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

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

(Stock Code: 1542)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2025

INTERIM RESULTS HIGHLIGHTS:

For the six months ended 30 June 2025:

- Revenue amounted to approximately RMB274.9 million, representing a decrease of approximately 8.5% over the corresponding period of last year.
- Loss for the period amounted to approximately RMB24.0 million (for the six months ended 30 June 2024: a loss of approximately RMB46.9 million).
- Loss attributable to owners of the parent amounted to approximately RMB19.9 million (for the six months ended 30 June 2024: a loss attributable to owners of the parent of approximately RMB36.3 million).
- Basic loss per share amounted to approximately RMB0.10 (for the six months ended 30 June 2024: basic loss per share of approximately RMB0.18).
- The Board did not recommend the distribution of an interim dividend for the six months ended 30 June 2025.

The board (the “**Board**”) of directors (the “**Directors**”) of Taizhou Water Group Co., Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2025 (the “**Reporting Period**”). The content of this interim results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to preliminary announcements of the unaudited interim results and the Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants. The relevant unaudited interim results have also been reviewed and confirmed by the Board and the audit committee of the Board (the “**Audit Committee**”). Unless otherwise stated, the financial data of the Company are presented in Renminbi (“**RMB**”).

* For identification purposes only

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

For the six months ended 30 June 2025

		2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
	Notes		
REVENUE	5	274,903	300,346
Cost of sales		<u>(223,005)</u>	<u>(232,713)</u>
Gross profit		51,898	67,633
Other income and gains	5	28,399	15,248
Administrative expenses		(39,260)	(41,343)
Other expenses		(705)	(227)
Finance costs	7	(62,232)	(68,728)
Share of profits and losses of associates		<u>8,023</u>	<u>(5,338)</u>
LOSS BEFORE TAX	6	(13,877)	(32,755)
Income tax expense	8	<u>(10,145)</u>	<u>(14,162)</u>
LOSS FOR THE PERIOD		<u>(24,022)</u>	<u>(46,917)</u>
Attributable to:			
Owners of the parent		(19,875)	(36,276)
Non-controlling interests		<u>(4,147)</u>	<u>(10,641)</u>
		<u>(24,022)</u>	<u>(46,917)</u>
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted (RMB)		<u>(0.10)</u>	<u>(0.18)</u>
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive loss of associates		<u>(2,184)</u>	<u>(1,656)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		<u>(2,184)</u>	<u>(1,656)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(26,206)</u>	<u>(48,573)</u>
Attributable to:			
Owners of the parent		(22,059)	(37,932)
Non-controlling interests		<u>(4,147)</u>	<u>(10,641)</u>
		<u>(26,206)</u>	<u>(48,573)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2025

		30 June 2025	31 December 2024
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	4,207,299	4,298,525
Prepayments for property, plant and equipment		1,617	2,289
Other intangible assets		1,930	1,818
Investments in associates		502,380	496,541
Deferred tax assets		26,588	26,555
Right-of-use assets		411,034	363,882
Total non-current assets		5,150,848	5,189,610
CURRENT ASSETS			
Inventories		4,935	5,275
Trade receivables	12	150,463	143,413
Prepayments, other receivables and other assets		43,312	35,175
Pledged bank deposits		1,080	1,077
Cash and cash equivalents		291,360	321,265
Total current assets		491,150	506,205
CURRENT LIABILITIES			
Trade payables	13	66,802	71,153
Other payables and accruals		650,848	838,416
Interest-bearing bank and other borrowings		31,846	20,436
Deferred government grants		9,745	9,745
Corporate debt instruments		151,559	154,656
Lease liabilities		–	684
Tax payable		5,561	3,814
Total current liabilities		916,361	1,098,904
NET CURRENT LIABILITIES		(425,211)	(592,699)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,725,637	4,596,911

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2025

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	4,725,637	4,596,911
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	3,654,610	3,494,758
Deferred government grants	117,051	121,971
Other liabilities	1,784	1,784
Total non-current liabilities	3,773,445	3,618,513
Net assets	952,192	978,398
EQUITY		
Equity attributable to owners of the parent		
Share capital	200,000	200,000
Reserves	548,605	570,664
	748,605	770,664
Non-controlling interests	203,587	207,734
Total equity	952,192	978,398

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2025 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 2024.

Going concern assumption

As at 30 June 2025, the Group recorded net current liabilities of approximately RMB425,211,000, in which the Group recorded the other payables and accruals of RMB650,848,000.

