the overall strategy of the Group remained unchanged. The capital structure of the Group consisted of net debt (including borrowings net of cash and cash equivalents) and total equity (including paid-in capital/share capital, capital reserve, statutory surplus reserve, retained profits and non-controlling interests). The Group was not subject to any externally imposed capital requirements. As at 30 June 2020, cash and bank balance of the Group was approximately RMB355.4 million (as at 31 December 2019: RMB264.4 million). As at 30 June 2020, total borrowings of the Group were approximately RMB1,744.0 million (as at 31 December 2019: RMB1,534.0 million) and included bank and other loans, with 46.1% of bank and other loans at floating rates. As at 30 June 2020, gearing ratio of the Group (total debts divided by total equity as at the end of the period) was 189.6% (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 RMB210.0 million for the construction of Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV).

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS

For the six months ended 30 June 2020, the Group did not hold any significant investment in equity interest in any other company (for the six months ended 30 June 2019: nil).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil).

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

The H Shares of the Company were listed on the Main Board of the Stock Exchange on 31 December 2019 (the “**Listing Date**”). The total net proceeds was approximately HK\$167.5 million after deducting professional fees, underwriting commissions and other related listing expenses (the “**Net Proceeds**”). The Company will allocate the Net Proceeds according to the Company’s prospectus dated 17 December 2019 (the “**Prospectus**”). The intended use and balance of the Net Proceeds as at 30 June 2020 are as follows:

Intended use of Net Proceeds	Allocation of Net Proceeds	Percentage of total Net Proceeds	Amount of Net Proceeds utilised during the Reporting Period and up to 30 June 2020	Balance of Net Proceeds unutilised as at 30 June 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\$60.6 million	HK\$90.15 million	On or before 31 December 2021
(ii) For providing funding for our working capital and other general corporate purposes	HK\$16.75 million	10%	–	HK\$16.75 million	On or before 31 December 2021
Total	HK\$167.5 million	100%	HK\$60.6 million	HK\$106.90 million	On or 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 interim report.

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2020, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures (for the six months ended 30 June 2019: nil).

PLEDGE OF THE GROUP'S ASSETS

During the Reporting Period, the bank borrowings of the Group amounted to approximately RMB1,744.0 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 and Phase II), Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV). Save as disclosed above, as at the end of the Reporting Period, the Group did not pledge any other assets.

FOREIGN EXCHANGE RISK

During the Reporting Period, the Group carried out business in the PRC and receives revenue and pays its costs/expenses in RMB. The Group had unutilised listing proceeds in Hong Kong dollar, and distributed dividends in Hong Kong dollar. The Group recognised net foreign exchange gain of approximately RMB0.6 million during the Reporting Period. The Group does not currently hedge its exposure to foreign currencies.

CONTINGENT LIABILITIES

As at the end of the Reporting Period, the Group did not have any material contingent liability (as at 31 December 2019: nil).

SUBSEQUENT EVENTS AFTER REPORTING PERIOD

At present, the Group expects the COVID-19 outbreak to have limited impact on its business. However, it is difficult to estimate the full impact in the coming months given the dynamic nature of these circumstances. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts.

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had 189 employees (as at 30 June 2019: 183). During the Reporting Period, the employee benefit expenses amounted to approximately RMB26.4 million (for the six months ended 30 June 2019: RMB28.2 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.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code since the Listing Date and complied with the applicable code provisions throughout the six months ended 30 June 2020 up to the date of this interim report.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and the growth of its business and to reviewing such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors and Supervisors. Specific enquiries have been made to all the Directors and Supervisors and the Directors and Supervisors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2020 up to the date of this interim report.

CHANGE IN DIRECTORS', SUPERVISORS' AND THE SENIOR MANAGEMENT'S INFORMATION

Mr. Yang Jun (楊俊) Mr. Yang Jun served as (i) the chairman of board of directors of Taizhou Development Investment Co., Ltd.* (台州市發展投資有限公司) since 23 April 2020; (ii) a director of Taizhou South Bay Water Supply since 11 June 2020; and (iii) a director of Binhai Water since 12 June 2020.

