Tianjin Capital Environmental Protection Group Company Limited
天津創業環保集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1065)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

§1 IMPORTANT

1.1 The board of directors (the "**Board**"), supervisory committee (the "**Supervisory Committee**"), directors (the "**Directors**"), supervisors (the "**Supervisors**") and senior management of Tianjin Capital Environmental Protection Group Company Limited (the "**Company**") confirm that the information in this report does not contain any false information, misleading statements or material omissions, and accept joint and several responsibility for the truthfulness, accuracy and completeness of its contents.

This results announcement is the summary of the 2020 annual report of the Company and its subsidiaries (the "**Group**"). For detailed information, please read the 2020 annual report of the Group carefully.

1.2 PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have audited the 2020 financial reports of the Group and have issued unqualified audit reports.

1.3 Mr. Liu Yujun, the Company's chairman, Ms. Peng Yilin, the officer in charge of the accounting function, and Mr. Liu Tao, the officer in charge of the accounting department (the accounting management officer), have declared that they are responsible for the truthfulness, accuracy and completeness of the financial reports contained in the 2020 annual 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

2.2 Contact person and method

	Company Secretary to the Board	**Company Secretary in Hong Kong**	**Securities Affairs Representative**
Name	Niu Bo	Mona Y. Y. Cho	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
Facsimile number	86-22-23930126	852-25010028	86-22-23930126
Email address	niu_bo@tjcep.com	cosec@tjcep.com	guo_fx@tjcep.com

§3 ACCOUNTING DATA AND FINANCIAL INDICATORS

3.1 Major accounting data

Unit: 0'000 Currency: RMB

Major accounting data	2020	2019	Increase/ Decrease for the period as compared to the same period last year (%)	2018
Operating revenue	**336,387.4**	285,145.3	17.97	244,751.5
Net profit attributable to the shareholders of the Company	**57,003.9**	50,710.7	12.41	50,116.8
Net profit attributable to the shareholders of the Company after deduction of extraordinary items	**49,316.0**	38,445.2	28.28	44,560.6
Net cash flow from operating activities	**52,397.9**	83,928.6	-37.57	69,264.6

	As at the end of 2020	As at the end of 2019	Increase/ Decrease as at the end of the period as compared to the end of the same period last year (%)	As at the end of 2018
Net assets attributable to the shareholders of the Company	**659,135.1**	617,402.5	6.76	581,820.3
Total assets	**1,880,296.9**	1,799,080.7	4.51	1,568,744.8

3.2 Major financial indicators

Currency: RMB

Major financial indicators	2020	2019	Increase/ Decrease for the period as compared to the same period last year (%)	2018
Basic earnings per share (RMB/share)	**0.40**	0.36	11.11	0.35
Diluted earnings per share (RMB/share)	**0.40**	0.36	11.11	0.35
Basic earnings per share after deduction of extraordinary items (RMB/share)	**0.35**	0.27	29.63	0.31
Weighted average return on net assets ratio (%)	**8.95**	8.48	0.47	9.05
Weighted average return on net assets ratio after deduction of extraordinary items (%)	**7.74**	6.43	1.31	8.05

3.3 Extraordinary Items

Unit: 0'000 Currency: RMB

Extraordinary Profit and Loss Items	Amount in 2020	Amount in 2019	Amount in 2018
Profit/loss from disposal of non-current assets	**2.1**	70.4	-90.0
Government grants recognized in current profit and loss, except for those closely related to normal business operation, in compliance with requirements of national policies, and settled in certain amount which are constantly granted by government	**9,657.7**	10,810.3	7,848.1
Profit from disposal of other current assets	**0**	4,870.3	0
Other non-operating income and expenses save for the above items	**-470.2**	-152.0	-180.9
Reversal of provision for impairment loss of account receivables subject to separate impairment testing	**43.7**	0	0
Effect on minority interests	**5.2**	-183.9	-126.7
Effect on income tax	**-1,550.6**	-3,149.6	-1,894.3
Total	**7,687.9**	12,265.5	5,556.2

§4 DIRECTORS' REPORT

I. OPERATION DISCUSSION AND ANALYSIS

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

In 2020, the sudden outbreak of COVID-19 pandemic posed a great impact on the social economy and people's life, which also put enormous demands on the enterprises in the sewage treatment industry concerning people's well-being. With a high sense of responsibility and mission, the Company made decisions decisively, deployed reasonably and organized orderly to push forward with and implemented epidemic prevention and control and economic work at the same time, and withstood downward pressures and developed 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 improving economic efficiency as the core, 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) Optimize operation management to ensure the operational safety of projects during the pandemic while improving the quality of operation management

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 feature and pattern of viruses in sewage and put forward to 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 to ensure the operational safety of projects.

Leveraging upon the big data, cloud computing and other technologies, the Company established the big data operation platform. The Company used information technology in achieving the online monitoring on the whole process of production and intelligent online analysis of production data for basic units, so as to offer command and dispatching platforms of the Group with real-time data, striving to realize the intelligent management and drive high-quality development in operation. As "TJCEP big data operating and dispatching management platform for Sewage Treatment Plant" was awarded the computer software copyright certificate by the National Copyright Administration of the PRC, the digital core business has achieved cost reduction and efficiency enhancement, which assured the condition of promotion.

(2) Vigorously develop strategic new business while consolidating the basic business

In respect of basic business, the Company took consolidating existing water projects as the primary business and increased its business scale slightly. The Company organized upgrade and renovation of sewage treatment plants in Beishiqiao* (北石橋) and Dengjia Village* (鄧家村) by Xi'an Capital Water Co., Ltd.* (西安創業水務有限公司) ("**Xi'an Company**"), won the bid for newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu township sewage water processing plant, and successfully completed the relocation and construction of Dongjiao Sewage Water Treatment Plant and Recycled Water Plant Project with an aggregate capacity of 600,000 tons/day, proactively acting in line with project agreements. On 31 July 2020, the Company executed the "Supplemental Agreement to the Licensed Operation 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. Leveraging upon the operation strengths, the Company took its existing water project as the support to develop the landfill leachate treatment, device commissioning and installation and other technical services related to water projects vigorously, striving to optimize the business structure.

In respect of new business expansion, the Company secured the distributed photovoltaic power generation projects and currently the photovoltaic power generation projects of Jingu Recycled Water Factory and Dalian Chunliu River Sewage Factory are at the stage of trial operation. 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 its second-generation deodorization technology, Tianjin Caring Technology Development Co., Ltd.* (天津凱英科技發展股份有限公司) ("**Caring Company**") entered into 10 project contracts with the sewage factories in Keriya, Xinjiang; and secured the "comprehensive material ecology disposal center project" located in an agricultural high-tech industry demonstration zone in the Yellow River Delta.

To improve the regional layout on hazardous waste business and build up full-industry chain and regional integrated service capacity, the Company, by way of acquisition, obtained all the shares of Gaoyou Compro Environmental Resources Co., Ltd.* (高郵康博環境資源有限公司)("**Compro Company**") and Jiangsu Yonghui Resources Utilization Co., Ltd.* (江蘇永輝資源利用有限公司) ("**Yonghui Company**"), so as to improve the market competitiveness of hazardous waste business while enhancing business capacity through accumulating working experience for future business expansion by acquisition.

(3) *Further deepen market-oriented reform and improve the incentive mechanism.*

During the reporting period, following the completion of the construction of the professional manager management system, the Group completed the appointment on middle-level management and three-system reform of subsidiaries from the group level step by step, setting up the market-oriented remuneration and assessment system and creating diversified motivation methods within the Group.

To fully mobilize the enthusiasm, sense of responsibility and sense of mission of the senior management and other key personnel in the core technology of the Company, and effectively bond the interests of Shareholders, the Company and individual operators, making all parties attend to and jointly strive for the long-term development of the Company. The Company implemented the share incentive scheme during the reporting period, which has been approved at shareholders' meeting of the Company. There are 155 participants for the Scheme, including the directors, senior executives (excluding the independent directors, and external directors and supervisors), other members of the leadership team and core technology, management, business and skill backbones of the Company. The incentive method is to grant share options to the participants, and the source of shares in the Scheme is the A-share ordinary shares issued by the Company to the participants. The number of share options proposed to be granted to the participants under the scheme is 14,270,000 and the corresponding number of underlying shares is 14,270,000 A shares. The exercise price is RMB6.98 per share.

To fully mobilize the initiative and creativity of the key personnel in technology and operation, Caring Company, the controlling subsidiary of the Company, launched a project dividend distribution incentive scheme, whereby the project to be declared for dividend distribution shall be the scientific and technological achievements transformation project satisfying the requirements in industrialized mode, source and phase simultaneously. The participants consisted of the project R&D leaders, project R&D design backbones, project achievements transformation leaders and project achievements transformation backbones who will provide driving forces for the future scientific and technological achievements transformation.

(4) On 7 September 2020, the proposal to issue A shares to specific targets at the price of RMB5.56 per share was approved at the general meeting of the Company. The gross proceeds to be raised will be not more than RMB1.8 billion, which are proposed to be used in repayment of interest-bearing liabilities and supplement the working capital. The effectiveness of the issuance plan shall be subject to the approval of the China Securities Regulatory Commission.