In view of the net current liabilities position, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 30 June 2025, the Group has available bank facilities with a total amount of RMB3,486,110,000 which can be utilised in the next twelve months. Taking into account these additional financial resources available to the Group and the internally generated funds from operations, the directors believe that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due. Therefore, the consolidated financial statements have been prepared on a going concern basis.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2024, except for the adoption of the following amended HKFRS Accounting Standard for the first time for the current period's financial information.

Amendments to HKAS 21

Lack of Exchangeability

The nature and impact of the amended HKFRS Accounting Standard are described below:

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted with and the functional currencies of group entities for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

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

Geographic information

(a) *Revenue from external customers*

The Group operated within one geographical area as all of the Group's revenue was generated from customers located in 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 2025 and 2024 are set out below:

	For the six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Customer 1	68,717	73,247
Customer 2	64,288	80,956
Customer 3	47,517	51,657
Customer 4	37,612	39,468

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Revenue from contracts with customers	274,903	300,346

Revenue from contracts with customers

	For the six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Type of goods or services		
Sale of water	265,125	292,227
Installation services	9,778	8,119
Total	<u>274,903</u>	<u>300,346</u>
Timing of revenue recognition		
Goods transferred at a point in time	265,125	292,227
Services transferred over time	9,778	8,119
Total	<u>274,903</u>	<u>300,346</u>
	For the six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Other income		
Value added tax refund	5,224	6,006
Bank interest income	933	3,653
Government grants	21,465	5,104
Others	769	435
Subtotal	<u>28,391</u>	<u>15,198</u>
Gains		
Gain on disposal of items of property, plant and equipment	8	50
Total	<u>28,399</u>	<u>15,248</u>

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	215,482	227,656
Cost of services provided	7,523	5,057
Depreciation of property, plant and equipment	94,925	97,298
Depreciation of right-of-use assets	5,094	5,374
Amortisation of other intangible assets	357	92
Impairment of trade receivables, net	(875)	686
Impairment of financial assets included in prepayments, other receivables and other assets, net	(141)	(694)
Government grants	(21,465)	(5,104)
Foreign exchange differences, net	10	3
Loss/(gain) on disposal of items of property, plant and equipment	629	(50)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings	59,125	64,058
Interest on other borrowings	5,744	6,497
Interest on corporate debt instrument	1,559	2,534
Less: interest capitalised	(4,196)	(4,361)
Total	62,232	68,728

8. INCOME TAX

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

During the period, except for Taizhou Environmental Development Co., Ltd. (“**Taizhou Environmental Development**”), the provision for current income tax in Mainland China was based on the statutory rate of 25% (2024: 25%) of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008.

Taizhou Environmental Development, Zhejiang Xianzhiquan Water Co., Ltd.* (浙江仙之泉水業有限公司) (“**Xianzhiquan**”) and Taizhou Bishui Water Technology Co., Ltd.* (台州碧水科工有限公司) (“**Bishui Water**”) are qualified as small and micro enterprises and were entitled to a preferential income tax rate of 5% (2024: 5%).

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

	For the six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – Mainland China		
Charge for the period	10,178	18,384
Deferred tax	(33)	(4,222)
	<hr/>	<hr/>
Total	10,145	14,162
	<hr/>	<hr/>

9. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 and does not recommend any interim dividend for the six months ended 30 June 2025.

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

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in outstanding during the period.

The Group had no potentially dilutive ordinary shares in outstanding during the six months ended 30 June 2025 and 2024.

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

	For the six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic loss per share calculation	(19,875)	(36,276)
	<hr/>	<hr/>
	Number of shares	
	For the six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in outstanding during the period used in the basic loss per share calculation	200,000,000	200,000,000
	<hr/>	<hr/>

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Carrying amount at beginning of period/year	4,298,525	4,331,872
Additions	4,343	162,232
Disposals	(644)	(922)
Depreciation provided during period/year	(94,925)	(194,657)
Carrying amount at end of period/year	<u>4,207,299</u>	<u>4,298,525</u>

12. TRADE AND NOTES RECEIVABLES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Trade receivables	16,353	19,271
Due from related parties	<u>186,612</u>	<u>177,519</u>
Subtotal	202,965	196,790
Impairment	<u>(52,502)</u>	<u>(53,377)</u>
Total	<u>150,463</u>	<u>143,413</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 30 June 2025, certain of the Group's trade receivables with a carrying amount of RMB152,951,000 (31 December 2024: RMB128,581,000) were pledged to secure the Group's bank loans.

