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Tianjin Capital Environmental Protection Group Company Limited

天津創業環保集團股份有限公司

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

(Stock Code: 1065)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

§1 IMPORTANT

- 1.1 The board of directors (the “**Board**”), the supervisory committee, directors (the “**Directors**”), supervisors (the “**Supervisors**”) and senior management of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”) guarantee that information in this 2020 interim report (the “**Interim Report**”) does not contain any false information, misleading statements or material omissions, and accept joint and several responsibilities for the truthfulness, accuracy and completeness of its contents.
- 1.2 The interim financial statements of the Company for the six months ended 30 June 2020 has not been audited.
- 1.3 Did the controlling shareholder of the Company and its connected persons misappropriate the Company’s funds for non-operating purposes?

No
- 1.4 Did the Company provide external guarantees in violation of any specified decision-making procedures?

No
- 1.5 Mr. Liu Yujun, the officer in charge of the Company, Ms. Peng Yilin, the officer in charge of accounting operations, and Mr. Liu Tao, the officer in charge of the accounting department (the accounting management officer), have warranted the truthfulness, accuracy and completeness of the financial reports contained in this Interim Report.

§2 COMPANY PROFILE

2.1 Basic information

Short name of the A shares	創業環保
Stock code of the A shares	600874
Stock exchange for listing of the A shares	Shanghai Stock Exchange
Short name of the H shares	Tianjin Capital
Stock code of the H shares	1065
Stock exchange for listing of the H shares	The Stock Exchange of Hong Kong Limited (the “ Stock Exchange ”)

	Secretary to the Board	Company Secretary in Hong Kong	Securities Affairs Representative
Name	Mr. Niu Bo	Ms. Mona Y.Y. Cho	Ms. Guo Fengxian
Correspondence address	TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, The People’s Republic of China (the “ PRC ”)	22/F, Worldwide House, Central, Hong Kong	TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC
Telephone number	86-22-23930128	852-21629620	86-22-23930128
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Email address	niu_bo@tjcep.com	cosec@tjcep.com	guo_fx@tjcep.com

2.2 Principal accounting data and financial highlights as prepared in accordance with the PRC Accounting Standards

2.2.1 Major accounting data and financial indicators

Major accounting data

Unit: 0' 000 Currency: RMB

Major accounting data	During the reporting period (from January to June)	During the same period last year	Increase/ decrease for the current reporting period as compared to the same period last year (%)
Operating income	152,139.0	122,471.6	24.22
Net profit attributable to the shareholders of the Company	25,694.8	21,850.3	17.59
Net profit attributable to the shareholders of the Company after deduction of extraordinary items	22,655.0	19,355.3	17.05
Net cash flow from operating activities	25,509.3	72,970.7	-65.04
	As at the end of the current reporting period	As of the end of last year	Increase/ decrease as at the end of the current reporting period as compared to the end of last year (%)
Net assets attributable to the shareholders of the Company	627,826.0	617,402.5	1.69
Total assets	1,832,270.6	1,799,080.7	1.84

Major financial indicators

Currency: RMB

Major financial indicators	During the reporting period (from January to June)	During the same period last year	Increase/decrease for the current reporting period as compared to the same period last year (%)
Basic earnings per share (RMB/share)	0.18	0.15	20.00
Diluted earnings per share (RMB/share)	0.18	0.15	20.00
Basic earnings per share after deduction of extraordinary items (RMB/share)	0.16	0.14	14.29
Weighted average return on net assets ratio (%)	4.13	3.73	Increased by 0.40 percentage point
Weighted average return on net assets ratio after deduction of extraordinary items (%)	3.64	3.31	Increased by 0.33 percentage point

2.2.2 Extraordinary profit and loss items

Unit: 0' 000 Currency: RMB

Extraordinary Profit and Loss Items	Amount
Government grants recognized in current profit and loss, except for those closely relating to business operation of the Company, in compliance with national policy and settled in certain amount which are constantly granted by government	3,802.9
Other non-operating income and expenses (excluding the above items)	-258.5
Effect on minority interests	35.5
Effect on income tax	-540.1
Total	3,039.8

2.2.3 Difference in accounting standards between the PRC and overseas

There is no difference between the financial reports prepared in accordance with Hong Kong Financial Reporting Standards and the PRC Accounting Standards for Business Enterprises.

§3 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

3.1 Table of share changes

☐ Applicable ☒ Not Applicable

3.2 Number of shareholders and their shareholdings

Total number of shareholders:

Total number of shareholders as at the end of the reporting period are 73,605, among which 65 shareholders are shareholders of H shares

Shareholdings of the top ten shareholders and the top ten shareholders of circulating shares (or shareholders of non-restricted circulating shares) at the end of the reporting period

Shareholdings of the top ten shareholders						
Name of shareholder (Full Name)	Increase/ decrease during the reporting period (shares)	Number of shares held as at the end of the reporting period (shares)	Percentage (%)	Number of restricted shares held (shares)	Pledged or frozen	Nature of the shareholder
Tianjin Municipal Investment Company Limited	0	715,565,186	50.14	0	Nil	State-owned legal person
HKSCC Nominees Limited	78,000	337,952,810	23.68	0	Unknown	Other
Central Huijin Asset Management Co., Ltd.	0	14,169,800	0.99	0	Nil	State-owned legal person
Hong Kong Securities Clearing Company Limited	1,983,428	6,894,016	0.48	0	Nil	Other
Zhejiang Jinxin Construction Engineering Co., Ltd. (浙江錦鑫建設工程有限公司)	0	3,400,500	0.24	0	Nil	Domestic non- state-owned legal person
Agricultural Bank of China Limited – CSI500 Index Open-ended Fund (中證500交易型開放式指數證券投資基金)	-1,693,300	2,859,652	0.20	0	Nil	Other
Ye Ruiqing (葉銳清)	692,000	2,731,700	0.19	0	Nil	Domestic natural person
Bank of China Limited – Guangfa China Securities Environmental Protection Industry Index Open-ended Fund (廣發中證 環保產業交易型開放式指數證券投資基金)	-363,473	2,467,844	0.17	0	Nil	Other
Shanghai Pudong Development Bank Co., Ltd. – IGW CSI500 Sector Neutral Low Volatility Index Fund(景順長城中證 500行業中性低波動指數型證券投資基金)	1,606,481	1,606,481	0.11	0	Nil	Other
Shenyang Railway Coal Group Co., Ltd. (瀋陽鐵道煤炭集團有限公司)	0	1,500,000	0.11	0	Nil	State-owned legal person