II. OPERATION SITUATION OF PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

1. Analysis of the principal business

In 2020, the Group's overall operation remained stable, with no significant fluctuations as compared to the previous year. The Group's principal business segment did not change significantly as compared to the previous year, and the Group was still engaged in the sewage treatment business, recycled water business, tap water supply, new energy heating and cooling supply business, toll collection business, and transformation of achievements in technology research and hazardous materials handling, which became the main sources of the Group's earnings in 2020. In recent years, the hazardous waste business in the Company has developed rapidly, which began to record revenue from 2020. However, as all the projects were at their early stages of construction and operation, the contribution to the revenue of the Company was not obvious. Although the revenue from technical services increased significantly as compared to the previous year due to business enlargement, it still accounted for a relatively low proportion in the overall revenue of the Group.

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

In 2020, the Group recorded operating revenue of RMB3,363.874 million, representing an increase of 17.97% as compared to the previous year, which was mainly attributable to the increase in revenue from the sewage treatment business. The sewage treatment volume of existing projects and new operating projects of the Company increased approximately 10% as compared with the same period last year, and the new plants at Dongjiao of Tianjin under upgrading and expansion were put into operation in the second half of the year, in which a new unit price on sewage treatment service was executed. The hazardous waste business was started to be operated in the fourth quarter of 2019, which recorded a significant increase in revenue in 2020 as a result of growth in treatment volume as compared to the previous year; the operating cost was RMB2,233.128 million, representing an increase of 12.53% as compared to the previous year, mainly due to the increase of business volume and the improvement of effluent water quality standards; the net profit attributable to the Company was RMB570.039 million, representing an increase of 12.41% over last year, mainly due to the increase in operating profit as a result of growth in business volume of the Company.

(I) Analysis of the principal business

Analysis on changes in income statement and cash flow statement

Unit: 0'000 Currency: RMB

Item	Amount for the current period	Amount for the same period of last year	Percentage change (%)
Operating revenue	336,387.4	285,145.3	17.97%
Operating cost	-223,312.8	-198,453.7	12.53%
Distribution expenses	-1,587.9	-707.5	124.44%
Administrative expenses	-17,807.8	-16,866.1	5.58%
Impairment loss of financial assets	-8,833.2	-3,138.3	181.46%
Other(losses)/gains-net	-481.4	4,787.5	-110.06%
Finance costs-net	-23,910.0	-19,939.6	19.91%
Non-controlling interests	3,609.9	2,185.5	65.18%
Net cash flows from operating activities	52,397.9	83,928.6	-37.57%
Net cash flows from investing activities	-153,191.5	-195,348.8	-21.58%
Net cash flows from financing activities	59,429.2	137,196.0	-56.68%

1. Reasons for the change in operating revenue: the increase in the volume of sewage treatment, recycled water and hazardous waste operations, resulting in a corresponding increase in revenue.

2. Reasons for the change in operating cost: the increase of business volume and the improvement of effluent water quality standards, and the increase of operating costs.

3. Reasons for change in distribution expenses: the Company's hazardous waste handling project was put into operation, and the selling expenses increased.

4. Reasons for changes in administrative expenses: the increase of personnel costs and intermediary service fees compared with the same period last year.

5. Reasons for the change in impairment loss of financial assets: mainly due to the credit impairment loss of accounts receivable.

6. Reasons for other (losses)/gains-net: mainly due to the gains from disposal of other current assets in the last year and impairment allowance of the other current assets in this year.

7. Reasons for the change of finance costs-net: the expensing of interest expense after the sewage project is put into operation, and the increase of financial expense.

8. Reasons for the change in non-controlling interests: mainly because of the increased net profit of the Company's non-wholly-owned subsidiaries in the current period.

9. Reasons for the change in net cash flow generated from operating activities: the main reason is that the operating receivables such as sewage treatment service fees collected in the current period were lower than that of the same period last year.

10. Reasons for the change in net cash flow generated from investing activities: the main reason is that the investment expenditures of engineering projects of the Company in the current period were lower than that of the same period last year.

11. Reasons for the change in net cash flow generated from financing activities: the main reason is that the financing liabilities repaid by the Company in the current period were higher than that of the same period last year.

1. Analysis of income and costs

During the reporting period, the Company continued to strengthen project operation and management. On one hand, we improved the quality of operations to meet the increasingly stringent regulatory requirements, and controlled operating costs through fine management; on the other hand, we maintained the project agreement, and adjusted the unit price of sewage treatment service fee in a timely manner to ensure the project income.

(1). Major business breakdown by industry, product, and region

Unit: 0'000 Currency: RMB

Principal business by industry

Industry	Operating revenue	Operating cost	Gross profit margin (%)	Increase/ decrease in operating revenue compared with last year (%)	Increase/ decrease in operating cost compared with last year (%)	Increase/decrease in gross profit margin compared with last year (%)
Sewage treatment	239,249	155,408	35.04	18.15	12.02	3.55
Recycled water business	31,711	22,652	28.57	11.73	7.17	3.05
Road toll business	6,260	712	88.63	0.48	0.00	0.06
Tap water supply business	9,930	8,075	18.68	-5.76	5.53	-8.71
Cooling and heating business	10,061	6,710	33.31	-0.76	-4.32	2.49
Transformation of achievements in technology research	4,323	1,483	65.70	-2.61	-23.44	9.34
Others *(Note 1)*	11,179	7,502	32.89	178.92	167.93	2.75

Principal business by region

Region	Operating revenue	Operating cost	Gross profit margin (%)	Increase/ decrease in operating revenue compared with last year (%)	Increase/ decrease in operating cost compared with last year (%)	Increase/decrease in gross profit margin compared with last year (%)
Beijing-Tianjin-Hebei Region *(Note 2)*	179,312	111,541	37.80	11.60	8.25	1.93
Southwest Region *(Note 3)*	15,299	11,732	23.32	1.16	5.80	-3.35
Northwest Region *(Note 4)*	36,492	25,948	28.89	27.10	17.34	5.91
Central China Region *(Note 5)*	35,147	24,000	31.72	48.22	40.44	3.79
Eastern China Region *(Note 6)*	31,838	19,904	37.48	5.44	-7.62	8.83
Northeast Region *(Note 7)*	14,625	9,417	35.61	86.88	84.72	0.75

Note 1: The increase was due to the increased scale and treatment volume of the hazardous waste business this year.

Note 2: The Beijing-Tianjin-Hebei Region includes the four sewage treatment plants in Dongjiao, Xianyang Road, Jingu and Beicang of Tianjin, as well as Anguo Capital Water Co., Ltd.* (安國創業水務有限公司) ("**Anguo Company**"), Tianjin Jinghai Capital Water Co., Ltd.* (天津靜海創業水務有限公司) ("**Jinghai Company**"), Tianjin Jinning Capital Water Co., Ltd.* (天津津寧創環水務有限公司) ("**Jinning Capital Company**"), Caring Company, Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd.* (天津佳源興創新能源科技有限公司) ("**Jiayuanxing**"), Tianjin Capital New Materials Co., Ltd.* (天津創業建材有限公司) ("**Capital Materials Company**") and Tianjin Water Recycling Co., Ltd.* (天津中水有限公司) ("**Water Recycling Company**"). The increase was due to the increased business volume as compared to the same period last year.

Note 3: The Southwest Region includes Guizhou Capital Water Co., Ltd.* (貴州創業水務有限公司) ("**Guizhou Company**") and Qujing Capital Water Co., Ltd.* (曲靖創業水務有限公司) ("**Qujing Company**").

Note 4: The Northwest Region includes Xi'an Company, Karamay Tianchuang Water Co., Ltd.* (克拉瑪依天創水務有限公司) ("**Karamay Company**"), 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 Company**"), Linxia Capital Water Co., Ltd.* (臨夏市創業水務有限公司) ("**Linxia Company**") and Jiuquan Capital Water Co., Ltd.* (酒泉創業水務有限公司) ("**Jiuquan Company**").

Note 5: The Central China Region includes Anhui Capital Water Co., Ltd.* (安徽天創水務有限公司) ("**Anhui Company**"), Hefei Capital Water Co., Ltd.* (合肥創業水務有限公司) ("**Hefei Company**"), Fuyang Capital Water Co., Ltd.* (阜陽創業水務有限公司) ("**Fuyang Company**"), Yingshang Capital Water Co., Ltd.* (潁上創業水務有限公司) ("**Yingshang Company**"), Wuhan Tianchuang Capital Environmental Protection Co., Ltd.* (武漢天創環保有限公司) ("**Wuhan Company**"), Honghu Tianchuang Water Co., Ltd.* (洪湖市天創水務有限公司) ("**Honghu Tianchuang**"), Changsha Tianchuang Capital Water Co., Ltd.* (長沙天創水務有限公司) ("**Changsha Tianchuang Water**"), Changsha Tianchuang Environmental Protection Co., Ltd.* (長沙天創環保有限公司) ("**Changsha Tianchuang Environmental Protection**") and Hanshou Capital Water Co., Ltd.* (漢壽天創水務有限公司) ("**Hanshou Company**"), and the increase was due to commencement of operation of Jieshou, Hefei and Honghu Project this year.

Note 6: The Eastern China Region includes Hangzhou Tianchuang Capital Water Co., Ltd.*（杭州天創水務有限公司）("**Hangzhou Company**"), Baoying Capital Water Co., Ltd.*（寶應創業水務有限責任公司）("**Baoying Company**") and Deqing Capital Water Co., Ltd.*（德清創業水務有限公司）("**Deqing Company**").