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

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Within 3 months	85,599	120,419
3 to 6 months	57,888	20,345
6 to 12 months	5,792	1,302
1 to 2 years	1,180	1,177
2 to 3 years	<u>4</u>	<u>170</u>
Total	<u>150,463</u>	<u>143,413</u>

13. TRADE PAYABLES

	30 June 2025 <i>RMB'000</i> (Unaudited)	31 December 2024 <i>RMB'000</i> (Audited)
Trade payables	<u>66,802</u>	<u>71,153</u>

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

	30 June 2025 <i>RMB'000</i> (Unaudited)	31 December 2024 <i>RMB'000</i> (Audited)
Within 3 months	26,559	36,948
3 to 6 months	40	3,342
6 to 12 months	2,854	5,154
Over 12 months	<u>37,349</u>	<u>25,709</u>
Total	<u>66,802</u>	<u>71,153</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In recent years, against the dual backdrop of the deepening “water conservation priority” strategy and increasingly stringent water resource constraints, the water supply industry has entered a critical phase of policy implementation and efficiency enhancement. In April 2025, five government departments including the Ministry of Water Resources jointly issued the “Guidelines on Comprehensively Establishing a Water Conservation Policy and Institutional Framework”* (《關於全面構建節水制度政策體系的意見》), which enhances top-level design and systematic planning for water-saving mechanisms. Concurrently, the expansion of water resource tax pilot reforms and accelerated development of water rights trading markets are creating stronger incentives for improving water-use efficiency. Local governments are accelerating the construction of smart water management platforms, leveraging IoT, big data, and other technologies to optimize water supply scheduling and leakage control while enhancing water quality safety. On one hand, intensifying efforts to upgrading water supply networks and implement district metering to reduce leakage rates; on the other hand, retrofitting aging water plants with advanced treatment technologies to continuously elevate water quality standards.

Looking ahead, with the gradual deepening of the ESG development philosophy, the water supply industry will further transition toward intelligent, low-carbon, intensive and sustainable development, providing a solid foundation for high-quality economic and social growth.

DEVELOPMENT STRATEGIES AND OUTLOOK

The year 2025 marks the conclusion of the “14th Five-Year Plan” and the preparation for the “15th Five-Year Plan”. It also coincides with the 30th anniversary of the completion and operation of the Changtan Water Diversion Project Phase I (Huangjiaowen Joint Water Supply Project). This pivotal year will be critical for the Group to accelerate quality and efficiency enhancement, transformation and upgrading. Guided by the national strategic directions of “water conservation priority” and the “Dual Carbon” goals, the Group will anchor the overarching goal of building a modern and comprehensive water group, with smart water management as its core driver. Aligning with water industry policy trends, we will thoroughly implement the spirit of General Secretary Xi Jinping’s important expositions on the reform and development of state-owned enterprises, Party building, and water management, water conservation and water use. The Group will optimize its industrial layout, further strengthen and refine its core businesses, focus on building a higher-standard water supply security system, steadily advance the extension of the industrial chain, accelerate the cultivation and development of new quality productive forces, establish an integrated innovation system of “water services + technology + talent”, enhance core functionalities, elevate core competitiveness, and drive high-quality development of the Group.

* For identification purposes only

BUSINESS REVIEW

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

The Group owns, operates and manages the Taizhou Water Supply System (Phase I), the Taizhou Water Supply System (Phase II), the Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV), with a designed raw water supply capacity of approximately 1,220,000 tonnes per day, and a designed municipal water supply capacity of 984,000 tonnes per day in southern Taizhou.

1. Raw Water Supply Project

The designed water supply capacity of Taizhou Water Supply System (Phase I) is 250,000 tonnes per day, and the raw water is supplied to local municipal water service providers and Wenling Zeguo Water Supply Co., Ltd. (a wholly-owned subsidiary of the Company) ("**Zeguo Water Supply**"). The raw water supply capacity of the Taizhou Water Supply System (Phase II) is 490,000 tonnes per day, of which 380,000 tonnes per day is supplied to Taizhou Water Treatment Plant of the Group. The Taizhou Water Supply System (Phase III) has a raw water supply capacity of 480,000 tonnes per day, including a raw water supply capacity of 150,000 tonnes per day for the Taizhou Water Supply System (Phase IV). During the Reporting Period, the raw water sales volume was 61.6 million tonnes, representing a decrease of 2.9 million tonnes as compared with 64.5 million tonnes for the six months ended 30 June 2024.

2. Municipal Water Supply Project

Taizhou Water Treatment Plant of the Taizhou Water Supply System (Phase II) has a designed municipal water supply capacity of 600,000 tonnes per day (after the Taizhou Water Treatment Plant phase II expansion project has been put into operation, the municipal water supply capacity of the Taizhou Water Supply System (Phase II) increased from 366,000 tonnes per day to 600,000 tonnes per day) and is responsible for providing the municipal water which is sold to local municipal water service providers. The water treatment plant in the East Zone of the Taizhou Water Supply System (Phase III) has a designed municipal water supply capacity of 284,000 tonnes per day and the South Bay water treatment plant of the Taizhou Water Supply System (Phase IV) has a designed municipal water supply capacity of 100,000 tonnes per day. During the Reporting Period, municipal water sales volume was 77.9 million tonnes, representing a decrease of 2.8 million tonnes as compared with 80.7 million tonnes for the six months ended 30 June 2024.

3. Tap Water Supply Project

The Group is responsible for supplying tap water to local end-users of Zeguo Town, Wenling City (including commercial users, government authorities, industrial users and residential households in Zeguo Town). During the Reporting Period, tap water sales volume was 5.8 million tonnes, as compared to 5.6 million tonnes for the six months ended 30 June 2024.

4. Installation Services

In connection with tap water supply services, the Group undertakes water pipeline installation works to connect new end-users to the Group's pipeline network and charges an installation fee for such services. During the Reporting Period, revenue from installation services amounted to approximately RMB9.8 million, representing an increase of RMB1.7 million as compared to approximately RMB8.1 million for the six months ended 30 June 2024.

5. Expansion Projects

In order to expand the market and increase revenue, as well as to tap into potential and improve efficiency, the Group successively established Xianzhiquan in May 2023 and Bishui Water in September 2023, to expand into the packaged drinking water and pipeline potable water projects. This will promote the optimization of the Group's industrial layout and structural adjustment to achieve high-quality development. Currently, both projects are in the early stages of business expansion. Among them, Xianzhiquan has completed the production line acceptance and started production, with an expected annual output of 13,500 tons. The packaged drinking water produced by Xianzhiquan has successively appeared at major meetings and event sites such as the Asian Games torch relay in Taizhou, the municipal party congress, the city's two sessions, and concerts. It has also been custom-produced for some government agencies and enterprises and institutions. Bishui Water has laid out pipeline potable water project in government agencies, enterprises and institutions, and residential areas. Currently, the pipeline construction or equipment room installation has been completed for 8 projects, among which 4 projects have been put into operation, and the other 4 are in the trial operation phase.

6. Construction Project

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

During the Reporting Period, the Group has been continuously promoting the acceptance, rectification and settlement for various sections of the Taizhou Water Supply System (Phase III) and the Taizhou Water Supply System (Phase IV). On the basis of completing land expropriation work for the Zhan Tang booster pump station of the Taizhou Water Supply System (Phase IV), the Group has applied to the planning authorities for the construction project planning permit. The Taizhou Water Treatment Plant phase II expansion project has been put into operation. After completing the production line acceptance and starting production, as well as establishing a comprehensive quality control system from the water source to wastewater treatment, Xianzhiquan Water has meticulously planned brand channel development. Bishui Water has laid out pipeline potable water project in government agencies, enterprises and institutions, and residential areas. Currently, the pipeline construction or equipment room installation has been completed for 8 projects, among which 4 projects have been put into operation, and the other 4 are in the trial operation phase.

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 RMB25.4 million or 8.5%, from approximately RMB300.3 million for the six months ended 30 June 2024 to approximately RMB274.9 million for the Reporting Period.

(1) Raw water supply

Revenue of the Group generated from sales of raw water decreased by RMB11.3 million or 15.6%, from approximately RMB72.6 million for the six months ended 30 June 2024 to approximately RMB61.3 million for the Reporting Period.

(2) Municipal water supply

Revenue of the Group generated from sales of municipal water decreased by RMB15.9 million or 8.2%, from approximately RMB194.7 million for the six months ended 30 June 2024 to approximately RMB178.8 million for the Reporting Period. The decrease was primarily due to reduced water prices resulting from the reform policy of uniform water pricing within the same city.