Shareholdings of the top ten shareholders of non-restricted circulating shares			
Name of shareholder	Number of non-restricted circulating shares held (shares)	Type and number of shares	
		Type	Number (shares)
Tianjin Municipal Investment Company Limited	715,565,186	Ordinary RMB Shares	715,565,186
HKSCC Nominees Limited	337,952,810	H Shares	337,952,810
Central Huijin Asset Management Co., Ltd.	14,169,800	Ordinary RMB Shares	14,169,800
Hong Kong Securities Clearing Company Limited	6,894,016	Ordinary RMB Shares	6,894,016
Zhejiang Jinxin Construction Engineering Co., Ltd. (浙江錦鑫建設工程有限公司)	3,400,500	Ordinary RMB Shares	3,400,500
Agricultural Bank of China Limited-CSI500 Index Open-ended Fund (中證500交易型開放式指數證券投資基金)	2,859,652	Ordinary RMB Shares	2,859,652
Ye Ruiqing(葉銳清)	2,731,700	Ordinary RMB Shares	2,731,700
Bank of China Limited – Guangfa China Securities Environmental Protection Industry Index Open-ended Fund (廣發中證環保產業交易型開放式指數證券投資基金)	2,467,844	Ordinary RMB Shares	2,467,844
Shanghai Pudong Development Bank Co., Ltd. – IGW CSI500 Sector Neutral Low Volatility Index Fund (景順長城中證500行業中性低波動指數型證券投資基金)	1,606,481	Ordinary RMB Shares	1,606,481
Shenyang Railway Coal Group Co., Ltd. (瀋陽鐵道煤炭集團有限公司)	1,500,000	Ordinary RMB Shares	1,500,000
Notes on the connected relationship or parties acting in concert among the above shareholders	It is not certain whether there is any connected relationship among the top 10 shareholders. It is not certain whether there is any connected relationship between the top 10 shareholders of non-restricted circulating shares and the top 10 shareholders. Note: (1) According to the register of members as provided by HKSCC Nominees Limited, those H shares held by it were held on behalf of various clients. There was no single client who owned 5% or more interest in the total share capital of the Company. (2) The top ten shareholders are not strategic investors of the Company.		

3.3 Changes in the controlling shareholder and the actual controller of the Company

☐ Applicable ☒ Not Applicable

§4 DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT

4.1 Changes in the shareholding of the Directors, Supervisors and senior management

☐ Applicable ☒ Not Applicable

4.2 Changes in Directors, Supervisors and senior management

Name	Position held	Change
Yu Zhongpeng	Director	Resigned
Gu Wenhui	Director	Appointed
Fu Yana	Senior Management	Resigned
Qi Lipin	Senior Management	Resigned

§5 REPORT OF THE BOARD

A. Company Business Overview

I. Explanation of Principal Business of the Company, its Business Model and the Industry Situation During the Reporting Period

(I) Principal Business of the Company and its Business Model

During the reporting period, the principal businesses of the Company were water utilities business, new energy cooling and heating supply business and hazardous wastes business. There was no material change in the business scope and business model of the Company's principal businesses as compared with the beginning of the reporting period.

For the water utilities business, the Company focuses on strengthening and improving the operation quality of the existing water utilities projects, with no significant change in the business scale as compared with the beginning of the reporting period; as of the end of the reporting period, the total capacity of the equity-type water utilities business of the Company amounted to 5.5216 million m³ per day, among which the sewage treatment capacity, water supply capacity (including tap water and industrial water supply capacity) and recycled water capacity under the PPP model was 4.7866 million m³ per day, 315,000 m³ per day and 420,000 m³ per day, respectively, and the sewage treatment capacity under the entrusted operation model was 574,700 m³ per day.

The service areas of new energy cooling and heating supply business amounted to 2 million m², which remain unchanged as compared with the beginning of the reporting period.

For hazardous wastes business, as of the end of the reporting period, the gross treatment capacity of the Company's comprehensive disposal center project in Lushan Chemical Industrial Park of Yishui reached 40,000 tonnes/year while the treatment capacity of Tancheng Industrial Wastes Treatment Center reached 28,000 tonnes/year. The comprehensive disposal project in Tancheng has an utilization capacity on aluminum sludge and waste hydrochloric acid of 50,000 tonnes/year and an treatment capacity on waste hydrochloric acid of 23,000 tonnes/year; the hazardous waste transit station project of Dongying Economic and Technological Development Zone has capacity to collect, store and transit hazardous waste for 20,000 tons/year; the capacity of the aforesaid businesses remain unchanged as compared to that in the beginning of the reporting period.

Based on the strategic objectives of integrated environmental service provider, the Company continued to develop new businesses while cementing its basic water utilities business. During the reporting period, the newly-added distributed photovoltaic power generation project had a planned annual electricity generation of 2.9216 million kWh. The Company had secured the “comprehensive material ecology disposal center project” located in an agricultural high-tech industry demonstration zone in the Yellow River Delta, which has a total planned storage capacity of 600,000 m³ and the operation model is the same as the hazardous wastes disposal projects in Linyi and Yishui.

(II) Explanation of Industry Situation

Driven and guided by the national policies, the demand for the efficiency-oriented systematic governance of water environment has been increased, and the unleashing of market demand for the upgrades and expansion of drainage governance and downtown and village sewage governance has been accelerated; the PPP projects have been further standardized and the whole-cycle performance management of projects has been strengthened; more efforts have been reinforced to environmental monitoring, and the quality and efficiency of water utilities projects are required to be improved. The project operation and servicing capability of water utilities companies will secure an important position in the development of the industry and the market competition in the future.

The Company will continue to leverage its advantages in project operation capability in the future. On the one hand, the Company will solidify its existing businesses while, on the other hand, proactively pay attention to market opportunities, expand the scale of water utilities business, speed up the layout of strategic new business and enhance the comprehensive environmental governance servicing capability.

II. Explanation of the Significant Changes in the Company’s Major Assets During the Reporting Period

Not applicable

III. Analysis of Core Competitiveness During the Reporting Period

During the reporting period, there was no material change in Group’s core competitiveness, which is still mainly reflected in the following four aspects: (1) our ability to operate in a safe, stable, up-to-standard and efficient manner; (2) our practical, leading, flexible and sustainable research and development capabilities; (3) our professional, dedicated, cooperative and innovative staff team; (4) our corporate reputation for being trustworthy, responsible, standardized and reliable. These four core competitiveness complement one another in which corporate integrity, diligent employees and technology innovation provide an ultimate assurance to customers, thereby resulting in the Company’s positive brand influence in environmental protection.