Mr. Zheng Jianzhuang (鄭健壯) As of the date of this interim report, the Company is aware that Mr. Zheng Jianzhuang is serving as the Dean of the business school of Zhejiang University City College (浙江大學城市學院).

Mr. Li Wai Chung (李偉忠) Mr. Li Wai Chung is currently a member of the Hong Kong Institute of Certified Public Accountants. He served as the general manager of Shenzhen Youxin Consulting Management Co., Ltd. (深圳友信顧問管理有限公司) from October 2017 to June 2020. He has been serving as the executive director and chief financial officer of Taifeng Culture Holdings Limited (泰豐文化控股有限公司) since 15 June 2020.

Mr. Xu Junwei (徐軍偉) Mr. Xu Junwei served as (i) the chief of engineering division and deputy chief engineer of Binhai Water since May 2020; (ii) the chief of engineering division and deputy chief engineer of Taizhou South Bay Water Supply since May 2020; (iii) the chairman of supervisory committee of Taizhou Zhuxi Reservoir Development Co., Ltd.* (台州市朱溪水庫開發有限公司) since May 2020; and (iv) the chairman of supervisory committee of Taizhou City Water Co., Ltd.* (台州城市水務有限公司), a subsidiary of the Company, since June 2020.

Ms. Lin Ying (林穎) Ms. Lin Ying served as the chairman of supervisory committee of Taizhou Development Investment Co., Ltd. since April 2020.

OTHER INFORMATION

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

As at 30 June 2020, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares

Name of Director	Nature of interest	Class of Shares	Number of Shares held ⁽¹⁾	Approximate percentage of shareholding in the class of Shares issued (%)	Approximate percentage of shareholding in the total Shares issued (%)
Mr. Yang Yide	Interest of controlled corporation ⁽²⁾	Domestic Shares	10,058,338 (L)	6.71%	5.03%

Notes:

- (1) As at 30 June 2020, the Company had issued 200,000,000 Shares in total, including 150,000,000 Domestic Shares and 50,000,000 H Shares. The letter "L" denotes the person's long position in the Shares.
- (2) Qufeng Holdings Limited, which is owned as to 80% by Mr. Yang Yide, directly held 10,058,338 Domestic Shares. By virtue of the SFO, Mr. Yang Yide was deemed to have an interest in the Shares held by Qufeng Holdings Limited.

Other Information

Save as disclosed above, as at 30 June 2020, none of the Directors, Supervisors or chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the following persons (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests in Shares

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares held ⁽¹⁾	Approximate percentage of shareholding in the class of Shares issued (%)	Approximate percentage of shareholding in the total Shares issued (%)
Taizhou State-owned Capital Operation Group Co., Ltd.* ⁽²⁾	Interest in controlled corporation	Domestic Shares	43,250,855	28.83%	21.63%
Taizhou Urban Construction Investment Development Group Co., Ltd.* ⁽²⁾	Beneficial owner	Domestic Shares	43,250,855	28.83%	21.63%
The Finance Bureau of Huangyan District of Taizhou* ⁽³⁾	Interest in controlled corporation	Domestic Shares	26,679,541	17.79%	13.34%
Taizhou Huangyan State-owned Capital Investment Operation Group Co., Ltd.* ⁽³⁾	Interest in controlled corporation	Domestic Shares	26,679,541	17.79%	13.34%
Zhejiang Huangyan Financial Development Company* ⁽³⁾	Beneficial owner	Domestic Shares	26,679,541	17.79%	13.34%
Taizhou Finance Bureau of Jiaojiang District* ⁽⁴⁾	Interest in controlled corporation	Domestic Shares	22,222,893	14.82%	11.11%
Taizhou Jiaojiang Infrastructure Investment Company ⁽⁴⁾	Beneficial owner	Domestic Shares	22,222,893	14.82%	11.11%
Zhejiang International Business Group Co., Ltd. ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	20,116,677	13.41%	10.06%
Zhejiang Zheshang Asset Management Co., Ltd.* ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	20,116,677	13.41%	10.06%
Taizhou State-owned Assets Investment Group Co., Ltd. ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	20,116,677	13.41%	10.06%

