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

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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

§ 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 2022 annual report of the Company and its subsidiaries (the “**Group**”). For detailed information, please read the 2022 annual report of the Group carefully.

- 1.2 PricewaterhouseCoopers Zhong Tian LLP audited the 2022 financial reports of the Group and have issued unqualified audit reports.
- 1.3 Mr. Ji Guanglin, the Company’s chairman, Ms. Nie Yanhong, 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 2022 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
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§ 3 ACCOUNTING DATA AND FINANCIAL INDICATORS

3.1 Major accounting data

Unit: 0'000 Currency: RMB

Major accounting data	2022	2021	Increase/ decrease for the period as compared to the same period last year (%)	2020
Operating revenue	452,216.70	453,557.90	-0.30	336,387.40
Net profit attributable to the shareholders of the Company	75,125.40	69,318.90	8.38	57,003.90
Net profit attributable to the shareholders of the Company after deduction of extraordinary profit and loss	66,366.20	61,359.80	8.16	49,316.00
Net cash flow from operating activities	91,205.10	93,680.80	-2.64	53,243.60
	As at the end of 2022	As at the end of 2021	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 2020
Net assets attributable to the shareholders of the Company	847,947.30	712,019.80	19.09	659,135.10
Total assets	2,296,967.40	2,106,529.20	9.04	1,880,296.90

3.2 Major financial indicators

Currency: RMB

Major financial indicators	2022	2021	Increase/ decrease for the period as compared to the same period last year (%)	2020
Basic earnings per share (RMB/share)	0.51	0.49	4.08	0.40
Diluted earnings per share (RMB/ share)	0.51	0.49	4.08	0.40
Basic earnings per share after deduction of extraordinary profit and loss (RMB/share)	0.45	0.43	4.65	0.35
Weighted average return on net assets ratio (%)	9.88	10.11	-0.23	8.95
Weighted average return on net assets ratio after deduction of extraordinary profit and loss (%)	8.78	9.00	-0.22	7.74

3.3 Extraordinary Profit and Loss Items

Unit: 0'000 Currency: RMB

Extraordinary Profit and Loss Items	Amount in 2022	Amount in 2021	Amount in 2020
Profit/loss from disposal of non-current assets	-256.50	-70.80	2.10
Government grants recognized in current profit and loss, except for those closely related to normal business operation of the Company, in compliance with requirements of national policies, and settled in certain amount or quantity which are constantly granted by government	9,700.00	9,183.90	9,657.70
Reversal of provision for impairment loss of account receivables and contractual assets subject to separate impairment testing	1,022.70	346.00	43.70
Other non-operating income and expenses other than the foregoing items	-65.60	-26.40	-470.20
Less: Effect of income tax	1,707.60	1,578.10	1,550.60
Effect of minority interests (after tax)	-66.20	-104.50	-5.20
Total	<u>8,759.20</u>	<u>7,959.10</u>	<u>7,687.90</u>

§ 4 DIRECTORS' REPORT

I. OPERATION DISCUSSION AND ANALYSIS

In 2022, with a high sense of responsibility and mission, the Company adhered to the annual business plan and operation strategy formulated by the Board, focused on improving economic efficiency, and strengthened operation and management and enhanced management innovation on the basis of consolidating operation and construction strength.

1. Strengthening operation management and improving the quality of operation management

The Company overcame difficulties to ensure the normal operation of projects like sewage treatment, water supply, recycled water, new energy heat and cold supply services etc., so as to fulfill its social responsibilities. Through the big data operation and management platform, the Company achieved safe operation, quality improvement and efficiency enhancement. Focusing on “dual-carbon”, the Company piloted to monitor the greenhouse gas of sewage plants, together with industry standards and IPCC-related research data, to promote the establishment of the calculation methodology and rating system of greenhouse gas emissions. The Company has taken a multi-dimensional approach to reduce costs, focusing on integration of business and finance and plans control to proactively reduce electricity and drug consumption. Centralized procurement of bulk pharmaceuticals has begun to show economies of scale, thereby strictly controlling costs.

2. Actively promoting strategic new businesses while consolidating basic businesses

In terms of basic businesses, focusing on consolidating the existing water business projects, the Company implemented the second series of projects for the second phase expansion of the existing Linxia Sewage Treatment Plant to ensure the stable operation of the existing water plants; The Company successfully developed the photovoltaic power generation projects of Tianjin and Wendeng sewage treatment plants, implemented the adjustment of the Tianjin City Houtai Scenic Spot 2# Energy Station Concession Project to expand the service areas of new energy. During the reporting period, the Company proposed to acquire the assets of Jinnan Sludge Disposal Plant owned by Tianjin Infrastructure Construction and Investment Group Company Limited* (天津城市基礎設施建設投資集團有限公司) (“**Tianjin Infrastructure Construction**”), an indirect controlling shareholder of the Company. The acquisition was conducive to the Company's expansion of sludge disposal business and the implementation of the Company's strategic development plan for industrial chain extension. Also, it eliminated the potential peer competition and significantly reduced related party transactions through this acquisition of the assets.

3. *Strengthening capital market and innovating financing measures*

Leveraging the financing platform function of a listed company, the Company completed the first non-public issuance of A shares since its listing and raised funds in full. The number of shares issued was 143,189,655.00 shares and the issue price was RMB5.80 per share, with total proceeds raised of RMB830,499,999.00. The issue price was 6.23% higher than the minimum issue price of RMB5.46 per share. The successful of the non-public issuance of A shares was a test of the Company's capital operation capability and a strong boost to the capital market's confidence in the overall economy of Tianjin.

The Company is actively promoting the work of publicly traded REITs, and is in the process of implementing the auditing and assessment of the underlying projects, sorting out the compliance of construction licenses and procedures, and the issuance of no objection letters by the government.

4. Continuously deepening reforms, optimising the overall organisational structure of the Group, to create a "strong headquarters" that leads development, manages and controls scientifically, and makes decisions efficiently; effectively strengthening the operating functions of business units, focusing on business expansion and building profit centres. The Company promoted the establishment of the board of directors of its subsidiaries to clearly define the boundaries of corporate governance responsibilities and duties. In order to improve the market-oriented operation mechanism, the Company and 38 of its subsidiaries that included in the three-year action plan for the reform of state-owned enterprises completed the contractual management of the tenure system at the managerial level, and simultaneously established a mechanism for middle-level management to compete for jobs, adjust of the last rank and withdraw from incompetence, so as to improve the performance appraisal system for all employees, and fully implement the market-oriented operation mechanism that can promote and demote, enter and leave, increase and decrease.

II. INDUSTRIES WHERE THE COMPANY OPERATES DURING THE REPORTING PERIOD

In the field of sewage treatment, the scale is expected to increase by more than 50 million m³ per day during the "14th Five-Year Plan" period. Driven by the policy of improving quality and efficiency, the pipeline network construction was carrying out in an orderly manner. The standard of sewage treatment was raised according to local conditions, and the market for upgrading and reconstruction was accurately released. The utilisation rate of recycled water will be further improved, and the "investment-construction-operation" market will expand during the "14th Five-Year Plan" period. With the introduction of the national "new infrastructure" strategy, the development of smart water services will be further accelerated. In June 2022, the Ministry of Ecology and Environment and other four departments issued the Yellow River Basin Ecological Environmental Protection Plan (《黃河流域生態環境保護規劃》). In October of the same year, the Standing Committee of the National People's Congress considered and approved the Yellow River Protection Law of the People's Republic of China (《中華人民共和國黃河保護法》). The policy clarified the contents of deepening the treatment of industrial sewage in key industries, improving urban domestic sewage and sludge collection and treatment facilities, promoting the treatment of rural domestic sewage, and comprehensively rectifying urban and rural black and odorous water bodies, and provided directional guidance on key areas and business layout of enterprises in the water industry.

In the field of sludge and organic solid waste treatment, the National Development and Reform Commission, the Ministry of Housing and Urban-Rural Development and the Ministry of Ecology and Environment jointly issued the Implementation Plan for Sludge Harmless Treatment and Resource Utilisation (《污泥無害化處理和資源化利用實施方案》) in September 2022, which was the first plan issued at the national level for sludge treatment. It incorporated the sludge harmless treatment and resource utilisation into the overall layout of urban environmental infrastructure from the angles of treatment path, facility planning and spatial layout, and clarified the direction and path of sludge treatment and disposal. It is expected that this field will lead to new opportunities for development. In addition, the policy encourages the construction of common treatment facilities for sludge and kitchen and food waste to improve the comprehensive disposal level of urban organic waste. In April 2022, the Ministry of Ecology and Environment announced the list of “zero-waste cities” in the “14th Five-Year Plan” period. A total of 109 cities (prefectures) and 17 districts in China were selected, and the construction of “zero-waste cities” began to accelerate. As of the end of 2022, most of the 46 key cities across the country have promoted and completed the local special legislation on waste classification. With the gradual deepening of waste classification, the market development space of the kitchen waste collection, transportation and treatment industry will be further expanded.