B. Operation Discussion and Analysis

I. Operation Discussion and Analysis

1. Analysis on the overall operation condition during the reporting period

In the first half of 2020, the outbreak of COVID-19 led the whole country into a state of emergency. With a high sense of responsibility and mission, the Company made decisions decisively, deployed scientifically and organized orderly to push forward and implement epidemic prevention and control and economic work at the same time, and withstand downward pressures and develop innovative solutions constantly. The Company achieved good results in the difficult situation according to the operational plans and strategies for 2020 as formulated by the Board by strengthening the operation and the construction strength as the foundation, enhancing the operation management and maximizing efforts in market exploration and innovation on management.

- (1) Intensify emergency management to ensure the operational safety of projects during the pandemic. Confronted with the challenges brought by the pandemic, the Company conquered difficulties and discharged its social responsibilities by ensuring the normal operation of the sewage, water supply, recycled water, new energy cooling and heating supply projects while proactively implementing the pandemic prevention work deployment of the government. Meanwhile, on the scientific research and development front, the Company organized industry experts to systematically analyze the infection source, the transmission pathogenesis and the features and pattern of viruses in sewage system and put forward the specific views on prevention measures and operation. On the operation emergency management front, the Company formulated the “Guide on Sewage Treatment Work in the Pandemic Prevention and Control” and the relevant proposals, timely adjusted the processing process and ensured the operational safety of projects. The Company proactively acted in line with project agreements. On 31 July 2020, the Company executed the “Supplemental Agreement to the Licensed Corporation of the Four Sewage Water Treatment Plants in Tianjin Central Area (III)”, and determined the new unit price of comprehensive service for sewage treatment to ensure the profitability of its projects.
- (2) Strengthen the basic water utilities business and accelerate to expand the new strategic businesses. During the reporting period, the Company secured the distributed photovoltaic power generation projects and currently has completed the signing of energy management contracts for users of Jingu Recycled Water Factory and Dalian Chunliu River Sewage Factory. The Tancheng Industrial Wastes Treatment Center Projects obtained the hazardous waste operation permit in April 2020 and entered into the full production and operation stage at the end of July 2020, whereby greatly promoting the ecological environment governance in Linyi and other urban areas within the province. Leveraging upon its second generation deodorization technology, Tianjin Caring Technology Development Company Limited* (天津凱英科技發展股份有限公司) (the “**Caring Company**”) won the bids for the whole-process deodorization projects for the sewage factory and the Keriya Industry Park Sewage Factory in Keriya, Xinjiang and the Xinxi Sewage Factory Phase II in Shantou, Guangdong Province; in early August 2020, the Company cooperated with Shandong Wanli Real Estate Co., Ltd.* (山東萬里置業有限公司) and secured the “comprehensive material ecology disposal center project” located in an agricultural high-tech industry demonstration zone in the Yellow River Delta, which further enhanced the market competitiveness of the Company in hazardous wastes businesses area.

- (3) Deepen market-oriented reform and consolidate the management innovation achievements. During the reporting period, following the completion of the construction of the professional manager management system, the Company started to carry out the market-oriented appointment and remuneration and assessment work on middle-level management from the group level, innovated on diversified motivation methods and further deepened the market-oriented reform of the Company. Meanwhile, under the fresh “super-ministry” organizational framework, the Company further optimized the authorization system and the workflow, improved the construction of the internal control system and consolidated the management innovation achievements.
- (4) On 13 July 2020, the Board of the Company agreed to issue A shares to three specific targets at the price of RMB5.56 per share with proposed proceeds of not more than RMB1.8 billion which are intended for repayment of interest-bearing liabilities and replenishment of working capital. The effectiveness of the issuance plan shall be subject to the approval of the general meeting of the Company, the state-owned asset administration department and the China Securities Regulatory Commission.

2. Analysis on the overall results of operations during the reporting period

In the first half of 2020, the Group recorded an operating revenue of RMB1,521.390 million, representing an increase of 24.22% as compared to that in the same period last year. The operating costs were RMB1,040.712 million, representing an increase of 27.80% as compared to that in the same period last year. Net profit attributable to the Company was RMB256.948 million, representing an increase of 17.59% as compared to that in the same period last year. The changes in the above results were mainly due to the increased volume of the sewage treatment business and the upward adjustment to the unit price of comprehensive service for sewage treatment of the four sewage treatment plants in Tianjin area.

(1) Analysis of the principal businesses

During the reporting period, the Group’s principal business segments did not change significantly compared with the previous year and was still engaged in the sewage treatment and construction of sewage treatment plants business, recycled water business, tap water supply, new energy heating and cooling supply business, toll collection business, transformation of achievements in technology research into business and hazardous wastes business. It recorded income from principal business of RMB1,417.026 million, representing 93.14% of operating income of the Group.

- ① Sewage treatment business recorded an income of RMB1,093.275 million, representing an increase of 25.48% as compared to the same period last year, which was mainly attributable to the increased volume of sewage water treatment and the upward adjustment to the unit price for the sewage treatment service of the four sewage treatment plants in Tianjin area. During the reporting period, the Group processed a total of 704.85 million m³ of sewage water, representing an increase of 8.2% as compared to the same period last year. On the one hand, the volume of sewage treated by existing projects has increased; on the other hand, certain newly-developed sewage treatment projects were put into operation.

- ② Recycled water business recorded an income of RMB136.733 million, representing a decrease of 0.25% as compared to the same period last year, which was mainly attributable to the decrease in the pipe connection business as compared to the same period last year. However, as the water consumption volume of users increased, the sales volume of recycled water increased as compared to the same period last year. During the reporting period, the sales volume of recycled water was 31.8357 million m³, representing an increase of 11.1% as compared to the same period last year.
- ③ Tap water supply business recorded an income of RMB46.924 million, representing a decrease of 5.59% as compared to the same period last year, which was mainly attributable to the decreased water consumption volume by users due to the impact of the pandemic. The water sales volume was 25.687 million m³, representing a decrease of 3.9% as compared to the same period last year.
- ④ New energy heating and cooling supply business recorded an income of RMB46.057 million, representing an increase of 13.95% as compared to the same period last year, which was mainly attributable to the newly-increased area of the heating and cooling supply of the Heiniucheng Road project.
- ⑤ Transformation of achievements in technology research into business recorded an income of RMB13.571 million, representing a decrease of 26.62% as compared to the same period last year, which was mainly attributable to the decreased work quantity of the deodorization business.
- ⑥ Toll collection business recorded an income of RMB31.302 million, which remained more or less the same as the same period last year.
- ⑦ The hazardous wastes business started generating income from the second half of 2019 and recorded an total income of RMB 33.029 million during the reporting period.