Other Information

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares held ⁽¹⁾	Approximate percentage of shareholding in the class of Shares issued (%)	Approximate percentage of shareholding in the total Shares issued (%)
Zhejiang Taixin Asset Management Co., Ltd. ^{*(6)}	Beneficial owner	Domestic Shares	20,116,677	13.41%	10.06%
Taizhou Luqiao Public Assets Investment Management Co., Ltd.*	Beneficial owner	Domestic Shares	17,613,358	11.74%	8.80%
Qufeng Holdings Limited*	Beneficial owner	Domestic Shares	10,058,338	6.71%	5.03%
Shanghai Lipin Enterprise (Group) Co., Ltd. ^{*(6)}	Interest in controlled corporation	Domestic Shares	10,058,338	6.71%	5.03%
Shanghai Lipin Sanmin Culture Communication Co., Ltd. ^{*(6)}	Beneficial owner	Domestic Shares	10,058,338	6.71%	5.03%
Mr. Ying Wenhua ⁽⁶⁾	Interest in controlled corporation	Domestic Shares	10,058,338	6.71%	5.03%
Orient Fund Management Co., Ltd.*	Trustee	H Shares	4,860,000	9.72%	2.43%
Shanghai Industrial Investment (Holdings) Company Limited ⁽⁷⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
Shanghai Industrial Investment Treasury Company Limited ⁽⁷⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
Shanghai Investment Holdings Limited ⁽⁷⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
Shanghai Industrial Holdings Limited ⁽⁷⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
S.I. Infrastructure Holdings Limited ⁽⁷⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
S.I. Triumph Power Limited ⁽⁷⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
SIIC Environment Holdings Ltd. ⁽⁷⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
SIIC Environment Tech (Hong Kong) Limited ⁽⁷⁾	Interest in controlled corporation	H Shares	12,500,000	25.00%	6.25%
Shanghai Yangtze River Delta Water Environment Investment Fund Limited ⁽⁷⁾	Beneficial owner	H Shares	12,500,000	25.00%	6.25%
Mr. Chung Chi Man ⁽⁸⁾	Interest in controlled corporation	H Shares	12,744,000	25.49%	6.37%
Billion Shine International Investment Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	12,744,000	25.49%	6.37%
Innovax Holdings Limited ⁽⁸⁾	Interest in controlled corporation	H Shares	12,744,000	25.49%	6.37%
Ms. Lee Yin Har ⁽⁹⁾	Interest of spouse	H Shares	12,744,000	25.49%	6.37%

* For identification purpose only

Other Information

Notes:

- (1) As at 30 June 2020, the Company had issued 200,000,000 Shares in total, including 150,000,000 Domestic Shares and 50,000,000 H Shares.
- (2) Taizhou Urban Construction Investment Development Group Co., Ltd. is wholly-owned by Taizhou State-owned Capital Operation Group Co., Ltd.. By virtue of the SFO, Taizhou State-owned Capital Operation Group Co., Ltd. is deemed to have an interest in the Domestic Shares held by Taizhou Urban Construction Investment Development Group Co., Ltd..
- (3) Zhejiang Huangyan Financial Development Company is a state-owned enterprise indirectly wholly-owned by the Finance Bureau of Huangyan District of Taizhou through its wholly-owned subsidiary, Taizhou Huangyan State-owned Capital Investment Operation Group Co., Ltd.. By virtue of the SFO, each of the Finance Bureau of Huangyan District of Taizhou and Taizhou Huangyan State-owned Capital Investment Operation Group Co., Ltd. is deemed to have an interest in the Domestic Shares held by Zhejiang Huangyan Financial Development Company.
- (4) Taizhou Jiaojiang Infrastructure Investment Company is a state-owned enterprise wholly-owned by The Finance Bureau of Jiaojiang District. By virtue of the SFO, The Finance Bureau of Jiaojiang District is deemed to have an interest in the Domestic Shares held by Taizhou Jiaojiang Infrastructure Investment Company.
- (5) Zhejiang Taixin Asset Management Co., Ltd. is held as to 40% by Taizhou State-owned Assets Investment Group Co., Ltd. and as to 60% by Zhejiang Zheshang Asset Management Co., Ltd., which is in turn owned as to 69.16% by Zhejiang International Business Group Co., Ltd. By virtue of the SFO, each of Taizhou State-owned Assets Investment Group Co., Ltd., Zhejiang Zheshang Asset Management Co., Ltd. and Zhejiang International Business Group Co., Ltd., is deemed to have an interest in the Domestic Shares held by Zhejiang Taixin Asset Management Co., Ltd..
- (6) Shanghai Lipin Enterprise (Group) Co., Ltd. is wholly-owned by Shanghai Lipin Sanmin Culture Communication Co., Ltd. Shanghai Lipin Enterprise (Group) Co., Ltd. is in turn owned as to 99.70% by Mr. Ying Wenhua. By virtue of the SFO, each of Shanghai Lipin Sanmin Culture Communication Co., Ltd. and Mr. Ying Wenhua is deemed to be interested in the Domestic Shares held by Shanghai Lipin Enterprise (Group) Co., Ltd..
- (7) Shanghai Yangtze River Delta Water Environment Investment Fund Limited is held as to 40% by SIIC Environment Tech (Hong Kong) Limited, which is in turn wholly-owned by SIIC Environment Holdings Ltd.. SIIC Environment Holdings Ltd is held as to 6.36% by S.I. Infrastructure Holdings Limited and as to 37.92% by S.I. Triumph Power Limited, which is in turn wholly-owned by S.I. Infrastructure Holdings Limited. S.I. Infrastructure Holdings Limited is wholly-owned by Shanghai Industrial Holdings Limited, which is in turn held as to 55.13% by Shanghai Investment Holdings Limited. Shanghai Investment Holdings Limited is wholly-owned by Shanghai Industrial Investment Treasury Company Limited, which is in turn wholly-owned by Shanghai Industrial Investment (Holdings) Company Limited. By virtue of the SFO, SIIC Environment Tech (Hong Kong) Limited, SIIC Environment Holdings Ltd, S.I. Triumph Power Limited, S.I. Infrastructure Holdings Limited, Shanghai Industrial Holdings Limited, Shanghai Investment Holdings Limited, Shanghai Industrial Investment Treasury Company Limited and Shanghai Industrial Investment (Holdings) Company Limited are deemed to have an interest in the H Shares held by Shanghai Yangtze River Delta Water Environment Investment Fund Limited.
- (8) Innovax Holdings Limited is owned as to 75% by Billion Shine International Investment Limited, which is wholly-owned by Mr. Chung Chi Man.
- (9) Ms. Lee Yin Har is the spouse of Mr. Chung Chi Man. By virtue of the SFO, Ms. Lee Yin Har is deemed to be interested in all the H Shares held by Mr. Chung Chi Man.

Save as disclosed above, as at 30 June 2020, the Company had not been notified by any other persons (other than the Directors, Supervisors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, at no time during the Reporting Period, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors or Supervisors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or Supervisors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed, with the management, the accounting principles and policies adopted by the Group, and reviewed and discussed the unaudited interim condensed consolidated financial statements, interim results announcement of the Group for the six months ended 30 June 2020 and this interim report, and recommended their respective adoption by the Board.

On behalf of the Board

Mr. Yang Jun

Chairman of the Board

PRC, 26 August 2020

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

For the six months ended 30 June 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
REVENUE	4	224,455	225,786
Cost of sales		(134,085)	(135,045)
Gross profit		90,370	90,741
Other income and gains	4	5,005	7,889
Administrative expenses		(21,406)	(19,121)
Other expenses		(445)	(427)
Finance costs	6	(6,282)	(8,719)
PROFIT BEFORE TAX	5	67,242	70,363
Income tax expense	7	(17,601)	(18,474)
PROFIT FOR THE PERIOD AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD		49,641	51,889
Attributable to:			
Owners of the parent		43,582	46,340
Non-controlling interests		6,059	5,549
		49,641	51,889
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted (RMB)		0.22	0.31