In the field of new energy, the “14th Five-Year Plan” period and certain period afterwards will be the key periods for China’s energy transformation. Renewable energy represented by new energy is in a period of strategic opportunities, and new energy will gradually grow as the main energy supporting economic and social development. According to the 14th Five-Year Plan for Renewable Energy Development (《「十四五」可再生能源發展規劃》), renewable energy will become the incremental subject during the 14th Five-Year Plan period. As of the end of 2022, the total cumulative installed capacity of photovoltaic power in China was 392GW, including 234.44GW of centralized PV and 157.62GW of distributed PV. The cumulative installed capacity of wind power in China was approximately 370GW. According to the public documents, during the “14th Five-Year Plan” period, the total planned installed capacity of offshore wind power in China is over 100GW, and the overall planned installed capacity is expected to exceed 55GW. As of the end of 2020, China’s clean heating rate reached 65%, and the geothermal heating area accumulated to 1.392 billion m², accounting for approximately 10% of China’s clean heating area. It is expected that the national additional geothermal heating (cooling) area during the “14th Five-Year Plan” period will be approximately 700 million m². While the new energy industry is developing rapidly, the state has successively introduced a series of policies and regulations related to the land use, subsidy, construction, operation and supervision of new energy projects to provide necessary support and guarantee for the new energy business of enterprises and help the development of the industry. These policies include actively building a “1 + N” policy system to achieve the “dual-carbon” goals, strengthening policy support for energy storage, and enhancing clean energy consumption capacity; improving the market mechanism that adapts to the new power system and support the healthy development of the new energy industry; increasing financial support and developing carbon finance in an orderly manner, exploring solutions to renewable energy subsidies issues.

III. BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

During the reporting period, there was no change in the business scope and operation model of the Company as compared to the previous year. The core businesses are formed by the principal businesses and strategic new businesses. Principal businesses include the businesses of municipal sewage treatment, water supply and water recycling etc., which are the main source of revenue and profit of the Company. Strategic new businesses include new energy heating and cooling, hazardous wastes business, sludge treatment, photovoltaic power generation, transformation of achievements in technology research, etc. In respect of profitability, economic added value, and payback period, it can form a good complement with the principal businesses and optimize the overall business structure.

During the reporting period, additional recycled water pipeline network was 27.12 km, with no significant change in other water utilities business scale as compared with the beginning of the reporting period. As of the end of the reporting period, the total capacity of the equity-type water utilities business of the Company amounted to approximately 5,604,600 m³ per day, among which the sewage treatment capacity, water supply capacity (including tap water and industrial water supply capacity) and recycled water capacity under the PPP model was approximately 4,869,600 m³ per day, 315,000 m³ per day and 420,000 m³ per day, respectively, and the pipe network length under the integrated plant network was 1,118.61 km. The above projects are distributed in 15 provinces, municipalities and autonomous regions and the sewage treatment capacity under the entrusted operation model was 251,890 m³ per day, the scale of recycled water was 60,000 m³ per day.

Based on BOT, TOT and PPP models in sewage treatment and water supply, the Company mainly obtained sales revenue from the production and sale of recycled water and the income from provision of recycled water pipeline connection services on recycled water business, which have not changed significantly compared with the beginning of the reporting period.

During the reporting period, the Company's strategic new businesses were as follows:

- (1) The additional service areas of new energy cooling and heating supply business amounted to 0.3 million m². As of the end of the reporting period, the total service areas amounted to 3.41 million m², which was mainly operated in Tianjin under BOT model. The increase in service areas was mainly due to the change of service scope and investment plan for the concession project of the Tianjin City Houtai Scenic Spot 2# Energy Station Concession Projects.
- (2) There was no material change in distributed photovoltaic power generation project during the reporting period. As of the end of the reporting period, the scale of the planned annual electricity generation remains at 2.9216 million kWh which was mainly distributed in Tianjin and Dalian and managed by adopting a fully market-oriented operation mode.
- (3) There was no change in hazardous waste business during the reporting period. As of the end of the reporting period, the Company has four projects with the total disposal capacity of 128,000 tons/year, and a storage and transit project with the capacity of 20,000 tons/year and a waste landfill project with the aggregate storage of 314,600 tons with the comprehensive waste utilisation capacity of 73,000 tons/year, which were mainly distributed in Shandong Province and Jiangsu Province. Based on the premise of obtaining the hazardous waste operation permit, the Company chose waste-producing units to offer hazardous waste disposal services under the guide price of local governments and charged for hazardous waste disposal service by adopting a fully market-oriented operation mode.

- (4) As of the end of the reporting period, the total capacity on sludge treatment business was 2,720 tons/day, which was mainly distributed in Tianjin, Jiuquan and Zhejiang. The Jiuquan Project was operated under BOT model while the remaining sludge treatment projects were operated under the entrusted operation model.
- (5) In terms of the transformation of reduced technological achievements, in 2022, the Company's technical product service income from technology projects totaled RMB197 million, of which direct income amounted to RMB175 million, and indirect income such as reduced electricity and drug consumption amounted to RMB22 million. At present, many technological projects of the Company have transformation capabilities, with remarkable achievements in transformation and diversified transformation forms. Three technological achievements of Tianjin Caring Technology Development Co., Ltd.* 天津凱英科技發展股份有限公司 (“**Caring Company**”) were successfully selected into the Blue Book of Tianjin Ecological Environmental Protection Technology Development (2021) (《天津市生態環境保護科技發展藍皮書(2021)》).

The transformation of the market business of the patented “CYYF whole-process deodorant technology” is undertaken by Caring Company, a controlling subsidiary of the Company, and 7 project contracts were signed. As of the end of the reporting period, the application of this technology has covered nearly two-thirds of the country, and successfully applied and implemented in more than 80 projects, covering 18 provinces, municipalities and autonomous regions. In the process of business promotion, Caring Company closely followed the new trend brought about by the change of industrial policy, and enriched the diversity of the odour treatment technology in the urban sewage treatment industry. Based on its own technical advantages in strain screening and culture, the deodorization technology has been continuously upgraded to the “whole-process deodorization + technology”, further promoting the development of commercialization in the future.

IV. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the reporting period, the Company's core competitiveness continued to be reflected in the following four aspects: (1) our ability to operate in a safe, stable, up-to-standard and efficient manner; (2) our practical, leading, systematic and sustainable research and development capabilities; (3) our professional, cooperative and innovative staff team; (4) our corporate reputation for being trustworthy, responsible standardized, and reliable. These four core competitiveness are complementary. Corporate integrity, diligent employees and technology innovation ultimately enable customers to be assured, thereby establishing good brand influence of the Company.

After the development in 2022, the Company further consolidated its strengths and enhanced its overall competitiveness.

- (1) Continuously consolidating and enhancing operational advantages. the Company used the big data platform to build a cost quota for each plant, formulated a cost linkage control plan, and consolidated operating entities to reduce costs and increase efficiency; combined with centralised procurement to effectively reduce production costs and realise resource integration; accelerated the digital transformation of operations, and gradually launched key management modules to gradually achieve full business coverage; under the guidance of “dual-carbon”, we piloted the greenhouse gas monitoring of sewage plants, and combined with industry standards and relevant research data, promoted the establishment of greenhouse gas emission accounting methods and rating system.
- (2) Continuously consolidating and enhancing technological advantages. In 2022, the Company organised and carried out one national-level and one municipal-level research project; promoted the preparation of one national, one industry and nine group standards; organised and applied for 7 projects, and the scientific research projects were carried out smoothly; obtained a total of 23 authorised patents, including 2 invention patents and 21 utility model patents; received 2 computer software copyrights and 4 science and technology awards; signed 7 technological achievements transformation contracts.
- (3) Achieving a breakthrough in capital operation. In 2022, the Company completed the non-public issuance of A shares and raised RMB830,499,999.00 in full. The issue price was 6.23% higher than the minimum issue price of RMB5.46 per share, and the subscription rate was 1.80 times of the raised funds. The successful of the non-public issuance of A shares was a test of the Company’s capital operation capability and demonstrated the market’s recognition and confidence in the development of the Company.
- (4) Maintaining the brand influence of the Company. In 2022, the Company was awarded the “Top Ten Influential Enterprises in China’s Water Industry” for the seventeenth consecutive year, establishing a good corporate image and brand reputation.

V. OPERATION SITUATION OF PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

During the reporting period, the Company’s overall operation remained stable. The Company’s principal business segment did not change significantly as compared to the previous year, and the Group was still engaged in the sewage treatment, tap water supply, recycled water, new energy heating and cooling supply, toll collection, hazardous waste, and transformation of achievements in technology research and business, which became the main sources of the Group’s earnings in 2022. In 2022, the Group began to record operation revenue of RMB4,522.167 million, representing a decrease of 0.30% as compared to the previous year; total profits of RMB969.298 million, representing an increase of 8.17% as compared to the previous year; the net profit of RMB751.254 million attributable to the Company, representing an increase of 8.38% as compared to the previous year.