(3) Tap water supply

Revenue of the Group generated from sales of tap water decreased by RMB0.6 million or 2.4%, from approximately RMB24.6 million for the six months ended 30 June 2024 to approximately RMB24.0 million for the Reporting Period.

(4) Installation services

Revenue of the Group generated from installation services increased by RMB1.7 million or 21.0%, from approximately RMB8.1 million for the six months ended 30 June 2024 to approximately RMB9.8 million for the Reporting Period. The increase was mainly due to the increased “one household, one water meter installation project”.

1.2 Cost of sales

The Group’s cost of sales decreased by RMB9.7 million or 4.2%, from approximately RMB232.7 million for the six months ended 30 June 2024 to approximately RMB223.0 million for the Reporting Period. The decrease was mainly due to the decrease in the volume of water sold.

1.3 Gross profit and gross profit margin

As a result of the above, the Group’s gross profit decreased by RMB15.7 million or 23.2%, from approximately RMB67.6 million for the six months ended 30 June 2024 to approximately RMB51.9 million for the Reporting Period. Gross profit margin decreased from 22.5% for the six months ended 30 June 2024 to 18.9% for the Reporting Period.

1.4 Other income and gains

Other income and gains increased by RMB13.2 million or 86.8%, from approximately RMB15.2 million for the six months ended 30 June 2024 to approximately RMB28.4 million for the Reporting Period. The increase was mainly due to the receipt of financial subsidies from Yuhuan government by Taizhou South Bay Water Supply Co., Ltd. (the “**South Bay Water**”) during the Reporting Period.

1.5 Administrative expenses

Administrative expenses decreased by RMB2.0 million or 4.8%, from approximately RMB41.3 million for the six months ended 30 June 2024 to approximately RMB39.3 million for the Reporting Period mainly because of the lower labor costs.

1.6 Finance costs

Finance costs decreased by RMB6.5 million or 9.5%, from approximately RMB68.7 million for the six months ended 30 June 2024 to approximately RMB62.2 million for the Reporting Period. The decrease was mainly due to a reduction of interest rate on borrowings.

1.7 Income tax expense

Income tax expense decreased by RMB4.1 million or 28.9%, from approximately RMB14.2 million for the six months ended 30 June 2024 to approximately RMB10.1 million for the Reporting Period. Such decrease was primarily due to the decrease in profit before tax of Taizhou Water Group Co., Ltd.* (the “**parent company**”).

1.8 Loss after tax and loss margin after tax

During the Reporting Period, the Company recorded a loss after tax of approximately RMB24.0 million as compared with a loss after tax of approximately RMB46.9 million for the six months ended 30 June 2024. Further, the Company’s loss margin after tax for the six months ended 30 June 2025 was 8.7% as compared with a loss margin after tax of 15.6% for the six months ended 30 June 2024. The decrease in the loss of results was mainly due to the financial subsidy received by South Bay Water Supply from the Yuhuan government during the Reporting Period.

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

2.1 Property, plant and equipment

As at 31 December 2024 and 30 June 2025, property, plant and equipment were approximately RMB4,298.5 million and RMB4,207.3 million, respectively, and mainly comprised construction in progress, water supply pipelines, buildings, machinery and equipment for water supply business. The decrease was primarily attributable to the depreciation of fixed assets.

2.2 Right-of-use assets

As at 31 December 2024 and 30 June 2025, right-of-use assets were approximately RMB363.9 million and RMB411.0 million, respectively. The increase was primarily attributable to the addition of land use rights for South Bay Water Supply.

2.3 Inventories

As at 31 December 2024 and 30 June 2025, inventories were approximately RMB5.3 million and RMB4.9 million, respectively. Inventories mainly comprised chemicals used in the water treatment process.

2.4 Trade receivables

As at 31 December 2024 and 30 June 2025, trade receivables were approximately RMB143.4 million and RMB150.5 million, respectively. Trade receivables were related to receivables from customers of the water supply business.

2.5 Prepayments, other receivables and other assets

As at 31 December 2024 and 30 June 2025, prepayments, other receivables and other assets were approximately RMB35.2 million and RMB43.3 million, respectively.

2.6 Trade payables

As at 31 December 2024 and 30 June 2025, trade payables were approximately RMB71.2 million and RMB66.8 million, respectively. Trade payables mainly comprised outstanding payments for raw water procurement.

2.7 Other payables and accruals

As at 31 December 2024 and 30 June 2025, other payables and accruals were approximately RMB838.4 million and RMB650.8 million, respectively. The decrease was mainly due to the decrease in other construction payables.

2.8 Deferred government grants

As at 31 December 2024 and 30 June 2025, deferred government grants were approximately RMB131.7 million and RMB126.8 million, respectively. Such decrease was mainly due to amortization.

2.9 Liquidity and financial resources

The Group manages its capital to ensure that its entities will be able to operate on a going concern basis and maximises the return to the Shareholders through optimisation of the debt and equity balance. During the Reporting Period, the overall strategy of the Group remained unchanged. The capital structure of the Group consisted of net debt (including borrowings net of cash and cash equivalents) and total equity (including paid-in capital/share capital, capital reserve, statutory surplus reserve, retained profits and non-controlling interests). The Group was not subject to any externally imposed capital requirements. As at 30 June 2025, cash and bank balance of the Group was approximately RMB291.4 million (as at 31 December 2024: approximately RMB321.3 million). As at 30 June 2025, total borrowings and corporate debt instruments of the Group were approximately RMB3,838.0 million (as at 31 December 2024: approximately RMB3,669.9 million) and included bank and other loans, with 88.5% of bank and other loans at floating rates. As at 30 June 2025, gearing ratio of the Group (total debts divided by total equity as at the end of the period) was 403.1% (as at 31 December 2024: 375.1%). The increase in gearing ratio was mainly due to the increase in bank and other borrowings of approximately RMB164.5 million for the construction of Taizhou Water Supply System (Phase III) and Taizhou Water Supply System (Phase IV).

SIGNIFICANT INVESTMENTS

For the six months ended 30 June 2025, the Group did not hold any significant investment in equity interest in any other company (for the six months ended 30 June 2024: nil).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2025 (for the six months ended 30 June 2024: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

PLEDGE OF THE GROUP'S ASSETS

As at the end of the Reporting Period, the bank borrowings of the Group amounted to approximately RMB3,686.5 million (as at 31 December 2024: approximately RMB3,515.2 million), which were secured by the Group's trade receivables, the right of charge on the future revenue generated by Taizhou Water Supply System (Phase I, Phase II, Phase III and Phase IV). Save as disclosed above, as at the end of the Reporting Period, the Group did not pledge any other assets.

FOREIGN EXCHANGE RISK

During the Reporting Period, the Group carried out business in the PRC and received revenue and paid its costs/expenses in RMB. The Group denominated and declared dividends in RMB. Dividend on Domestic Share will be paid in RMB and dividend on H Share will be paid in Hong Kong dollar. The Group recognised net foreign exchange loss of approximately RMB10,383 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 2024: nil).

SUBSEQUENT EVENTS AFTER REPORTING PERIOD

Based on the results of the public tender process for the appointment of the Company's domestic and international auditors on 16 May 2025 and 9 June 2025, and with the approval of the Audit Committee, the Board resolved on 27 June 2025 to propose the appointment of Grant Thornton International Ltd. as the domestic auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company and the re-appointment of Ernst & Young as the international auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company and the authorization to the Board to fix their respective remunerations. These resolutions are approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 18 July 2025 as ordinary resolutions.

For details, please refer to the circulars and announcements of the Company dated 13 June 2025, 27 June 2025 and 18 July 2025.

Save as disclosed above, 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 2025, the Group had 256 employees (as at 30 June 2024: 251). During the Reporting Period, the employee benefit expenses amounted to approximately RMB41.9 million (for the six months ended 30 June 2024: RMB45.9 million). The employees of the Group are generally remunerated by way of fixed salary, and are also entitled to a performance based bonus, paid leave and various subsidies. During the Reporting Period, the Group did not experience any significant labour disputes causing any material impact on its normal business operations.

CORPORATE GOVERNANCE PRACTICES

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

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

MODEL CODE REGARDING SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

THE AUDIT COMMITTEE

The Audit Committee has, together with the management and the Board, reviewed the accounting principles and practices adopted by the Group and the interim results for the six months ended 30 June 2025. The Audit Committee also approved the interim results for the six months ended 30 June 2025 and submitted them to the Board for approval.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT FOR 2025 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zjtzwater.com). The interim report for 2025 of the Company containing all information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Taizhou, the PRC, 29 August 2025

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

* For identification purpose only