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,055,204	1,772,391
Prepayments for property, plant and equipment		21,100	11,797
Prepayments for land use rights		2,301	52,612
Investment in an associate		125,000	125,000
Deferred tax assets		20,699	20,865
Right-of-use assets		417,822	384,484
Total non-current assets		2,642,126	2,367,149
CURRENT ASSETS			
Inventories		4,023	4,432
Trade receivables	11	121,647	104,038
Prepayments, other receivables and other assets		13,111	172,610
Pledged bank deposits	12	16,858	16,742
Cash and cash equivalents	12	355,386	264,357
Total current assets		511,025	562,179
CURRENT LIABILITIES			
Trade payables	13	55,846	76,809
Other payables and accruals		283,220	299,791
Interest-bearing bank and other borrowings	14	55,000	55,000
Deferred government grants		3,252	3,261
Lease liabilities		22,108	19,372
Tax payable		13,345	12,458
Dividend payable		31,965	–
Total current liabilities		464,736	466,691
NET CURRENT ASSETS		46,289	95,488
TOTAL ASSETS LESS CURRENT LIABILITIES		2,688,415	2,462,637

Interim Condensed Consolidated Statement of Financial Position

30 June 2020

	Note	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		2,688,415	2,462,637
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	1,689,000	1,479,000
Deferred government grants		78,540	80,176
Other liabilities		1,000	1,242
Total non-current liabilities		1,768,540	1,560,418
Net assets		919,875	902,219
EQUITY			
Equity attributable to owners of the parent			
Share capital		200,000	200,000
Reserves		576,147	564,550
		776,147	764,550
Non-controlling interests		143,728	137,669
Total equity		919,875	902,219

Yang Jun
Director

Zhang Junzhou
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent						
	Share capital	Capital reserve*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020 (audited)	200,000	119,234	49,792	395,524	764,550	137,669	902,219
Profit for the period and total comprehensive income for the period	-	-	-	43,582	43,582	6,059	49,641
Final 2019 dividend declared	-	-	-	(31,985)	(31,985)	-	(31,985)
At 30 June 2020 (unaudited)	200,000	119,234	49,792	407,121	776,147	143,728	919,875

* These reserve accounts comprise the consolidated reserves of RMB576,147,000 in the consolidated statement of financial position as at 30 June 2020.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the parent						
	Share capital	Capital reserve*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 (audited)	150,000	16,913	46,018	306,758	519,689	125,688	645,377
Profit for the period and total comprehensive income for the period	–	–	–	46,340	46,340	5,549	51,889
At 30 June 2019 (audited)	150,000	16,913	46,018	353,098	566,029	131,237	697,266

* These reserve accounts comprise the consolidated reserves of RMB416,029,000 in the consolidated statements of financial position as at 30 June 2019.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		67,242	70,363
Adjustments for:			
Gain on disposal of items of property, plant and equipment	4	–	(14)
Finance costs	6	6,282	8,719
Depreciation of property, plant and equipment		26,076	26,570
Depreciation of right-of-use assets		4,069	3,041
Amortisation of government grants		(1,645)	(1,401)
Impairment of trade receivables, net		1,033	696
Impairment of other receivables, net		(1)	2
Impairment of contract assets, net		30	–
Foreign exchange differences, net	4	(642)	–
		102,444	107,976
Decrease/(increase) in inventories		409	(178)
(Increase)/decrease in trade receivables		(18,642)	22,520
Increase in prepayments, other receivables and other assets		(1,771)	(13,774)
Decrease in trade payables		(20,963)	(8,093)
Increase in other payables and accruals		1,460	3,608
Increase in deferred government grants		–	50,000
Decrease in other liabilities		(242)	(543)
Cash generated from operations		62,695	161,516
Income tax paid		(14,585)	(22,051)
Net cash flows from operating activities		48,110	139,465