(1) ANALYSIS OF THE PRINCIPAL BUSINESSES

1. Analysis of changes in relevant items in the 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 of change (%)
Operating revenue	452,216.70	453,557.90	-0.30
Operating costs	298,603.80	318,829.60	-6.34
Selling expenses	1,454.50	1,183.50	22.90
Administrative expenses	22,093.70	22,483.30	-1.73
Finance costs	18,045.00	11,669.20	54.64
Research and development expenses	4,353.90	1,834.50	137.33
Net cash flows from operating activities	91,205.10	93,680.80	-2.64
Net cash flows from investing activities	-68,469.30	-154,742.10	55.75
Net cash flows from financing activities	86,743.00	105,151.20	-17.51
Investment losses	-360.10	0.00	N/A
Credit impairment losses	-5,401.00	414.40	-1,403.33
Asset impairment losses	-10,645.40	-15,181.90	29.88
Losses on disposal of assets	-255.80	-2.20	-11,527.27
Non-operating income	165.70	117.30	41.26

Reasons for the change in operating revenue: the construction revenue for the year was lower than the same period of the previous year due to the lower volume of PPP projects in the construction process. Excluding the effect of construction revenue, the Company's operating business of sewage treatment, hazardous waste disposal and recycled water sales increased, and the corresponding revenue was higher when comparing to the same period of last year.

Reasons for the change in operating costs: on the one hand, the construction service costs recognised by the Company for the current period decreased as compared with the same period of last year due to the lower construction volume of PPP projects in the construction process. On the other hand, the Company strictly controlled the operating costs, the cost of sewage treatment and hazardous waste disposal also reduced as compared with the same period of last year.

Reason for the change in selling expenses: mainly due to the increase in the volume of hazardous waste disposal business in the current period, and the selling expenses increased accordingly.

Reasons for the change in administrative expenses: mainly due to the Company enhanced control over expenses, and the administrative expenses for the current period decreased slightly as compared with the same period of last year.

Reasons for the change in finance costs: mainly due to the increase in the amount of existing debt financing compared to the last year and the expensed interest costs after the projects were put into operation, which resulted in an increase in interest expenses for the current period as compared with the same period of last year.

Reasons for the change in research and development expenses: mainly due to the increase in personnel expenses and material costs as a result of the increased investments in research and development during the period.

Reasons for the change in net cash flows from operating activities: mainly due to the operating receivables collected in the current period were lower than those in the same period of last year.

Reasons for the change in net cash flows from investing activities: mainly due to lower expenses for construction of engineering projects in the current period compared with the same period last year; and the costs of the acquisition of the hazardous waste disposal projects incurred in the same period last year, there was no such acquisition in the same period of the current year.

Reasons for the change in net cash flows from financing activities: mainly due to the lower net increase in debt financing in the current period as compared with the same period of last year.

Reasons for the change in investment losses: mainly due to the investment loss recognised on the disposal of the Company's equity interest of a subsidiary in the current period.

Reasons for the change in credit impairment losses: mainly due to the higher credit impairment loss on receivables in the current period as compared with the same period of last year.

Reasons for the change in asset impairment losses: mainly due to the provisions for impairment loss of goodwill and the concession of the subsidiaries in the current period were lower than those in the same period of last year.

Reasons for the change in losses on disposal of assets: mainly due to disposal loss recognised on disposal of fixed assets in the current period.

Reasons for the change in non-operating income: mainly due to the compensation for land occupation received by a subsidiary in the current period.

2. Analysis of revenue and cost

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 lean management; on the other hand, we adhered to the project agreements, and adjusted the unit price of sewage treatment service fees in a timely manner to ensure the project earnings.

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

Unit: 0,000 Currency: RMB

Industry	Principal business by industry			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 (%)
	Operating revenue	Operating cost					
Sewage treatment and water plant facilities construction business	319,278.80	207,182.70	35.11	-4.74	-11.95	5.31	
Recycled water treatment and recycled water supporting projects business	38,977.50	24,450.20	37.27	15.65	16.84	-0.64	
Road toll business	6,238.90	712.00	88.59	-0.18	0.00	-0.02	
Tap water supply and water plant facilities construction business	11,819.50	8,385.10	29.06	-21.05	-27.25	6.04	
Cooling and heating business and related facilities construction business (Note 1)	24,205.00	19,590.70	19.06	136.49	184.01	-13.54	
Transformation of achievements in technology research (Note 2)	4,650.10	3,941.30	15.24	-11.85	1.05	-10.82	
Hazardous waste disposal business (Note 3)	23,719.60	16,229.10	31.58	7.63	-13.46	16.67	
Others (Note 4)	576.40	506.70	12.09	-2.87	-86.86	562.74	

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 5)	236,182.00	146,592.10	37.93	12.79	16.55	-2.01
Southwest Region (Note 6)	20,794.00	14,796.00	28.84	11.85	4.52	4.99
Northwest Region (Note 7)	46,953.00	34,812.00	25.86	-32.27	-40.68	10.52
Central China Region (Note 8)	57,924.80	41,867.70	27.72	-13.25	-16.76	3.05
Eastern China Region (Note 9)	47,302.00	31,342.00	33.74	10.52	-6.11	11.73
Northeast Region (Note 10)	20,310.00	11,588.00	42.94	-4.91	-40.81	34.61

Explanation on principal business breakdown by industry, product, region and distribution

Note 1: The decrease in gross profit margin was mainly due to the recognition of construction revenue and cost in the current period, which resulted in the decrease in gross profit margin in the current period compared with the same period of the previous year.

Note 2: The decrease in gross profit margin was mainly due to the intense market competition resulted in the decrease in gross profit margin of the projects during the period.

Note 3: The increase in gross profit margin was mainly due to the recognition of revenue from some contingency projects with higher gross profit margin during the period.

Note 4: The increase in gross profit margin was mainly due to the increase in gross profit margin of the sales of PAC and other products during the period.

Note 5: 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), Tianjin Jinning Capital Water Co., Ltd.* (天津津寧創環水務有限公司), Tianjin Water Recycling Co., Ltd.* (天津中水有限公司) (“**Water Recycling 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 Jiayuankaichuang New Energy Technology Co., Ltd.* (天津佳源開創新能源科技有限公司) (“**Jiayuankaichuang**”), Tianjin Tianchuang Green Energy Investment Management Co., Ltd.* (天津天創綠能投資管理有限公司) (“**Tianchuang Green Energy**”), Tianjin Capital New Materials Co., Ltd.* (天津創業建材有限公司), Hebei Guojin Tianchuang Sewage Treatment Co., Ltd.* (河北國津天創污水處理有限責任公司) and Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd.* (天津西青天創環保有限公司), etc. The decrease in gross profit margin was mainly due to the recognition of construction revenue and costs in the current period, resulting in a lower gross profit margin in the current period compared to the same period of the last year.

Note 6: The Southwest region includes Guizhou Capital Water Co., Ltd.* (貴州創業水務有限公司) (“**Guizhou Company**”), Qujing Capital Water Co., Ltd.* (曲靖創業水務有限公司) (“**Qujing Company**”) and Huize Capital Water Co., Ltd.* (會澤創業水務有限公司). The increase in gross profit margin was mainly due to the strict cost control of Guizhou Company, the increase in revenue was higher than the increase in cost, and the decrease in the proportion of construction business with lower gross profit margin.

Note 7: The Northwest Region includes Xi’an Capital Water Co., Ltd.* (西安創業水務有限公司) (“**Xi’an Company**”), Karamay Tianchuang Capital Water Co., Ltd.* (克拉瑪依天創水務有限公司), Inner Mongolia Bayannur Capital Water Co., Ltd.* (內蒙古巴彥淖爾創業水務有限責任公司), 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). The increase in gross profit margin was mainly due to the decrease in the proportion of construction business with lower gross profit margin during the period.

- Note 8:* The Central China Region includes Fuyang Capital Water Co., Ltd.* (阜陽創業水務有限公司) (“**Fuyang Company**”), Wuhan Tianchuang Capital Environmental Protection Co., Ltd.* (武漢天創環保有限公司), Yingshang Capital Water Co., Ltd.* (潁上創業水務有限公司), Changsha Tianchuang Water Co., Ltd.* (長沙天創水務有限公司), Changsha Tianchuang Environmental Protection Co., Ltd.* (長沙天創環保有限公司), Anhui Tianchuang Water Co., Ltd.* (安徽天創水務有限公司), Honghu Tianchuang Water Co., Ltd.* (洪湖市天創水務有限公司), Hefei Capital Water Co., Ltd.* (合肥創業水務有限公司), Hanshou Tianchuang Water Co., Ltd.* (漢壽天創水務有限公司), Honghu Tianchuang Environmental Protection Co., Ltd.* (洪湖市天創環保有限公司) and Huoqiu Capital Water Co., Ltd.* (霍邱創業水務有限公司). The increase in gross margin was mainly due to the decrease in the proportion of construction business with lower gross margin during the period.
- Note 9:* 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), Deqing Capital Water Co., Ltd.* (德清創業水務有限公司), Jiangsu Yonghui Resources Utilisation Co., Ltd.* (江蘇永輝資源利用有限公司) (“**Yonghui Company**”) and Gaoyou Compro Environmental Resources Co., Ltd.* (高郵康博環境資源有限公司). The increase in gross profit margin was due to the increase in gross profit margin of hazardous waste projects of Yonghui Company in the current period.
- Note 10:* 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), Wendeng Capital Water Co., Ltd.* (文登創業水務有限公司), Shandong Capital Environmental Protection Technology Co., Ltd.* (山東創業環保科技發展有限公司) (“**Shandong Company**”), Dongying Tianchi Environmental Technology Co., Ltd.* (東營天馳環保科技有限公司) and Shandong Tanchuang Environmental Protection Technology Development Co., Ltd.* (山東鄒創環保科技發展有限公司). The reason of the increase in gross profit margin was due to the increase in gross profit margin of the hazardous waste disposal business of Shandong Company during the year.

(2). Analysis of production and sales volume

Not applicable

(3). Cost analysis

Unit: 0'000 Currency: RMB

		By industry					
Industry	Cost items	Amount for the current period	Percentage of total cost for the current period (%)	Amount for the same period of last year	Percentage of total cost for 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 and construction of water plants	Labor cost	17,147	6.1	17,198	5.7	-0.3	-
	Energy consumption (electricity)	35,391	12.59	28,709	9.51	23.27	-
	Material consumption	31,231	11.11	32,898	10.9	-5.07	-
	Depreciation and amortisation	48,876	17.39	50,861	16.85	-3.9	-
	Other manufacturing expenses	43,915	15.63	36,557	12.11	20.13	-
	Infrastructure Construction costs on Sewage water plant	30,623	10.9	69,077	22.88	-55.67	According to China Accounting Standards for Business Enterprises No.14, the decrease in construction projects in the current year resulted in a decrease in the project construction costs recognised
	Subtotal		207,183	73.73	235,300	77.95	-11.95

		By industry				Percentage change in the amount for the current period as compared to the same period last year (%)	
Industry	Cost items	Amount for the current period	Percentage of total cost for the current period (%)	Amount for the same period of last year	Percentage of total cost for the same period last year (%)	Percentage change in the amount for the current period as compared to the same period last year (%)	Explanation
Tap water supply and construction water plants business	Labor cost	1,450	0.52	1,653	0.55	-12.28	-
	Energy consumption (electricity)	997	0.35	1,154	0.38	-13.60	-
	Material consumption (including source water fee)	3,540	1.26	3,563	1.18	-0.65	-
	Depreciation and amortisation	1,662	0.59	1,547	0.51	7.43	-
	Other manufacturing expenses	736	0.26	447	0.15	64.65	Increase in maintenance costs, etc.
	Infrastructure Construction costs on water plant	0	0	3,161	1.05	-100.00	According to China Accounting Standards for Business Enterprises No.14, the decrease in construction expenditures in the current year resulted in a decrease in the project construction costs recognised
	Subtotal	8,385	2.98	11,525	3.82	-27.25	-
Water recycling Treatment and recycled water supporting projects	Labor cost	2,479	0.88	2,436	0.81	1.77	-
	Energy consumption (electricity)	1,320	0.47	1,250	0.41	5.60	-
	Material consumption	1,020	0.36	1,074	0.36	-5.03	-
	Depreciation and amortisation	2,005	0.71	2,247	0.74	-10.77	-
	Other manufacturing expenses	7,788	2.77	5,222	1.73	49.14	Increase in maintenance costs
	Project construction cost	9,838	3.50	8,697	2.88	13.12	-
	Subtotal	24,450	8.70	20,926	6.93	16.84	-

		By industry				Percentage change in the amount for the current period as compared to the same period last year (%)	
Industry	Cost items	Amount for the current period	Percentage of total cost for the current period (%)	Amount for the same period of last year	Percentage of total cost for the same period last year (%)	Percentage change in the amount for the current period as compared to the same period last year (%)	Explanation
Cooling and heating and related facilities construction business	Labor cost	1,226	0.44	1,297	0.43	-5.47	-
	Energy consumption (electricity)	1,360	0.48	1,579	0.52	-13.87	-
	Material consumption	18	0.01	46	0.02	-60.87	Decrease in water costs
	Depreciation and amortisation	2,679	0.95	2,697	0.89	-0.67	-
	Other manufacturing expenses	559	0.20	910	0.30	-38.57	Decrease in maintenance costs
	Supporting engineering	13,749	4.90	369	0.12	3,626.02	According to China Accounting Standards for Business Enterprises No.14, the construction input of Houtai 1# and 2# Energy Station Projects increased in the current year, and the construction cost increased
	Subtotal	19,591	6.98	6,898	2.29	184.01	-
Road toll business	Toll road and management fee	712	0.25	712	0.24	0	-
	Subtotal	712	0.25	712	0.24	0	-
Transformation of achievements in technology research	Material cost, equipment cost	3,756	1.34	3,749	1.24	0.19	-
	Other manufacturing expenses	185	0.07	151	0.05	22.52	-
	Subtotal	3,941	1.4	3,900	1.29	1.05	-

By industry							
Industry	Cost items	Amount for the current period	Percentage of total cost for the current period (%)	Amount for the same period of last year	Percentage of total cost for the same period last year (%)	Percentage change in the amount for the current period as compared to the same period last year (%)	
						Explanation	
Hazardous waste business	Labor cost	2,673	0.95	3,031	1	-11.81	-
	Energy consumption (electricity)	2,223	0.79	1,898	0.63	17.12	-
	Material consumption	1,045	0.37	952	0.32	9.77	-
	Depreciation and amortisation	3,258	1.16	3,982	1.32	-18.18	-
	Other manufacturing expenses	7,030	2.50	8,890	2.94	-20.92	-
	Subtotal	16,229	5.78	18,753	6.21	-13.46	-
Other	Product sales, etc.	507	0.18	3,859	1.28	-86.86	Reclassification of cost of PAC sales operations in the current year
Total		280,998	100	301,873	100	-6.92	-

Other explanation of cost analysis

Nil.

(4). Major customers and major suppliers

A. Major customers of the Company

Sales to the top five customers amounted to RMB2,251.4843 million, accounting for 49.79% of the total sales for the year; among which, sales to related parties was RMB0, accounting for 0% of the total sales for the year.

B. Major suppliers of the Company

Procurement from the top five suppliers amounted to RMB565.4186 million, accounting for 22.49% of the total procurement for the year, among which procurement from related parties amounted to RMB200.0441 million, accounting for 7.96% of the total procurement for the year.

Other explanations

Nil.

3. Expenses

Please refer to the above analysis statement on changes of relevant items in income statement and cash flow statement for details.

4. Research and development investment

(1). Research and development investment

Unit: 0'000 Currency: RMB

Expensed research and development investment for the current period	4,228.91
Capitalised research and development investment for the current period	1,189.54
Total research and development investment	5,418.45
Percentage of total research and development investment over operating revenue (%)	1.20
Ratio of capitalised research and development investment (%)	21.95

(2). Research and development personnel

Number of research and development personnel in the Company	410
Percentage of the number of research and development personnel over the total number of personnel of the Company (%)	18.10

Education of research and development personnel Academic Category	Number of Personnel
Doctoral Degree	4
Master Degree	66
Undergraduate Degree	300
Vocational education	34
High school education and below	6

Age Structure of research and development personnel Age category	Number of Personnel
Age under 30 (exclude age 30)	59
Age 30 to 40 (include age 30, exclude age 40)	192
Age 40 to 50 (include age 40, exclude age 50)	125
Age 50 to 60 (include age 50, exclude age 60)	34
Age 60 or above	0

(3). Explanations

Not applicable.

5. Cash flow

Please refer to the above analysis on changes of relevant items in the income statement and the cash flow statement for details.

(2) MAJOR CHANGES IN PROFITS CAUSED BY THE NON-PRINCIPAL BUSINESS

Not applicable.

(3) ANALYSIS OF ASSETS AND LIABILITIES

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 to the total assets (%)	Amount as at the end of the previous period	Percentage of the amount as of the end of the previous period to the total assets (%)	Percentage of change in amount as at the end of the current period as compared with the end of the previous period (%)	Explanations
Cash at bank and on hand	325,206.00	14.16	213,948.70	10.16	52.00	Mainly due to the fund-restreaming from operating business and the proceeds received from the non-public issuance during the current period.
Prepayments	3,522.30	0.15	2,083.40	0.10	69.06	Mainly due to prepayment of operating expenses of water plant during the current period.
Other receivables	1,621.20	0.07	2,929.30	0.14	-44.66	Mainly the decrease of VAT refund receivable during the current period.
Inventories	3,114.40	0.14	2,182.80	0.10	42.68	Mainly due to the increase in raw materials such as pharmaceuticals during the current period.
Construction in progress	15,195.70	0.66	2,966.00	0.14	412.33	Mainly due to the increase in project investment in the pipeline network connection project of Water Recycling Company during the current period.
Deferred income tax assets	739.80	0.03	1,926.80	0.09	-61.60	Mainly due to the decrease in net amount resulting from the offsetting of deferred income tax liabilities during the current period.
Short-term borrowings	100.10	0.004	14,585.20	0.69	-99.31	Mainly due to the repayment of certain short-term borrowings during the current period.
Current portion of non-current liabilities	127,647.10	5.56	95,713.90	4.54	33.36	Mainly due to the increase in long-term borrowings matured within one year.
Other current liabilities	49.00	0.002	0.00	0.00	N/A	Mainly due to the addition of entrusted loans from shareholders of subsidiaries during the current period.
Bonds payable	87,837.30	3.82	25,000.00	1.19	251.35	Mainly due to the issuance of Green Medium-term Notes of RMB630 million during the current period.
Estimated liabilities	0.00	0.00	1,521.20	0.07	100.00	Mainly due to the renewal and replacement of concession assets during the current period, and the provisions were offset accordingly.

(4) ANALYSIS OF INVESTMENT

1、 Overall analysis of external equity investment

During the reporting period, the external equity investments of the Company included the businesses of water treatment, new energy heating and cooling supply services and sludge treatment, mainly including establishment of project companies, increase in capital contribution to project companies and acquisition of assets.

(1) Major equity investment

- (1) On 19 November 2021, the Board approved to establish Jiayuankaichuang which was responsible for the investment, construction, operation and maintenance of Tianjin City Houtai Park 1# Energy Station Concession Project. The registered capital was RMB80 million, of which RMB80 million was contributed by the Company, representing 100% of the total investment. During the reporting period, such capital contribution was completed.
- (2) On 11 May 2022, the Board approved the Company to increase the capital of Linxia Company for the implementation of second series expansion project of Phase 2 of the Linxia City Sewage Treatment Plant PPP project. The total investment of this project amounted to RMB69.71 million and the capital of the project accounts for 30% of the total investment of the project, amounting to RMB20.91 million, which was intended to be settled by the increase in capital contribution from the Company. The registered capital of Linxia Company will increase from RMB45 million to RMB65.91 million after completing the capital increase and it will remain as a wholly-owned subsidiary of the Company. The capital increase was not completed during the reporting period.
- (3) On 13 September 2022, the Board approved to establish of Tianchuang Green Energy for the purpose of the distributed photovoltaic power generation project in Tianjin. The registered capital was RMB80 million, and the first batch of registered capital was RMB62.59 million, which was 100% contributed by the Company. During the reporting period, the first batch of registered capital contribution has been completed.
- (4) On 30 September 2022, the Board approved Jiayuanxing to increase the capital of Tianjin Jiayuanxin Innovative Energy Technology Co., Ltd.* (天津佳源鑫創新能源科技有限公司) (“**Jiayuanxin**”) for the implementation of the distributed photovoltaic power generation project in other cities. The total investment of this project amounted to RMB18.82 million and the capital of the project accounts for 30% of the total investment of the project, amounting to RMB5.65 million, of which RMB3.39 million was contributed by Jiayuanxing in cash, accounting for 60%; and RMB2.26 million was contributed by Tianjin Kangyuan Electricity Engineering Company Limited* (天津康源電力工程有限公司) in cash, accounting for 40%. The registered capital of Jiayuanxin will increase from RMB9.15 million to RMB14.8 million after the capital increase, and it will remain as a holding subsidiary of Jiayuanxing. The capital increase was not completed during the reporting period.

- (5) On 21 December 2022, the Board approved the acquisition of the Jinnan Sludge Disposal Plant Assets owned by Tianjin Infrastructure Construction. The Company intended to acquire the assets at a cash consideration of RMB471,825,900. During the reporting period, a deposit of RMB94,365,180 (20% of the transfer price) was paid.
- (6) On 21 December 2022, the Board approved to increase the capital of Jiayuanxing for the purpose of increasing the capital of Tianjin Jiayuansheng Innovative Energy Technology Company Limited* (天津佳源盛創新能源科技有限公司) (“**Jiayuansheng**”) for the implementation of the Tianjin City Houtai Scenic Spot 2# Energy Station Concession Project. The adjusted total investment of the project was RMB183,480,200 and the capital of the project was RMB54 million, which was funded by the existing registered capital of Jiayuansheng of RMB33 million and the capital increase by shareholders. The Company intended to increase the capital of Jiayuanxing by RMB21 million for the purpose of increasing the capital of Jiayuansheng. The capital increase was not completed during the reporting period.
- (7) The Jieshou sewage operation PPP project (the first batch) was eligible for a government grants of RMB46.54 million for improving weak links in infrastructure, which should be invested in the project by way of equity investment by the government. On 21 December 2022, the Board of the Company agreed to utilize the dedicated fund by way of capital increase from the Government to Jieshou Capital Water Co., Ltd.* (界首市創業水務有限公司) (“**Jieshou Company**”). According to the evaluation results, after the government grants of RMB46.54 million has been invested in Jieshou Company, the shareholding percentage of the Company and the government capital contribution representative in Jieshou Company should be 87.001% and 12.999%, respectively; The capital injection was not completed during the reporting period.
- (8) In order to accelerate the equity financing of the Company and strengthen the management and control of relevant subsidiaries, on 24 June 2022, the Board approved the proposed restructuring of 100% equity interests in Hanshan Capital Water Co., Ltd.* (含山創業水務有限公司) (“**Hanshan Company**”) and Jieshou Company held by Fuyang Company to be transferred to the Company by way of agreement. According to the special audit reports, the transfer prices of equity interests in Hanshan Company and Jieshou Company were RMB17,781,900 and RMB308,566,400, respectively.
- (9) According to the specific requirements of Tianjin SASAC on the overall deployment of deepening state-owned enterprise reform, and taking into account the actual situation of the Company, on 25 October 2022, the Board approved the deregistration of EDMS (Hong Kong) Limited. During the reporting period, the deregistration has been submitted to the Companies Registry in Hong Kong.

(2) Major non-equity investment

Not applicable.

(3) *Financial assets measured by fair value*

Not applicable.

(5) **DISPOSAL OF MAJOR ASSETS AND EQUITY INTEREST**

Not applicable.

(6) **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	Shareholding of the Company	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%	134,235.49	35,852.80	11,999.49
Hangzhou Company	Hangzhou, Zhejiang	Operation and maintenance for 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%	84,657.73	73,983.81	10,186.08
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.	47,617	Limited company	100%	101,089.95	62,858.05	6,016.11
Jiayuanxing	Tianjin	Development, consulting, service, and transfer of energy conservation and new energy technologies; and property management services	19,195.052	Limited company	100%	68,332.33	36,865.72	4,432.05
Caring Company	Tianjin	Environmental engineering management and technical advice etc.	3,333.3333	Stock Limited Company	60%	19,476.18	12,568.38	1,055.47
Shandong Company	Shandong	Solid waste and hazardous waste treatment and disposal	8,200	Limited company	55%	47,811.17	13,970.27	5,172.66
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	45,568.87	Limited company	100%	144,338.05	66,450.96	8,016.45

Water Recycling Company recognised the revenue of RMB361.6569 million from its principal operations and an operating profit of RMB164.9424 million in 2022.

Hangzhou Company recognised the revenue of RMB316.9941 million from its principal operations and an operating profit of RMB111.5932 million in 2022.

(7) **STRUCTURED ENTITIES CONTROLLED BY THE COMPANY**

Not applicable.

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

(1) STATUS AND TRENDS OF THE INDUSTRY

During the “14th Five-Year Plan” period, with the regional integration and existing integration becoming a trend in the industry, market concentration will further increase. Existing integration has become an important trend in the water and environmental protection industry in recent years. Specifically, it includes the characteristics of the following three aspects: firstly, in terms of region, the integration revolves around the national ecological strategies such as the Great Protection of the Yangtze River and the Great Protection of the Yellow River, some of which involve the integration of regional markets. Secondly, in terms of business areas, it mainly involves water and solid waste fields with relatively mature business models. Thirdly, in terms of the way of integration, it is mostly combined with the capital operation in the secondary market.

In addition, resource recycling and asset-light have become the trend. According to the Guiding Opinion on Accelerating the Promotion of Construction of Urban Environmental Infrastructures (《關於加快推進城鎮環境基礎設施建設的指導意見》) published by National Development and Reform Commission, Ministry of Ecology and Environment, Ministry of Housing and Urban-Rural Development and the National Health Commission on February 2022, it clearly put forward the requirements for resource recycling, including improving the utilisation rate of recycled water and the harmless disposal rate of sludge. Among them, the utilisation rate of recycled water in cities with water shortage above the prefecture level should reach more than 25%, and the harmless disposal rate of urban sludge should reach 90%. The national “14th Five-Year Plan” proposes the goal of sludge treatment is that the scale of new sludge harmless disposal facilities should not less than 20,000 tons/day. The sludge treatment is mainly dried and then bought into landfills currently, but considering the waste of resources and potential safety hazards, we will focus on collaborative disposal and recycling of thermoelectricity in the future. In the context of “dual-carbon”, how to realise the high value-added utilisation of organic solid waste recycling products has become a hot issue in the industry. The kitchen waste and food waste treatment industry is expected to become an important breakthrough in the development of organic solid waste resources. In the future, the release of production capacity of the kitchen waste centralised treatment project will be accelerated, and the operation and management will gradually become a new driving force, while the decentralised treatment equipment and technology will also become a new growth point of the industry. The kitchen waste treatment industry will also rely on the steady progress of waste classification policy, ushering in the increase in treatment demand and the release of related project opportunities. In addition, in the context of industry consolidation and REITs development, the ownership and operation rights of water and environmental protection assets may be separated, and the traditional BOT model may also be transformed into PC + O model, which provides room for professional asset-light operation. Therefore, the high value-added professional asset-light operation service model that integrates the relevant capabilities of the industry chain and incorporates intelligent elements will become an important industry development trend.

The dual-carbon strategy has helped green energy become a hot spot. The implementation of the strategy of peak carbon dioxide emissions and carbon neutrality inevitably requires the acceleration of the transformation of energy structure. In February 2022, the National Development and Reform Commission and the National Energy Administration issued the Opinions on Improving the System Mechanism and Policy Measures for the Green and Low-Carbon Transformation of Energy (《關於完善能源綠色低碳轉型體制機制和政策措施的意見》), proposing to promote the construction of a clean and low-carbon energy-based energy supply system, the core of which is to reduce the use of fossil energy and increase the proportion of clean energy. At the same time, with the process of industrialisation and urbanisation, the energy consumption for production and living has a trend of further growth. Therefore, on the basis of sewage treatment, energy saving, consumption reduction and carbon reduction, environmental protection enterprises also concern about and participate in the field of new energy, such as sewage thermal utilisation, photovoltaic power generation of sewage treatment plants, distributed photovoltaic power generation, wind power.

(2) DEVELOPMENT STRATEGY OF THE COMPANY

The Company is committed to becoming a professional service provider and a first-class benchmark company in the field of water treatment and water resources utilisation in China by the end of the “14th Five-Year Plan” period. In terms of business layout, we will continue to focus on the water industry and expand in accordance with the idea of “One Body with Two Wings”. Among them, water treatment and water resources utilisation are the “One Body”, and new energy development and sludge treatment are the “Two Wings”. In terms of regional layout, the Group will deepen its presence in Tianjin, serve the Beijing-Tianjin-Hebei region, and expand its presence in major river basins and regions, so as to optimise its national layout. Combined with the national regional development strategy and key areas of environmental protection and governance, we will focus on the Beijing-Tianjin-Hebei region, the Yangtze River Basin, the Yellow River Basin and the Guangdong-Hong Kong-Macao Greater Bay Area. In terms of development model, taking into account the inheritance of the Company and future trends, we adopts the combination of “operation lead + technology drive + investment pull” strategy to upgrade the core competitiveness of the Company in investment, construction and operation in the main business area. On the basis of leveraging the capital operation function of a listed company, the Company will not only focus on the introduction of digital and intelligent operation and the standards of low-carbon operation of sewage treatment plants, but also strive to comprehensively enhance the three major capabilities of technology solution output, technology process research and development and product commercialisation, build a professional incubation carrier, and promote the formation of process packages and product packages with independent intellectual property rights. In terms of deepening reform, the Company firstly optimised and adjusted the organisational structure, and then steadily completed the adjustment of the performance-oriented remuneration allocation and performance appraisal system mechanism in line with the industry pioneers and market requirements. In terms of cultural reshaping, the Company will inherit the spirit of entrepreneurship, regard hard work and second undertaking as the spiritual driving force to achieve the goal, and focus on strengthening the leadership of party building, system guarantee and social responsibility of public company.

(3) OPERATING PLANS

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

In 2022, the Company improved the level of market-orientation through rectification, concentrated comprehensive management capabilities, to demonstrate the mission of a listed company, and ensure the operation strategy and operation plan formulated by the Board at the beginning of the year has been completed.

2. In order to ensure the implementation of the “14th Five-Year Plan” and achieve high-quality corporate development, the Company will optimise its business layout, implement the “One Body with Two Wings” business development strategy, deepen its presence in Tianjin, serve the Beijing-Tianjin-Hebei region, and expand its presence in major river basins and regions and expand its development nationwide. The Company will reconstruct its technological innovation system and research and development focus with technology-driven development as the guideline, and enhance the Company’s technology level. The Company will remodel the development system, improve the project planning capability, continue to optimise and adjust the business structure, and seek to expand against the trend. We will further explore potential operational advantages to further realise cost reduction and efficiency enhancement of existing projects; strengthen technology empowerment and open up new space for improving operational efficiency; continue to enhance the reform of systems and mechanisms, optimise the remuneration assessment system, innovate incentive methods and mobilise the potential of the organisation. The Company will achieve management upgrading and talent empowerment, optimise the talent structure, improve the market-oriented selection, cultivation and retention mechanism, and drive the high-quality development of the Company.

3. *Income, expense and cost plans:*

In 2023, 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 1,572.26 million m³. With the rise of applicable water discharge standards 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 have increased. 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 research and development:*

In 2023, the Group will invest not less than approximately RMB67 million in technology research and development plus development and technological reforms, and will continue to conduct research and development on the new technical processes and application technologies in the areas of sewage water treatment and sludge treatment, etc.

(4) POSSIBLE RISKS

1、Possible risks

(1) Risk of government credit

Given the characteristic of licensed operation in sewage treatment projects, the capital source of sewage treatment service fee comes mainly from the special sewage-treatment fee charged by the governments through the sales of water; and any insufficient amount will be supplemented by the local governments. Most of the PPP package projects currently promoted include the investment and construction of infrastructures such as pipeline networks with relatively large investments of social capital, the investment return relies mainly on the payment of sewage treatment service fee from the governments. Therefore, the exclusiveness of capital source led to 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 issues, which may generate capital risks such as financial risks and financing risks.

(2) Risk of change in policy

Currently, the PRC is at the stage of comprehensive deep reform. In the foreseeable future, there will be transformative changes in policies related to economy, finance, prices, financial taxation and government functions, etc. Moreover, although enterprises are the service targets hazardous waste treatment of businesses, they may also be impacted by regional industrial policies, that is, regional industrial upgrading and cross-regional industrial transfer may lead to changes in the amount of hazardous waste generated in such region. As a social investor, the risk of policy change needs to be focused on. In addition, after the end of the franchise period, whether it can continue to obtain the operating rights of the project will also pose a potential risk.

(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 in order 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 amendment to the original licensed operation agreement. In addition, whether sludge disposal after sewage treatment can form a better 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*

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

(2) *Enhance overall risk management*

Determine the target for comprehensive risk management, establish the institutional framework for comprehensive risk management, strengthen the research and assessment and alertness of various policy risks, to identify, analyze, assess and deal with possible hidden risks in different business segments; improve the risk management system and establish a sound and comprehensive risk management system for the Company; improve its timing and efficiency of the comprehensive risk management of the Company; conduct the dynamic management and effective control over risks so as to reasonably ensure the achievement of the Company's strategic targets. Moreover, on a strategic level, advancing structural transformation of enterprise is an essential strategy to reduce operational risks.

(3) *Continue to raise the standards of operational 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 technical 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 rescue 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.

(5) **OTHERS**

Not applicable.

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

Not applicable

VIII. 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, the actual profit available for distribution to shareholders in this year was RMB5,075,506,443.79, which was calculated based on the net profit of RMB751,254,173.95 attributable to the Company in 2022, less the statutory surplus reserve of RMB45,053,105.75 drawn in accordance with the Company Law of the People's Republic of China and the related provisions in the Articles of Association of the Company, plus the retained earnings of RMB4,577,680,726.37 at the beginning of the year, and less the cash dividend of RMB208,375,350.78 for 2021 already declared in 2022.

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 external projects in 2023, the Company plans to pay a cash dividend of RMB1.44 (tax inclusive) for every 10 shares to all shareholders in 2022, totaling RMB226,140,204.24, with the cash dividend amount accounting for 30.10% of the distributable profits of the Company realized in 2022. In 2022, there was no conversion of capital surplus to the share capital.

This distribution plan is subject to the approval of the annual general meeting for 2022.

§ 5 FINANCIAL ACCOUNTING REPORT

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2022

(All amounts in RMB thousand unless otherwise stated)

ASSETS	Notes	2022 RMB'000	2021 RMB'000
Current assets			
Cash and cash equivalents		3,252,060	2,139,487
Notes receivable		7,535	8,123
Trade receivables	10	2,745,022	2,325,550
Prepayments		35,223	20,834
Other receivables		16,212	29,293
Inventories		31,144	21,828
Current portion of non-current assets		197,367	241,114
Other current assets		64,321	50,896
Total current assets		6,348,884	4,837,125
Non-current assets			
Long-term receivables		4,475,777	3,811,904
Long-term equity investments		193,108	195,000
Other equity instruments investment		2,000	2,000
Property, plant and equipment		911,347	973,273
Construction in progress		151,957	29,660
Right-of-use assets		8,247	9,021
Intangible assets		10,130,264	10,331,691
Goodwill		319,813	405,461
Deferred income tax assets		7,398	19,268
Other non-current assets		420,879	450,889
Total non-current assets		16,620,790	16,228,167
Total assets		22,969,674	21,065,292
LIABILITIES			
Current liabilities			
Short-term borrowings		1,001	145,852
Trade payables	11	511,159	429,522
Contract liabilities	3	513,471	567,682
Employee benefits payable		93,046	104,568
Taxes payable		54,064	47,291
Other payables		897,121	958,718
Current portion of non-current liabilities		1,276,471	957,139
Other current liabilities		490	—
Total current liabilities		3,346,823	3,210,772

CONSOLIDATED BALANCE SHEET*AS AT 31 DECEMBER 2022**(All amounts in RMB thousand unless otherwise stated)*

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Long-term borrowings		7,097,305	7,197,167
Debentures payable		878,373	250,000
Lease liabilities		4,443	6,230
Long-term payables		168,703	196,256
Provisions		–	15,212
Deferred revenue		1,855,645	1,933,891
Deferred income tax liabilities		86,089	119,694
Other non-current liabilities		30,000	32,000
		<hr/>	<hr/>
Total non-current liabilities		10,120,558	9,750,450
		<hr/>	<hr/>
Total liabilities		13,467,381	12,961,222
		<hr/>	<hr/>
EQUITY			
Share capital		1,570,418	1,427,228
Capital surplus		1,111,156	437,949
Surplus reserve		722,389	677,336
Undistributed profits		5,075,510	4,577,685
		<hr/>	<hr/>
Total equity attributable to shareholders of the Company		8,479,473	7,120,198
Minority interests		1,022,820	983,872
		<hr/>	<hr/>
Total equity		9,502,293	8,104,070
		<hr/>	<hr/>
Total liabilities and equity		22,969,674	21,065,292
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in RMB thousand unless otherwise stated)

	Notes	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	2	4,522,167	4,535,579
Less: Cost of sales	5	(2,986,038)	(3,188,296)
Tax expenses and surcharge	5	(45,545)	(44,698)
Selling expenses	5	(14,545)	(11,835)
Administrative expenses	5	(220,937)	(224,833)
Research and development expenses		(43,539)	(18,345)
Financial expenses-net	6	(180,450)	(116,692)
Including: Interest expenses		(403,067)	(339,417)
Interest income		211,941	193,656
Add: Other income	4	105,471	113,826
Investment losses		(3,601)	–
including: Investment income from associates		(1,892)	–
(Provision)/reversal of credit impairment		(54,010)	4,144
Less: Assets impairment losses		(106,454)	(151,819)
Losses on disposals of assets		(2,558)	(22)
Operating profit		969,961	897,009
Add: Non-operating income		1,657	1,173
Less: Non-operating expenses		(2,320)	(2,123)
Total profit		969,298	896,059
Less: Income tax expense	7	(156,693)	(177,049)
Net profit		812,605	719,010
Classified by continuity of operations			
Net profit from continuing operations		812,605	719,010
Net profit from discontinued operations		–	–
Classified by ownership of the equity			
Minority interests		61,351	25,821
Attributable to shareholders of the Company		751,254	693,189
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		812,605	719,010
Attributable to shareholders of the Company		751,254	693,189
Attributable to minority interests		61,351	25,821
Earnings per share			
Basic earnings per share (RMB Yuan)	8	0.51	0.49
Diluted earnings per share (RMB Yuan)	8	0.51	0.49

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in RMB thousand unless otherwise stated)

1 Basis of preparation

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises – Basic Standards and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Rules on Financial Reporting issued by the China Securities Regulatory Commission.

The financial statements have been prepared on a going concern basis.

2 SEGMENT INFORMATION

The reportable segments of the Group are the business units that provide different products or service, or operate in the different areas. Different businesses or areas require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group considers its operations from the perspective of providing services and regions. As the perspective of providing services, management assesses the performance of processing of sewage water, recycled water, pipeline connection, heating and cooling service, sales of tap water and sale of environmental protection equipment. Processing of sewage water is further evaluated on a geographical basis (Tianjin plants, Hangzhou plants and other plants). The environmental protection equipment sold by the Group is mainly the result of the scientific research and transformation of environmental protection patent technology. Other services, including contract operation services, rental income and technical services etc., are not separately presented within the reportable operating segments, but are included in the ‘all other segments’ column. The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments in proportion to the revenue.

(i) **Segment information as at 31 December 2022 and for the year then ended is as follows:**

	Sewage treatment and water plant facilities construction			Recycled water and pipeline connection	Heating and related facilities construction cooling supply	Tap water and water plant facilities construction	Sale of Environ- mental protection equipment	Other segments (iv)	Group
	Tianjin plants	Hangzhou plants	Other plants						
	'000	'000	'000	'000	'000	'000	'000	'000	'000
Revenue from external customers	1,559,622	316,994	1,316,172	389,775	242,050	118,195	46,501	532,858	4,522,167
Cost for operations	(916,528)	(189,773)	(965,526)	(244,502)	(195,907)	(83,851)	(39,413)	(350,538)	(2,986,038)
Interest income	57,294	478	132,231	4,130	1,970	6,061	1,090	8,687	211,941
Interest expenses	(242,028)	(2,484)	(128,891)	(33)	(2,335)	(3,722)	-	(23,574)	(403,067)
Results before share of profits of an associate	382,269	112,428	293,456	179,381	56,188	37,294	1,243	(91,069)	971,190
Total of segment profit/(loss)	382,269	112,428	293,456	179,381	56,188	37,294	1,243	(92,961)	969,298
Income tax expenses	(35,934)	(9,809)	(33,937)	(44,420)	(13,681)	(7,065)	(107)	(11,740)	(156,693)
Segment net profit/(loss)	346,335	102,619	259,519	134,961	42,507	30,229	1,136	(104,701)	812,605
Net profit/(loss)									<u>812,605</u>
Depreciation expenses	(9,281)	-	(22,371)	(14,151)	(2,002)	(171)	(157)	(23,339)	(71,472)
Amortization	(167,072)	(59,305)	(230,734)	(5,894)	(24,785)	(16,446)	-	(22,527)	(526,763)
Segment assets	10,339,004	827,680	7,974,808	715,849	753,055	604,876	45,410	1,515,884	22,776,566
Long-term equity investment in associate									193,108
Total assets									<u>22,969,674</u>
Total liabilities	<u>(7,429,346)</u>	<u>(106,739)</u>	<u>(3,734,705)</u>	<u>(887,661)</u>	<u>(310,480)</u>	<u>(88,630)</u>	<u>(18,077)</u>	<u>(891,743)</u>	<u>(13,467,381)</u>
Non-current assets addition (iii)	<u>8,434</u>	<u>25,828</u>	<u>177,088</u>	<u>116,904</u>	<u>141,665</u>	<u>1,636</u>	<u>43</u>	<u>11,510</u>	<u>483,108</u>

(ii) Segment information as at 31 December 2021 and for the year then ended is as follows:

	Sewage treatment and water plant facilities construction								Group '000
	Tianjin plants '000	Hangzhou plants '000	Other plants '000	Recycled water and pipeline connection '000	Heating and related facilities cooling supply '000	Tap water and water plant facilities construction '000	Sale of Environmental protection equipment '000	Other segments (iv) '000	
Revenue from external customers	1,481,307	261,007	1,609,501	337,044	102,354	149,716	52,752	541,898	4,535,579
Cost for operations	(872,503)	(166,000)	(1,314,498)	(209,258)	(68,981)	(115,254)	(39,003)	(402,799)	(3,188,296)
Interest income	54,756	442	115,059	4,386	1,152	8,019	1,078	8,764	193,656
Interest expenses	(208,358)	(4,052)	(108,629)	(451)	(3,025)	-	-	(14,902)	(339,417)
Results before share of profits of an associate	458,042	79,881	197,029	121,944	31,488	34,393	3,938	(30,656)	896,059
Total of segment profit/(loss)	458,042	79,881	197,029	121,944	31,488	34,393	3,938	(30,656)	896,059
Income tax expenses	(69,918)	(20,700)	(21,357)	(38,402)	(8,524)	(4,557)	(964)	(12,627)	(177,049)
Segment net profit/(loss)	388,124	59,181	175,672	83,542	22,964	29,836	2,974	(43,283)	719,010
Net profit/(loss)									<u>719,010</u>
Depreciation expenses	(17,030)	-	(10,812)	(14,595)	(2,201)	-	(38)	(34,882)	(79,558)
Amortization	(163,739)	(59,376)	(257,654)	(7,876)	(24,771)	(15,468)	-	(21,844)	(550,728)
Segment assets	8,220,258	843,771	7,792,478	712,753	662,271	488,334	58,101	2,092,326	20,870,292
Long-term equity investment in associate									195,000
Total assets									<u>21,065,292</u>
Total liabilities	<u>(6,807,037)</u>	<u>(168,909)</u>	<u>(3,598,953)</u>	<u>(1,006,133)</u>	<u>(307,714)</u>	<u>(33,256)</u>	<u>(20,319)</u>	<u>(1,018,901)</u>	<u>(12,961,222)</u>
Non-current assets addition (iii)	<u>201,762</u>	<u>140</u>	<u>549,822</u>	<u>7,805</u>	<u>14,661</u>	<u>1,318</u>	<u>536</u>	<u>35,452</u>	<u>811,496</u>

(iii) Non-current assets do not include financial assets, long-term equity investments, or deferred tax assets.

The Group's revenues from external customers come from the PRC.

The Group's non-current assets are all located in the PRC.

The revenue of approximately RMB1,454 million from the sewage treatment segment was derived from a single customer, accounting for 32% of the Group's total revenue (2021: approximately RMB1,436 million, 32%).

(iv) The loss of Other segment included the impairment losses of goodwill amounting to approximately RMB86 million (2021: approximately RMB100 million).

3 Contract liabilities

	31 December 2022 RMB'000	31 December 2021 RMB'000
Advances from pipeline connection service	487,613	515,301
Advances from hazardous waste disposal service	15,686	38,017
Others	10,172	14,364
	513,471	567,682

In 2022, the amount of approximately RMB268 million (2021: approximately RMB212 million) which is included in the opening balance of contract liabilities was recognised to the revenue. The Group expects that contract liabilities will be carried forward to recognize revenue through normal operating processes, and therefore are recognized as current liabilities.

4 Other income

	2022 RMB'000	2021 RMB'000
Government grants	97,000	91,839
Value added tax refund	8,431	21,813
Individual income tax withholding subsidy	40	174
	105,471	113,826

5 Expenses by nature

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Intangible assets amortisation	526,763	550,728
Utilities	465,962	390,427
Employee benefits	461,946	457,266
Less: Cost in franchise assets	(2,426)	(3,652)
Construction costs for concession projects	445,874	726,077
Raw materials consumed	376,625	412,211
Sewage mud processing fee	285,802	219,388
Repair and maintenance expenses	208,275	202,826
Cost of recycling water pipeline connection	98,376	87,346
Depreciation charges for property, plant and equipment	67,534	76,931
Factory environment, detection and fire prevention expenses	58,655	52,511
Expenses for environmental protection items	54,546	35,890
Pipeline maintenance costs	49,625	43,203
Consulting service expenses	44,493	57,776
Travel, meeting and business entertainment expenses	26,786	25,955
Office expenses	12,332	10,970
Hazardous waste disposal costs	10,633	20,555
Toll road management expenses	7,120	7,120
Share-based payment expenses	6,055	7,370
Depreciation charges for right-of-use assets	3,938	2,627
Expenses of secretary of the board	3,748	4,972
Auditors' remuneration expenses	3,700	3,784
Other taxes and surcharges	2,619	4,507
Others	46,078	46,521
	<u>3,265,059</u>	<u>3,443,309</u>

6 Finance costs – net

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expenses on borrowings	406,441	375,544
Add: Interests on lease liabilities	366	439
Less: Capitalised interests	<u>(3,740)</u>	<u>(36,566)</u>
Finance costs	403,067	339,417
Less: Interest income	(211,941)	(193,656)
Including: Long-term receivables interests	(192,988)	(178,916)
Bank deposits interests	(18,953)	(14,740)
Exchange gains (a)	(12,089)	(30,648)
Others	<u>1,413</u>	<u>1,579</u>
	<u>180,450</u>	<u>116,692</u>

- (a) For the year ended 31 December 2022, the Group had the exchange gains of approximately RMB12 million (2021: approximately RMB31 million) on long-term payables denominated in Japanese yen and US dollars.

7 Income tax expense

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current income tax calculated based on tax law and related regulations	178,428	172,722
Deferred income tax	<u>(21,735)</u>	<u>4,327</u>
	<u>156,693</u>	<u>177,049</u>

8 Earnings per share

- (a) Basic earnings per share is calculated based on the consolidated net profit attributable to the ordinary shares owners of the Company of approximately RMB751 million (2021: approximately RMB693 million) and weighted average number of ordinary shares of 1,468 million in issue for the year (2021: 1,427 million shares).

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit attributable to the ordinary shares owners of the Company	751,254	693,189
Weighted average number of ordinary shares in issue (thousand shares)	1,467,635	1,427,228
Basic and diluted earnings per share (RMB Yuan)	<u>0.51</u>	<u>0.49</u>

Including:

– Basic earnings per share for continuing operations on a going concern	0.51	0.49
– Basic earnings per share for discontinued operations	<u>–</u>	<u>–</u>

- (b) Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

As at 31 December 2022, the market price of the Company's RMB ordinary shares was lower than the exercise price of the issued share options. Therefore, the share options not yet exercised had no dilutive impact (2021: Nil) and the diluted earnings per share equaled to the basic earnings per share.

9 Dividends

(i) Ordinary shares

	2022 RMB'000	2021 RMB'000
Fully paid final dividend for the year ended 31 December 2021 of 14.6 cents (2020: 12.0 cents) per share	<u>208,376</u>	<u>171,267</u>
Dividends paid in cash	<u>208,376</u>	<u>171,267</u>

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

	2022 RMB'000	2021 RMB'000
Proposed dividend not recognized as a liability as at 31 December 2022	<u>226,140</u>	<u>208,376</u>

As at 27 March 2023, the directors of the Company have recommended a final dividend of 14.4 cents per ordinary share (2021: 14.6 cents per ordinary share).

10 Trade receivables

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade receivables	2,959,595	2,503,473
Less: Bad debt allowance(ii)	<u>(214,573)</u>	<u>(177,923)</u>
	<u>2,745,022</u>	<u>2,325,550</u>

The majority of the Group's sales are on credit with 30 to 90 days credit terms.

(i) The ageing analysis of the trade receivables based on banking dates were as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Within 1 year	2,364,118	2,123,978
1 to 2 years	336,156	190,992
2 to 3 years	111,184	71,371
3 to 4 years	63,061	56,836
4 to 5 years	42,588	41,665
More than 5 years	<u>42,488</u>	<u>18,631</u>
Total	<u>2,959,595</u>	<u>2,503,473</u>

For the Group's trade receivables, regardless of whether there is a significant financing component, the Group measures the loss according to the expected credit loss for the entire life.

(ii) Bad debt allowance

Bad debt allowance provided on individual basis:

31 December 2022	Carrying amount RMB'000	Expected credit loss rate	Loss allowance RMB'000
Tianjin Water Authority Bureau	1,028,824	0.29%	(2,946)
Qujing Sewage Company	252,180	16.80%	(42,369)
Xi'an Infrastructure Investment Group	108,266	0.30%	(329)
Hangzhou City Water Facilities and River Protection Management Center	50,182	0.07%	(38)
Jinghai Development Area Management Committee	37,694	100.00%	(37,694)
Guiyang Water Authority Bureau	29,458	1.18%	(346)
Tianjin City Appearance Sanitation Construction Development Co. Ltd	17,923	100.00%	(17,923)
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)
Hangzhou Sewage Company	10,445	0.07%	(8)
Urad Rear Banner Finance Bureau	10,392	100.00%	(10,392)
Tianjin Goldin International Club Co. Ltd.	1,548	100.00%	(1,548)
Inner Mongolia Zijin Zinc Industry Co., Ltd	1,314	100.00%	(1,314)
Tianjin Infrastructure Investment Urban Resources Management Co., Ltd.	1,200	100.00%	(1,200)
Tianjin Tianbao Municipal Administration Co. Ltd	152	100.00%	(152)
Total	1,591,079		(157,760)

Group – Government customers other than provincial capitals and municipalities

	31 December 2022			31 December 2021		
	Carrying amount	Provision		Carrying amount	Provision	
		ECL rate	Amount		ECL rate	Amount
Undue	465,781	1.84%	(8,553)	285,075	1.25%	(3,569)
1-180 days overdue	239,807	3.19%	(7,647)	116,013	3.04%	(3,526)
>180 days overdue	301,582	9.36%	(28,215)	145,469	10.31%	(14,993)
	1,007,170		(44,415)	546,557		(22,088)

Group – Others clients

	31 December 2022			31 December 2021		
	Carrying amount	Provision		Carrying amount	Provision	
		ECL rate	Amount		ECL rate	Amount
Undue	182,474	1.04%	(1,905)	101,712	2.61%	(2,652)
1-90 days overdue	81,638	1.53%	(1,253)	65,920	2.68%	(1,768)
>90 days overdue	97,234	9.50%	(9,240)	102,720	8.22%	(8,440)
	361,346		(12,398)	270,352		(12,860)

As at 2022, the amount of bad debt provision made by the Group is approximately RMB54 million, the amount of bad debt provision collected or recovered is collected approximately RMB10 million, the amount of bad debt provision written off is collected approximately RMB7 million, and the corresponding book balance of bad debt provision is approximately RMB215 million.

11 Trade payables

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade payables (a)	511,159	429,522

(a) As at 31 December 2022, the trade payables with ageing over 1 year were approximately RMB123 million (2021: approximately RMB101 million), mainly including source water charges payable by Qujing Company of approximately RMB68 million. Qujing company usually arranges the payments according to the instructions of Qujing Water Conservancy and Hydropower Development and Investment Co., Ltd. The construction costs payable by Water Recycling Company. of approximately RMB20 million. The development of related pipeline connection projects had not reached the time point of settlement according to the contract.

(b) The ageing of trade payables based on supplier's banking date is as below:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Within 1 year	387,931	328,642
Over 1 year	123,228	100,880
	511,159	429,522

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

During the reporting period, the Company or its subsidiaries did not purchase, sell or redeem any 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 the 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 2022, with the Directors.

§ 12 SCOPE OF WORK OF PRICEWATERHOUSECOOPERS ZHONG TIAN LLP

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2022 as set out in the final results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers Zhong Tian LLP, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Zhong Tian LLP in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by PricewaterhouseCoopers Zhong Tian LLP on the final results announcement.

By order of the Board
Ji Guanglin
Chairman

Tianjin, the PRC
27 March 2023

As at the date of this announcement, the Board comprises three executive Directors: Mr. Ji Guanglin, Mr. Li Yang and Ms. Jing Wanying; three non-executive Directors: Ms. Peng Yilin, Mr. An Pindong and Mr. Liu Tao; and three independent non-executive Directors: Mr. Xue Tao, Mr. Wang Shanggan and Mr. Tian Liang.

* *For identification purposes only*