Note 7: The Northeast Region includes Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.*（大連東方春柳河水質淨化有限公司）("**Dalian Chunliuhe Company**"), Wendeng Capital Water Co., Ltd.*（文登創業水務有限公司）("**Wendeng Company**") and Shangdong Capital Environmental Protection Technology Development Co., Ltd.*（山東創業環保科技發展有限公司）("**Shandong Company**"), and the increase was due to the increased scale and treatment volume of the hazardous waste business of Shandong Company this year.

(2). Analysis of production and sales volume

Nil

(3). Cost analysis

Unit: 0' 000 Currency: RMB

By industry

Industry	Cost item	Amount for the current period	Percentage of total cost for the current period (%)	Amount in the same period last year	Percentage of total cost for the the same period last year (%)	Percentage change in the amount for the current period as compared to the same period last year(%)	Explanation
Sewage treatment business	Labor cost	15,373	7.59	14,532	8.07	5.79	Nil
	Energy consumption (electricity fee)	26,618	13.14	24,874	13.82	7.01	Nil
	Material consumption	32,300	15.95	26,159	14.53	23.48	Nil
	Depreciation and amortisation	44,428	21.94	43,081	23.94	3.13	Nil
	Other manufacturing expenses	36,689	18.11	30,082	16.71	21.96	Nil
	Subtotal	155,408	76.73	138,728	77.07	12.02	Nil
Tap water supply business	Labor cost	1,237	0.61	1,318	0.73	-6.15	Nil
	Energy consumption (electricity fee)	1,069	0.53	936	0.52	14.21	Nil
	Material consumption (including source water fee)	3,233	1.60	3,179	1.77	1.70	Nil
	Depreciation and amortisation	1,585	0.78	1,846	1.03	-14.14	Nil
	Other manufacturing expenses	952	0.47	373	0.21	155.23	Increase in maintenance costs, and other expenses for the current year
	Subtotal	8,076	3.99	7,652	4.26	5.54	Nil
Recycled water business	Labor cost	2,060	1.02	2,194	1.22	-6.11	Nil
	Energy consumption (electricity fee)	1,157	0.57	1,261	0.70	-8.25	Nil
	Material consumption	1,203	0.59	1,081	0.60	11.29	Nil
	Depreciation and amortisation	2,501	1.23	2,710	1.51	-7.71	Nil
	Other manufacturing expenses	5,694	2.81	5,177	2.88	9.99	Nil
	Subtotal	12,615	6.23	12,423	6.91	1.55	Nil

Industry	Cost item	Amount for the current period	Percentage of total cost for the current period (%)	Amount in the same period last year	Percentage of total cost for the the same period last year (%)	Percentage change in the amount for the current period as compared to the same period last year(%)	Explanation
Recycled water pipe network connection business	Project construction cost	10,037	4.96	8,714	4.84	15.18	Nil
	Subtotal	10,037	4.96	8,714	4.84	15.18	Nil
Cooling and heating business	Labor cost	1,150	0.57	1,203	0.67	-4.41	Nil
	Energy consumption (electricity fee)	2,199	1.09	2,343	1.30	-6.15	Nil
	Material consumption	43	0.02	74	0.04	-41.89	Decrease in water charge
	Depreciation and amortisation	2,562	1.26	2,348	1.30	9.11	Nil
	Other manufacturing expenses	756	0.37	1,045	0.58	-27.66	Nil
	Subtotal	6,710	3.31	7,013	3.89	-4.32	Nil
Road toll business	Toll management fee	712	0.35	712	0.40	0.00	Nil
	Subtotal	712	0.35	712	0.40	0.00	Nil
Transformation of achievements in technology research	Material cost, equipment cost	1,337	0.66	1,785	0.99	-25.10	Nil
	Other manufacturing expenses	146	0.07	152	0.08	-3.95	Nil
	Subtotal	1,483	0.73	1,937	1.07	-23.44	Nil
Others	Product sales	2,687	1.33	2,196	1.22	22.36	Nil
	Others manufacturing expenses	4,814	2.38	604	0.34	697.02	The hazardous waste handling business was put into operation in the fourth quarter of 2019. The disposal volume increased this year and the cost increased significantly
	Subtotal	7,501	3.70	2,800	1.56	167.89	
Total		202,542	100	179,979	100	12.54	

Cost analysis and other explanation

Nil

(4). Major customers and major suppliers

Sales from the top five customers amounted to RMB1,853.97 million, accounting for 55% of the total sales for the year; among which, sales from related parties was RMB90.47 million, accounting for 3% of the total sales for the year.

Procurement from the top five suppliers amounted to RMB509.5 million, accounting for 12.66% of the total procurement for the year; among which, procurement from related parties was RMB0, accounting for 0% of the total procurement for the year.

Other explanation

Nil

2. Expenses

See the above analysis statement on relevant subjects changes in income statement and cash flow statement for details.

3. Research and development investment

(1). Research and development investment

Unit: 0'000 Currency: RMB

Expensed research and development investment for the current period	1,320.1
Capitalized research and development investment for the current period	486.74
Total research and development investment	1,806.84
Percentage of total research and development investment over operating revenue (%)	0.54
Number of research and development personnel in the Company	241
Percentage of the number of research and development personnel over the total number of personnel of the Company (%)	11.8
Ratio of capitalized research and development investment (%)	26.94

(2). Explanation

The proportion of R&D investment and capitalization in the current period is less than that of last year, mainly because the restructuring of R&D base was carried out in 2019, and most of the corresponding fixed assets purchases were completed in 2019.

4. Cash flow

See the above analysis statement on relevant subjects changes in income statement and cash flow statement for details.

(II) MAJOR CHANGES IN PROFITS CAUSED BY NON-PRINCIPAL BUSINESSES

Not applicable

(III) ANALYSIS OF ASSETS AND LIABILITIES

1. Assets and liabilities

Unit: 0'000 Currency: RMB

Items	Amount as at the end of the current period	Percentage of the amount as of the end of the current period in the total assets (%)	Amount as at the end of the previous period	Percentage in the total assets as of the end of the previous period (%)	Percentage of change in amount as at the end of the current period as compared with the end of the previous period (%)	Explanation
Notes receivable	265.60	0.01%	1,613.10	0.09%	-83.53%	Mainly because some bank acceptances were due
Prepayments	2,622.00	0.14%	3,858.30	0.21%	-32.04%	Mainly because the advance payment for supporting projects for the current period was less than that of the same period last year
Other receivables	2,411.70	0.13%	6,515.60	0.36%	-62.99%	Mainly because the Company recovered some deposit and received VAT refund
Long-term receivables	164,740.20	8.76%	23,645.00	1.31%	596.72%	Mainly because accounts receivable with an estimated recovery time of more than 12 months were reclassified to long-term receivables
Property, plant and equipment	81,935.40	4.36%	80,100.70	4.45%	2.29%	Mainly due to the increased investment in non-concession projects in the current period
Deferred income tax assets	1,296.50	0.07%	420.90	0.02%	208.03%	Mainly due to the recognition of the income tax effect of deductible temporary differences
Other non-current assets	33,097.10	1.76%	19,591.90	1.09%	68.93%	Mainly because the Company's longterm VAT input tax to be deducted was increased

Items	Amount as at the end of the current period	Percentage of the amount as of the end of the current period in the total assets (%)	Amount as at the end of the previous period	Percentage in the total assets as of the end of the previous period (%)	Percentage of change in amount as at the end of the current period as compared with the end of the previous period (%)	Explanation
Borrowings-current	158,298.20	8.42%	105,986.90	5.89%	49.36%	Mainly because the bonds payable mature within 1 year were reclassified to non-current liabilities due within 1 year
Salaries and wages payables	8,562.00	0.46%	6,610.00	0.37%	29.53%	Mainly due to the provision for the 2020 year-end bonus
Taxes payable	5,684.10	0.30%	8,618.80	0.48%	-34.05%	Mainly due to the payment of the provision for the value-added tax in the previous year as a result of the water price adjustment, and the decrease in value-added tax accrued this year due to the adjustment of the value-added tax policy
Other payables	95,563.10	5.08%	153,284.20	8.52%	-37.66%	Mainly because the project costs payable and equipment payments are less than that of the same period last year
Borrowings-non-current	557,447.60	29.65%	506,679.70	28.16%	10.02%	Mainly due to the new long-term borrowings in the current period

Note 1: Notes receivable are listed in accounts receivable

(IV) ANALYSIS OF INDUSTRY OPERATIONAL INFORMATION

Through more than twenty years of development, the environmental industry has completed its upgrade from the era of single-sector treatment to comprehensive service. Starting from the late stage of the "13th Five-Year Plan", the environmental industry is experiencing a new stage of development, which is, upgrading from comprehensive environmental services to systematized services. With the revision of the Water Pollution Prevention and Control Law (《水污染防治法》) of the PRC, the local governments have been increasing the demands for the enhancement and assurance of the water environment quality. On the one hand, the existing sewage treatment plants have gradually begun to be upgraded in order to meet the higher discharge standards. On the other hand, the comprehensive management of water environment will become the mainstream demand of the market. The Group offered comprehensive solutions for sewage treatment and other relevant environmental treatments according to customer requirements and customer needs, and made profits based on operation and core technologies, striving to build technical system with core competitive advantages and continuous R&D capabilities and services, leading the whole industry chain of service with technology.