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Note	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(276,872)	(204,553)
Prepayments for right-of-use assets		(2,228)	(146,240)
Purchase of an additional interest in an associate		–	(45,000)
Proceeds from disposal of items of property, plant and equipment		–	85
Increase in pledged bank deposits		(116)	(1,816)
Net cash flows used in investing activities		(279,216)	(397,524)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		158,931	–
Share issue expenses		(11,367)	–
New borrowings		210,000	380,000
Repayment of bank and other borrowings		–	(71,786)
Interest paid		(36,019)	(23,962)
Net cash flows from financing activities		321,545	284,252
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		264,357	314,398
Effect of foreign exchange rate changes, net		590	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD		355,386	340,591
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows	12	355,386	340,591

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

1. CORPORATE AND GROUP INFORMATION

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

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

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 31 December 2019.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Taizhou City Water Co., Ltd. ("Taizhou City Water") (台州市城市水務有限公司)*	PRC/ Mainland China 30 September 2003	RMB 220,000,000	82	–	Centralised water production and supply
Wenling Zeguo Water Supply Co., Ltd. ("Wenling Zeguo Water Supply") (溫嶺市澤國自來水有限公司)*	PRC/ Mainland China 9 November 2006	RMB 30,000,000	100	–	Centralised water supply; pipeline installation service
Taizhou Environmental Development Co., Ltd. ("Taizhou Environmental Development") (台州市環境發展有限公司)*	PRC/ Mainland China 5 September 2018	RMB 10,000,000	100	–	Dormant
Taizhou South Bay Water Supply Co., Ltd. ("Taizhou South Bay Water Supply") (台州市南部灣區水務有限公司)*	PRC/ Mainland China 13 March 2018	RMB 100,000,000	60	–	Centralised water production and supply
Taizhou Binhai Water Co., Ltd. ("Binhai Water") (台州市濱海水務有限公司)*	PRC/ Mainland China 7 June 2016	RMB 100,000,000	51	49	Centralised water production and supply

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

Notes to Interim Condensed Consolidated Financial Statements

30 June 2020

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
HKFRS 17	<i>Insurance Contracts</i>

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

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the financial position and performance of the Group, as the Group does not have rent concessions arising as a direct consequence of the COVID-19 pandemic.
- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

Notes to Interim Condensed Consolidated Financial Statements

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3. OPERATING SEGMENT INFORMATION

For management purposes, the Group only has one reportable operating segment which is water supply and installation of water pipelines. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment.

Geographic information*(a) Revenue from external customers*

The Group operated within one geographical area as all of the Group's revenue was generated from customers located in Mainland China.

(b) Non-current assets

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

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the six months ended 30 June 2020 and 2019 are set out below:

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
Customer 1	60,996	63,822
Customer 2	49,615	54,419
Customer 3	47,352	45,197
Customer 4	24,345	N/A*

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

Notes to Interim Condensed Consolidated Financial Statements

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4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
Revenue from contracts with customers	224,455	225,786

Revenue from contracts with customers

Disaggregated revenue information

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
Type of goods or services		
Sale of water	221,082	221,833
Installation services	3,373	3,953
Total revenue from contracts with customers	224,455	225,786
Timing of revenue recognition		
Goods transferred at a point in time	221,082	221,833
Services transferred over time	3,373	3,953
Total revenue from contracts with customers	224,455	225,786

Notes to Interim Condensed Consolidated Financial Statements

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4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (continued)

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
Other income		
Bank interest income	1,448	585
Foreign exchange gain, net	642	–
Government grants	303	765
Value added tax refund	2,364	6,471
Others	248	54
	5,005	7,875
Gain		
Gain on disposal of items of property, plant and equipment	–	14
	5,005	7,889

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
Cost of inventories sold	131,835	132,240
Cost of services provided	2,250	2,805
Depreciation of property, plant and equipment	26,076	26,570
Depreciation of right-of-use assets	4,069	3,041
Impairment of trade receivables, net	1,033	696
Impairment of financial assets included in prepayments, other receivables and other assets	29	3
Government grants	(303)	(765)
Exchange differences, net	(642)	–
Gain on disposal of items of property, plant and equipment	–	(14)
Listing expenses	–	201