During the reporting period, while striving for market expansion for its principal business, the Company continued to strengthen its project operation (including cost control and agreement maintenance), decrease the operating cost as much as possible, and timely adjust the unit price of sewage treatment service fees for ensuring project income.

(2) Other business

The Group's other business mainly includes the sewage treatment entrusted operation business under the technical service model, as well as the technical and engineering consulting business. During the reporting period, it realized an income of RMB104.364 million, representing an increase of 36.83% as compared to that in the same period last year. The increase was mainly due to the new technical service projects.

(I) Analysis of principal businesses

Table of analysis of changes in relevant items in the financial statements

Unit: 0' 000 Currency: RMB

Item	Amount for the current period	Amount for the same period last year	Percentage change (%)
Income from operations	152,139.0	122,471.6	24.22
Costs of operations	104,322.9	81,763.0	27.59
Distribution costs	792.2	198.7	298.69
Administrative expenses	7,025.3	6,803.2	3.26
Financial costs – net	11,298.7	9,312.3	21.33
Net impairment losses on financial assets	0.0	98.0	-100.00
Other (losses)/gain – net	-2,585.0	1,370.0	-288.69
Income tax expense	59,172.0	56,154.0	5.37
Net cash flows from operating activities	25,509.3	72,970.7	-65.04
Net cash flows from investing activities	-75,781.5	-127,960.6	-40.78
Net cash flows from financing activities	22,824.5	76,564.9	-70.19

Explanation of changes in income from operations: It was mainly due to the increase in sewage treatment volume of existing projects and certain new sewage treatment projects, as well as the implementation of the new treatment price of the sewage treatment plants in Tianjin area, thus the income from sewage treatment increased.

Explanation of changes in operating costs: It was mainly due to the higher effluent quality standards of sewage treatment projects, the increased treatment volume and the increased operating expenses including chemical cost, thus the costs of sewage treatment increased accordingly.

Explanation of changes in distribution costs: It was mainly due to the increased distribution expenses incurred as a result of the commencement of operation of the hazardous waste project of the Company.

Explanation of changes in administrative expenses: It was mainly due to higher staff expenses than that in the same period last year after the official commencement of operation of new projects.

Explanation of changes in financial costs: It was mainly due to the conversion of the corresponding financial expenses from capitals to expenses after commencement of operation of new projects.

Explanation of changes in net impairment losses on financial assets: It was mainly because the collected accounts receivable for which provision for impairment losses were made in the same period last year was higher than that in the current period.

Explanation of changes in the (losses)/gains – net: It was mainly because the one-time government subsidy received in the same period last year was lower than that in the current period.

Explanation of changes in income tax expense: It was mainly due to the increase in net profit in this period as compared to the same period last year.

Explanation of changes in net cash flows from operating activities: It was mainly due to the decrease of sewage treatment service fee and other operation-related fees charged in this period as compared to the same period last year and the higher operating expenses, various taxes and other operation-related collection as compared to the same period last year.

Explanation of changes in net cash flows from investing activities: It was mainly due to the decrease in investment expenses of various construction projects of the Company as compared to the same period last year.

(II) Major changes in profits caused by non-principal businesses

Not applicable

(III) Analysis of assets and liabilities

Unit: 0' 000 Currency: RMB

Items	Amount as of the end of the current period	Percentage of the amount as of the end of the current period to the total assets (%)	Amount as of the end of the same period last year	Percentage of the amount as of the end of the same period last year to the total assets (%)	Percentage change in amount as of the end of the current period as compared to the end of same period last year (%)	Explanation
Notes receivable (Note 1)	908.7	0.05	1,613.1	0.09	-43.67	Mainly due to the receipt of the matured bank drafts in the current period
Other receivables	3,389.9	0.19	6,515.6	0.36	-47.97	Mainly due to the collection of deposit on bids and the increase in the refund-upon-collection tax receivable during this period
Other current assets	11,705.1	0.64	8,972.8	0.50	30.45	Mainly due to increase in value-added tax to be credited
Wages payables	2,379.7	0.13	6,610.0	0.37	-64.00	Mainly due to the payment of year-end bonus provided for in the end of 2019 during the period
Borrowings – short term	52,511.3	2.87	105,986.9	5.89	-50.45	Mainly due to the repayment of borrowings due within one year
Borrowings – long term	595,911.5	32.52	506,679.7	28.16	17.61	Mainly due to the newly-added long-term borrowings of the Company

Note 1: Notes receivable is included in trade receivables.

(IV) Analysis of investment

During the reporting period, the total amount of equity investment of the Company amounted to RMB216.1579 million, representing a decrease of RMB261.5854 million as compared to the same period last year, which was mainly because there were fewer new projects secured by the Company in the first half of the year compared to that in the same period last year.

(1) Major equity investments

- ① The joint venture established by the Company and Yunan Huaxin Construction Engineering Co., Ltd.* (雲南華鑫建工有限公司) (“**Huaxin Company**”) won the bid for the governmental and social cooperation PPP project of the construction of the urban sewage treatment facilities for towns in Huize County. The total amount of investment in the project was RMB141.2312 million, including the value of assets of existing projects and the investment amount of newly-constructed incremental projects. After winning the bid, both parties to the joint venture and the investing representative of the government jointly invested to establish Huize Capital Water Co., Ltd.* (會澤創業水務有限公司) (“**Huize Company**”) for the purpose of investment and financing, construction and operation and maintenance work, with a registered capital of RMB41.2368 million, of which RMB32.6595 million was contributed by the Company, representing 79.20% of the total investment, RMB329,900 was contributed by Huaxin Company, representing 0.80% of the total investment, and RMB8.2474 million was contributed by the government on behalf of the Huize sewage treatment plant, representing 20% of the total investment. During the reporting period, Huize Company was established and the capital injection was completed.
- ② The Company won the bid for phase I of the PPP project of the second sewage treatment plant in the north of Huoqiu County with a total investment amount of RMB206.4152 million. After winning the bid, the Company and the investing representative of the government registered and established a project company, named Huoqiu Capital Water Co., Ltd.* (霍邱創業水務有限公司) (“**Huoqiu Company**”) for the purpose of investment and financing, construction and operation and maintenance for the PPP project. The principal amount of the registered capital of Huoqiu Company was RMB41.2830 million, of which RMB37.1547 million was contributed by the Company in cash, representing 90% of the total investment, and RMB4.1283 million was contributed by the government on behalf of Huoqiu County Urban Construction Investment Co., Ltd.* (霍邱縣城鎮建設投資有限公司) in cash, representing 10% of the total investment. During the reporting period, Huoqiu Company was established and the capital injection was completed.

- ③ The PPP project of the sewage treatment plant and recycled water reuse engineering of Changsha Tianchaung Capital Water Company Limited* (長沙天創水務公司) (“**Changsha Water Company**”), a subsidiary of the Company, within Ningxiang Economy and Technology Development Zone underwent a transformation of and adjustment to its inflow pipeline networks, tail water lifting pump stations and other works during the process of construction, with additional investments of RMB10.5232 million. In accordance with the requirements of the “Licensed Operation Agreement”, the principal amount of the project shall be 20% of the additional investment, or RMB2.1046 million, which was contributed proportionally by four shareholders of Changsha Water Company, of which RMB1.6837 million was contributed by the Company, representing 80% of the total investment; RMB63,100 was contributed by Tianjin Motianmo Technology Co., Ltd.* (天津膜天膜科技股份有限公司), representing 3% of the total investment; RMB147,300 was contributed by Tianjin Second Municipal Road Engineering Co., Ltd.* (天津第二市政公路工程有限公司), representing 7% of the total investment; and RMB210,500 was contributed by Changsha Shuntai Investment Management Co., Ltd.* (長沙順泰投資管理有限公司), representing 10% of the total investment. Upon completion of the capital increase, the registered capital of Changsha Water Company increased from RMB19.1476 million to RMB21.2522 million, and it remains to be the controlling subsidiary of the Company. During the reporting period, the capital increase of Changsha Water Company was not yet completed.
- ④ Tianjin Jiayuanxin Innovative Energy Technology Company Limited* (天津佳源鑫創新能源科技有限公司) (“**Jiayuanxin Company**”), a subsidiary of Tianjin Jiayuanxing Innovative Energy Technology Company Limited* (天津佳源興創新能源科技有限公司) (“**Jiayuanxing Company**”), a wholly-owned subsidiary of the Company, implemented the distributed photovoltaic power generation project with a total investment amount of RMB13.2856 million, of which the capital of RMB4.15 million was contributed proportionally by both shareholders of Jiayuanxin Company according to their respective shareholding with Jiayuanxing Company contributing RMB2.49 million, representing 60% of the capital invested and Kangyuan Power Company* (康源電力公司) contributing RMB1.66 million, representing 40% of the capital invested. Upon the capital increase, the registered capital of Jiayuanxin Company was increased from RMB5 million to RMB9.15 million and it remains to be the controlling subsidiary of Jiayuanxing Company. During the reporting period, such capital increase was not yet completed.
- ⑤ Xi'an Capital Water Co., Ltd.* (西安創業水務有限公司) (“**Xi'an Company**”), a wholly-owned subsidiary of the Company, implemented the upgrade and renovation of recycled water discharged by the two plants in Beishiqiao and Dengjia Village with a total amount of investment of RMB473.90 million. The principal amount of the investment in the project is RMB142.17 million, accounted for 30% of the total investment, which was injected by the Company to Xi'an Company. Upon completion of the capital increase, the registered capital of Xi'an Company was increased from to RMB334 million to RMB476.17 million. During the reporting period, such capital increase was not yet completed.

(2) Significant non-equity investment

Not applicable

(V) Disposal of major assets and equity interest

Not applicable

(VI) Analysis of major companies in which the Company has invested

Unit: 0' 000 Currency: RMB

Subsidiary	Principal Place of Business	Major Products or Services	Registered Capital	Type of Legal Person	Percentage of Interest	Asset Size	Net Assets	Net Profits
Tianjin Water Recycling Co., Ltd.* (天津中水有限公司) ("Water Recycling Company")	Tianjin	Production and sales of recycled water; development and construction of water recycling facilities; manufacturing, installation, debugging and operation of water recycling facilities etc.	10,000	Limited company	100%	123,163.5	33,912.3	3,963.5
Hangzhou Tianchuang Capital Water Co., Ltd.* (杭州天創永務有限公司) ("Hangzhou Company")	Hangzhou, Zhejiang	Operation and maintenance of sewage treatment and recycled water usage facilities, and supporting services such as its technical services and technical training.	37,744.50	Limited company	70%	92,548.8	71,359.9	4,037.6
Xi'an Company	Xi'an, Shaanxi	Development, construction, operation and management of municipal sewage treatment plants and tap water and its supporting facilities; R&D and promotion of environment protection technology	33,400	Limited company	100%	60,502.7	46,199.1	2,108.8
Jiayuanxing Company	Tianjin	Development, consulting, service and transfer of energy conservation and new energy technology; property management services; heating supply service; cooling supply service.	19,195.052	Limited company	100%	68,371.4	34,161.7	885.8

Subsidiary	Principal Place of Business	Major Products or Services	Registered Capital	Type of Legal Person	Percentage of Interest	Asset Size	Net Assets	Net Profits
Caring Company	Tianjin	Environmental engineering management and technical advice etc.	3,333.3333	Stock limited company	60%	14,623.2	11,935.9	723.6
Inner Mongolia Bayannur Capital Water Co., Ltd.* (內蒙古巴彥淖爾創業水務有限責任公司)	Bayannur, Inner Mongolia	Processing of sewage water, production and sales of recycled water and supply of tap water	106,757.79	Limited company	70%	115,552.7	112,639.8	173.9
Shandong Capital Environmental Protection Technology Development Co., Ltd. ("Shandong Company")	Shandong	Disposal of solid wastes, industrial wastes, hazardous wastes, sludge, kitchen wastes, etc.	19,200	Limited company	55%	55,269.7	19,138.2	751.2

Note 1: Water Recycling Company recorded revenue from principal operations of RMB131.347 million and operating profit of RMB40.861 million.

Note 2: Hangzhou Company recorded revenue from principal operations of RMB119.374 million and operating profit of RMB43.016 million.

Note 3: Xi'an Company recorded revenue from principal operations of RMB79.521 million and operating profit of RMB39.711 million.

Note 4: Shandong Company recorded revenue from principal operations of RMB33.029 million and operating profit of RMB17.984 million.

II. OTHER DISCLOSURE

(I) Warning and explanation for possible cumulative net loss expected to be recorded for the period from the beginning of the year to the end of the next reporting period or material changes of cumulative net profit as compared to the corresponding period of the previous year

Not applicable

(II) Possible risks

1. Possible risks

(1) Risk from the novel coronavirus pneumonia (COVID-19) epidemic

The COVID-19 epidemic may cause certain impact and influence to the economy in the short term. For existing businesses, enterprises also need to be well prepared for the epidemic prevention and control in addition to ensuring safety and quality, which will increase working difficulties and costs and expenses to some extent. The business expansion will also be affected by the epidemic prevention and control in the whole society, which may bring uncertainties to the market. However, with the resumption of production in various regions nationwide and the recovery of the economy in the second quarter, it can be expected that the relevant risks brought by the epidemic will be alleviated.

(2) Risk of government credit

Given the characteristic of licensed operation in sewage treatment projects, the capital source of sewage treatment service fee comes mainly from the special sewage-treatment fee charged by the governments through the sales of tap water; the deficient amount will be supplemented by the local governments. Most of the PPP package projects currently promoted included the investment and construction of infrastructures such as pipeline networks with huge investments from social capital sources, the investment return relies mainly on the payment of sewage treatment service fee from the governments. Therefore, the exclusiveness of capital source determines the importance and cruciality of the government credibility. Whether water utilities companies can recoup the investment as scheduled and obtain the expected rate of return depends on the level of government credibility. In case the risk related to government credibility occurs, the project companies will face cash flow problem, which may generate capital risks such as financial risks and financing risks.

(3) Risk of change in policy

Currently, the PRC is at the special stage of comprehensive deepening of reform. For a long period in the future, there will be transformative changes in policies related to economy, finance, prices, financial taxation and government functions, etc. The policy changes in prices and taxes will directly influence the adjustment of water price. During the licensed operation period lasting for 30 years, as a social investor, one needs to focus on the risk of change in policy.

(4) Risk of operation and management

With the introduction of a series of energy-saving and emission reduction requirements under the national “13th Five-Year Plan”, the standards for environmental governance will become more stringent. In order to meet the new standards, the demands for upgrading sewage treatment plants will gradually increase. During the forthcoming “14th Five-Year Plan” period, the environmental protection standards may be further enhanced. Under this circumstance, on one hand, sewage treatment plants will face the risk of facing restructuring and operational risk. On the other hand, enterprises will also face the risk of adjusting the original licensed operation agreement.

2. Risk control measures

- (1) *Continue to focus on both the “epidemic prevention and control” and the “economic work” and fully address the risks brought by the epidemic*

Confronted with the COVID-19 epidemic, enterprises must be well prepared for the epidemic prevention and control, effectively protect the physical health of the staff, accomplish all the work and try all means to ensure the orderly carrying out of the business operation plans as scheduled while fully discharging their social responsibilities.

- (2) *Protect the Company’s lawful interests by making full use of laws and regulations*

Strengthening the concept of corporate governance in accordance with the laws by making full use of its overall legal advisory system and protecting lawful interests of the Company. Meanwhile, the Company calls for and supports the further assurance of equality of the contracting parties under the licensed operation and PPP projects, tighten up the performance assessment and profit distribution mechanisms, and provide for the government obligations to pay according to contracts and the rights for investors to get reasonable returns under the laws, so as to reduce the risk related to government credibility and the financial risk of the investors.

- (3) *Strengthen comprehensive risk management*

Determine the target for comprehensive risk management; establish the institutional framework for comprehensive risk management to identify, analyse, assess and deal with possible hidden risks in different business links; improve the risk management system and establish a sound and comprehensive risk management system for the Company; improve its timing and efficiency of the comprehensive risk management of the Company; conduct the dynamic management and effective control over risks so as to reasonably ensure the achievement of the Company’s strategic targets.

- (4) *Continue to raise the standards of operating management*

As a listed company in the environmental protection field, the Company has control over production and operation risks in a timely manner through standardized management in accordance with relevant changes in policies. Specifically, our risk control measures include staff training, strengthening the consciousness of laws on environmental protection and improving the management and control levels of technologies; strengthening the maintenance and protection of facilities for proper preservation of asset value and stable operation; perfecting the monitoring of quality, promoting control over the whole process to ensure the final products could meet the standards of discharge; developing water environment remedy plans and safe production plans, so as to ensure careful operation and the best environmental performance of the Company under force majeure conditions.

(III) Other disclosure

The Company convened the 32nd meeting of the eighth session of the Board on 13 July 2020 to consider the relevant matters regarding the non-public issuance of A shares. The relevant matters are subject to the consideration at the 2020 first extraordinary general meeting of the Company to be held on 7 September 2020, details of which are disclosed in the announcement published by the Company on the website of Shanghai Stock Exchange at <http://www.sse.com.cn> and the Hong Kong Stock Exchange at <http://www.hkex.com.hk> on 14 July 2020.

§6 GUARANTEE

Unit: 0' 000 Currency: RMB

Guarantees provided to external parties by the Company (excluding guarantees provided to subsidiaries)	
Total amount of guarantees provided during the reporting period (excluding guarantees provided to subsidiaries)	0
Total balance of guarantees as at the end of the reporting period (A) (excluding guarantees provided to subsidiaries)	0
Guarantees provided to subsidiaries by the Company	
Total amount of guarantees provided to subsidiaries during the reporting period	9,019.56
Total balance of guarantees provided to subsidiaries as at the end of the reporting period (B)	393,835.89
Total amount of guarantees provided by the Company (including guarantees provided to subsidiaries)	
Total amount of guarantees (A+B)	393,835.89
Percentage of the total amount of guarantees to the net assets of the Company (%)	62.73
Of which:	
Amount of guarantees provided to shareholders, de facto controller and their connected parties (C)	0
Amount of debt guarantees provided directly or indirectly to guaranteed entities with a gearing ratio of over 70% (D)	64,462.12
The amount of total guarantees in excess of 50% of net assets (E)	79,922.89
Total of the above three classes of guarantees (C+D+E)	144,385.01

§7 FINANCIAL REPORTS

7.1 Audit Opinion

Financial Report ☒ unaudited ☐ audited

§7 FINANCIAL REPORTS

7.2 Prepared in accordance with Hong Kong Financial Reporting Standards

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR OF 2020

(All amounts in RMB thousand unless otherwise stated)

	Notes	Unaudited Half-year 2020 RMB' 000	2019 RMB' 000
Continuing operations			
Revenue	2(a)	1,521,390	1,224,716
Tax expenses and surcharge		(22,178)	(18,907)
Cost of sales		(1,043,229)	(817,630)
Gross profit		455,983	388,179
Other income		73,977	60,744
Other (losses)/gains – net		(2,585)	1,370
Administrative expenses		(70,253)	(68,032)
Distribution costs		(7,922)	(1,987)
Net impairment losses on financial assets		–	98
Operating profit	3	449,200	380,372
Finance income		12,328	10,980
Finance expenses		(125,315)	(104,103)
Finance expenses – net		(112,987)	(93,123)
Profit before income tax		336,213	287,249
Income tax expense	4	(59,172)	(56,154)
Profit from continuing operations		277,041	231,095
Total comprehensive income for the half-year		277,041	231,095
Profit/Total comprehensive income for the half-years is attributable to:			
– Owners of the Company		256,948	218,503
– Non-controlling interests		20,093	12,592
		<u>277,041</u>	<u>231,095</u>
Earnings per share for profit attributable to the ordinary equity holders of the Company (in RMB per share)			
– Basic earnings per share		0.18	0.15
– Diluted earnings per share		0.18	0.15
Interim dividends	5	–	–

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS AT JUNE 2020

(All amounts in RMB thousand unless otherwise stated)

		As at	
	Notes	30 June 2020 Unaudited RMB' 000	31 December 2019 Audited RMB' 000
ASSETS			
Non-current assets			
Property, plant and equipment		820,655	801,007
Intangible assets		11,771,490	11,701,362
Deferred income tax assets		4,208	4,209
Right-of-use assets		58,719	58,080
Interests in an associate		195,000	195,000
Financial asset at fair value through other comprehensive income		2,000	2,000
Long-term receivables		226,428	236,450
Other non-current assets		236,230	195,919
Total non-current assets		13,314,730	13,194,027
Current assets			
Inventories		14,211	14,805
Trade receivables	6	2,995,860	2,508,895
Other current assets		117,051	89,728
Other receivables		33,899	65,156
Prepayments		45,718	38,583
Cash and cash equivalents		1,791,824	2,066,301
Restricted cash		9,413	13,312
Total current assets		5,007,976	4,796,780
Total assets		18,332,706	17,990,807

(All amounts in RMB thousand unless otherwise stated)

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(All amounts in RMB thousand unless otherwise stated)

1 Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2020 has been prepared in accordance with Accounting Standard HKAS 34 Interim Financial Reporting.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 31 December 2019 and any public announcements made by the Group during the interim reporting period.

2 Revenue and segment information

An analysis of sales and contributions to operating profit for the period by principal operations is as follows:

(a) Analysis of the Group's turnover and other income

	Unaudited Half-year 2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers (Note 2(b))	1,521,390	1,224,716
Other income	73,977	60,744
	<u>1,595,367</u>	<u>1,285,460</u>

(b) Operating segment analysis

Management has determined the operating segments based on the reports reviewed by the managers operating meeting that are used to make strategic decisions for the purpose of allocating resources and assessing performance.

The Strategy Committee considers the business from both service and geographical perspectives. From a service perspective, management assesses the performance of processing of sewage water and construction of related facilities, recycled water and pipeline connection, heating and cooling services, tap water operations and sale of environmental protection equipment. Processing of sewage water is further evaluated on a geographical basis (Tianjin plants, Hangzhou plant and other plants). The environmental protection equipment is mainly the achievement of technology research. The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

Other services include contract operation services, lease of office building or apartments and provide technical services etcetera. These are not separately presented within the reportable operating segments, but included in the 'all other segments' column.

The managers operating meeting assesses the performance of the operating segments based on a measure of net profit after tax, which is measured in the approach consistent with that in the financial statements.

2 Revenue and segment information (continued)

(b) Operating segment analysis (continued)

(i) For the half-year ended 30 June 2020 (Unaudited)

	Sewage processing and facility construction services			Recycled water and pipeline connection	Heating and cooling services	Tap water operations	Sale of environmental protection equipment	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants						
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Segment revenue	600,633	119,374	373,267	136,733	46,057	46,924	13,571	184,831	1,521,390
Timing of revenue recognition:									
At a point in time	–	–	–	–	–	–	–	13,916	13,916
Over time	600,633	119,374	373,267	136,733	46,057	46,924	13,571	170,915	1,507,474
Segment expense	(435,728)	(83,345)	(333,340)	(79,114)	(33,461)	(40,430)	(8,312)	(171,446)	(1,185,176)
Results before share of profits of an associate									336,214
Profit before income tax									336,214
Income tax expense									(59,172)
Profit for the period									277,042
Segment assets	6,658,384	966,138	6,907,391	1,007,088	683,714	545,339	60,874	1,298,778	18,127,706
Investment in an associate									195,000
Total assets									18,322,706
Total liabilities	5,867,468	224,864	3,159,769	907,021	342,097	89,974	8,567	448,525	11,048,285
Other information									
– Interest income	2,307	664	1,875	2,148	256	17	201	4,860	12,328
– Interest expenses	(92,732)	(2,945)	(29,141)	–	(1,300)	(464)	–	–	(126,582)
– Depreciation	(237)	–	(688)	(15,791)	(662)	(56)	(378)	(8,140)	(25,952)
– Amortization	(87,321)	(30,480)	(108,396)	(3,116)	(12,010)	(10,095)	(1)	(1,537)	(252,956)
– Capital expenditures	1,518	–	305,179	1,070	14,104	1,479	–	46,259	369,609

2 Revenue and segment information (continued)

(b) Operating segment analysis (continued)

(ii) For the half-year ended 30 June 2019 (Unaudited)

	Sewage processing and facility construction services			Recycled water and pipeline connection	Heating and cooling services	Tap water operations	Sale of environmental protection equipment	All other segments	Group
	Tianjin plants	Hangzhou plant	Other plants						
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Segment revenue	458,172	120,167	292,961	137,078	40,417	49,703	18,493	107,725	1,224,716
Timing of revenue recognition:									
At a point in time	–	–	–	–	–	–	–	–	–
Over time	458,172	120,167	292,961	137,078	40,417	49,703	18,493	107,725	1,224,716
Segment expense	(332,824)	(89,973)	(222,315)	(91,113)	(33,371)	(37,868)	(10,315)	(119,688)	(937,467)
Results before share of profits of an associate									287,249
Profit before income tax									287,249
Income tax expense									(56,154)
Profit for the period									231,095
Segment assets	5,936,592	1,055,436	5,782,445	1,221,492	677,580	423,103	67,951	1,096,569	16,261,168
Investment in an associate									195,000
Total assets									16,456,168
Total liabilities	5,631,437	291,927	2,264,608	596,566	349,901	92,867	10,047	395,206	9,632,559
Other information									
– Interest income	1,459	1,004	157	7,384	487	18	376	95	10,980
– Interest expenses	(65,737)	(4,936)	(34,084)	(25)	(1,140)	(668)	–	–	(106,590)
– Depreciation	(109)	–	(837)	(17,698)	(188)	(48)	(503)	(2,684)	(22,067)
– Amortization	(63,267)	(26,016)	(84,695)	(2,968)	(11,344)	(7,683)	(1)	(1,328)	(197,302)
– Capital expenditures	12,742	–	515,617	929	32,613	44,798	52	130	606,881

3 Operating profit

Operating profit is stated after (crediting)/charging the following:

	Unaudited Half-year 2020	2019
	RMB' 000	RMB' 000
Crediting:		
Rental of investment properties	(392)	(751)
Charging:		
Depreciation and amortisation expenses	278,908	219,369
Staff costs	155,942	149,479
Raw materials and consumables used	167,362	146,312
Repair and maintenance expenses	49,135	46,456

4 Income tax expense

No Hong Kong profits tax has been provided as the Group has no assessable profit in Hong Kong as at 30 June 2020 (30 June 2019: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Income tax expense comprises:

	Unaudited Half-year 2020	2019
	RMB' 000	RMB' 000
Current income tax	58,934	53,594
Deferred income tax	238	2,560
	59,172	56,154

5 Interim dividends

No interim dividend was proposed by the Board of Directors of the Company for the half- year ended 30 June 2020 (30 June 2019: Nil).

6 Trade receivables

Details of the trade receivables are as follows:

	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
Receivables from third parties		
– Trade receivables	3,003,780	2,508,246
– Notes receivable	9,087	16,131
Receivables from third parties	3,012,867	2,524,377
Receivables from related parties	63,949	65,474
	<u>3,076,816</u>	<u>2,589,851</u>
Less: Provision for bad debts	<u>(80,956)</u>	<u>(80,956)</u>
	<u>2,995,860</u>	<u>2,508,895</u>

(a) The aging of trade receivables is analysed below:

	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
Within 1 year	2,206,818	1,854,529
1 to 2 years	763,540	641,788
2 to 3 years	70,127	52,987
3 to 4 years	18,404	15,037
4 to 5 years	6,950	7,947
Over 5 years	1,890	1,432
	<u>3,067,729</u>	<u>2,573,720</u>
Total	<u>3,067,729</u>	<u>2,573,720</u>

7 Trade payables, contract liabilities, other payables and income tax and other taxes payables

		Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
	<i>Notes</i>		
Trade payables	(a)	269,513	231,293
Contract liabilities	(b)	584,519	558,472
Other payables	(c)	1,271,208	1,532,842
Income tax and other taxes payables		44,889	86,188
		<u>2,170,129</u>	<u>2,408,795</u>

(a) As at 30 June 2020, the majority of trade payables are aged within one year.

7 Trade payables, contract liabilities, other payables and income tax and other taxes payables (continued)

(b) Contract liabilities

	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
For recycled water and pipeline connection services	510,786	508,138
For toll road fee	42,880	–
For equipment sales	13,603	11,263
For hazardous wastes	8,612	6,197
For heating and cooling supply service	2,688	8,014
For sewage water services	–	12,071
Others	5,950	12,789
	<u>584,519</u>	<u>558,472</u>

(c) Other payables comprise:

	Unaudited 30 June 2020 RMB' 000	Audited 31 December 2019 RMB' 000
Construction costs payable	1,040,725	1,224,453
Interest payable for borrowings	25,279	42,974
Payable for purchases of property, plant and equipment and concession right	13,892	171,392
Others	191,312	94,023
	<u>1,271,208</u>	<u>1,532,842</u>

As at 30 June 2020, other payables of RMB656 million (31 December 2019: RMB663 million) were aged over one year, which mainly represented payables and deposits for sewage plants upgrading projects. The balances had yet to be settled as those projects and their final accounts have not been completed.

§8 REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries did not repurchase, sell or redeem any of the listed securities of the Company during the reporting period.

§9 CORPORATE GOVERNANCE CODE

None of the Directors is aware of any information that would reasonably indicate that the Company is not or was not, for any part of the reporting period, in compliance with the code provisions of Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

§10 AUDIT COMMITTEE

On 31 July 2001, the Board approved the establishment of the Audit Committee to review and supervise the Company's financial reporting procedure and internal controls. The Audit Committee comprises the independent non-executive Directors, Mr. Guo Yongqing, Mr. Di Xiaofeng and Mr. Wang Xiangfei. The Audit Committee, together with the management of the Company, have reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Company the internal controls and financial reporting matters including the review of the unaudited interim results and the Interim Report. The Audit Committee agreed with the accounting principles, standards and methods adopted in the preparation of the Group's unaudited interim accounts for the six months ended 30 June 2020.

By order of the Board
Liu Yujun
Chairman

Tianjin, the PRC
26 August 2020

As of the date of this announcement, the Board consists of three executive Directors: Mr. Liu Yujun, Ms. Wang Jing and Mr. Niu Bo; three non-executive Directors: Mr. Gu Wenhui, Mr. Han Wei and Mr. Si Xiaolong; and three independent non-executive Directors: Mr. Di Xiaofeng, Mr. Guo Yongqing and Mr. Wang Xiangfei.

** For identification purpose only*