During the reporting period, the capacity of sewage treatment section was 4,637,250 m^3/day, representing an utilization rate of capacity of approximately 82.71%; the capacity of supply section of tap water and industrial water was 315,000 m^3/day, representing an utilization rate of capacity of approximately 50.95%; the capacity of recycled water section was 385,000 m^3/day, representing an utilization rate of capacity of approximately 42.86%; the sewage treatment capacity of new plant was 72,000 m^3/day, and the planed capacity of projects under construction was approximately 87,850 m^3/day, which was expected to be put into operation in 2021.

The unit price of the sewage water treatment service fee of the Company was determined with reference to the industry norms and standards and according to the principle of covering the operation and maintenance costs of sewage treatment projects with reasonable investment return through the negotiation between the Company and the local government departments or agencies. During the reporting period, the unit price of sewage treatment service fee of Tianjin Jingu, Beichen, Xianyang Road and Dongjiao Sewage Treatment Plants was adjusted after negotiation with relevant departments of Tianjin Municipal Government, adopting the provisional price of sewage treatment service fee of RMB2.32/m^3. In addition, the unit price of RMB2.32/m^3 was also applicable to the sewage water treatment plant at Xianyang Road (old plant) which has a sewage treatment capacity of 150,000 tons/day after upgrade and operation.

During the reporting period, the supply projects of tap water and industrial water of the Group were mainly distributed in Qujing of Yunnan, Hanshou of Hunan and Bayannur of Inner Mongolia. The Company's supply volume was approximately 59,171,400 tons, representing an increase of approximately 7.96% as compared to that in 2019, which was mainly due to the tap water project in Hanshou officially put into commercial operation in June 2019, approximately 5 months less as compared to the reporting period. The sales volume of tap water and industrial water was approximately 54,118,400 tons, representing a decrease of approximately 1.26% as compared with that in 2019, which was mainly due to the decrease in water consumption as compared with that in 2019 as a result of suspension of certain enterprises affected by the outbreak of COVID-19 during the reporting period.

(V) ANALYSIS OF INVESTMENT

1. Overall analysis of equity investment

During the reporting period, the Company's equity investment was distributed in the water utilities business and the hazardous waste business, which was used for the establishment of project companies or purchase of equity thereof. The total amount of equity investment in 2020 was at approximately RMB168.7426 million, representing a decrease of 69.56% as compared to the previous year.

(1) Major equity investment

(1) On 24 December 2019, the Board approved to establish Huize Capital Water Co., Ltd.* (會澤創業水務有限公司) ("**Huize Company**") for the purpose of investment, construction, operation and maintenance of PPP project of the construction of the urban sewage treatment facilities for towns in Huize County. The registered capital of Huize Company was 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 Yunan Huaxin Construction Engineering Co., Ltd.* (雲南華鑫建工有限公司), 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, the capital injection was completed.

(2) On 24 December 2019, the Board approved to establish Huoqiu Capital Water Co., Ltd.*（霍邱創業水務有限公司）("**Huoqiu Company**") for the purpose of investment, construction, operation and maintenance of phase I of the PPP project of the second sewage treatment plant in the north of Huoqiu County. 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 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, the capital injection was completed.

(3) On 27 April 2020, the Board approved to make an additional investment to Changsha Tianchuang Water for the change in the work of the PPP project of the sewage treatment and recycled water reuse engineering within Ningxiang Economy and Technology Development Zone. The Company will recover and obtain a reasonable return from the additional investment of RMB10.5232 million through adjusting wastewater treatment service fee of project and signing a supplementary agreement. In accordance with the requirements of the "Licensed Operation Agreement", the capital amount of the project shall be 20% of the additional investment, i.e. RMB2.1046 million, which was contributed proportionally by four shareholders of

Changsha Tianchaung Water, 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 Tianchaung Capital Water 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 was completed.

(4) On 27 April 2020, the Board approved to make an additional investment by Jiayuanxing (a wholly-owned subsidiary of the Company) to Tianjin Jiayuanxin Innovation Energy Technology Co. Ltd.* (天津佳源鑫創新能源科技有限公司) ("**Jiayuanxin Innovation**") for implementing the distributed photovoltaic power generation project. The capital increase was contributed proportionally by both shareholders of Jiayuanxin Innovation according to their respective shareholding, of which Jiayuanxing contributed RMB2.49 million, representing 60% of the capital increase and Tianjin Kangyuan Power Engineering Co., Ltd.* (天津康源電力工程有限公司) contributed RMB1.66 million, representing 40% of the capital increase. Upon the capital increase, the registered capital of Jiayuanxin Innovation was increased from RMB5 million to RMB9.15 million and it remains to be the controlling subsidiary of Jiayuanxing. During the reporting period, the capital increase was completed.

(5) On 24 June 2020, the Board approved the Company to make an additional investment of RMB142.17 million to Xi'an Company for implementing the upgrade and renovation and covering and deodorization project of the two plants in Xi'an. Upon the capital increase, the registered capital of Xi'an Company was increased from RMB334 million to RMB476.17 million. During the reporting period, such capital increase was not yet completed.

(6) On 7 August 2020, the Board approved to establish Dongying Tianchi Environmental Technology Co. Ltd.*（東營天馳環保科技有限公司）("**Dongying Company**") for the purpose of implementing the project of comprehensive material ecology disposal center in agricultural high-tech industry demonstration zone in the Yellow River Delta in Shandong Province. The registered capital of Dongying Company was RMB136.30 million, of which RMB69.513 million was contributed by the Company in cash, representing 51% of the total investment, and RMB66.787 million was contributed by Shandong Wanli Real Estate Co., Ltd.* (山東萬里置業有限公司) in cash, representing 49% of the total investment. During the reporting period, Dongying Company was established and the capital injection has not been completed.

(7) On 24 December 2020, the Board approved to purchase the entire equity interest of Compro Company and Yonghui Company for the purpose of shoring up weaknesses of the Company's hazardous wastes business, enhancing market competitiveness with regional layout and strengthened hazardous waste disposal capacity, and comprehensively building industrial chain and regional integrated service capability. The registered capital of Compro Company and Yonghui Company was RMB100 million and RMB50 million respectively. Based on the asset appraisal value filed with the State-owned Assets Supervision and Administration Commission, after discussion with the shareholders of Compro Company and Yonghui Company, the actual consideration payable for the acquisition of Compro Company and Yonghui Company was RMB733 million in total, which was funded by the Company's internal funds and merger and acquisition loans. During the reporting period, the transfer of equity interest has not been completed and the transfer price has not been fully paid.

(2) Major non-equity investment

Not applicable

(3) Financial assets measured by fair value

Not applicable

(VI) DISPOSAL OF MAJOR ASSETS AND EQUITY INTEREST

Tianjin International Machinery Company* (天津國際機械公司) ("**International Machinery Company**") is an invested company of Sino Legend Industries Limited ("**Sino Company**"), a wholly-owned subsidiary of Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd. (a wholly-owned subsidiary of the Company). With the registered capital of RMB120 million, International Machinery Company was incorporated in June 2005, in which Sino Company and Tianjin BENEFO Machinery Equipment Group Co., Ltd.* (天津百利機械裝備集團有限公司) hold 27.5% and 72.5% equity interest respectively. To revitalize remnant assets, realize collection of funds and reduce the grade of enterprise as well as achieve equity withdrawal by way of equity transfer, Sino Company transferred its 27.5% equity interest in International Machinery Company through open tender in Tianjin Property Rights Exchange at a basic price of nominal quotation of RMB33.38357 million. During the reporting period, the transfer of equity interest has not been completed.

(VII) 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 equity interest	Asset Size	Net Assets	Net Profits
Water Recycling Company	Tianjin	Production and sales of recycled water; development and construction of water recycling facilities; and manufacturing, installation, debugging, and operation of water recycling facilities, etc.	10,000	Limited company	100%	118,108.03	28,998.00	9,049.16
Hangzhou Company	Hangzhou, Zhejiang	Operation and maintenance of facilities for sewage treatment and recycled water usage, and supporting services such as its technical services and technical training	37,744.50	Limited company	70%	89,176.83	70,729.22	7,937.66
Xi'an Company	Xi'an, Shaanxi	Development, construction, operation, and management of municipal sewage treatment plants, and tap water and its supporting facilities; and R&D and promotion of environment protection technology	33,400	Limited company	100%	64,161.58	51,339.26	3,639.55
Jiayuanxing	Tianjin	Development, consulting, service, and transfer of energy conservation and new energy technologies; and property management services	19,195.052	Limited company	100%	67,606.87	34,941.34	3,203.99
Caring Company	Tianjin	Environmental engineering management and technical advice etc.	3,333.3333	Stock Limited Company	60%	16,147.10	12,399.55	1,187.19
Bayannur Company	Bayannur, Inner Mongolia	Processing of sewage water, production and sales of recycled water and supply of tap water	106,757.79	Limited company	70%	113,426.12	111,068.78	-1,397.22
Shandong Company	Shandong	Solid waste and hazardous waste treatment and disposal	19,200.00	Limited company	55%	56,428.51	18,862.41	475.41

Subsidiary	Principal Place of Business	Major Products or Services	Registered Capital	Type of Legal Person	Percentage of equity interest	Asset Size	Net Assets	Net Profits
Fuyang Company	Fuyang, Anhui	Development, construction and management of municipal sewage treatment plants, tap water and their supporting facilities and solid waste treatment facilities; research and development and promotion of environmental protection technology	38,990.85	Limited company	100%	113,167.12	54,360.33	5,048.52

Water Recycling Company recorded a revenue of RMB293.7138 million from principal operations and an operating profit of RMB118.9367 million in 2020.

Hangzhou Company recorded a revenue of RMB259.5597 million from principal operations and an operating profit of RMB81.4895 million in 2020.

(VIII) STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

Not applicable

III. DISCUSSION AND ANALYSIS OF THE COMPANY'S FUTURE DEVELOPMENT

(I) STATUS AND TRENDS OF THE INDUSTRY

2021 is the opening year of the "14th Five-Year" Plan, during which a series of changes will take place in environmental protection industry. The following four changes are of concern:

1. Elevate from water environment treatment to ecological management

With the rising demands on systematized environmental treatment and the slowdown in growth of the market size of water utilities industry, sewage treatment enterprises are gradually elevating from sewage treatment to water environmental treatment, and then to ecological management. During the elevation process from water environmental treatment to ecological management, enterprises often take their primary businesses as the starting point to expand business step by step through resources, markets or business relations. Some enterprises accomplish crossover development through acquisition. In the existing field of solid waste, hazardous waste treatment, co-processing and disposal for organic material (sludge, food waste, kitchen waste, livestock and poultry waste) have a great market demand, which have become the main venue for new business strategic transition of many water environmental enterprises. In addition, in the context of systematic treatment, enterprises focus more on the synergy among industrial chains and the excavating of added value of high-margin segments, therefore, the vertical expansion on high-end devices, technical services and other industrial chains has also become the direction for the strategic layout and optimization of water heavy asset enterprises.

2. Elevate from integrated control to systemic treatment

Through more than twenty years of development, the environmental industry has completed its elevation from the era of single-sector treatment to comprehensive service. Starting from the late stage of the "13th Five-Year Plan", the environmental industry is experiencing a new stage of development, i.e. elevating from comprehensive environmental services to systematized services. The "Clean Water Action Plan" issued in 2015 is a start of comprehensive environmental treatment. A integrated treatment model has formed in the process of treatment of the black and odorous water (from source pollution control on river channel to water pollution control, expansion and upgrading of sewage plants, initial rainwater, etc.). During the "13th Five-Year Plan" period, comprehensive water environmental treatment projects with large investment and more treatment sectors have been highlighted. The treatment on the black and odorous water in China has also made a great breakthrough under comprehensive water treatment. With strengthening on sector assessment during the "14th Five-Year Plan", the systemic treatment with water bodies as the core has been accentuated, which focuses more on the systemic treatment effect as compared to the comprehensive treatment, for example, systemic water treatment is implemented by systematically combining the discharge and reuse of tailwater from sewage plants, maintenance of the pipe network and control of the influent concentration of sewage plants, treatment of initial rainwater, and pumping stations of mixed flow of rain and sewage water in river channels by region based on river section evaluation.

3. Elevate from scale driven to the era of high-quality service

Since the reform and opening-up, China's infrastructure construction has entered the fast development stage, part of which takes a leading position in the world, lending strong support to the sustainable and healthy development of our economy and society, and meanwhile, the construction on infrastructure of the water utilities industry has been upgraded rapidly. But it should be noted that growth on scale of the water utilities industry has slowed down since the late stage of the "12th Five-Year Plan", which would slow further during the "14th Five-Year Plan" period, indicating that water utilities industry has elevated from the era of capital-driven to effect-driven. In the scale-driven era, capital is the fundamental driving force for industry development, and enterprises gained market shares by investment and made profits and earnings from capital growth. Enterprises' outbound expansion often depends on its control over assets. When the market turns mature, the pace of elevating to the effect-driven era will be quickened. Under the effect-oriented model, enterprise's market share depends on its service satisfaction, and business expansion lies in the elevation of technology and service, as well as the sustainable assurance on services.

4. Elevate from heavy asset expansion to combined light-and-heavy asset model

As the slowdown in the growth on scale of the municipal water utilities industry and shrinking on space of business expansion, the leading enterprises in the industry are starting to layout the elevation from heavy asset expansion to combined light-and-heavy asset service model, but it should be noted that market expansion of heavy asset group continues to be dominated by the heavy asset investment model due to limitation on growth of revenue and profit, while the light asset service model is taken as supplements, whose rate in main operating revenue will rise gradually. Therefore, during the "14th Five-Year Plan" period, the enterprises' operation capability and technical service will be the key factors restricting their development. The infusion of technology, such as upgrading of technique and assisting of intelligent control, will be the direction for enterprises upgrading their core competitiveness in the future, which will also be one of the important factors for driving stock assets market under the internal circulation in China's sewage treatment industry.

(II) DEVELOPMENT STRATEGIES OF THE COMPANY

Positioning itself as a "professional systematized environmental service provider", the Company will, on one hand, take sewage treatment as the core starting from the industrial chain to improve its control over the high value-added industrial chain sectors, and on the other hand, improve its operation efficiency on primary business by enhancing its technical and operation capability. Based on this, the Company will create comprehensive environmental management industry ecology, ranging from solid waste, water utilities to energy, to open up the industrial chain and provide systematic service. In 2021, in consideration of the evolution of the COVID-19, the potential risks still needs to be closely observed. The Company will continue to work for epidemic prevention and control and at the same time for production and operation, attaching equal importance to both. Specifically, keeping an eye on changes in external risks, the Company draws up plans for risk prevention and control, and pushes forward deep transformation and high-quality and efficient development of enterprises through business guidance, technology empowerment and capital guarantee, striving to make a good start of "14th Five-Year Plan".

(III) OPERATING PLANS

1. Progress of development strategy and operating plan of the Company during the reporting period

In 2020, the Company used the "13th Five-Year" strategic plan as its guideline to consolidate staff's efforts and adjust business structure. It deepened reforms continuously, facilitated talent cultivation and team establishment, vigorously pursued scientific and technological innovation and focused on the refined management as the major task. Through comprehensive distribution, careful planning and solid progress, the operation strategy and operation plan formulated by the Board have been successfully completed.

2. 2021 is the first year of "14th Five-Year" strategic plan of the Company. The Company will combine the 14th five-year strategic plan and 3-year action plan to deepen reform continuously, enhance quality and efficiency to strengthen the principal business. Based on the sewage treatment investment and operation, the Company will improve the industrial chain vertically, strengthen the internal control, group control and subsidiaries management as well as risk control, fully exerting institutional advantage of state-owned listed company to continuously improve corporate governance capability. The Company will work hard to strengthen fund operation so as to ensure its safety and avoid the risks in fund management. The business strategies for 2021 are as follows:

(1) Adhere to the business promotion principle

Improve capacity on sewage treatment, recycled water producing and selling and water supply steadily, explore smart water utilities operation, business chain extension and new business models, continue to promote the expansion and development on environment businesses such as hazardous waste treatment, sludge treatment, kitchen waste disposal, industrial wastewater treatment, new energy heating and cooling, and environmental protection technology on the basis of the principle of strengthening principal business and optimizing the structure.

(2) Enhance technology leading concept

Create new pattern of promoting innovative development with technological means through upgrading the technology system, products and services as well as the guarantee mechanism. Integrate the internal and external resources with necessary support mechanisms and incentive measures to enhance the R&D efficiency on market-oriented product services by setting up technical innovation bases and professional research centers as well as R&D, transformation, communication platforms.

(3) Innovate in capital guarantee

Capital is the key driving force for enterprise development, thus, to facilitate the implementation of strategies, the Company will actively explore various financing channels and styles by combining the features and demands of various business services, business types and business modes. In addition, fortify the capital management and improve the capital utilization efficiency.

(4) Strengthen the Party's leadership

Always give top priority to enhancing the Party's political building and give full play to the leading and directing role of the Party organization, so as to provide solid political, talent and organizational safeguard for the Company's market-oriented operation and management and high-quality development. Deepen the application of evaluation results, facilitate the rectification and reform by evaluation, promote effectiveness by rectification and reform and escort our operation based on institutional development.

(5) Optimize internal control

Optimize group management and control, strengthen management objectives and evaluation, enhance management efficiency and promote strategic implementation by consolidating resources and delegating authority based on business needs. Attach importance to the building of the governance system of the subsidiaries and demonstrating its roles. Focus on key elements such as environment analysis, risk evaluation, information integration, activity control and internal supervision to further improve the internal risk control system.

(6) Build talents system

Adhering to the principle of management of talents by the Party, implement the mechanism that allows for "flexible in increase and decrease" and "flexible in entry and exit" according to the market demands, take improving the quality and ability of the talent team as the core to build talent teams for enterprise. Enhance the talent reserve and training, build platforms to promote mobility, and encourage to identify and cultivate talents and build talent teams in a "learning in work" way.

3. Income, expenses, and cost plan:

In 2021, it is expected that the sewage treatment business will remain as the principal business of the Group, and the annual sewage treatment will be not less than 1.46149 billion m^3. With the raising of discharge standards applicable to various water projects in Tianjin and other cities and the continuous increase in costs of various types of resources, energy, and labor, the operation costs of projects increase. If there are no major changes in the prevailing national guidelines, policies, and business environment, it is expected that the amount of variation in revenue from and cost for the sewage treatment service will not be higher than 20%.

4. Plan for investment in technology R&D:

In 2021, the Group will invest not less than approximately RMB10.34 million in technology R&D plus technological reforms, and will continue to conduct R&D on the new technical processes and application technologies in the areas of sewage water treatment and sludge treatment, etc.

5. In 2021, the estimated capital expenditure is RMB5.5 billion, which will be mainly used for the upgrading of water projects and the construction of new energy projects and hazardous waste projects.

In 2021, the capital required for the Group's operation and investment will be satisfied by the Group's existing credit, corporate bonds, equity financing, strategic cooperation, and other channels.

(IV) POSSIBLE RISKS

1. *Possible risks*

(1) Risk of government credit

Given the characteristic of licensed operation in sewage treatment projects, the capital 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's fiscal revenue and expenditure and credibility. In case the risk related to government credibility occurs, the project companies will face cash flow problems, which may generate capital risks such as financial risks and financing risks.

(2) 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. In addition, continued access to concession would also pose potential risks at the end of the licensed operation period.

(3) Risk of operation and management

With the continuous escalation of the national environmental management requirement, the demands for upgrading sewage treatment plants gradually increase to meet the new standards. Under this circumstance, on one hand, sewage treatment plants will face the restructuring and operational risk. On the other hand, enterprises will also face the risk of adjusting the original licensed operation agreement. In addition, whether sludge disposal after sewage treatment can form a more perfect business model also ought to be brought to our attention.

2. Risk control measures

(1) Protect the Company's lawful interests by making full use of laws and regulations

The Company strengthens the concept of corporate governance in accordance with the laws by making full use of its overall legal advisory system to protect its lawful interests. Meanwhile, the Company calls for and supports the further assurance of equality of the contracting parties under the licensed operation and PPP projects, tightens up the performance assessment and profit distribution mechanisms, and provides 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.

(2) Strengthen comprehensive risk management

The Company has completed the following work: determine the target for comprehensive risk management; establish the institutional framework for comprehensive risk management to identify, analyze, 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; and conduct the dynamic management and effective control over risks so as to reasonably ensure the achievement of the Company's strategic targets. Moreover, on a higher level, advancing structural transformation of the Company is actually the basic strategies to reduce business risks.

(3) 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. It is also important to maintain smooth contact and strengthen communications with local governments and regulatory authorities.

(V) OTHERS

Not applicable

IV. FAILURE TO DISCLOSE AS PER RULES DUE TO INAPPLICABILITY OR SPECIAL REASONS, SUCH AS STATE SECRETS AND BUSINESS SECRETS

Not applicable

V. THE PROPOSAL ON THE PROFIT APPROPRIATION OR TRANSFER OF CAPITAL RESERVE FUND TO SHARE CAPITAL FOR THE REPORTING PERIOD AS REVIEWED BY THE BOARD

As audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, the actual profit available for distribution to shareholders in this year was RMB4,114,041,385.40, which was calculated based on the net profit attributable to the Company of RMB570,040,574.29 in 2020, less the statutory surplus reserve fund of RMB60,804,977.56 drawn in accordance with the Company Law of the People's Republic of China and relevant provisions of the Articles of Association, plus the undistributed profit at the beginning of the year of RMB3,757,519,230.68, and less the cash dividend of RMB152,713,442.01 already distributed in 2020 for 2019.

According to the profit distribution policy of the Company, considering that the Company is still in the development stage and that priority shall be given to the capital expenditure arrangement for the development of foreign projects in 2021, we plan to pay a cash dividend of RMB1.20 (tax inclusive) for every 10 shares to all shareholders in 2020, totaling RMB171,267,411.60, with the cash dividend amount accounting for 30.05% of the realizable profit attributable to the Company for distribution in 2020. In 2020, there was no conversion of reserve fund into additional capital stock.

This distribution plan is subject to the approval of the annual general meeting for 2020.

§5 FINANCIAL ACCOUNTING REPORT

STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in RMB thousand unless otherwise stated)

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Operating revenue	*2*	**3,363,874**	2,851,453
Cost of sales	*4*	**(2,233,128)**	(1,984,537)
Tax expenses and surcharge		**(48,769)**	(45,716)
Gross profit		**1,081,977**	821,200
Distribution costs	*4*	**(15,879)**	(7,075)
Administrative expenses	*4*	**(178,078)**	(168,661)
Net impairment losses on financial assets		**(88,332)**	(31,383)
Other income	*3*	**162,410**	166,989
Other losses/gains – net	*5*	**(4,814)**	47,875
Operating profit		**957,284**	828,945
Finance income		**23,035**	23,951
Finance costs		**(262,135)**	(223,347)
Finance costs – net	*6*	**(239,100)**	(199,396)
Profit before income tax		**718,184**	629,549
Income tax expense	*7*	**(112,046)**	(100,587)
Profit for the year		**606,138**	528,962
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year		**606,138**	528,962
Profit and total comprehensive income for the year is attributable to:			
– Owners of the Company		**570,039**	507,107
– Non-controlling interests		**36,099**	21,855
		606,138	528,962
Earnings per share for profits from continuing operations attributable to the owners of the Company (in RMB Yuan):			
– Basic earnings per share	*8*	**0.40**	0.36
– Diluted earnings per share	*8*	**0.40**	0.36

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020
(All amounts in RMB thousand unless otherwise stated)

	Notes	**2020** **RMB'000**	2019 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets		**77,607**	58,080
Property, plant and equipment		**819,354**	801,007
Intangible assets		**11,922,211**	11,701,362
Deferred income tax assets		**12,965**	4,209
Equity interest in associates		**195,000**	195,000
Financial asset at fair value through other comprehensive income		**2,000**	2,000
Long-term receivables		**1,647,402**	236,450
Other non-current assets		**330,971**	195,919
Total non-current assets		**15,007,510**	13,194,027
Current assets			
Inventories		**17,460**	14,805
Trade receivables	*10*	**1,961,739**	2,508,895
Prepayments		**26,220**	38,583
Other receivables		**24,117**	65,156
Other current assets		**102,277**	89,728
Restricted cash		**10,989**	13,312
Cash and cash equivalents		**1,652,657**	2,066,301
Total current assets		**3,795,459**	4,796,780
Total assets		**18,802,969**	17,990,807

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020
(All amounts in RMB thousand unless otherwise stated)

	Notes	**2020** **RMB'000**	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**5,574,476**	5,066,797
Deferred revenue		**1,981,434**	2,059,702
Deferred income tax liabilities		**100,799**	125,587
Provisions for other liabilities and charges		**13,737**	11,665
Other non-current liabilities		**34,000**	36,000
Total non-current liabilities		**7,704,446**	7,299,751
Current liabilities			
Trade payables	*11*	**294,973**	231,293
Contract liabilities		**527,410**	558,472
Salaries and wages payables		**85,620**	66,100
Income tax and other taxes payables		**56,841**	86,188
Dividend payable		**142**	1,172
Other payables		**955,631**	1,532,842
Borrowings		**1,582,982**	1,059,869
Estimated liabilities		**13,281**	12,933
Total current liabilities		**3,516,880**	3,548,869
Total liabilities		**11,221,326**	10,848,620
Net assets		**7,581,643**	7,142,187
EQUITY			
Attributable to the Company's equity holders			
Share capital		**1,427,228**	1,427,228
Other reserves		**1,050,078**	989,274
Retained earnings		**4,114,045**	3,757,523
Total equity attributable to shareholders of the parent company		**6,591,351**	6,174,025
Non-controlling interests		**990,292**	968,162
Total equity		**7,581,643**	7,142,187

Notes to the condensed consolidated financial statement

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB thousand unless otherwise stated)

1 Basis of preparation

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap.622.

(b) Historical cost convention

The financial statements have been prepared on the historical cost basis expect for some financial assets at fair value through other comprehensive income which are measured at fair value.

(c) New and amended standards adopted by the Group

The Group has applied the following amended standards and revised conceptual framework for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to HKAS 1 and HKAS 8
- Definition of Business – amendments to HKFRS 3
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting

The Group also elected to adopt the following amended standard and annual improvements early.

- Annual Improvements to HKFRS Standards 2018-2020 Cycle.

The adoption of the abovementioned amended standards, revised conceptual framework and annual improvements did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) New standards and interpretations not yet adopted

Certain other new accounting standards and interpretations have also been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These amended standards and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 Segment information

(a) Description of segments and principal activities

Management has determined the operating segments based on the reports reviewed by the strategy steering committee held regularly that are used to make strategic decisions for the purpose of allocating resources and assessing performance.

The strategy steering committee meeting considers the business primarily from service perspective and for the most significant business segments geographical perspectives will also be considered. From a service perspective, management assesses the performance of processing of sewage water, recycled water and pipeline connection, heating and cooling services, tap water operations and sales of customised 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 respective segments and the physical location of assets. The liabilities are allocated based on the operations of the respective segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

Other services include provision of contract operation services, technical services, and waste treatment and disposal services etc. These are not separately presented within the reportable operating segments, but included in the 'all other segments' column.

The strategy steering committee assesses the performance of the operating segments based on a measure of profit before income tax, which is measured in the approach consistent with that in the financial statements.

(b) Operating segment analysis

(i) For the year ended 31 December 2020

	Sewage water processing								
	Tianjin plant *RMB'000*	Hangzhou plant *RMB'000*	Other plants *RMB'000*	Recycled water and pipeline connection *RMB'000*	Heating and cooling services *RMB'000*	Tap water operations *RMB'000*	Sales of customised environmental protection equipment *RMB'000*	All other segments *RMB'000*	Group *RMB'000*
Segment revenue	1,270,965	259,286	862,236	317,109	100,610	99,299	43,232	411,137	3,363,874
Timing of revenue recognition:									
At a point in time	–	–	–	–	–	–	–	27,049	27,049
Over time	1,270,965	259,286	862,236	317,109	100,610	99,299	43,232	384,088	3,336,825
Segment expense	(1,014,823)	(177,919)	(711,250)	(232,168)	(57,461)	(98,177)	(21,797)	(332,095)	(2,645,690)
Results before share of profits of an associate	256,142	81,367	150,986	84,941	43,149	1,122	21,435	79,042	718,184
Profit before income tax									718,184
Income tax expense									(112,046)
Profit for the year									606,138
Segment assets	7,072,581	880,871	7,204,756	976,934	672,597	464,438	53,894	1,281,898	18,607,969
Investment accounted for using the equity method									195,000
Total assets									18,802,969
Total liabilities	(5,883,576)	(184,476)	(3,158,339)	(915,864)	(326,655)	(7,375)	(12,525)	(732,516)	(11,221,326)
Other information									
– Interest income	12,536	877	3,184	4,130	478	30	1,503	297	23,035
– Interest expenses	(176,528)	(5,662)	(77,468)	(696)	(1,945)	(768)	–	(8,963)	(272,030)
– Depreciation and amortization	(160,902)	(53,941)	(229,440)	(25,005)	(25,624)	(15,854)	(300)	(62,155)	(573,221)
– Capital expenditures	16,322	–	700,661	13,570	32,284	28,154	21	103,918	894,930

(ii) For the year ended 31 December 2019

	Sewage water processing								
	Tianjin plants	Hangzhou plant	Other plants	Recycled water and pipeline connection	Heating and cooling services	Tap water operations	Sales of customised environmental protection equipment	All other segments	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	1,122,467	254,208	648,351	283,813	101,377	105,374	44,386	291,477	2,851,453
Timing of revenue recognition:									
At a point in time	–	–	–	–	–	–	–	18,875	18,875
Over time	1,122,467	254,208	648,351	283,813	101,377	105,374	44,386	272,602	2,832,578
Segment expense	(878,181)	(210,958)	(511,231)	(199,529)	(63,035)	(80,791)	(28,167)	(250,012)	(2,221,904)
Segment results	244,286	43,250	137,120	84,287	38,342	24,583	16,219	41,462	629,549
Profit before income tax									629,549
Income tax expense									(100,587)
Profit for the year									528,962
Segment assets	6,779,197	981,119	6,625,106	985,548	705,829	507,909	57,814	1,153,285	17,795,807
Investment accounted for using the equity method									195,000
Total assets									17,990,807
Total liabilities	(6,090,474)	(286,491)	(2,714,905)	(846,306)	(374,378)	(32,434)	(11,257)	(492,375)	(10,848,620)
Other information									
– Interest income	12,498	1,820	2,874	4,463	855	28	1,186	227	23,951
– Interest expenses	(126,783)	(11,077)	(69,493)	(56)	(3,197)	(1,712)	(9)	(1,655)	(213,982)
– Depreciation and amortization	(190,225)	(62,648)	(177,932)	(27,104)	23,482	(18,462)	(522)	(9,108)	(509,483)
– Capital expenditures	121,112	–	1,585,870	54,656	53,621	73,918	–	226,177	2,115,354

(iii) The Group's revenue from contracts with customers are all derived from customers in China.

The non-current assets are all located in China.

Revenue derived from one customer of the sewage water processing segment amounted to approximately RMB1,258 million, representing approximately 37% of the Group's total revenue (2019: RMB1,110 million, 39%).

(c) Liabilities related to contracts with customers – contract liabilities

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
For recycled water and pipeline connection services	**509,271**	508,138
For heating supply services	**7,190**	8,014
For Hangu project	**4,876**	4,876
For hazardous wastes	**3,145**	6,197
For equipment sales	**2,028**	11,263
For sewage water services	**–**	12,071
Others	**900**	7,913
	527,410	558,472

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

Revenue recognised that was included in the contract liability balance at the beginning of the period	**31 December 2020** *RMB'000*	31 December 2019 *RMB'000*
Pipeline connection service for recycled water	**191,064**	166,190
Heating supply services	**8,014**	4,074
Others	**36,561**	3,131
	235,639	173,395

The Group classified these contract liabilities as current because the Group expects to realise them in its normal operating cycle.

(ii) Unsatisfied long-term contracts

As at 31 December 2020, based on the pre-determined agreement price, and actual processing and supplying amount, the Group issues bills to customers at fixed period for its sewage operation services, supplies of recycled water and tap water services. The bill can represent the value that the Group has transferred to customers. All consideration is included in the bills amount thus the Group did not disclose the transaction price allocated to the remaining performance obligations.

As at 31 December 2020, the consideration for pipeline connection services of approximately RMB557 million (31 December 2019: RMB556 million) of which the contracts were signed but the performance obligation is not yet completed, and revenue will be recognised over time based on the progress towards the completion of related performance obligations in the following years.

As at 31 December 2020, the consideration for heating supply services of approximately RMB7 million (31 December 2019: RMB8 million) of which the contracts were signed but the performance obligation is not yet completed. The related revenue is expected to be recognised in 2021.

As at 31 December 2020, the consideration for certain entrusted sewage operation services of RMB91 million (31 December 2019: RMB61 million) of which the contracts were signed but the performance obligations are not yet completed among which the Group expects the related revenue of approximately RMB90 million and RMB1 million will be recognised in 2021 and 2022 respectively.

As at 31 December 2020, the consideration for agent construction project of RMB6 million (31 December 2019: RMB13 million) of which the contracts were signed but the performance obligations are not yet fully completed. The related revenue of RMB6 million is expected to be recognised in 2021.

As at 31 December 2020, a contract of tolls road service fee of RMB509 million (31 December 2019: RMB571 million) was signed but the performance obligations are not yet fully completed, among which the Group expects to recognise revenue of approximately RMB62 million every year from 2021 to 2028, and revenue of approximately RMB13 million in 2029.

All other contracts are for periods of one year or less or are billed based on time incurred. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

3 Other income

	2020	2019
	RMB'000	*RMB'000*
Government grants	**96,577**	108,103
VAT refund	**65,700**	58,874
Others	**133**	12
	162,410	166,989

4 Expenses by nature

Expenses included in cost of sales, distribution costs and administrative expenses are analysed as follows:

	2020	2019
	RMB'000	*RMB'000*
Amortisation – intangible assets	**516,917**	462,965
Raw materials and consumables used	**439,438**	352,215
Employee benefit expenses	**371,557**	350,018
Utilities	**353,804**	342,274
Repair and maintenance expenses	**201,931**	181,978
Subcontract cost for recycling water pipeline connection service, environmental equipment and toll road management	**148,127**	135,556
Sewage mud processing fee	**97,742**	93,930
Depreciation – property, plant and equipment	**54,282**	43,862
Factory environment, detection and fire prevention expenses	**43,015**	36,759
Consulting service expenses	**34,062**	20,416
Travel, meeting and business entertainment expenses	**20,509**	21,390
Network maintenance costs	**24,263**	17,330
Impairment loss on intangible assets	**28,551**	–
Office expenses	**10,251**	9,412
Impairment loss on other current assets	**6,257**	26,808
Expenses of secretary of the Board	**5,328**	4,789
Auditors' remuneration – audit services	**3,300**	3,300
Depreciation – right-of-use assets	**2,022**	2,278
Other taxes	**1,652**	2,663
Depreciation – investment properties	**–**	378
Others	**64,077**	51,952
	2,427,085	2,160,273

5 Other (losses)/gains – net

	2020	2019
	RMB'000	*RMB'000*
Gain on disposal of property, plant and equipment	**21**	704
Gain on disposal of other current assets	**–**	48,703
Others	**(4,835)**	(1,532)
	(4,814)	47,875

6 Finance costs – net

	2020	2019
	RMB'000	*RMB'000*
Interest expenses on borrowings	**311,736**	250,341
Less: Capitalised interest (a)	**(39,706)**	(36,359)
Net interest expenses	**272,030**	213,982
Net exchange (gains)/losses (b)	**(10,490)**	8,813
Others	**595**	552
Finance costs	**262,135**	223,347
Long-term receivables	***(8,631)***	*(9,405)*
Bank deposits	***(14,404)***	*(14,546)*
Less: Interest income	**(23,035)**	(23,951)
Finance costs – net	**239,100**	199,396

(a) Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group' general borrowings during the year, which was 4.34% in 2020 (2019: 4.44%).

(b) Net exchange (gains)/losses

During 2020, the exchange gains of long-term payables of the Company calculated in Japanese yen and US dollars are approximately RMB10 million (2019: RMB9 million).

7 Income tax expenses

	2020	2019
	RMB'000	*RMB'000*
Current income tax	**145,590**	118,021
Deferred income tax	**(33,544)**	(17,434)
	112,046	100,587

8 Earnings per share

Basic earnings per share is calculated based on the profit attributable to owners of the Company of approximately RMB570 million (2019: RMB507 million) and weighted average number of ordinary shares of 1,427 million shares in issue during the year (2019: 1,427 million shares).

Diluted earnings per share is calculated by adjusting weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has no dilutive potential ordinary shares. Therefore, diluted earnings per share equal to basic earnings per share and the calculations of which are as below:

	2020	2019
Profit attributable to owners of the Company (RMB' 000)	**570,039**	507,107
Weighted average number of ordinary shares in issue (million shares)	**1,427**	1,427
Basic/diluted earnings per share (RMB Yuan)	**0.40**	0.36

9 Dividends

(i) Ordinary shares

	2020 ***RMB'000***	2019 *RMB'000*
Final dividend for the year ended 31 December 2019 of 10.7 cents (2018 – 10.6 cents) per fully paid share	**152,713**	151,285
Dividends paid in cash in the year	**152,713**	151,285

(ii) Dividends not recognised at the end of the reporting period

	2020 ***RMB'000***	2019 *RMB'000*
In addition to the above dividends, since year end the directors of the Company have recommended the payment of a final dividend of 12.0 cents per fully paid ordinary share (2019: 10.7 cents). The aggregate amount of the proposed dividend expected to be paid on 25 March 2021 out of retained earnings at 31 December 2020, but not recognised as a liability at year end, is	**171,267**	152,713

10 Trade receivables

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Trade receivables	**2,054,241**	2,508,246
Bank notes receivable	**2,656**	16,131
Receivables from third parties	**2,056,897**	2,524,377
Receivables from related parties	**73,371**	65,474
	2,130,268	2,589,851
Less: bad debt provision	**(168,529)**	(80,956)
	1,961,739	2,508,895

(i) The majority of the Group's sales are on credit or documents against payment. The ageing analysis of the trade receivables based on invoice date were as follows:

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Within 1 month	**347,063**	517,692
1 month to 1 year	**1,508,955**	1,352,969
1 to 2 years	**139,324**	641,788
2 to 3 years	**69,336**	52,987
More than 3 years	**65,590**	24,415
Total	**2,130,268**	2,589,851

(ii) Impairment and risk exposure

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and long-term receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of China, the country where the Group operates to be the most relevant factor, the default rate by client's industry group, the defaulted unsecured loan recoveries and accordingly adjusts the historical loss rates based on expected changes in this factor.

Group – Bank notes receivable

The Group measures provision for loss allowance in accordance with the lifetime expected credit loss for the entire duration. The Group considers that there is no significant credit risk in bank notes receivable and no major loss will be caused by the issuing bank's default and no provision is deemed necessary.

On that basis, the loss allowance as at 31 December 2020 and 31 December 2019 was determined as follows for trade receivables:

By individual with specific credit risks:

31 December 2020	**Carrying amount** *RMB'000*	**Expected credit loss rate**	**Loss allowance** *RMB'000*
Tianjin Water Authority Bureau	**1,012,083**	**0.05%**	**(554)**
Qujing Sewage Company	**187,137**	**22.25%**	**(41,630)**
Hangzhou City Water Facilities and River Protection Management Center	**107,811**	**0.05%**	**(59)**
Guiyang Water Authority Bureau	**60,391**	**0.05%**	**(33)**
Xi'an Infrastructure Investment Group	**36,547**	**0.05%**	**(20)**
Tianjin City Appearance Sanitation Construction Development Co. Ltd	**31,100**	**41.52%**	**(12,913)**
Jinghai Development Area Management Committee	**26,650**	**52.88%**	**(14,093)**
Tianjin Ziya Environmental Protection Industrial Park Co. Ltd	**16,797**	**100.00%**	**(16,797)**
Tianjin Shuangkou Municipal Solid Waste Landfill	**13,776**	**100.00%**	**(13,776)**
Urad Front Banner Finance Bureau	**10,928**	**100.00%**	**(10,928)**
Urad Rear Banner Finance Bureau	**10,392**	**100.00%**	**(10,392)**
Zhejiang New No.3 Printing&dyeing Co. Ltd	**5,731**	**65.03%**	**(3,727)**
Tianjin Tianbao Municipal Administration Co. Ltd	**3,612**	**100.00%**	**(3,612)**
Tianjin Goldin International Club Co. Ltd.	**1,548**	**100.00%**	**(1,548)**
Tianjin City Investment Urban Resources Management Co., Ltd.	**1,200**	**100.00%**	**(1,200)**
Tianjin Ziya Circular Economy Industry Investment Development Co., Ltd.	**1,020**	**100.00%**	**(1,020)**
Total	**1,526,723**		**(132,302)**

31 December 2019	Carrying amount *RMB'000*	Expected credit loss rate	Loss allowance *RMB'000*
Tianjin Water Authority Bureau	1,809,061	0.05%	(990)
Qujing Sewage Company	163,735	18.40%	(30,120)
Hangzhou Municipal Facilities Development Center	56,757	0.05%	(31)
Guiyang Water Authority Bureau	52,612	0.05%	(29)
Jinghai Development Area Management Committee	21,723	24.88%	(5,405)
Xi'an Infrastructure Investment Group	18,424	0.05%	(10)
Tianjin Ziya Environmental Protection Industrial Park Co. Ltd	16,797	15.97%	(2,682)
Tianjin City Appearance Sanitation Construction Development Co. Ltd	14,513	15.73%	(2,283)
Tianjin Shuangkou Municipal Solid Waste Landfill	14,208	36.98%	(5,254)
Zhejiang New No.3 Printing&dyeing Co.Ltd	5,731	65.03%	(3,727)
Tianjin Tianbao Municipal Administration Co. Ltd	5,174	28.91%	(1,496)
Total	2,178,735		(52,027)

Group – Non-provincial government customers

31 December 2020	**Current**	**Less than 180 days past due**	**More than 180 days past due**	**Total**
Expected loss rate	**0.05%**	**5.41%**	**8.64%**	
Gross carrying amount	**145,974**	**164,318**	**76,037**	**386,329**
Loss allowance	**80**	**8,886**	**6,565**	**15,531**

31 December 2019	Current	Less than 180 days past due	More than 180 days past due	Total
Expected loss rate	5.31%	5.31%	7.46%	
Gross carrying amount	102,406	107,386	57,014	266,806
Loss allowance	5,438	5,702	4,255	15,395

Group – Non-government customers

31 December 2020	**Current**	**Less than 90 days past due**	**More than 90 days past due**	**Total**
Expected loss rate	**6.85%**	**6.85%**	**14.09%**	
Gross carrying amount	**67,571**	**64,180**	**82,809**	**214,560**
Loss allowance	**4,631**	**4,399**	**11,666**	**20,696**

31 December 2019	Current	Less than 90 days past due	More than 90 days past due	Total
Expected loss rate	6.70%	6.70%	15.08%	
Gross carrying amount	41,844	27,352	58,983	128,179
Loss allowance	2,804	1,833	8,897	13,534

The loss allowances for trade receivables as at 31 December 2020 reconcile to the opening loss allowances as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Opening loss allowance at 1 January	**80,956**	49,584
Net impairment losses recognised in profit or loss during the year	**87,573**	31,372
Closing loss allowance at 31 December	**168,529**	80,956

For the trade receivable with no expectation of recover, the Group will write off the accounts according to the information after appropriate approval.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost include other receivables and long-term receivables.

Other receivables such as deposits paid are considered to have low a credit risk and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider them 'low credit risk' for financial instruments when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

11 Trade payables

The aging ending of trade payables based on supplier's invoice date is as below:

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Within 1 year	**205,716**	164,526
Overdue more than 1 year	**89,257**	66,767
	294,973	231,293

As at 31 December 2020, trade payables are mainly payable for purchases of inventories. The trade payable with aging more than 1 year are mainly source water charges payable by Qujing Company of RMB43 million, and the subcontract costs payable by Tianjin Water Recycling Co., Ltd of RMB30 million. As the Group has not yet recovered the relevant sewage treatment charges and the related projects have not yet been completed, the Group has not settled the related payable balances.

§6 SALE AND PURCHASE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the reporting period, the Company or its subsidiaries did not purchase, sell or redeem any listed securities of the Company or its subsidiaries.

§7 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 year, in compliance with the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

§8 MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted a code of practice in respect of securities transactions conducted by the Directors with standards not lower than those prescribed in Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. During the reporting period, all Directors have complied with the Model Code for securities transactions conducted by the Directors.

§9 PUBLIC FLOAT

As at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

§10 PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company and there is no restriction against such rights under the laws of the PRC.

§11 AUDIT COMMITTEE

On 31 July 2001, the Board approved the establishment of the audit committee (the "**Audit Committee**") to review and supervise the financial reporting procedures and internal controls of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited accounts for the year ended 31 December 2020 with the Directors.

§12 REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in this preliminary announcement of the Group's annual results for the year ended 31 December 2020 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

By order of the Board
Liu Yujun
Chairman

Tianjin, the PRC
25 March 2021

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

* *For identification purposes only*