Notes to Interim Condensed Consolidated Financial Statements

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6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
Interest on bank borrowings	27,893	16,253
Interest on other borrowings	8,042	8,054
Less: Interest capitalised	(29,653)	(15,588)
	6,282	8,719

7. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

During the period, except for Taizhou Environmental Development which was entitled to a preferential income tax rate of 10% (the six months ended 30 June 2019: 10%) for small and micro enterprises, the provision for current income tax in Mainland China was based on the statutory rate of 25% (the six months ended 30 June 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:

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
Current tax – Mainland China		
Charge for the period	17,435	18,359
Deferred tax	166	115
Total tax charge for the period	17,601	18,474

Notes to Interim Condensed Consolidated Financial Statements

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8. DIVIDENDS

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
Final declared and unpaid – RMB0.16 (2019: Nil) per ordinary share	31,965	–

A final dividend of RMB0.16 (equivalent to HK\$0.1744) per ordinary share for the year ended 31 December 2019 of RMB31,965,000 was approved by shareholders of the Company on 5 June 2020 and was paid on 20 August 2020.

The Board did not declare any interim dividend for the six months ended 30 June 2020 (the six months ended 30 June 2019: Nil).

9. 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 period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

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

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

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	43,582	46,340

	Number of shares For the six months ended 30 June	
	2020 (Unaudited)	2019 (Audited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	200,000,000	150,000,000

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10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Carrying amount at beginning of period/year	1,772,391	1,037,070
Additions	291,655	755,835
Capitalisation of depreciation of right-of-use assets	17,751	44,360
Disposals	–	(10,750)
Depreciation provided during period	(26,593)	(54,124)
Carrying amount at end of period/year	2,055,204	1,772,391

11. TRADE RECEIVABLES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade receivables	73,963	61,036
Due from related parties (note 16(b))	99,955	94,240
	173,918	155,276
Impairment	(52,271)	(51,238)
	121,647	104,038

The Group's trading terms with its customers are mainly on credit. The credit period is generally two months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

As at 30 June 2020, certain of the Group's trade receivables with a carrying amount of RMB108,171,000 (31 December 2019: RMB92,615,000) were pledged to secure the Group's bank loans (note 14).

Notes to Interim Condensed Consolidated Financial Statements

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11. TRADE RECEIVABLES (Continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 3 months	110,112	97,752
3 to 6 months	7,245	2,713
6 to 12 months	1,973	1,304
1 to 2 years	1,732	2,041
2 to 3 years	585	228
	121,647	104,038

12. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Cash and bank balances	355,386	264,357
Pledged bank deposits	16,858	16,742
	372,244	281,099
Less: Pledged deposits for land reclamation fee	(16,858)	(16,742)
Cash and cash equivalents	355,386	264,357
Denominated in:		
RMB	341,456	245,568
Hong Kong dollars ("HK\$")	13,930	18,789
Cash and cash equivalents	355,386	264,357

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

Notes to Interim Condensed Consolidated Financial Statements

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13. TRADE PAYABLES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade payables	55,846	76,809

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

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 3 months	35,274	40,127
3 to 6 months	15,990	20,045
6 to 12 months	529	13,143
Over 12 months	4,053	3,494
	55,846	76,809

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Current				
Current portion of other borrowings				
Other borrowings – secured	2.80	2020	55,000	55,000
Non-current				
Bank loans				
Bank loans – secured	5.15	2023–2028	263,000	163,000
Bank loans – secured	4.90	2025–2048	916,000	806,000
Other borrowings				
Other borrowings – secured	2.80	2041	510,000	510,000
			1,689,000	1,479,000
			1,744,000	1,534,000

Notes to Interim Condensed Consolidated Financial Statements

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14. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Analysed into:		
Bank loans repayable:		
Beyond five years	1,179,000	969,000
Other borrowings repayable:		
Within one year	55,000	55,000
Beyond five years	510,000	510,000
	565,000	565,000
	1,744,000	1,534,000

Notes:

- (a) The Group's bank and other borrowings are secured by:
- (i) the pledge of the Group's trade receivables with a carrying amount of RMB108,171,000 (31 December 2019: RMB92,615,000) (note 11) and the right of charge on the future revenue generated by Taizhou water supply system (Phase I and Phase II);
 - (ii) the pledge of Binhai Water's right of charge on the future revenue generated by Taizhou water supply system (Phase III); and
 - (iii) the pledge of Taizhou South Bay Water Supply's right of charge on the future revenue.
- (b) Taizhou City Water has guaranteed certain of the Group's bank loans of up to RMB3,197,500,000 (31 December 2019: RMB3,147,500,000).
- (c) A shareholder of the Company, Taizhou Urban Construction Investment Development Group Co., Ltd. ("Taizhou Urban Construction") has guaranteed certain of the Group's bank loans of up to RMB565,000,000 (31 December 2019: RMB565,000,000).
- (d) The Company has guaranteed certain of the Group's bank loans of up to RMB5,275,500,000 (31 December 2019: RMB5,145,500,000).

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15. COMMITMENTS

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

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Contracted, but not provided for: Pipelines and buildings	1,467,688	1,289,516

16. RELATED PARTY TRANSACTIONS

The Group's related parties are as follows:

Name	Relationship with the Company
Zhejiang Taizhou Landscape	An entity controlled by the shareholders of the Company
Taizhou Modern Construction	An entity controlled by the shareholders of the Company
Wenling Mingcheng Real Estate Co., Ltd. ("Wenling Mingcheng")	An entity controlled by the shareholders of the Company
Taizhou Luqiao Water Supply Co., Ltd. ("Taizhou Luqiao Water Supply")	An entity controlled by the shareholders of the Company
Zhejiang Huangyan Water Supply Co., Ltd. ("Zhejiang Huangyan Water Supply")	An entity controlled by the shareholders of the Company
Wenling Water Supply Co., Ltd. ("Wenling Water Supply")	A shareholder of Taizhou City Water
Yuhuan Water Supply Co., Ltd. ("Yuhuan Water Supply")	An entity controlled by the non-controlling shareholders of a subsidiary

Notes to Interim Condensed Consolidated Financial Statements

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16. RELATED PARTY TRANSACTIONS (Continued)

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the following period:

		For the six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
	Notes		
Construction services from:			
Taizhou Modern Construction	(i)	606	–
Zhejiang Taizhou Landscape	(i)	400	1,509
		1,006	1,509
Sales of water to:			
Taizhou Luqiao Water Supply	(i)	47,352	45,197
Zhejiang Huangyan Water Supply	(i)	20,644	19,893
Yuhuan Water Supply	(i)	24,345	18,934
Wenling Water Supply	(i)	49,615	54,419
		141,956	138,443
Construction services to:			
Wenling Mingcheng	(i)	–	69
Taizhou Modern Construction	(i)	–	13
		–	82

Notes:

- (i) The provision of construction services from the related parties and sales of water and provision of construction services to the related parties were made according to the published prices and conditions offered by the Group and the related parties to their major customers.

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16. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Due from related parties:		
Trade in nature		
Taizhou Luqiao Water Supply	23,456	19,418
Wenling Water Supply	54,854	54,484
Zhejiang Huangyan Water Supply	12,846	15,874
Yuhuan Water Supply	8,799	4,464
Balance included in trade receivables	99,955	94,240
Due to a related party:		
Trade in nature		
Taizhou Modern Construction	1,690	1,414
Zhejiang Taizhou Landscape	400	–
Balance included in trade payables	2,090	1,414

The balances with related parties are unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
Salaries, allowances and benefits in kind	1,814	1,539
Pension scheme contributions	30	90
Total compensation paid to key management personnel	1,844	1,629

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17. FAIR VALUE AND FAIR VALUE OF HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank and other borrowings and lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Management has assessed that the fair values of the non-current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and an independent third party financial institution based on prevailing market interest rates.

The Group did not have any financial assets and liabilities measured at fair value as at 30 June 2020 and 31 December 2019.

18. EVENTS AFTER THE REPORTING PERIOD

At present, the Group expects the COVID-19 outbreak to have limited impact on its business. However, it is difficult to estimate the full impact in the coming months given the dynamic nature of these circumstances. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts.