



*Interim Report for the six
months ended 30th June 2023*



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

H Share Stock Code: 1065 A Share Stock Code: 600874

- I. The board of directors (the “**Board**”), the supervisory committee (the “**Supervisory Committee**”) of Tianjin Capital Environmental Protection Group Company Limited (the “**Company**”) and its directors (the “**Directors**”), supervisors (the “**Supervisors**”) and senior management guarantee that information in the 2023 interim report (the “**Interim Report**”) does not contain any false information, misleading statements or material omissions, and accept several and joint responsibilities for the truthfulness, accuracy and completeness of its contents.
- II. The interim financial report of the Company for the six months ended 30 June 2023 has not been audited.
- III. Mr. Ji Guanglin, the officer in charge of the Company, Ms. Nie Yanhong, the officer in charge of accounting operations, and Mr. Liu Tao, the officer in charge of the accounting department (the accounting management officer), have warranted the truthfulness, accuracy and completeness of the financial reports contained in the Interim Report.
- IV. The proposal on profit distribution or transfer of capital reserve fund to share capital for the reporting period as approved by the Board by way of a resolution
Not Applicable
- V. Risk statements for the forward-looking statement
Not Applicable
- VI. Did the controlling shareholder of the Company and its connected persons misappropriate the Company’s funds for non-operating purposes?
No
- VII. Did the Company provide external guarantees in violation of any specified decision-making procedures?
No
- VIII. Whether more than half of the Directors cannot guarantee the truthfulness, accuracy and completeness of the Interim Report disclosed by the Company?
No
- IX. Significant risks warning
None
- X. Other matters
Unless indicated otherwise, financial figures in this Interim Report are denominated in RMB.

Content

I.	Definitions	3
II.	Company Profile and Major Financial Indicators	8
III.	Management Discussion and Analysis	11
IV.	Corporate Governance	30
V.	Environmental and Social Responsibility	40
VI.	Major Events	44
VII.	Details of Changes in Shares and Shareholders	53
VIII.	Details of the Company's Bonds	66
IX.	Financial Reports	69
X.	List of Documents Available for Inspection	196

I. Definitions

In this Interim Report, unless the context requires otherwise, the following terms shall have the following meanings:

“Anguo Company”	Anguo Capital Water Co., Ltd.* (安國創業水務有限公司)
“Anhui Company”	Anhui Tianchuang Water Co., Ltd.* (安徽天創水務有限公司)
“Baoying Company”	Baoying Capital Water Co., Ltd.* (寶應創業水務有限責任公司)
“Bayannur Company”	Inner Mongolia Bayannur Capital Water Co., Ltd.* (內蒙古巴彥淖爾創業水務有限責任公司)
“Bohai Chemical”	Tianjin Bohai Chemical Industry (Group) Co., Ltd.* (天津渤海化工(集團)股份有限公司)
“Capital Materials Company”	Tianjin Capital New Materials Co., Ltd.* (天津創業建材有限公司)
“Caring Company”	Tianjin Caring Technology Development Co., Ltd.* (天津凱英科技發展股份有限公司)
“Changsha Tianchuang Environmental Protection”	Changsha Tianchuang Environmental Protection Co., Ltd.* (長沙天創環保有限公司)
“Changsha Tianchuang Water”	Changsha Tianchuang Water Co., Ltd.* (長沙天創水務有限公司)
“Chibi Company”	Chibi Capital Water Co., Ltd.* (赤壁創業水務有限公司)
“Company”	Tianjin Capital Environmental Protection Group Company Limited
“Compro Company”	Gaoyou Compro Environmental Resources Co., Ltd.* (高郵康博環境資源有限公司)
“Dalian Chunliuhe Company”	Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.* (大連東方春柳河水質淨化有限公司)
“Deqing Company”	Deqing Capital Water Co., Ltd.* (德清創業水務有限公司)

I. Definitions

“Dongying Company”	Dongying Tianchi Environmental Technology Co., Ltd.* (東營天馳環保科技 有限公司)
“EDMS”	EDMS (Hong Kong) Limited
“Environmental Investment Company”	Tianjin Environmental Investment Green Engineering Company Limited* (天津 市環投綠化工程有限公司)
“Expressway Group”	Tianjin Expressway Group Limited* (天津高速公路集團有限公司)
“Fuyang Company”	Fuyang Capital Water Co., Ltd.* (阜陽創業水務有限公司)
“GJTC”	Hebei Guojin Tianchuang Sewage Treatment Co., Ltd.* (河北國津天創污水處 理有限責任公司)
“Group”	the Company and its subsidiaries
“Guizhou Company”	Guizhou Capital Water Co., Ltd.* (貴州創業水務有限公司)
“Guokong Jincheng”	Hebei Guokong Jincheng Environmental Control Co., Ltd.* (河北國控津城環 境治理有限責任公司)
“Hangzhou Company”	Hangzhou Tianchuang Capital Water Co., Ltd.* (杭州天創水務有限公司)
“Hanshan Company”	Hanshan Capital Water Co., Ltd.* (含山創業水務有限公司)
“Hanshou Company”	Hanshou Tianchuang Water Co., Ltd.* (漢壽天創水務有限公司)
“Hefei Company”	Hefei Capital Water Co., Ltd.* (合肥創業水務有限公司)
“Hong Kong Company”	Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.* (天津創業 環保(香港)有限公司)
“Honghu Tianchuang Environmental Protection”	Honghu Tianchuang Environmental Protection Co., Ltd.* (洪湖市天創環保有 限公司)

“Honghu Tianchuang Water”	Honghu Tianchuang Water Co., Ltd.* (洪湖市天創水務有限公司)
“Huize Company”	Huize Capital Water Co., Ltd.* (會澤創業水務有限公司)
“Huoqiu Company”	Huoqiu Capital Water Co., Ltd.* (霍邱創業水務有限公司)
“International Machinery Company”	Tianjin International Machinery Co., Ltd.* (天津國際機械有限公司)
“Jiayuanbin”	Tianjin Jiayuanbin Innovative Energy Technology Co., Ltd. (天津佳源濱創新能源科技有限公司)
“Jiayuansheng”	Tianjin Jiayuansheng Innovative Energy Technology Co., Ltd.* (天津佳源盛創新能源科技有限公司)
“Jiayuantian”	Tianjin Jiayuantian Innovative Energy Technology Co., Ltd. (天津佳源天創新能源科技有限公司)
“Jiayuanxin”	Tianjin Jiayuanxin Innovative Energy Technology Co., Ltd.* (天津佳源鑫創新能源科技有限公司)
“Jiayuanxing”	Tianjin Jiayuanxing Innovative Energy Technology Co., Ltd.* (天津佳源興創新能源科技有限公司)
“Jieshou Company”	Jieshou Capital Water Co., Ltd.* (界首市創業水務有限公司)
“Jinghai Company”	Tianjin Jinghai Capital Water Co., Ltd.* (天津靜海創業水務有限公司)
“Jinning Capital Company”	Tianjin Jinning Capital Water Co., Ltd.* (天津津寧創環水務有限公司)
“Jiuquan Company”	Jiuquan Capital Water Co., Ltd.* (酒泉創業水務有限公司)
“Karamay Company”	Karamay Tianchuang Capital Water Co., Ltd.* (克拉瑪依天創水務有限公司)
“Linxia Company”	Linxia Capital Water Co., Ltd.* (臨夏市創業水務有限公司)

I. Definitions

“Qudong Company”	Tianjin Qudong Cultural Media Co., Ltd.* (天津驅動文化傳媒有限公司)
“Qujing Company”	Qujing Capital Water Co., Ltd.* (曲靖創業水務有限公司)
“Railway Fifth Institute”	China Railway Fifth Survey and Design Institute Group Company Limited* (中鐵第五勘察設計院集團有限公司)
“Shandong Company”	Shandong Capital Environmental Protection Technology Co., Ltd.* (山東創業環保科技發展有限公司)
“Shandong Tanchuang Company”	Shandong Tanchuang Environmental Protection Technology Development Co., Ltd.* (山東鄒創環保科技發展有限公司)
“Shibing Company”	Shibinggui Capital Water Co. Ltd.* (施秉貴創水務有限公司)
“Subsidiaries”	Subsidiaries of the Company
“Tianchuang Green Energy”	Tianjin Tianchuang Green Energy Investment Management Co., Ltd.* (天津天創綠能投資管理有限公司)
“Tianjin Haihe”	Tianjin Haihe Construction Development and Investment Co., Ltd.* (天津市海河建設發展投資有限公司)
“Tianjin Investment Group”	Tianjin City Infrastructure Construction and Investment Group Co., Ltd.* (天津城市基礎設施建設投資集團有限公司)
“Tianjin Municipal Institute”	Tianjin Municipal Engineering Design & Research Institute* (天津市政工程設計研究總院有限公司)
“Tianjin Tongsheng Municipal”	Tianjin Tongsheng Municipal Landscape Engineering Project Management Co., Ltd.* (天津通盛市政園林工程項目管理有限公司)
“TLP”	Tianjin Lecheng Properties Co., Ltd.* (天津樂城置業有限公司)
“TMICL”	Tianjin Municipal Investment Co., Ltd.* (天津市政投資有限公司)

“TYCOM”	Tianjin Yuanyicheng Commercial Operation Management Co., Ltd.* (天津元易誠商業運營管理有限公司)
“Water Recycling Company”	Tianjin Water Recycling Co., Ltd.* (天津中水有限公司)
“Wendeng Company”	Wendeng Capital Water Co., Ltd.* (文登創業水務有限公司)
“Wuhan Company”	Wuhan Tianchuang Capital Environmental Protection Co., Ltd.* (武漢天創環保有限公司)
“Xi’an Company”	Xi’an Capital Water Co., Ltd.* (西安創業水務有限公司)
“Xiqing Tianchuang Company”	Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd.* (天津西青天創環保有限公司)
“Yingshang Company”	Yingshang Capital Water Co., Ltd.* (穎上創業水務有限公司)
“Yonghui Company”	Jiangsu Yonghui Resources Utilisation Co., Ltd.* (江蘇永輝資源利用有限公司)

II. Company Profile and Major Financial Indicators

I. INFORMATION OF THE COMPANY

Chinese name of the Company	天津創業環保集團股份有限公司
Abbreviation of the Chinese name of the Company	創業環保
English name of the Company	Tianjin Capital Environmental Protection Group Company Limited
Abbreviation of the English name of the Company	TCEPC
Legal representative of the Company	Mr. Ji Guanglin

II. CONTACT PERSON AND METHOD

	<u>Secretary to the Board</u>	<u>Company Secretary in Hong Kong</u>	<u>Securities Affairs Representative</u>
Name	Mr. Niu Bo	Ms. Mona Y.Y. Cho	Mr. Zhu Fan
Correspondence address	TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, The People's Republic of China (the "PRC")	22/F, Worldwide House, Central, Hong Kong	TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC
Telephone number	86-22-23930128	852-21629620	86-22-23930128
Facsimile number	86-22-23930126	852-25010028	86-22-23930126
Email address	niu_bo@tjcep.com	cosec@tjcep.com	zhu_fan@tjcep.com

III. CHANGES OF BASIC CORPORATE INFORMATION

Registered address	12/F, TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC
Historical changes in the registered address	The address of the Company's registered office changed from 45 Guizhou Road, Heping District, Tianjin, the PRC to 76 Weijin South Road, Nankai District, Tianjin, the PRC in April 2005; The address of the Company's registered office changed from 76 Weijin South Road, Nankai District, Tianjin, the PRC to 12/F, TCEP building, 76 Weijin South Road, Nankai District, Tianjin, the PRC in December 2020.
Office address	TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC
Postal code of the office address	300381
Website	http://www.tjcep.com
Email address	tjcep@tjcep.com

IV. CHANGES OF PLACES WHERE THE COMPANY INFORMATION IS DISCLOSED AND AVAILABLE FOR INSPECTION

Name of the newspaper designated for the disclosure of information	Shanghai Securities News
Website designated by China Securities Regulatory Commission (“CSRC”) for the disclosure of Interim Report	www.sse.com.cn
Place where the Interim Report is available for inspection	Office of the Board of Directors, 18/F, TCEP Building, 76 Weijin South Road, Nankai District, Tianjin, the PRC

V. PROFILE OF THE SHARES OF THE COMPANY

Shares	Stock Exchange for listing of shares	Stock short name	Stock code	Stock short name before its change
A Shares	Shanghai Stock Exchange (the “SSE”)	創業環保	600874	渤海化工
H Shares	The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)	Tianjin Capital	01065	Tianjin Bohai

VI. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

(1) Major accounting data

Unit: 0’000 Currency: RMB

Major accounting data	During the reporting period (from January to June)	During the same period last year	Increase/Decrease for the reporting period as compared to the same period last year (%)
Operating revenue	210,896.6	212,928.9	-0.95
Net profit attributable to the shareholders of the Company	43,784.6	39,636.3	10.47
Net profit attributable to the shareholders of the Company after deduction of extraordinary profit and loss	40,132.2	36,190.3	10.89
Net cash flow from operating activities	71,575.3	32,240.5	122.00

	As at the end of the reporting period	As at the end of last year	Increase/Decrease as at the end of the reporting period as compared to the end of last year (%)
Net assets attributable to the shareholders of the Company	869,434.5	847,947.3	2.53
Total assets	2,374,613.7	2,296,967.4	3.38

II. Company Profile and Major Financial Indicators

(2) Major financial indicators

Currency: RMB

Major financial indicators	During the reporting period (from January to June)	During the same period last year	Increase/ Decrease for the reporting period as compared to the same period last year (%)
Basic earnings per share (RMB/share)	0.28	0.28	0.00
Diluted earnings per share (RMB/share)	0.28	0.28	0.00
Basic earnings per share after deduction of extraordinary profit and loss (RMB/share)	0.26	0.25	4.00
Weighted average return on net assets ratio (%)	5.10	5.49	Decreased by 0.39 percentage points
Weighted average return on net assets ratio after deduction of extraordinary profit and loss (%)	4.67	5.02	Decreased by 0.35 percentage points

VII. DIFFERENCES IN ACCOUNTING INFORMATION UNDER THE DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

Not Applicable

VIII. EXTRAORDINARY PROFIT AND LOSS ITEMS AND AMOUNTS

Unit: 0'000 Currency: RMB

Extraordinary Profit and Loss Item	Amount
Profit/loss from disposal of non-current assets	-1.8
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 policy and settled in certain amount or quantity which are constantly granted by government	3,969.1
Other non-operating income and expenses other than the foregoing items	322.1
Less: Effect of income tax	698.1
Effect of minority interests (after tax)	-61.1
Total	<u>3,652.4</u>

III. Management Discussion and Analysis

I. EXPLANATION OF THE INDUSTRY AND PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

(i) Industries where the company operates

In terms of market space, in May 2023, the Central Committee of the Communist Party of China and the State Council issued the Outline of the National Water Network Construction Plan, in which it is clearly proposed that a number of national water network backbone projects will be constructed by 2025, the construction of the national backbone network will be accelerated, and the water networks in provincial, municipal and county level will be implemented in an orderly manner. By 2035, the overall pattern of the national level will be basically formed, the main skeleton and arteries of the national water network will be gradually completed, and the provincial, municipal and county water networks will be basically improved. As the plan involves water resources, water environment and water ecology, and also emphasises the digitization and intelligent, so that its gradual implementation will bring a certain amount of incremental market space for the development of water environmental protection enterprises.

In terms of market competition, the formation of water affairs groups at local level has accelerated. Since 2020, the trend of grouping and scaling of the local water affair industry has become more and more obvious, and more and more local governments have realised that water and environmental protection is a high-quality asset, and have formed localised large-scale state-owned water groups in the form of wholly-owned or holding companies. Their business usually involves raw water, water supply, water conservation, drainage, sewage treatment and water recycling and other areas, and attach importance to upstream and downstream integration of the industrial chain layout, maximising the synergistic effect of the various businesses of the local water environmental protection enterprises and comprehensive advantages. In the long run, the above trend directly leads to more and more local water and environmental protection groups entering the market and intensifying regional market competition, which in turn brought about spill-over effect on existing water affairs projects.

In terms of business models, asset-light business has received widespread attention. In the greater context of industrial consolidation, the ownership and right of operation of water and environmental protection assets may be separated, and the traditional BOT mode can be transformed and broke down into PC+O mode, similarly including EPC, FEPC+O and other modes, which provide development space for professional light-asset operation, therefore, whether based on the enterprise's own stock of projects or for the development of external entrusted management and operation business, accelerating the development of light-asset business is conducive to easing the pressure of market competition by increasing revenues or tapping profits.

III. Management Discussion and Analysis

In the field of new energy business, photovoltaic power generation continued to maintain rapid growth. 78.423 million kilowatts of new grid-connected capacity were added in the first half of 2023, of which 37.460 million kilowatts were centralised photovoltaic power plants and 40.963 million kilowatts were distributed photovoltaic power plants; and the cumulative grid-connected capacity as at the end of June 2023 was 470.002 million kilowatts, of which 271.774 million kilowatts were centralised photovoltaic power plants and 198.228 million kilowatts were distributed photovoltaic power plants. The promulgation and implementation of the Notice on the Promotion of Renewable Electricity Consumption Through the Full Coverage of Renewable Energy Green Power Certificates (the “Notice”), jointly released by the National Development and Reform Commission, the Ministry of Finance and the National Energy Administration, will provide strong support in the promotion of the full coverage of green certificate issuance and trading, and further lay a solid foundation for the expansion of green electricity supply and the promotion of green electricity consumption; it will effectively enhance the authority and uniqueness of green certificates, and further enhance the credibility of green electricity consumption; it will effectively expand the application of green certificates and the demand for green certificates, and further stimulate the vitality of the green electricity consumption market, which has important practical significance for promoting the green and low-carbon energy transformation, by creating a green consumption environment, accelerating the formation of green production methods and lifestyles, and assisting the overall green and low-carbon development of the economy and society; it will also help the photovoltaic power generation industry to improve marginal income.

In addition, the Ministry of Ecology and Environment, together with the State Administration of Market Regulation, revised the Interim Measures for the Administration of Greenhouse Gas Voluntary Emission Reduction Trading and promulgated and formed the Measures for the Administration of Greenhouse Gas Voluntary Emission Reduction Trading (for Trial Implementation), which stipulates the basic management requirements for greenhouse gas voluntary emission reduction trading and its related activities, and clarifies the rights and responsibilities of each market participant to lay a systematic foundation for the orderly operation of the nation’s greenhouse gas voluntary emission reduction trading market.

In the field of hazardous waste disposal business, the Ministry of Ecology and Environment and the National Development and Reform Commission jointly issued a notice on the Overall Implementation Plan for the Construction of Major Projects on Hazardous Waste (2023-2025) (the “Plan”), which points out that by 2025, through the construction of the national technology centre, 6 regional technology centres and 20 regional disposal centres, the capacity of applied basic research on the prevention and control of ecological and environmental risks of hazardous waste will be enhanced, and utilise disposal technology research and development capabilities and management decision-making technology support capabilities to provide a foundation reinforcement and leading demonstration for the nation-wide utilisation and disposal of hazardous waste, especially that of the special types of hazardous waste.

(ii) Principal business and business model of the Company

During the reporting period, the core businesses of the Company 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 business mainly includes dual-carbon new energy business which mainly comprises new energy cooling and heating and photovoltaic power generation, and solid waste business which mainly comprises sludge disposal and hazardous waste business, in addition, also included is the scientific and technological achievements transformation businesses and asset-light businesses, etc, which are complementary to the basic business in terms of profitability, economic value-added and payback period, and optimise the overall business structure. In respect of profitability, economic added value and payback period, the strategic new business can form a good complement with the principal businesses and optimise the overall business structure.

1. *The situation of principal businesses*

As at the end of the reporting period, the total capacity of the Company's sewage, water supply and recycled water business was approximately 5,678,050 m³ per day, of which the capacity of sewage treatment under the PPP model was approximately 4,943,050 m³ per day, the capacity of the water supply business was 315,000 m³ per day (including tap water and industrial water supply) and the capacity of the recycled water business was 420,000 m³ per day, and the aforesaid projects were distributed in 15 provinces, municipalities and autonomous regions across the country; the capacity of sewage treatment under the entrusted operation model is about 317,600 m³ per day.

The operating model of the sewage treatment and water supply businesses are mainly based on the BOT, TOT and PPP models, and the operating models of the recycled water business, is based on sales revenue from the production and sale of recycled water and revenue from the provision of recycled water pipeline connection engineering services, there is no significant changes as compared with the beginning of the reporting period.

2. *The situation of strategic new business*

- (1) In terms of the dual-carbon new energy business, the total service area of new energy cooling and heating is 3,410,000 m², mainly in BOT model and mainly distributed in Tianjin; the distributed photovoltaic power generation business has a planned annual capacity of 2,921,600 kilowatts, adopting a market-based pricing model to provide power supply services for sewage plants, mainly distributed in Tianjin and Dalian;

III. Management Discussion and Analysis

- (2) In terms of the solid waste business, the Company's hazardous waste business has 4 projects with a total disposal capacity of 181,300 tonnes/year, a storage and transfit project with the capacity of 20,000 tonnes/year, with a comprehensive waste utilisation scale of 73,000 tonnes/year, which adopts the market-based pricing to provide hazardous waste disposal services for the users, and were mainly distributed in Shandong Province and Jiangsu Province; the total capacity of sludge treatment business was 2,810 tonnes/day, which was mainly distributed in Tianjin, Gansu and Zhejiang. Among which, the Jinnan Sludge Disposal Plant is an independent project, the Gansu Jiuquan Project is operated under BOT model while the remaining sludge treatment projects are operated under the entrusted operation model;
- (3) In terms of environmental protection science and technology business, currently it mainly comprises the transformation business of scientific and technological achievements, which specifically, being the promotion of patented technology, consultation services, etc. to the market. The Company has entered into 5 new project contracts amounted to RMB7,474,300 for the first half of the year.

II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Group's core competitiveness is mainly reflected in the following four aspects: (1) our ability to operate in a safe, stable, up-to-standard and efficient manner; (2) our practical, leading, systematic and sustainable research and development capabilities; (3) our professional, dedicated, cooperative and innovative staff team; (4) our corporate reputation of being trustworthy, responsible, standardized and reliable. These four core competitiveness complement one another in which corporate integrity, diligent employees and technology innovation provide an ultimate assurance to customers, thereby resulting in the Company's positive brand influence in entrepreneurial environmental protection.

During the reporting period, the Company further consolidated its strengths and enhanced its overall competitiveness.

In respect of business development, on the basis of consolidation and enhancement of the main business of water services, the Company is actively laying out in new business areas in accordance with the direction of resourcefulness and decarbonisation.

In respect of technology R&D, the Company continued to increase investment in science and technology, focusing on building a digital, intelligent and low-carbon operational system.

In respect of management, control and team building, in line with the national strategy of ecological and environmental management of large areas and large river basins, the Company will optimise the regional layout and strengthen the regional operation and management capacity and business expansion capacity.

In respect of brand building, the Company has been awarded the “Top Ten Influential Enterprises in China’s Water Industry” for 18 consecutive years since 2005 and the “Top 50 Environmentally Friendly Enterprises in China” for five consecutive years since 2018, building up a good corporate image and brand reputation, also, the Company is further promoting the specialised construction of corporate culture.

III. OPERATION DISCUSSION AND ANALYSIS

During the reporting period, the Company adhered to implement reforms, tackle projects, empower digital intelligence, and transformation of technological innovation, in accordance with the 2023 annual business plan and business strategy formulated by the Board of Directors. While deeply cultivating Tianjin and serving Beijing-Tianjin-Hebei area, the Company accelerated business development in key areas across China and promoted the improvement of the national development pattern. Facing the pressure of capital, operation and other aspects transmitted by the economic downturn and the increasingly fierce market competition environment, the Company focused on steadily improving economic efficiency, concentrated on consolidating operation and construction strength, and made active market expansion. Based on optimizing and adjusting the layout and organizational structure of business segments and assisted by the transformation of scientific and technological achievements and digital transformation, the Company strived to accelerate the improvement of its overall strength. During the reporting period, the Company carried out various tasks in an orderly manner and successfully completed various tasks.

- (1) The Company gave full play to operational advantages, guaranteed that each project operating stably and satisfied standards in accordance with the corresponding standards, strictly ensured production and construction safety, and comprehensively secured the safety of operation and construction projects; conducted maintenance of concession agreements for each project to ensure that the project achieved the expected income level; through centralized procurement and other methods, the Company reasonably controlled operating costs; while keeping basic operation management, the Company continued to build a large operation management system, carried out the construction of a smart water standard system, explored the formation of a full-business production cost quota, and improved the full-business operation standards.
- (2) According to the strategic positioning and layout, the Company reorganised the ideas of market expansion, reshaped the business system of market expansion, fully combined the existing business distribution and future overall business planning, established a development plan with guidance and clear goals, and actively promoted the project to implement. In the first half of the year, the projects in the southern suburbs of Karamay and En’shi city, Hubei Province were launched, with an additional investment of RMB1.42 billion and an additional sewage treatment capacity of 200,000 m³ per day; awarded the “Water Supply Safeguard Project under the Utilisation of Reclaimed Water and Comprehensive River Ecology Restoration Project in Jinnan District”, with a daily water supply of approximately 200,000 m³, marking one of the boldest attempts by the Company in the comprehensive utilization of water resources.

III. Management Discussion and Analysis

- (3) Based on the overall logic of strategic management and control, the Company improved the headquarters, adjusted the functional settings of the departments, enhanced the professional management and control capabilities and levels of the various departments of headquarters, and firmed up the business implementation functions; effectively strengthened the business functions and profit center positioning of regional companies, and strengthened business units; simplified business entities, optimized project quality, and improved operational efficiency. Based on the principle of large river basins and large regions, the Company established a layout with five regional companies as the core; at the same time, the Company integrated the business layout, with water treatment and water resources utilization as “one body”, and double carbon and new energy and sludge treatment and solid waste recycling as “two wings”, to build a business structure of “one body and two wings”.
- (4) The Company focused on the strategic layout of “5+3+2”, on the basis of optimizing the five major regions and realizing three professional affiliated companies, reconstructed the technology innovation system, and set up a technology product center to undertake the three major functions including technological solution output, technological research and development and commercialization; Tianjin Tianchuang Environmental Technology Co., Ltd.* (天津天創環境技術有限公司) was registered and established to open up the Group’s domestic circulation system in terms of operation, construction, technical services, etc., made up for the shortcomings of the industrial chain, and formed a professional platform for asset-light operation.
- (5) The Company further promoted the construction of a digital and intelligent operation system, took the technology product center as the main body, focusing on pollution reduction, energy saving and emission reduction and quality improvement, and facilitated the implementation and promotion of scientific research projects, promoted the formation of process packages and product packages with independent intellectual property rights, and improved the transformation speed and efficiency of scientific and technological achievements. During the reporting period, the Company organized to apply for 9 quality research problem-solving projects to Tianjin Municipal Bureau of Quality Supervision, won 3 awards including low-carbon and zero-carbon application scenario cases granted by the Municipal Development and Reform Commission, and obtained 20 authorised patents.

Under the guidance of the above strategies, during the reporting period, the various businesses of the Company operated steadily and recorded operating revenue of RMB2,108.966 million, representing a decrease of 0.95% as compared to that in the same period last year. The slight decrease in revenue was mainly because the fact that the amount of PPP projects under construction in the current period was lower than that in the same period last year, therefore, the construction income decreased compared to that in the same period last year. After excluding the impact of construction income, the Company's income from sewage treatment, recycled water and recycled water supporting projects business was higher than that in the same period last year. The net profit attributable to the Company was RMB437.846 million, representing an increase of 10.47% as compared to that in the same period last year. The performance contribution was mainly from the sewage treatment, recycled water treatment business, tap water supply, new energy cooling and heating and other businesses; among which, the sewage treatment business realized income of RMB1,573.511 million, representing an increase of 1.64% as compared to that in the same period last year; the recycled water business recorded revenue of RMB197.208 million, representing an increase of 9.04% as compared to that in the same period last year. Tap water supply business recorded revenue of RMB59.136 million, representing a decrease of 0.25% as compared to that in the same period last year; new energy cooling and heating business recorded revenue of RMB74.748 million, representing a decrease of 42.59% as compared to that in the same period last year, mainly because the construction income was lower than that in the same period last year.

Significant changes in the Company's operations during the reporting period, as well as matters that have a significant impact on the Company's operations subsequent to the reporting period and matters that are expected to have a significant impact on the Company's operations in the future

Not Applicable

III. Management Discussion and Analysis

IV. THE PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

(1) Analysis of the principal businesses

1 Analysis of changes in relevant items in financial statements

Unit: 0'000 Currency: RMB

Item	Amount for the current period	Amount for the same period of last year	Percentage change (%)
Operating revenue	210,896.6	212,928.9	-0.95
Operating costs	132,289.4	141,562.1	-6.55
Selling expenses	1,118.4	1,271.8	-12.06
Administrative expenses	9,675.6	9,031.3	7.13
Finance costs	11,898.7	11,145.7	6.76
Research and development expenses	1,157.5	655.0	76.72
Net cash flows from operating activities	71,575.3	32,240.5	122.00
Net cash flows from investing activities	-107,342.2	-33,511.3	-220.32
Net cash flows from financing activities	16,925.3	-4,426.8	482.34
Credit impairment losses	-187.8	-833.1	77.46
Non-operating income	541.6	13.5	3,911.85
Non-operating expenses	221.3	84.7	161.28

Reasons for the change in operating revenue: Since the amount of PPP projects under construction in the current period was lower than that in the same period last year, the construction revenue decreased compared with the same period last year. Excluding the impact of construction revenue, the company's revenue from sewage treatment, reclaimed water treatment and reclaimed water supporting projects was higher compared with the same period last year.

Reasons for the change in operating costs: the main reason is that the construction volume of PPP projects under construction is low than that in the same period last year, the construction service cost confirmed by the Company in current period decreased as compared with the same period last year.

Reasons for the change in selling expenses: the main reason is that the selling expenses of hazardous wastes business is lower compared with the same period last year.

Reasons for the change in administrative expenses: mainly due to the slight increase in personnel expenses and board secretary expenses during the current period.

Reasons for the change in finance costs: mainly due to the increase in the amount of debt financing compared with last year, the interest expenses for the current period increased compared with the same period last year.

Reasons for the change in research and development expenses: mainly due to the increase in R&D investment, personnel expenses, technological development fee and material costs in this current period.

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

Reasons for the change in net cash flow generated from investing activities: main reason is that the acquisition of Jinnan Sludge Plant, the payment of the concession project price of the sewage treatment plant in the southern suburbs of Karamay, and the payment of the first transfer of the concession of the Enshi Dasha Dam project, etc., the investment expenditure was higher than the same period last year.

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

Reasons for the change in credit impairment losses: the main reason is due to credit impairment loss due from Qudong Company, which is in insolvency proceedings, during the same period last year. There are no such matter during the current period.

Reasons for the change in non-operating income: the main reason is that the receipt of the transaction deposit for the eastern suburbs relocation project from Tianjin Property Rights Trading Center during the current period, and there was no such matter in the same period last year.

Reasons for the change in non-operating expenses: the main reason is that the current donation expenditure was higher than that of the same period last year.

III. Management Discussion and Analysis

2 Details of material changes in the business type, profits composition or profits sources of the Company in the current period

Not Applicable

(I) Major changes in profits caused by the non-principal business

Not Applicable

(II) Analysis of assets and liabilities

1. Analysis of 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 (%)	Explanation
Other receivables	2,151.4	0.09	1,621.2	0.07	32.70	Mainly due to the increase in deposits receivable.
Fixed assets	134,174.0	5.65	91,134.7	3.97	47.23	Mainly due to the acquisition of Jinnan sludge plant assets during the current period.
Right-of-use assets	459.2	0.02	824.7	0.04	-44.32	Mainly due to the amortization of right-to-use assets during the current period.
Short-term borrowings	253.2	0.01	100.1	0.004	152.95	Mainly due to the addition of short-term loans by the subsidiaries during the current period.
Accrued payroll	2,702.1	0.11	9,304.6	0.41	-70.96	Mainly due to the payment of the annual bonus provided at the end of 2022 during the current period.
Other current liabilities	99.0	0.004	49.0	0.002	102.04	Mainly due to the addition of loans payable to minority shareholders by the subsidiaries during the current period.

Other Explanations

Nil

2. Details of overseas assets

Not Applicable

3. Details of significant restricted assets as at the end of the reporting period

For details, please refer to note (1) cash at bank and on hand, note (7) long-term receivables and current portion of non-current assets, note (11) fixed assets, note (12) construction in progress and note (14) intangible assets in 4. Notes to the Consolidated Financial Statements in “Section IX. Financial Reports” of this report.

4. Other Explanations

Not Applicable

III. Management Discussion and Analysis

(IV) 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, mainly including establishment of project companies, increase in capital contribution to project companies and acquisition of assets.

(1). Major equity investment

1. On 11 May 2022, the Board agreed to inject RMB20.91 million into Linxia Company for the implementation of second series expansion project of the Linxia City Sewage Treatment Plant PPP project Phase 2. The registered capital of Linxia Company will increase from RMB45.00 million to RMB65.91 million after completing the injection. During the reporting period, such capital injection has been completed.
2. On 30 September 2022, the Board of the Company agreed on the injection of capital by Jiayuanxing to Jiayuanxin for the implementation of an outbound distributed photovoltaic power generation project. The Board of the Company approved the cancellation the project on 10 July 2023 due to the adjustment of Shandong's electricity price policy. During the reporting period, the capital injection was not completed and the project was cancelled.
3. In accordance with the specific requirements of the Tianjin Municipal State-owned Assets Supervision and Administration Commission 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 of the Company approved the deregistration of EDMS. During the reporting period, the deregistration of EDMS has been completed.
4. On 21 December 2022, the Board of the Company approved the capital injection to Jiayuanxing for the purpose of capital injection of Jiayuansheng, to implement the project of the franchised operation project of the Tianjin Houtai Scenic Spot 2# Energy Station. The adjusted total investment of the project is RMB183.4802 million, of which the RMB54 million capital will be settled by existing registered capital of Jiayuansheng of RMB33 million as well as shareholders' capital injection. The Company proposed to inject RMB21 million of capital to Jiayuanxing for capital increase of Jiayuansheng. During the reporting period, such capital increase was completed.

5. 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 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% : 12.999%, respectively; the capital injection has been completed during the reporting period.
6. On 24 March 2023, the Board of the Company agreed to establish Karamay Company for the implementation of the franchising project of Karamay Nanjiao Sewage Treatment Plant. The registered capital was RMB113.8732 million, which was 100% funded by the Company. The capital injection was completed during the reporting period.
7. On 7 April 2023, the Board of the Company approved the establishment of Anyang Capital Chengfa Water Co., Ltd. for the implementation of Anyang Municipal Sewage Treatment Centre (Phase I) project. The registered capital is RMB20 million, of which RMB11.8 million was contributed by the Company in cash, representing a shareholding of 59.0%; RMB8 million was contributed by Anyang Urban Development Investment Co. Ltd. in cash, representing a shareholding of 40.0%; and RMB0.2 million was contributed by China Railway Tenth Bureau Group Co., Ltd. in cash, representing a shareholding of 1%. During the reporting period, the project company had not been established and the capital injection had not been completed.
8. On 23 May 2023, the Board of the Company approved the establishment of Enshi City Capital Water Co., Ltd. for the implementation of the franchising project of Enshi Dashaba Phase I and Phase II (Tanjiaba) Sewage Treatment Plant and Supporting Pipeline Network Project. The registered capital was RMB170.8609 million, of which the Company contributed RMB162.317855 million in cash, representing a shareholding of 95%; Wuhan Municipal Construction Group Co., Ltd. contributed RMB8.543045 million in cash, representing a shareholding of 5%. During the reporting period, the capital injection was completed.

III. Management Discussion and Analysis

9. On 23 May 2023, the Board of the Company approved that Honghu Tianchuang Environmental Protection shall make changes and adjustments to the scope of implementation and the investment plan of PPP Project (Phase II) for the Construction, Upgrading and Ancillary Pipe Networking of the Rural Sewage Treatment Plants in Honghu City in accordance with the relevant requirements of the City Government and the Housing and Urban-Rural Development Bureau of Honghu City. The estimated total investment of the adjusted project was 148.3199 million. After adjustment, the registered capital of the project company was reduced from RMB60 million to RMB30 million. During the reporting period, the adjustment of the investment programme of the project has been completed and filed with the higher level state-owned assets management unit, and the capital reduction is not yet completed.
10. On 14 June 2023, the Board of the Company approved the establishment of Tianjin Tianchuang Environmental Technology Co., Ltd. to carry out asset-light business, with a registered capital of RMB20 million and an initial registered capital contribution of RMB7 million. During the reporting period, the initial capital contribution was not completed.

(2). Major non-equity investment

On 21 December 2022, the Board approved the acquisition of the assets of Jinnan Sludge Disposal Plant owned by Tianjin Investment Group. The Company intended to acquire the assets at a cash consideration of RMB471,825,900. The aforesaid acquisition has been considered and approved at the first extraordinary general meeting of 2023 of the Company. As at the end of the reporting period, the Company had paid RMB424,643,310 for the acquisition of such assets in accordance with the “Conditionally Effective Asset Transfer Agreement in respect of Jinnan Sludge Disposal Plant”, with RMB47,182,590 remained outstanding. For details, please refer to the “Announcement on the Related Party Transaction in Relation to the Acquisition of Assets of Jinnan Sludge Disposal Plant”, the “Announcement on Resolutions of the First Extraordinary General Meeting of 2023” and the “Announcement on the Progress of the Acquisition of the Assets of Jinnan Sludge Disposal Plant” disclosed on the website of SSE and the website of the Stock Exchange by the Company on 22 December 2022, 2 March 2023 and 18 March 2023, respectively.

(3). Financial assets measured by fair value

Not Applicable

(V) Disposal of major assets and equity interest

Not Applicable

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

Unit: 0'000 Currency: RMB

Subsidiary	Principal Place of Business	Major Products or Services	Registered Capital	Type of Legal Person	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%	143,604.87	46,843.30	7,580.50
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%	80,688.25	72,286.33	2,882.63
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%	102,210.50	66,707.29	3,205.19
Jiayuanxing	Tianjin	Development, consulting, service, and transfer of energy conservation and new energy technologies; and property management services	21,295.05	Limited company	100%	70,916.74	39,978.37	1,008.19
Caring Company	Tianjin	Environmental engineering management and technical advice etc	3,333.3333	Stock Limited Company	60%	18,326.65	13,176.72	608.35
Bayannur Company	Bayannur, Inner Mongolia	Sewage treatment, production and sales of recycled water, supply of tap water.	106,757.79	Limited company	70%	112,621.72	109,392.48	702.32
Shandong Company	Shandong	Solid waste and hazardous waste treatment and disposal	8,200	Limited company	55%	32,857.31	13,334.58	-635.69
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%	152,416.75	75,204.26	3,741.89

III. Management Discussion and Analysis

Water Recycling Company recognised the revenue of RMB188.2460 million from its principal operations and an operating profit of RMB99.5424 million in the first half of 2023.

Hangzhou Company recognised the revenue of RMB130.2587 million from its principal operations and an operating profit of RMB51.3697 million in the first half of 2023.

(VII) Structured entities controlled by the company

Not applicable

V. OTHER DISCLOSURE

(I) Possible risks

1. Possible risks

(1) Risk of government credit

Given the quasi-operational characteristics of sewage treatment projects, the capital source of sewage treatment service fees comes mainly from the dedicated account of sewage-treatment fee charged by the government through the sales of tap water while the shortage will be supplemented by the local governments. Most of the PPP package projects currently promoted included the investment and construction of infrastructures such as pipeline networks with huge investments from social capital sources, the investment return relies on the payment of sewage treatment service fees from the government. Therefore, the exclusiveness of capital source highlights 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 depend on the fiscal revenue of the government and the level of its credibility. In case the risk related to government credibility occurs, the project companies will face cash flow problems, which may generate capital risks such as financial risks and financing risks.

(2) Risk of change in policy

Currently, the PRC is at the stage of long-term comprehensive in-depth reform. In the future, there will be transformative changes in policies related to economy, finance, prices, financial taxation and government functions, etc. The policy changes in commodity prices and taxes will directly influence the adjustment of water price. Moreover, although the business such as hazardous waste treatment takes enterprises as its service targets, it may also be affected by regional industrial policies, i.e. regional industrial upgrading and cross-regional industrial transfer may lead to changes in the quantity of hazardous waste generated in the region. As a social investor, the risk of policy changes would be a key concern. In addition, after the end of the licensed operation period, whether it is possible to continue to obtain the right to operate the project will also constitute a potential risk.

III. Management Discussion and Analysis

(3) Risk of operation and management

The ever-rising environmental governance requirements of the state will gradually spur the increase of the demands for upgrading sewage treatment plants in order to meet the new standards. In this context, on the one hand, the sewage treatment plant is facing the risk of transformation and operation, and on the other hand, the enterprise is also facing the risk of the adjustment of the original franchising agreement.

2. Risk control measures

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

Strengthen the concept of corporate governance in accordance with the law and protects its lawful interests by making full utilization of the general legal counsel system. Meanwhile, the Company calls for the further assurance of equality of the contracting parties under the licensed operation and PPP projects, tightens up the performance assessment and profit distribution mechanisms, bringing the government obligations to pay according to contracts and the rights for investors to get reasonable returns into legal protection, so as to reduce the risk related to government credibility and the financial risk of the investors.

(2) Strengthen comprehensive risk management

Determine the target for comprehensive risk management; establish institution for comprehensive risk management; strengthen the investigation and forecast of different types of policy risks; analyse, assess and deal with possible potential risks in different business links; improve the risk management system and establish a sound and comprehensive risk management system for the Company; improve its timing and efficiency of the comprehensive risk management of the Company; conduct the dynamic management and effective control over risks so as to reasonably ensure the achievement of the Company's strategic targets. Moreover, from the strategic level, promoting the structural transformation of enterprises is in fact a fundamental strategy to reduce operation risks.

(3) *Continue to raise the standards of operation management*

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

IV. Corporate Governance

I. SHAREHOLDERS' GENERAL MEETINGS

Session of meeting	Date of meeting	Date of disclosure of the resolutions	Resolutions
2023 First Extraordinary General Meeting	1 March 2023	2 March 2023	To consider and approve: <ol style="list-style-type: none">the resolution in relation to the Company to be assigned the assets of the Jinnan Sludge Disposal Plant Project;the resolution in relation to the increase of registered capital of the Company and amendments to the Articles of Association.
2022 Annual General Meeting	1 June 2023	2 June 2023	To consider and approve “The resolution in relation to the consideration and approval of the 2022 annual report of the Company and the summary of the report announced within the PRC and overseas”, “The resolution in relation to the consideration and approval of the working report of the board of directors of the Company for the year 2022 and the operating strategy of the Company for the year 2023”, “The resolution in relation to the consideration and approval of the final financial accounts of the Company for the year 2022 and the financial budget for the year 2023”, “The resolution in relation to the consideration and approval of the proposal in respect of the profit appropriation plan of the Company for the year 2022”, “The resolution in relation to the consideration and approval of the working report of the supervisory committee of the Company for the year 2022”, “The resolution in relation to the consideration and approval of the working report of independent non-executive Directors of the Company for the year 2022”, “The resolution in relation to the consideration and approval of the proposal in relation to the re-appointment of PricewaterhouseCoopers Zhong Tian LLP as the external auditor of the Company, and to authorize the Board to decide its remuneration”, “The resolution in relation to the election of Ms. Liu Fei as an independent director of the ninth session of the Board of the Company”, “The Resolution in relation to the determination of the remuneration of Ms. Liu Fei as an independent Director”, “The resolution in relation to the consideration and approval of the provision of additional Guarantees by the Company for the loan of its Subsidiaries not exceeding the total amount of RMB4,372,440,000 and the matters relating to the authorization to the Board of the Company”.

II. CHANGES IN DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Changes
Nie Yanhong	General Accountant	Engaged
Liu Fei	Independent Non-executive Director	Elected
Jing Wanying	General Accountant	Departed
Tian Liang	Independent Non-executive Director	Departed
Lu Hongyan	General Counsel	Departed

Information on Changes in Directors, Supervisors and Senior Management of the Company

Ms. Jing Wanying, the general accountant of the Company, resigned from her position as general accountant on 1 March 2023 due to job transfer. In order to fill the management vacancy arising from the resignation of Ms. Jing Wanying, the Board of Directors of the Company agreed to appoint Ms. Nie Yanhong as the general accountant of the Company for a term commencing from 1 March 2023 until the expiry of the term of Ninth Session of the Board.

Mr. Tian Liang, an independent non-executive Director, resigned as an independent non-executive Director of the Company and the positions of member of the Audit Committee, member of the Nomination Committee and member of the Remuneration and Evaluation Committee of the Board that he held on 27 March 2023 due to personal development reasons. At the 2022 annual general meeting of the Company held on 1 June 2023, Ms. Liu Fei was elected as an independent non-executive Director and member of the relevant professional committees of the Company, to succeed Mr. Tian Liang, with a term of office commencing from 1 June 2023 to the expiry of the term of Ninth Session of the Board.

Ms. Lu Hongyan ceased to act as the general counsel of the Company with effect from 25 April 2023 due to work adjustment.

III. PROPOSAL ON PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND

Profit distribution or transfer of capital reserve fund into share capital plans proposed in the interim period

Whether distribution or transfer is to be carried out

No

IV. THE COMPANY'S SHARE OPTION INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN, OR OTHER EMPLOYEE INCENTIVE SCHEMES AND THEIR EFFECTS

Matters related to the 2020 A share option incentive scheme (“Share Option Incentive Scheme”) were considered and approved by the shareholders of the Company at 38th meeting of the eighth session of the Board of the Company held on 27 November 2020 and the 2020 second extraordinary general meeting, 2020 second A shareholder’s class meeting and 2020 second H shareholder’s class meeting of the Company held on 23 December 2020.

For details of the Share Option Incentive Scheme, please refer to the relevant announcements and overseas regulatory announcements published on the website of Stock Exchange on 27 November 2020, 23 December 2020, 21 January 2021, 29 January 2021, 21 December 2021, 25 January 2022, 22 February 2023, 25 May 2023 and 29 June 2023, and the relevant circular published on the website of the Stock Exchange on 8 December 2020.

IV. Corporate Governance

(1) Purpose of the Implementation of the Share Option Incentive Scheme

In order to further improve the corporate governance structure of the Company, promote the establishment and improvement of the incentive and constraints mechanism, fully mobilize the initiative, responsibility and sense of mission of the Directors, senior management, other members of the leadership team, the core management staff, core technical personnel, and business backbone staff of the Company and its holding subsidiaries, effectively align the interests of shareholders, the Company and the operators, and attract common attention and joint efforts to the long-term development of the Company, the Share Option Incentive Scheme is formulated in accordance with the relevant provisions of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Trial Measures on Implementation of Share Incentive Schemes by State-Owned Listed Companies (Domestic) (Guo Zi Fa Fen Pei [2006] No. 175)*《國有控股上市公司(境內)實施股權激勵試行辦法》(國資發分配[2006]175號), the Notice on Issues concerning Regulating the Implementation of the Share Incentive Schemes by State-Owned Listed Companies (Guo Zi Fa Fen Pei [2008] No. 171)*《關於規範國有控股上市公司實施股權激勵制度有關問題的通知》(國資發分配[2008]171號) and the Administrative Measures on Share Incentives of Listed Companies*《上市公司股權激勵管理辦法》, and based on the current compensation system, performance appraisal system and other management systems implemented in the Company.

(2) Determination and Distribution on Participants under Share Option Incentive Scheme

As at the end of the reporting period, there are no more than 157 Participants for the Share Option Incentive Scheme, including the Directors, senior management (excluding the independent non-executive Directors, external Directors and supervisors), other members of the leadership team and core technology, management, business and skill backbones of the Company.

The Participants of the Share Option Incentive Scheme do not include supervisors, independent non-executive Directors, and shareholders or actual controllers who hold more than 5% of the Company's issued shares (including A Shares and H Shares) individually or in aggregate, as well as their spouses, parents and children.

As for each of the Directors and the aggregate figures for employees of the Company, the information regarding the outstanding options as at the beginning and the end of the reporting period (including the number of options, date of grant, validity period, exercise period and exercise price, as well as the number of options lapsed during the reporting period pursuant to the terms of the scheme) are set out as follows:

Class of Grantees	Name of Grantees	Outstanding as of		Validity Period	Exercise Period	Exercise Price (RMB) (Note 3)	Outstanding as of 30 June 2023	Exercised during the period	Cancelled during the period	Lapsed during the period
		31 December 2022	Date of Grant							
Directors	Li Yang	250,000	21 January 2021	(Note 1)	(Note 2)	6.58	250,000	0	0	0
	Jing Wanying	250,000	21 December 2021			6.98	250,000	0	0	0
	Peng Yilin (Note 4)	250,000	21 January 2021			6.58	0	0	250,000	0
									(Note 5)	
	Liu Yujun (Note 6)	300,000	21 January 2021			6.58	0	0	300,000	0
									(Note 7)	
	Wang Jing (Note 6)	250,000	21 January 2021			6.58	0	0	250,000	0
									(Note 8)	
Employees (in aggregate)		11,120,000	21 January 2021			6.58	9,504,500	0	1,365,500	0
									(Note 9)	
		1,098,000	21 December 2021			6.98	1,098,000	0	0	0

- Note 1: Please refer to (8) Validity Period under this section.
- Note 2: Please refer to (6) Exercise Period and Exercise Date under this section.
- Note 3: Please refer to (7) The Exercise Price and Determination Method under this section.
- Note 4: With effect from 19 November 2021, Ms. Peng Yilin resigned as the chief accountant of the Company. With effect from 8 September 2022, Ms. Peng Yilin was appointed as a non-executive director of the Company. Please refer to the relevant announcements and circulars of the Company dated 19 November 2021, 19 August 2022 and 8 September 2022 published on the website of the Stock Exchange for details of the above.
- Note 5: On 22 February 2023, the 15 original Participants under the Share Option Incentive Scheme have terminated their labour relations with the Company, had their positions adjusted or are not working in the Company system due to normal designations, and therefore no longer meet the grant conditions, the 2,165,500 Share Options that were granted to them but have not yet been exercised were cancelled by the Company, including 250,000 share options held by Ms. Peng Yilin. For details, please refer to the relevant announcements and overseas regulatory announcements published on the website of the Stock Exchange on 22 February 2023.
- Note 6: With effect from 8 September 2022, Mr. Liu Yujun and Ms. Wang Jing retired as directors. For details, please refer to the relevant announcements published on the website of the Stock Exchange on 19 August 2022 and 8 September 2022.
- Note 7: On 22 February 2023, the 15 original Participants under the Share Option Incentive Scheme have terminated their labour relations with the Company, had their positions adjusted or are not working in the Company system due to normal designations, and therefore no longer meet the grant conditions, the 2,165,500 Share Options that were granted to them but have not yet been exercised were cancelled by the Company, including 300,000 share options held by Mr. Liu Yujun. For details, please refer to the relevant announcements and overseas regulatory announcements published on the website of the Stock Exchange on 22 February 2023.
- Note 8: On 22 February 2023, the 15 original Participants under the Share Option Incentive Scheme have terminated their labour relations with the Company, had their positions adjusted or are not working in the Company system due to normal designations, and therefore no longer meet the grant conditions, the 2,165,500 Share Options that were granted to them but have not yet been exercised were cancelled by the Company, including 250,000 share options held by Ms. Wang Jing. For details, please refer to the relevant announcements and overseas regulatory announcements published on the website of the Stock Exchange on 22 February 2023.
- Note 9: On 22 February 2023, the 15 original Participants under the Share Option Incentive Scheme have terminated their labour relations with the Company, had their positions adjusted or are not working in the Company system due to normal designations, and therefore no longer meet the grant conditions, the 2,165,500 Share Options that were granted to them but have not yet been exercised were cancelled by the Company, including 1,615,500 share options held by 13 employees (comprising 250,000 share options held by Ms. Peng Yilin, who resigned as the chief accountant of the Company with effect from 19 November 2021, and 1,365,500 share options held by 12 other employees). For details, please refer to the relevant announcements and overseas regulatory announcements published on the website of the Stock Exchange on 22 February 2023.

On 22 February 2023, in view of the fact that 15 original Participants under the Share Option Incentive Scheme had terminated their labour relationship with the Company, had their positions adjusted or are no longer working in the Company system due to normal designations, the Board of the Company considered and approved the cancellation of 2,165,500 share options granted to these original Participants but have not yet exercised. The number of Participants who have been granted share options for the first time was reduced from 155 to 140. For details, please refer to the relevant announcement and overseas regulatory announcement of the Company published on the website of the Stock Exchange on 22 February 2023.

IV. Corporate Governance

(3) Number of Share Options Proposed to be Granted under the Share Option Incentive Scheme

From the beginning to the end of the reporting period, the number of A share options proposed to be granted under the Share Option Incentive Scheme is 14,270,000 and the corresponding number of underlying shares is 14,270,000 A shares, representing not more than 1.0% of the Company's total issued share capital of 1,570,418,085 Shares as at the end of the reporting period; where 12,170,000 options will be granted for the first time (the "Share Options Granted for the First Time") representing approximately 0.77% of the total issued capital (i.e. 1,570,418,085 Shares) of the Company as at the end of the reporting period, and approximately 85.28% of the total number of the current share options granted; and 2,100,000 options will be reserved (the "Reserved Share Options"), representing approximately 0.13% of the total issued capital (i.e. 1,570,418,085 Shares) of the Company as at the end of the reporting period, and 14.72% of the total number of the current share options granted.

The number of Shares that may be issued as a result of A share options to be granted under the Share Option Incentive Scheme during the half year ended 30 June 2023 (i.e. 14,270,000 Shares) divided by the weighted average number of Shares in issue during the half year ended 30 June 2023 (i.e. 1,570,418,085 Shares) is 0.9087%. The total number of shares available for issue under the Share Option Incentive Scheme is 14,270,000 Shares, which represents approximately 0.9087% of the issued Shares as at the date of this report.

The nature of the underlying shares is A ordinary Shares in RMB. The source of the underlying shares is issuance of new shares by the Company to the Participants. The cumulative number of the underlying shares of the Company involved in the Share Option Incentive Scheme during the Validity Period shall not exceed 10.00% of the total issued share capital of the Company as at the end of reporting period and the date on which the Share Option Incentive Scheme is approved by the shareholders.

On 21 January 2021, the grant conditions under the Share Option Incentive Scheme were fulfilled. The Board approved the grant of an aggregate of 12,170,000 share options (the "First Grant") to 155 Participants who have fulfilled the grant conditions pursuant to the authorization by the Shareholders. The closing price of the A shares of the Company immediately before the date of the First Grant is RMB6.28 per A share. On 29 January 2021, the Company completed the registration of the First Grant under the Share Option Incentive Scheme.

On 21 December 2021, the reserved grant conditions under the Share Option Incentive Scheme were fulfilled. The Board approved the grant of an aggregate of 1,348,000 share options (the "Reserved Grant") to 17 Participants who have fulfilled the grant conditions pursuant to the authorization by the Shareholders. The closing price of the A shares of the Company immediately before the date of the Reserved Grant is RMB6.96 per A share. On 24 January 2022, the Company completed the registration of the Reserved Grant under the Share Option Incentive Scheme.

(4) **Maximum number granted for each participant**

During the Validity Period, none of the Participants of the Share Option Incentive Scheme shall be and has been granted more than 1.00% of the total issued share capital of the Company as at the date on which the Share Option Incentive Scheme is approved by the shareholders and the end of reporting period through the Share Option Incentive Scheme.

(5) **Vesting Period**

The Vesting Period is the interval between the date of grant and the first exercise date. The Vesting Period of the share options granted to the Participants under the Share Option Incentive Scheme is 24 months, and the exercise of options is not allowed during the Vesting Period.

(6) **Exercise Period and Exercise Date**

The participants of the Share Option Incentive Scheme shall not exercise the share options until the expiration of the Vesting Period. The exercise date must be a trading day within the Validity Period of the Share Option Incentive Scheme, provided that exercise is not allowed in the following periods:

- (i) the period from the date of 30 days prior to the announcements of the periodic reports of the Company to 2 trading days after such announcement, provided that if the announcement date of the periodic report is delayed due to special reasons, it shall be calculated from 30 days prior to the pre-determined announcement date;
- (ii) the period from the date of 10 days prior to the announcement of the results forecast and preliminary results of the Company to 2 trading days after such announcement;
- (iii) the period from the date of the major transaction or major event decision process to 2 trading days after the announcement of the event;
- (iv) the period from the date of occurrence of other material events that may affect the stock price to 2 trading days after the announcement.

The aforementioned “major transaction”, “major event” and “material events that may affect the stock price” are transaction or other major event that should be disclosed by the Company in accordance with the listing rules of the SSE.

IV. Corporate Governance

During the exercise period, if the exercise conditions stipulated in the Share Option Incentive Scheme are met, the Participants shall exercise the options in three phases in the next 36 months after the expiration of 24 months from the date of grant (including the Share Options Granted for the First Time and Reserved Share Options). The exercise arrangement is as follows:

Exercise period	Exercise time	Percentage of exercise
First exercise period	From the first trading day after 24 months has passed since the date of grant to the last trading day within 36 months from the date of grant	1/3
Second exercise period	From the first trading day after 36 months has passed since the date of grant to the last trading day within 48 months from the date of grant	1/3
Third exercise period	From the first trading day after 48 months has passed since the date of grant to the last trading day within 60 months from the date of grant	1/3

The Participants must exercise within the exercise period. Where the exercise conditions cannot be fulfilled, the current share options shall not be exercised. Where the exercise conditions are fulfilled, such part of the share options that are not fully exercised during the aforementioned exercise period will be cancelled by the Company.

On 22 February 2023, the Board announced that the exercise conditions for the first exercise period of the 140 Participants had been satisfied. According to the exercise arrangement of the Share Option Incentive Scheme, the number of share options exercisable in the first exercise period represents 1/3 of the number of share options granted, i.e. the total number of share options exercisable by the 140 Participants of the Company in the first exercise period is 3,334,792. The exercise period shall commence from the completion of the independent exercise approval procedures of the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to the expiry date of the first exercise period on 20 January 2024.

(7) The Exercise Price and Determination Method

As disclosed in the Company's announcement dated 27 November 2020 and the circular dated 8 December 2020, as at the date of the announcement on the Share Option Incentive Scheme, the exercise price of the Share Options Granted for the First Time and the Reserved Share Options under the Share Option Incentive Scheme was fixed at RMB6.98 per share, that is, each share option granted to the Participant carries the right to purchase one A Share of the Company at RMB6.98 during the Validity Period, subject to the fulfillment of the exercise conditions.

The exercise price of share options granted under the Share Option Incentive Scheme shall not be lower than the par value of A Share and shall not be lower than the higher of:

- (i) The average trading price of the A shares of the Company on the trading day immediately before the date of the announcement on the Share Option Incentive Scheme on 27 November 2020, being approximately RMB6.98 per A share;

- (ii) The average trading price of the A shares of the Company for the 20 trading days immediately before the date of the announcement on the Share Option Incentive Scheme on 27 November 2020, being approximately RMB6.98 per A share.

The method for determining the exercise price of Reserved Share Options is consistent with the method for determining the exercise price of the Share Options Granted for the First Time.

During the period from the date of the announcement on the Share Option Incentive Scheme to the completion of the exercise of share options by the Participants, the exercise price of the share options shall be adjusted accordingly in the event of any capitalisation issue, bonus issue, share subdivision or share consolidation, rights issue, issuance of new shares, dividend distribution, etc.

In view of the completion of the Company's profit distribution plan for the year 2020, a cash dividend of RMB0.12 (including tax) per share was paid based on the total share capital of the Company of 1,427,228,430 shares, resulting in a total cash dividend of RMB171,267,411.60, and in view of the completion of the implementation of the Company's profit distribution plan for the year 2021, a cash dividend of RMB0.146 (including tax) per share was paid based on the total share capital of the Company of 1,427,228,430 shares, resulting in a total cash dividend pay-out of RMB208,375,350.78. On 22 February 2023, the Board considered and approved the "Resolution on Adjustment of Exercise Price of Share Options under the Company's 2020 Share Option Incentive Scheme", which adjusted the exercise price of the Share Option Incentive Scheme and the exercise price of the Share Options Granted for the First Time after the adjustment was RMB6.72 per share.

Subsequently, in view of the completion of the implementation of the Company's profit distribution plan for 2022, a cash dividend of RMB0.144 per share (inclusive of tax) was paid based on the total share capital of the Company of 1,570,418,085 shares, resulting in a total cash dividend pay-out of RMB226,140,204.24. On 29 June 2023, the Board considered and approved the "Resolution on Adjustment of the Exercise Price of the Share Options under the 2020 Stock Option Incentive Scheme of the Company" to adjust the exercise price of the Share Option Incentive Scheme, and the exercise price of the first grant of the stock options was RMB6.58 per share after adjustment.

For the Reserved Share Options, the Company will hold a Board meeting before their first exercise date (i.e. 21 December 2023) to adjust their exercise price in accordance with the distribution of dividends and other matters.

(8) Validity Period

The Validity Period of the Share Option Incentive Scheme shall commence from the date of grant of the share options, and end on the date on which all the share options granted under the Share Option Incentive Scheme have been exercised or cancelled, and shall not be longer than 60 months.

IV. Corporate Governance

(9) Value and Relevant Accounting Policies of Share Options

1. Value of Share Options

As disclosed in the Company's announcement dated 27 November 2020 and circular dated 8 December 2020, the Company uses Black-Scholes Model (B-S Model) to calculate the fair value of the share options to be granted, and it is predicted that the value of each share option of the Company is RMB2.11 and the total value of share options granted are RMB30,109,700 by using this model. The valuation results of share options here are not used as the basis for accounting treatment. The fair value of share options used to calculate accounting costs will be re-estimated after the actual completion of the grant by collecting real-time market data at the date of grant. Relevant valuation inputs and results are set out in the below table:

Parameter inputs	Parameter values	Definition
Expected volatility	33.00%	Historic volatility in recent 4 years of the Company
Expected dividend rate	0.00%	The Share Option Incentive Scheme to adjust the grant of share options for ex-rights, ex-dividends, etc. on target shares
Risk-free interest rate	2.42%	On linear extrapolation, being the interest rate of the national debt with same expected period as the share options
Expected period	4 years	Expected period = $0.5 \times$ (weighted expected period + total Validity Period)
Exercise price	6.98	Exercise price determined in accordance with the Share Option Incentive Scheme
Share market price	7.05	The closing price of the Company's share on the valuation date
Valuation results	2.11	Share option per share granted based on the calculation of Black-Scholes valuation model

Pursuant to the "Accounting Standards for Business Enterprises" and their application guidelines, the Company's main accounting principles for granting share options to the Participants are as follows:

- (i) if the equity-settled share-based payment is exchanged for the Participants to provide services, it shall be measured by the fair value of the equity instruments granted to the Participants;
- (ii) for equity-settled share-based payment in exchange for Participants' services after completing the services within the Vesting Period or meeting the prescribed performance conditions, on each balance sheet date within the Vesting Period, based on the best estimate of the number of feasible equity instruments, the services obtained in the current period are included in the relevant asset costs or current expenses according to the fair value of the equity instruments on the date of grant, which are charged in the recurring profit and loss and included in the capital reserve at the same time.

Accounting treatment on the date of grant: since share options cannot be exercised on the date of grant, there is no need to carry out relevant accounting treatment;

Accounting treatment during the Vesting Period: on each balance sheet date during the Vesting Period, based on the best estimate of the number of exercisable share options, according to the fair value of share options on the date of grant, the services obtained in the current period are included in the relevant asset costs or current expenses, and also included in the capital reserve;

Accounting treatment after the exercise date: the confirmed cost and total owner's equity will not be adjusted. On each balance sheet date, the option cost that should be borne in the current period will be amortised;

Accounting treatment for the exercise: share capital and share premium shall be recognized with reference to the actual exercise of the share options, and carry forward the capital reserve confirmed during the Vesting Period.

V. Environmental and Social Responsibility

I. ENVIRONMENT INFORMATION

- (I) Explanation on environmental protection of the Company and its important subsidiaries classified as key pollutant discharging entities as published by environmental protection authorities

1. *Pollutant Discharging*

The Company is mainly engaged in the sewage treatment business which is to collect and conduct biochemical treatment on domestic and municipal sewage by removing the main pollutants therein to the extent that the treated sewage meets the discharge standards stipulated by the national or local government, and then discharge the treated sewage to rivers via sewage outfalls as designated after assessment. The advanced treatment of part of the tail water is further performed for reclaimed water supply. According to the aforesaid effluent water quality standards for sewage treatment plants stipulated by the national or local government, the effluent of sewage treatment plants is allowed to contain certain types and quantities of pollutants, mainly comprising chemical oxygen demand (COD), biochemical oxygen demand (BOD), suspended solids (SS), total nitrogen, ammonia nitrogen, total phosphorus, etc. Given that most of the sewage treatment projects have a designed capacity exceeding 20,000 tonnes/day, they are classified as key pollutant discharging entities by local environmental protection authorities.

As at the end of the reporting period, the Company owned 51 sewage treatment projects, each of which has 1 or 2 effluent outfall(s) confirmed by competent industry authorities and experts upon examination and verification. According to the relevant agreements, currently the effluent water quality carried out by most sewage treatment plants is first-grade A under the Pollutant Discharge Standards for Urban Wastewater Treatment Plants (GB18918-2002), and the other sewage treatment plants implement the local standard or agreement standard. The common pollutant indices requiring basic control of pollutants including COD, BOD, SS, total nitrogen, ammonia nitrogen, total phosphorus, etc. The following table sets out the maximum allowable discharge concentrations (daily average) of the pollutant requiring national standard first-grade A.

No.	Pollutants requiring basic control	National standard – first-grade A	
1	Chemical oxygen demand (COD)	50	
2	Biochemical oxygen demand (BOD)	10	
3	Suspended solids (SS)	10	
4	Animal and plant oil	1	
5	Petroleum	1	
6	Anion surfactant	0.5	
7	Total nitrogen (calculated by N)	15	
8	Ammonia nitrogen (calculated by N)	5(8)	
9	Total phosphorus (calculated by P)	Constructed before 31 December 2005	1
		Constructed since 1 January 2006	0.5
10	Chroma (dilution multiple)	30	
11	PH	6-9	
12	Fecal coliform count/(pcs/L)	1,000	

During the reporting period, the discharge concentrations of the major pollutants requiring basic control of the Company's sewage treatment business were all below the above standards. In aggregate, the COD, total nitrogen, ammonia nitrogen, and total phosphorus discharged by the Company during the reporting period were approximately 12,300 tonnes, 6,044 tonnes, 390 tonnes, and 141 tonnes, respectively. In aggregate, environmental pollutants, namely, the COD, total nitrogen, ammonia nitrogen, and total phosphorus, were eliminated by approximately 203,900 tonnes, 27,000 tonnes, 25,700 tonnes, and 3,300 tonnes, respectively, representing a significant contribution to water environmental governance.

2. Construction and Operation of Pollution Prevention Facilities

During the reporting period, the sewage treatment projects operated by the subsidiaries of the Company strictly complied with the relevant emission standards, with all the effluent water quality meeting the standard, and odor, noise and solid waste indicators complied with the relevant standards as well. The projects' operation was also on track. The construction of the sewage treatment facilities followed the relevant construction procedures and quality standards, and proceeded as scheduled.

V. Environmental and Social Responsibility

3. *Environmental Impact Assessment of Construction Projects and Other Administrative Permissions for Environmental Protection*

All the Company's sewage treatment projects in operation have gone through the relevant Environmental Impact Assessment procedures and obtained approvals of the Environmental Impact Assessment and completion-based environmental protection check from the competent environmental authorities.

4. *Emergency Plans for Sudden Environmental Incidents*

During the reporting period, all pollutant discharge entities of the Company's sewage treatment business prepared the "Environmental Emergency Response Plan for Sewage Treatment Plants" with reference to the "Interim Measures for the Administration of Environmental Emergency Response Plan", and the plan was approved by and filed with the local environmental protection bureau.

5. *Environmental Self-monitoring Program*

During the reporting period, all pollutant discharge entities of the Company's sewage treatment business carried out environmental self-monitoring in accordance with the relevant requirements of the government. At the beginning of each year, each entity prepares the "Environmental Self-monitoring Program" for the year based on the actual situation. The monitoring program mainly specifies the monitoring items, monitoring points, monitoring methods, monitoring frequency and analysis methods, etc. The monitoring results are publicized on the local environmental information monitoring platform. Each entity will also file the self-monitoring program and the circumstances of adjustments and changes with the local environmental protection bureau in a timely manner.

6. *Administrative penalties due to environmental issues during the reporting period*

During the reporting period, Hanshan Company, the Company's subsidiary, was fined RMB320,000 by Ma'anshan Municipal Bureau of Ecology and Environment on 29 June 2023 for violation of water pollution prevention and management regulations. The penalty did not exert any material adverse effect on the overall operation of the Company.

7. *Other environmental information that should be disclosed*

Not Applicable

(II) Description of environmental information of companies other than those classified as key pollutant discharge entities

Not Applicable

(III) Description of follow-up progress or changes in the disclosure of environmental information during the reporting period

Not Applicable

(IV) Relevant information that is conducive to protecting ecology, preventing pollution, and fulfilling environmental responsibilities

In aggregate, environmental pollutants, namely, the COD, total nitrogen, ammonia nitrogen and total phosphorus, were eliminated by approximately 203,900 tonnes, 27,000 tonnes, 25,700 tonnes, 3,300 tonnes in terms of the Company's sewage treatment business during the reporting period, respectively, representing a significant contribution to water environmental governance.

(V) Measures and effects taken to reduce carbon emissions during the reporting period

During the reporting period, the Company's new energy cold and heat supply business and distributed photovoltaic power generation project had certain effects on and made contributions to reducing carbon emissions.

II. CONSOLIDATE AND EXPAND THE RESULTS OF POVERTY ALLEVIATION, RURAL REVITALIZATION AND OTHER SPECIFIC WORK

Not Applicable

VI. Major Events

I. PERFORMANCE OF COMMITMENT

- (1) Commitment of the Company's Ultimate Controllers, Shareholders, Connected Parties, Offerors, the Company, and Other Related Parties During or Subsisted in the reporting period

Not Applicable

II. MISAPPROPRIATION OF THE COMPANY'S FUNDS FOR NON-OPERATING PURPOSES BY CONTROLLING SHAREHOLDERS AND OTHER CONNECTED PARTIES DURING THE REPORTING PERIOD

Not Applicable

III. NON-COMPLIANCE GUARANTEES

Not Applicable

IV. MATTERS RELATING TO BANKRUPTCY AND RESTRUCTURING

Not Applicable

V. MATTERS RELATING TO MATERIAL LITIGATION AND ARBITRATION

The Company had no material litigation or arbitration matters during the reporting period.

VI. SUSPECTED VIOLATIONS OF LAWS AND REGULATIONS OF, PUNISHMENTS TO AND RECTIFICATION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, AND ULTIMATE CONTROLLERS

Not Applicable

VII. EXPLANATION ON THE INTEGRITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS, AND ULTIMATE CONTROLLERS DURING THE REPORTING PERIOD

Not Applicable

VIII. MATERIAL CONNECTED TRANSACTIONS

(I) Connected Transactions in the Ordinary Course of Business

1. *Events disclosed in the temporary announcements and with no progress or change in subsequent implementation*

- a. On 22 February 2023, Water Recycling Company entered into the Second Tender Section (Second Batch) Agreement with Railway Fifth Institute (an independent third party of the Company) and Environmental Investment Company, entrusting Railway Fifth Institute and Environmental Investment Company to provide EPC general contracting service for the second tender section of Tianjin Main District Recycled Water Pipeline Network Connection Project (Second Batch), including the design, construction and procurement work of all the engineering projects involved. For details of this connected transaction, please refer to the announcement of the Company dated 20 March 2023 regarding the EPC second tender section (second batch) agreement and third tender section (second batch) agreement in relation to the recycled water pipeline network connection project in the main district of Tianjin published on the website of the Stock Exchange.
- b. On 22 February 2023, Water Recycling Company entered into the Third Tender Section (Second Batch) Agreement with Tianjin Municipal Institute (an independent third party of the Company) and Tianjin Tongsheng Municipal, entrusting Tianjin Municipal Institute and Tianjin Tongsheng Municipal to provide EPC general contracting service for the Third tender section of Tianjin Main District Recycled Water Pipeline Network Connection Project (Second Batch), including the design, construction and procurement work of all the engineering projects involved. For details of this connected transaction, please refer to the announcement of the Company dated 20 March 2023 regarding the EPC second tender section (second batch) agreement and third tender section (second batch) agreement in relation to the recycled water pipeline network connection project in the main district of Tianjin published on the website of the Stock Exchange.
- c. On 30 June 2023, Jiayuanxing entered into the TLP Cold and Heat Supply Agreement with TLP, pursuant to which Jiayuanxing agreed to provide cold and heat supply services at the Tianjin MIXc of TLP during the period for the cold and heat supply services. For details of this connected transaction, please refer to the announcement of the Company dated 30 June 2023 regarding the TLP cold and heat supply agreement published on the website of the Stock Exchange.

VI. Major Events

2. Events disclosed in the temporary announcements but with progress or change in subsequent implementation

- d. On 25 November 2022, Water Recycling Company entered into the Jincang Expressway Construction Agreement with Expressway Group and Tianjin Tongsheng Municipal, pursuant to which Expressway Group agreed that Water Recycling Company and Tianjin Tongsheng Municipal shall carry out the construction of expressway road-related works of Caizhi Road (Current Pipeline Network – Gongxi Road) of the Project (First Batch) under the Jincang Expressway Bridge based on the approved planning route, design plan, construction scheme and other documents and in accordance with the relevant codes and standards. On 20 March 2023, after amicable negotiations among Expressway Group, Water Recycling Company and Tianjin Tongsheng Municipal, the three parties agreed to enter into a memorandum on the abrogation of Jincang Expressway Construction Agreement, to the effect that the Company will be released from its payments and obligations under the Jincang Expressway Construction Agreement, and none of the parties shall have any claims against the other parties as a result of the abrogation of Jincang Expressway Construction Agreement. For details of this connected transaction, please refer to the announcement regarding the continuing connected transaction in respect of the Jincang Expressway Construction Agreement in relation to the recycled water pipeline network connection project in the main district of Tianjin and the announcement regarding the memorandum on the abrogation of Jincang Expressway Construction Agreement, which were published on the website of the Stock Exchange on 25 November 2022 and 20 March 2023, respectively.

3. Events not disclosed in the temporary announcements

Not Applicable

(II) Connected Transactions in respect of Acquisition of Assets or Acquisition or Disposal of Equities

1. *Events disclosed in the temporary announcements and with no progress or change in subsequent implementation*

Not Applicable

2. *Events disclosed in the temporary announcements but with progress or change in subsequent implementation*

Not Applicable

3. *Events not disclosed in the temporary announcements*

Not Applicable

4. *Where an agreement of performance is involved, the performance realisation for the reporting period shall be disclosed*

Not Applicable

VI. Major Events

(III) Material Connected Transactions in respect of Joint External Investment

1. *Events disclosed in the temporary announcements and with no progress or change in subsequent implementation*

Not Applicable

2. *Events disclosed in the temporary announcements but with progress or change in subsequent implementation*

Not Applicable

3. *Events not disclosed in the temporary announcements*

Not Applicable

(IV) Creditor's Rights and Debts with Connected Parties

1. *Events disclosed in the temporary announcements and with no progress or change in subsequent implementation*

Not Applicable

2. *Events disclosed in the temporary announcements but with progress or change in subsequent implementation*

Not Applicable

3. *Events not disclosed in the temporary announcements*

Not Applicable

(V) Financial businesses between the Company and its connected financial company and between its holding financial company and its connected parties

Not Applicable

(VI) Other significant connected transactions

Not Applicable

(VII) Miscellaneous

Not Applicable

IX. MATERIAL CONTRACTS AND THEIR IMPLEMENTATIONS

1. Custody, Contracting and Leasing

Not Applicable

2. Significant guarantees performed and those performed but not yet completed during the reporting period

Unit: 0'000 Currency: RMB

Guarantees provided to external parties by the Company (excluding guarantees provided to Subsidiaries)	
Total amount of guarantees provided during the reporting period (excluding guarantees provided to Subsidiaries)	0
Total balance of guarantees as at the end of the reporting period (A) (excluding guarantees provided to Subsidiaries)	0
Guarantees provided to Subsidiaries	
Total amount of guarantees provided to Subsidiaries during the reporting period	16,759.47
Total balance of guarantees provided to Subsidiaries as at the end of the reporting period (B)	304,935.68
Total amount of guarantees provided by the Company (including guarantees provided to Subsidiaries)	
Total amount of guarantees (A+B)	304,935.68
Percentage of the total amount of guarantees to the net assets of the Company (%)	35.07
Of which:	
Amount of guarantees provided to shareholders, ultimate controllers, and their connected parties (C)	0
Amount of guarantees provided directly or indirectly to guaranteed entities with a gearing ratio of over 70% (D)	62,360.11
Total amount of guarantees exceeding 50% of net assets (E)	0
Total of the above three classes of guarantees (C+D+E)	62,360.11
Explanation on contingent joint liability for undue guarantees	Not Applicable
Explanation on guarantees	None

3. Other material contracts

Not Applicable

VI. Major Events

X. DETAILS OF OTHER MAJOR EVENTS

(I) Other events

The following events are disclosed and explained in accordance with the relevant rules of the Stock Exchange:

1. *Corporate Governance Code*

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

2. *Audit Committee*

On 31 July 2001, the Board approved the establishment of the Audit Committee to review and supervise the Company’s financial reporting procedure and internal controls. The Audit Committee comprises the independent non-executive Directors, Mr. Xue Tao, Mr. Wang Shanggan and Ms. Liu Fei. The Audit Committee, together with the management of the Company, have reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting including the review of the unaudited interim results and the Interim Report. The Audit Committee agreed with the accounting principles, standards and methods adopted in the preparation of the Group’s unaudited interim accounts for the six months ended 30 June 2023.

3. *Liquidity and Financial Resources*

No seasonal changes have occurred to the borrowing needs of the Group. As of 30 June 2023, there were no outstanding bank borrowings or interests that were due. Details about the bank borrowings of the Group are set out in the Notes to the Condensed Consolidated Financial Statements as of 30 June 2023.

According to the accounting reports prepared in accordance with the PRC’s Accounting Standards for Business Enterprises, the gearing ratio as of 30 June 2023 was 58.77%.

4. *Foreign Exchange Risk*

The operations and customers of the Group's Subsidiaries are located in the PRC. Most of the operating assets and transactions are settled in RMB, and all of the Group's borrowings are denominated in RMB. Therefore, the Group is not exposed to significant foreign exchange risk. The only foreign exchange risk of the Group arises from long-term payables. Such long-term payables were resulted from the Asset Transfer Agreement signed between the Company and Tianjin Sewage Company* (天津市排水公司) for the purchase of assets generated from foreign bank loans, involving mainly US dollars (USD) and Japanese Yen (JPY).

As at 30 June 2023, a 5% appreciation or depreciation of RMB against USD, with other factors being constant, would result in an increase or decrease of approximately RMB2 million (30 June 2022: approximately RMB3 million) in the net profit of the Group. As at 30 June 2023, a 5% appreciation or depreciation of RMB against JPY, with other factors being constant, would result in an increase or decrease of approximately RMB9 million (30 June 2022: approximately RMB7 million) in the net profit of the Group.

The interest rate risk of the Group mainly came from interest-bearing assets such as bank deposits and long-term receivables and interest-bearing debts such as bank borrowings, long-term payables and bonds payable. The assets/liabilities at floating rates expose the Group to interest rate risk on cash flows, while the assets/liabilities at fixed rates expose the Group to interest rate risk associated with fair value. As at 30 June 2023, if the loan interest rate increases/decreases by 1%, with other factors being constant, the net profit of the Group for the current year will approximately decrease/increase by RMB56 million (30 June 2022: approximately RMB43 million). The Group also considers to minimize its interest rate exposure by way of refinancing, renewal of existing borrowings and alternative financing.

5. *Employee and Emolument Policy*

As at 30 June 2023, the Group had 2,230 employees. During the reporting period, total remuneration paid to employees of the Group was approximately RMB252 million. The Group adopted a wage system in accordance with post ranks. The remuneration of the Company's employees under annual salary system is pegged with his/her post rank and the profitability of the Company. The remuneration of the Company's employees under the monthly salary system is pegged with his/her post rank, actual number of years of service, education background and skills as well as the profitability of the Company.

VI. Major Events

6. *Contingent Liabilities*

The Group did not have any significant contingent liabilities as at 30 June 2023.

7. *Rights of Debt*

As at 30 June 2023, pursuant to the Tianjin Capital Licensed Operation Agreement in respect of the Four Sewage Water Treatment Plants of the Company including Jizhuangzi Sewage Water Treatment Plant entered into between the Group, Tianjin Water Bureau* (天津市水務局) and Tianjin Housing and Urban-Rural Construction Commission which started to perform from 1 January 2014, the total receivables of the Group from Tianjin Water Bureau amounted to RMB3.763 billion, representing approximately 47.96% of the total market capitalisation of the Group as at 30 June 2023.

8. *Charge on Assets*

During the reporting period, the Group did not create any charges on assets.

9. *Acquisition and Disposal of Subsidiaries*

During the reporting period, the Group did not acquire or dispose of any of its Subsidiaries.

10. *Future plans for material investments and capital assets*

The Group did not have future plans for material investments and capital assets during the reporting period.

11. *Details of Preferred Shares*

The Company had no matters in relation to preferred shares during the reporting period.

12. *Repurchase, Sale or Redemption of the Company's Listed Securities*

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

13. *Model Code for Securities Transactions by the Directors*

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

VII. Details of Changes in Shares and Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Changes in Shares

1. Changes in Shares

Unit: Share

	Before the change		Increase/decrease (+, -)					After the Change	
	Number	Percentage (%)	Issue of new shares	Bonus issue	Capital reserve converted		Subtotal	Number	Percentage (%)
					into shares	Others			
I. Restricted shares	143,189,655	9.12	0	0	0	-143,189,655	-143,189,655	0	0
1. Shares held by the state	0	0	0	0	0	0	0	0	0
2. Shares held by state-owned legal entities	9,310,344	0.59	0	0	0	-9,310,344	-9,310,344	0	0
3. Shares held by other domestic investors	121,982,761	7.77	0	0	0	-121,982,761	-121,982,761	0	0
Including: Shares held by domestic									
non-state-owned legal entities	109,051,729	6.94	0	0	0	-109,051,729	-109,051,729	0	0
Shares held by domestic natural									
persons	12,931,032	0.82	0	0	0	-12,931,032	-12,931,032	0	0
4. Shares held by foreign investors	11,896,550	0.76	0	0	0	-11,896,550	-11,896,550	0	0
Including: Shares held by foreign legal entities	11,896,550	0.76	0	0	0	-11,896,550	-11,896,550	0	0
Shares held by foreign natural									
persons	0	0	0	0	0	0	0	0	0
II. Non-restricted Shares	1,427,228,430	90.88	0	0	0	+143,189,655	+143,189,655	1,570,418,085	100
1. RMB-denominated ordinary shares	1,087,228,430	69.23	0	0	0	+143,189,655	+143,189,655	1,230,418,085	78.35
2. Domestically listed foreign shares	0	0	0	0	0	0	0	0	0
3. Overseas listed foreign shares	340,000,000	21.65	0	0	0	0	0	340,000,000	21.65
4. Others	0	0	0	0	0	0	0	0	0
III. Total number of shares	1,570,418,085	100	0	0	0	0	0	1,570,418,085	100

VII. Details of Changes in Shares and Shareholders

2. *Explanations on Changes in shares*

In September 2022, the underwriting conclusion of Non-public Issuance of Shares of the Company and relevant documents have been filed with and approved by the CSRC. The Company has completed the procedures for registration and custody on 28 September 2022 in accordance with relevant requirements. The Report on the Non-public Issuance of A Shares of Tianjin Capital Environmental Protection Group Company Limited and relevant documents have been published on the website of the SSE, the website of the Stock Exchange and the designated media for information disclosure on 29 September 2022.

On 30 September 2022, the Company published the Announcement on Results of Non-public Issuance of A Shares and Changes in Share Capital on the website of the SSE, the website of the Stock Exchange and the designated media for information disclosure. Upon the completion of the issuance, tradable A Shares with sales restrictions of the Company has been increased by 143,189,655 shares, which are subject to a 6-month sales restriction period. On 23 March 2023, the Company published the Announcement on the Listing and Circulation of Restricted Shares in the Private Offering on the website of the SSE, the website of the Stock Exchange and the designated media for information disclosure, and the date of listing and circulation of the restricted shares of the Private Offering was 28 March 2023. Currently, all the shares of the Company are non-restricted shares in circulation.

3. *Effect of changes in shares on earnings per share, net asset value per share and other financial indicators from after the reporting period to the date of disclosure of the Interim Report (if any)*

Not Applicable

4. *Other information deemed necessary by the Company or required to be disclosed by the securities regulatory authorities*

(1) Details of the Non-public Issuance of A Shares

As approved by the CSRC through the Approval on the Non-public Issuance of Shares of Tianjin Capital Environmental Protection Group Company Limited (Zheng Jian Xu Ke [2022] No. 1122)* (《關於核准天津創業環保集團股份有限公司非公開發行股票的批覆》(證監許可 [2022] 1122號)), the Company completed a non-public issuance of 143,189,655 RMB-denominated ordinary shares (A Shares) with the nominal value of RMB1.00 each (“**Non-public Issuance of A Shares**”) in September 2022. The issue price is RMB5.80 per share, and the net price to the Company is RMB5.66 per share. The closing price of the A Shares on the date on which the terms of the issue were fixed was RMB6.51 per share. The total proceeds raised from the Non-public Issuance of A Shares were RMB830,499,999.00. After deducting the relevant issue expenses (excluding tax) of RMB19,743,434.08, the actual net proceeds raised from the Non-public Issuance of A Shares were RMB810,756,564.92. The total number of subscribers under the Non-public Issuance of A Shares is more than six persons, each of whom and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons, and none of them will become a substantial shareholder upon completion of the subscription of A Shares under the Non-public Issuance of A Shares.

(2) Reasons and objectives of the Non-public Issuance of A Shares

1. To follow the policy situation and seize market opportunities

Positioned as an “integrated environmental service provider”, the Company will continue to consolidate its core business of sewage treatment, expand its potential business areas such as solid waste treatment, new energy and environmental technology, and explore emerging business areas such as environmental restoration and environmental monitoring. Through this issuance, the Company will enrich its capital reserve and enhance the flexibility of its operation and management to seize the opportunities brought by the rapid development of the industry and the favourable national policies, and to meet the challenges brought by the macroeconomic fluctuations and the increasingly fierce competition in the environmental protection industry.

VII. Details of Changes in Shares and Shareholders

2. Optimise capital structure to relieve working capital pressure

In recent years, the Company's business scale has been expanding, resulting in a corresponding increase in liquidity requirements. The current capital structure of the Company has limited the Company's ability of indirect financing and has also exposed the Company to certain financial risks. With the proceeds raised from the issuance, the Company will be able to repay its interest-bearing liabilities and replenish its liquidity, which will, on the one hand, help to reduce the gearing ratio, optimise the capital structure and reduce the risk of debt servicing and, on the other hand, help to further strengthen the Company's capital strength, improve the Company's risk resistance, financial security and financial flexibility, and support its stable and rapid development.

(3) Total funds raised from the issue and details of the use of proceeds

Details of the use of proceeds from the Non-public Issuance of A Shares as of 30 June 2023 (including the expected timeline for the intended use of the proceeds not yet utilized) are as follows:

No.	Committed Investment Projects	Proposed investment amount of proceeds to be utilised <i>Approximately RMB0'000</i>	Proceeds utilised as of 30 June 2023 <i>Approximately RMB0'000</i>	Balance of unutilised proceeds as of 30 June 2023 <i>Approximately RMB0'000</i>	Estimated timetable for use of unutilised proceeds as of 30 June 2023
1	The construction project of the sewage processing plant at the Tianying Science and Technology Park in the Jieshou Hi-Tech District of Fuyang in Anhui	14,800.00	11,526.70	3,273.30	The balance of the proceeds is expected to be used up by 31 December 2023
2	The newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu township sewage processing plant	21,450.00	2,649.71	18,800.29	The balance of the proceeds is expected to be used up by 31 August 2024
3	The first batch of projects of the recycled water pipe network connection project in the main districts of Tianjin Municipality	21,900.00	5,394.24	16,505.76	The balance of the proceeds is expected to be used up by 31 December 2024
4	The repayment of interest-bearing liabilities and supplement the working capital	22,925.66	22,925.66	0.00	The balance of the proceeds is expected to be used up by 30 June 2023
	Total	81,075.66	42,496.31	38,579.35	

As of 30 June 2023, the Company expects to utilise all of the proceeds from the Non-public Issuance of A Shares by 31 December 2024, the usage and proposed usage are consistent with those set out in the circular dated 8 December 2021 in relation to the proposed Non-public Issuance of A Shares. During the half year ended 30 June 2023, the Company has utilised or proposed to utilise the proceeds from the Non-public Issuance of A Shares in accordance with the previously disclosed intentions and there has been no material change or delay in the use of the proceeds.

After the end of the reporting period, the Company held the 18th meeting of the ninth session of the Board of Directors and the 8th meeting of the ninth session of the Board of Supervisors on 7 August 2023 to consider and approve the the “Proposal on Changing the Use of Part of the Proceeds”, and agreed that the Company should change the use of RMB103,000,000 of the proceeds of the newly-built and upgrade and supporting pipeline network (phase II) PPP project of Honghu township sewage processing plant for the investment and construction expenditure of the Karamay Nanjiao Project. This proposed change shall be implemented only upon consideration and approval by the Company’s general meeting.

For more information about this Non-public Issuance of A Shares, please refer to the relevant announcements and overseas regulatory announcements dated 22 November 2021 of the Company in relation to (1) the termination of 2020 Adjusted Non-public Issuance of A Shares; (2) the proposed Non-public Issuance of A Shares; (3) the Specific Mandate; and (4) the proposed adoption of the Shareholders’ Return Plan, the relevant circular dated 8 December 2021, the notice of 2021 fourth extraordinary general meeting and the notice of 2021 second H shareholders’ class meeting dated 8 December 2021, the announcement dated 10 December 2021 in relation to the approval of Non-public Issuance of A Shares by Tianjin SASAC, the announcement dated 24 December 2021 on the resolutions passed at the 2021 fourth extraordinary general meeting, the 2021 second H shareholders’ class meeting and the 2021 second A shareholders’ class meeting, the announcement dated 11 January 2022 in relation to the acceptance of the application for Non-public Issuance of A Shares by the CSRC, the relevant overseas regulatory announcements dated 7 February 2022, 21 February 2022, 3 March 2022, 17 March 2022 and 22 April 2022, the announcement dated 16 May 2022 in relation to the approval obtained from the Issuance Examination Committee of the CSRC for the application for the Non-public Issuance of A Shares, the announcement dated 8 June 2022 in relation to the approval obtained from the CSRC for the application for the Non-public Issuance of A Shares, the announcement dated 29 September 2022 in relation to the results of the Non-public Issuance of A Shares and changes in share capital and the relevant overseas regulatory announcement, as well as the relevant overseas regulatory announcement dated 27 March 2023, the announcement in relation to the proposed change in the use of part of the proceeds and the relevant overseas regulatory announcements dated 7 August 2023, the relevant overseas regulatory announcement dated 25 August 2023, and the relevant circular dated 4 September 2023.

VII. Details of Changes in Shares and Shareholders

(II) Changes in Restricted Shares

Unit: Share

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released during the reporting period	Number of restricted shares increased during the reporting period	Number of restricted shares at the end of the reporting period	Reason for sales restrictions	Date of unlocking
Changhe (Tianjin) Investment Management Co., Ltd.–Tianjin Shengjin Haihe Zhonghe Equity Investment Fund Partnership (Limited Partnership) (長和(天津)投資管理有限公司–天津聖金海河中和股權投資基金合夥企業(有限合夥))	4,310,344	4,310,344	0	0	Participation in issuance	28 March 2023
China National Gold Group Asset Management Co. Ltd. (中國黃金集團資產管理有限公司)	4,310,344	4,310,344	0	0	Participation in issuance	28 March 2023
Pacific Securities Co., Ltd. (太平洋證券股份有限公司)	4,310,344	4,310,344	0	0	Participation in issuance	28 March 2023
Qingdao Huixin Investment Partnership (Limited Partnership) (青島惠鑫投資合夥企業(有限合夥))	8,620,689	8,620,689	0	0	Participation in issuance	28 March 2023
Ningbo Zhengye Hongyuan Investment Co., Ltd. (寧波正業宏源投資有限公司)	4,310,344	4,310,344	0	0	Participation in issuance	28 March 2023
Ningbo Meishan Free Trade Port Fengtu Investment Management Co., Ltd. Fengtu Fengtai Private Equity Investment Fund I (寧波梅山保稅港區灃途投資管理有限公司 –灃途灃泰壹號私募股權投資基金)	4,310,344	4,310,344	0	0	Participation in issuance	28 March 2023
Nuode Asset Management Co., Ltd. (諾德基金管理有限公司)	20,637,931	20,637,931	0	0	Participation in issuance	28 March 2023
Huatai Asset Management Co., Ltd. (on behalf of "Huatai Asset Management – Industrial Bank – Huatai Asset Selected Value-added Management Product") (華泰資產管理有限公司(代「華泰資管–興業銀行–華泰資產價值精選資產管理產品」))	4,310,344	4,310,344	0	0	Participation in issuance	28 March 2023
Huatai Asset Management Co., Ltd. (on behalf of "Huatai Asset Management – Industrial Bank – Huatai Asset Huatai Steady Value added Asset Management Product") (華泰資產管理有限公司(代「華泰資管–興業銀行–華泰資產華泰穩健增益資產管理產品」))	4,310,344	4,310,344	0	0	Participation in issuance	28 March 2023
Huatai Asset Management Co., Ltd. (on behalf of "Huatai Premium Commingled No. 5 Pension Product – Bank of China Limited") (華泰資產管理有限公司(代「華泰優逸五號混合型養老金產品–中國銀行股份有限公司」))	4,310,344	4,310,344	0	0	Participation in issuance	28 March 2023

VII. Details of Changes in Shares and Shareholders

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released during the reporting period	Number of restricted shares increased during the reporting period	Number of restricted shares at the end of the reporting period	Reason for sales restrictions	Date of unlocking
Liu Jieqi (劉焯琪)	4,310,344	4,310,344	0	0	Participation in issuance	28 March 2023
Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司)	5,000,000	5,000,000	0	0	Participation in issuance	28 March 2023
Jinan Hansiang investment management partnership (L.P.) (濟南瀚祥投資管理合夥企業(有限合夥))	8,620,689	8,620,689	0	0	Participation in issuance	28 March 2023
UBS AG	7,586,206	7,586,206	0	0	Participation in issuance	28 March 2023
JPMorgan Chase Bank, National Association	4,310,344	4,310,344	0	0	Participation in issuance	28 March 2023
Chen Xuegeng (陳學廣)	4,310,344	4,310,344	0	0	Participation in issuance	28 March 2023
Dong Weiguo (董衛國)	4,310,344	4,310,344	0	0	Participation in issuance	28 March 2023
Caitong Fund Management Co., Ltd. (財通基金管理有限公司)	41,000,012	41,000,012	0	0	Participation in issuance	28 March 2023
Total	143,189,655	143,189,655	0	0	/	/

VII. Details of Changes in Shares and Shareholders

II. DETAILS OF SHAREHOLDERS

(I) Total number of shareholders:

Total number of ordinary shareholders as at the end of the reporting period (persons) 61,569

Note: The above number of shareholders is the sum of the number of holders of A-shares and H-shares; the total number of ordinary shareholders as at the end of the reporting period was 61,569, of which 60 were holders of H-shares.

(II) Shareholdings of the Top Ten Shareholders and the Top Ten Shareholders of Circulating Shares (or Shareholders of Non-Restricted Shares) at the End of the reporting period

Name of shareholder (Full name)	Increase/ decrease during the reporting period (shares)	Shareholdings of the top ten shareholders		Percentage (%)	Number of restricted shares held (shares)	Pledged, marked or frozen	
		Number of shares held at the end of the period (shares)	Status of shares			Number (shares)	Nature of shareholder
TMICL	0	715,565,186	45.57	0	Pledged	111,000,000	State-owned legal person
HKSCC Nominees Limited (香港中央結算(代理人)有限公司)	76,000	337,906,810	21.52	0	Unknown	Not applicable	Others
Central Huijin Asset Management Co., Ltd. (中央匯金資產管理有限責任公司)	0	13,868,294	0.88	0	None	Not applicable	State-owned legal person
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	-2,244,279	10,958,393	0.70	0	None	Not applicable	Others
Qingdao Huixin Investment Partnership (Limited Partnership)* (青島惠鑫投資合夥企業(有限合夥))	0	8,620,689	0.55	0	None	Not applicable	Others
Jinan Hanxiang investment management partnership (L.P.)* (濟南瀚祥投資管理合夥企業(有限合夥))	0	8,620,689	0.55	0	None	Not applicable	Others
Zhejiang Jinxin Construction Engineering Co., Ltd.* (浙江錦鑫建設工程有限公司)	8,800	7,474,800	0.48	0	None	Not applicable	Domestic non-state owned legal person

VII. Details of Changes in Shares and Shareholders

Shareholdings of the top ten shareholders

Name of shareholder (Full name)	Increase/ decrease during the reporting period (shares)	Number of shares held at the end of the period (shares)	Percentage (%)	Pledged, marked or frozen			
				Number of restricted shares held (shares)	Status of shares	Number (shares)	Nature of shareholder
Caitong Fund – Ding Fu Tong Da Selection No. 1 Private Equity Investment Fund – Caitong Fund Ding Fu Fixed Increase No. 1 Single Asset Management Plan* (財通基金—鼎富通達精選1號私募股權投資基金—財通基金鼎富定增1號單一資產管理計劃)	-992,233	7,329,718	0.47	0	None	Not applicable	Others
Wang Caijin* (王財進)	4,793,700	4,793,700	0.31	0	None	Not applicable	Domestic natural person
China National Gold Group Asset Management Co., Ltd.* (中國黃金集團資產管理有限公司)	0	4,310,344	0.27	0	None	Not applicable	State-owned legal person

Shareholdings of the top ten shareholders of non-restricted circulating shares

Name of shareholder	Number of non-restricted circulating shares held (shares)	Type and number of shares	
		Type	Number (shares)
TMICL	715,565,186	Ordinary RMB Shares	715,565,186
HKSCC Nominees Limited (香港中央結算(代理人)有限公司)	337,906,810	H Shares	337,906,810
Central Huijin Asset Management Co., Ltd. (中央匯金資產管理有限責任公司)	13,868,294	Ordinary RMB Shares	13,868,294
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	10,958,393	Ordinary RMB Shares	10,958,393
Qingdao Huixin Investment Partnership (Limited Partnership)* (青島惠鑫投資合夥企業(有限合夥))	8,620,689	Ordinary RMB Shares	8,620,689
Jinan Hanxiang investment management partnership (L.P.)* (濟南瀚祥投資管理合夥企業(有限合夥))	8,620,689	Ordinary RMB Shares	8,620,689
Zhejiang Jinxin Construction Engineering Co., Ltd.* (浙江錦鑫建設工程有限公司)	7,474,800	Ordinary RMB Shares	7,474,800
Caitong Fund – Ding Fu Tong Da Selection No. 1 Private Equity Investment Fund – Caitong Fund Ding Fu Fixed Increase No. 1 Single Asset Management Plan* (財通基金—鼎富通達精選1號私募股權投資基金—財通基金鼎富定增1號單一資產管理計劃)	7,329,718	Ordinary RMB Shares	7,329,718

VII. Details of Changes in Shares and Shareholders

Shareholdings of the top ten shareholders of non-restricted circulating shares

Name of shareholder	Number of non-restricted circulating shares held (shares)	Type and number of shares	
		Type	Number (shares)
Wang Caijin* (王財進)	4,793,700	Ordinary RMB Shares	4,793,700
China National Gold Group Asset Management Co., Ltd.* (中國黃金集團資產管理有限公司)	4,310,344	Ordinary RMB Shares	4,310,344
Description of the repurchase of special accounts among the top ten shareholders		Not applicable	
Explanation of the above-mentioned shareholders' entrusted voting rights, and waiver of voting rights		Not applicable	
Notes on the related party relationship or parties acting in concert among the above shareholders	Among the abovementioned top ten shareholders, Qingdao Huixin Investment Partnership (Limited Partnership)* (青島惠鑫投資合夥企業(有限合夥)) and Jinan Hanxiang investment management partnership (L.P.)* (濟南瀚祥投資管理合夥企業(有限合夥)) are parties acting in concert.		
	Notes: (1) According to the register of members as provided by HKSCC Nominees Limited, those H shares held by it were held on behalf of various clients. As at the end of reporting period, Ningbo BSLs Trade Co., Ltd.* (寧波百思樂斯貿易有限公司) and its concert parties Ningbo Ningdian Investment Development Co., Ltd.* (寧波寧電投資發展有限公司) and LVNENG Investment & Development Co., Ltd. (Hong Kong)* (綠能投資發展有限公司(香港)) held a total of 156,956,000 H shares of the Company, representing 9.99% of the total share capital of the Company, and none of the shares were pledged.		
	(2) The top ten shareholders are not strategic investors of the Company.		
Description of preferred shareholders with restored voting rights and the number of shares they hold		Not applicable	

(III) Strategic Investors or General Legal Persons Becoming the Top Ten Shareholders Due to Placing of New Shares

Not Applicable

III. DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT

- (I) Changes in shareholding structure and remuneration of current and resigned Directors, Supervisors and senior management during the reporting period

Not Applicable

- (II) Share option incentives granted to directors, supervisors and senior management during the reporting period

Not Applicable

- (III) Directors', Supervisors' and the Company's chief executives' interests and/or short positions in the shares, underlying shares and debentures of the Company or its associated corporations

As at 30 June 2023, the interests and/or short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)(the "SFO")), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which were taken as or deemed to have pursuant to the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Title	The Company/ name of associated corporation	Class of shares	Nature of interest	Number of underlying shares held	Approximate percentage of the relevant class of shares	Approximate percentage of total number of shares
Jing Wanying	Executive Director	The Company	A Shares	Beneficial owner	250,000 (Note i)	0.02032%	0.01592%
Li Yang	Executive Director	The Company	A Shares	Beneficial owner	250,000 (Note ii)	0.02032%	0.01592%

VII. Details of Changes in Shares and Shareholders

Notes:

- (i) These interests represent A share options granted to Jing Wanying, as beneficial owner, under the A share option incentive scheme adopted by the Company on 23 December 2020
- (ii) These interests represent A share options granted to Li Yang, as beneficial owner, under the A share option incentive scheme adopted by the Company on 23 December 2020.

Save as disclosed above, none of the Directors, Supervisors or chief executives of the Company, who, as at 30 June 2023, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which were taken as or deemed to have pursuant to the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 to Listing Rules, to be notified to the Company and the Stock Exchange.

IV. CHANGES IN THE CONTROLLING SHAREHOLDER AND ULTIMATE CONTROLLERS OF THE COMPANY

Not Applicable

V. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, so far as is known to or can be ascertained after reasonable enquiries by the Directors, Supervisors or chief executive of the Company, the following entities (other than the Directors, Supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares (including options) of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity	Number and class of securities	Approximate percentage of the relevant class of securities	Approximate percentage of the total issued share capital of the Company
TMICL	Beneficial owner	715,565,186 A Shares (L)	58.16%	45.57%
Ningbo Development Investment Group Limited Company* (寧波開發投資集團有限公司)	Interest of controlled corporation	156,432,000 H Shares (L)	46.01%	9.96%
Ningbo Energy Group Co., Ltd.* (寧波能源集團股份有限公司)	Interest of controlled corporation	156,432,000 H Shares (L)	46.01%	9.96%
Ningbo Ningdian Investment Development Co., Ltd.* (寧波寧電投資發展有限公司)	Beneficial owner	102,012,000 H Shares (L)	30.00%	6.50%
Ningbo BSLS Trade Co., Ltd.* (寧波百思樂斯貿易有限公司)	Beneficial owner	44,834,000 H Shares (L)	13.19%	2.85%
ISIS Asset Management Plc	Investment manager	17,286,000 H Shares (L)	5.08%	1.10%

Note: The letter "L" represents the person's long position in the shares. The letter "S" represents the person's short position in the shares.

Save as disclosed above, there is no other person (other than the Directors, Supervisors or chief executive of the Company) so far as is known to the Directors, Supervisors or chief executives of the Company who, as at 30 June 2023, had an interest or short position in the shares or underlying shares (including options) of the Company which would fall to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had, directly or indirectly, interested in 5% or more of nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

VIII. Details of the Company's Bonds

I. ENTERPRISE BONDS, CORPORATE BONDS AND NON-FINANCIAL ENTERPRISE DEBT FINANCING INSTRUMENTS

I. Enterprise bonds

Not applicable

II. Corporate bonds

1. Basic information on corporate bonds

Unit: Yuan Currency: RMB

Bond Name	Abbreviation	Code	Date of		Balance	Rate(%)	Repayment terms	Trading Place	Investor suitability		Risk of Delisting
			issuance	Value Date					arrangements (if any)	Trading mechanism	
Public Issue of Corporate Bonds of Tianjin Capital Environmental Protection Group Company Limited to Professional Investors in 2021 (Phase I)	21 Jinchuang 01* (21津创01)	188867.SH	2021-10-14	2021-10-18	250,000,000.00	4.85	The current bond adopts simple interest, the frequency of interest payment is annual interest, and the principal will be repaid in one lump sum upon maturity. Interest payable for the last period shall be paid together with the principal.	SSE	Professional investors	Bidding and Fixed income	No

2. Trigger and execution of the issuer or investor option terms and investor protection terms

Not Applicable

3. Adjustment of credit rating results

Not Applicable

4. The implementation of and changes in guarantees, the debt repayment schemes and other repayment guarantee measures during the reporting period and their impact

Not Applicable

5. Explanation of other situations of corporate bonds

Not Applicable

III. Non-financial enterprise debts financing instruments of the inter-bank bond market

1. Basic information of non-financial enterprise debt financing instrument

Unit: Yuan Currency: RMB

Bond Name	Abbreviation	Code	Date of issuance	Value Date	Maturity Date	Balance	Rate(%)	Repayment terms	Trading Place	Investor suitability arrangements (if any)	Trading mechanism	Risk of Delisting
2022 First Tranche Green Mediumterm Notes of Tianjin Capital Environmental Protection Group Company Limited	22 Jinchuanghuanbao GN001*(22津創環保 GN001)	132280072	2022-07-26, 2022-07-27	2022-07-28	2025-07-28	630,000,000.00	3.94	Interest is payable annually, with the last installment paid together with the principal	Interbank Bond Markets	None	None	No

2. Trigger and execution of the issuer or investor option terms and investor protection terms

Not Applicable

3. Adjustment of credit rating results

Not Applicable

4. Implementation and changes of guarantees, debt repayment plans and other debt repayment supporting measures during the reporting period and their impact

Not Applicable

5. Other information on non-financial enterprise debt financing instrument

Not Applicable

IV. The Company's loss in the scope of consolidated statements during the reporting period exceeded 10% of its net assets as at the end of last year

Not Applicable

VIII. Details of the Company's Bonds

V. Key accounting information and financial indicators

Unit: 0'000 Currency: RMB

Key indicators	As at	As at	Increase or	Reason for changes
	the end of this reporting period	the end of the previous year	decrease in this reporting period as compared with the end of the previous year (%)	
Current ratio	1.75	1.90	-7.89	Non-current liabilities due within one year increased compared with the end of the previous year
Quick ratio	1.74	1.89	-7.94	Non-current liabilities due within one year increased compared with the end of the previous year
Gearing ratio (%)	58.77	58.63	0.14	Basically flat
	This	Same	Increase or	Reason for changes
	reporting period (from January to June)	period last year	decrease in this reporting period as compared with the same period last year (%)	
Net profit net of nonrecurring gain or loss	40,132.2	36,190.3	10.89	Mainly due to increase in net profit
EBITDA to total debt ratio	0.11	0.11	-	-
Interest coverage ratio	3.95	3.88	1.80	Basically flat
Cash interest coverage ratio	5.00	2.55	96.08	Increase in net cash flow from operating activities during the period
EBITDA interest coverage multiple	5.58	5.59	-0.18	Basically flat
Loan repayment rate (%)	100	100	-	-
Interest coverage ratio (%)	100	100	-	-

II. PARTICULARS OF CONVERTIBLE CORPORATE BONDS

Not Applicable

IX. Financial Reports

Consolidated and Company Balance Sheet

As At 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

		Unaudited 30 June 2023 Consolidated	Audited 31 December 2022 Consolidated	Unaudited 30 June 2023 Company	Audited 31 December 2022 Company
ASSETS	Note				
Current assets					
Cash at bank and on hand	4(1)	3,045,762	3,252,060	1,674,277	2,280,271
Notes receivable	4(2)	7,813	7,535	–	–
Accounts receivable	4(3)/13(1)	3,062,613	2,745,022	1,335,542	1,168,255
Advances to suppliers	4(4)	29,303	35,223	1,163	11,501
Other receivables	4(5)/13(2)	21,514	16,212	26,281	25,533
Inventories	4(6)	29,018	31,144	6,306	9,215
Current portion of non-current assets	4(7)	188,439	197,367	27,772	26,133
Other current assets	4(8)	64,174	64,321	324,636	268,561
Total current assets		6,448,636	6,348,884	3,395,977	3,789,469
Non-current assets					
Long-term receivables	4(7)	4,491,316	4,475,777	2,547,218	2,563,108
Long-term equity investments	4(9)/13(3)	193,108	193,108	5,431,463	5,077,604
Investments in other equity instruments	4(10)	2,000	2,000	2,000	2,000
Fixed assets	4(11)	1,341,740	911,347	572,585	118,406
Construction in progress	4(12)	191,498	151,957	5,147	8,559
Right-of-use assets	4(13)	4,592	8,247	4,032	7,523
Intangible assets	4(14)	10,310,830	10,130,264	3,393,776	3,482,915
Goodwill	4(15)	319,813	319,813	–	–
Deferred tax assets	4(31)	9,347	7,398	13,173	11,419
Other non-current assets	4(17)	433,257	420,879	224,389	261,404
Total non-current assets		17,297,501	16,620,790	12,193,783	11,532,938
TOTAL ASSETS		23,746,137	22,969,674	15,589,760	15,322,407

IX. Financial Reports

Consolidated and Company Balance Sheet

As At 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

		Unaudited 30 June 2023 Consolidated	Audited 31 December 2022 Consolidated	Unaudited 30 June 2023 Company	Audited 31 December 2022 Company
LIABILITIES AND OWNERS' EQUITY	Note				
Current liabilities					
Short-term borrowings	4(18)	2,532	1,001	–	–
Accounts payable	4(19)	609,856	511,159	73,866	88,437
Contract liabilities	4(20)	537,541	513,471	69,539	74
Taxes payable	4(21)	60,477	54,064	8,610	716
Other payables	4(22)	840,152	897,121	710,069	732,098
Employee benefits payable	4(23)	27,021	93,046	15,301	36,940
Current portion of non-current liabilities	4(24)	1,616,879	1,276,471	1,286,209	971,891
Other current liabilities		990	490	–	–
Total current liabilities		3,695,448	3,346,823	2,163,594	1,830,156
Non-current liabilities					
Long-term borrowings	4(25)	7,289,221	7,097,305	3,533,146	3,619,226
Debentures payable	4(26)	878,688	878,373	878,688	878,373
Lease liabilities	4(27)	4,609	4,443	4,140	4,005
Long-term payables	4(28)	146,606	168,703	146,606	168,703
Deferred income	4(29)	1,818,412	1,855,645	1,356,040	1,389,353
Deferred tax liabilities	4(30)	91,967	86,089	–	–
Other non-current liabilities	4(31)	30,000	30,000	470,000	470,000
Total non-current liabilities		10,259,503	10,120,558	6,388,620	6,529,660
Total liabilities		13,954,951	13,467,381	8,552,214	8,359,816
Shareholder's equity					
Share capital	4(32)	1,570,418	1,570,418	1,570,418	1,570,418
Capital surplus	4(33)	1,114,322	1,111,156	1,065,185	1,061,780
Surplus reserve	4(34)	722,389	722,389	722,389	722,389
Undistributed profits	4(35)	5,287,216	5,075,510	3,679,554	3,608,004
Total equity attributable to shareholders of the Company		8,694,345	8,479,473	7,037,546	6,962,591
Minority interests		1,096,841	1,022,820	–	–
Total shareholder's equity		9,791,186	9,502,293	7,037,546	6,962,591
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		23,746,137	22,969,674	15,589,760	15,322,407

The accompanying notes form an integral part of these financial statements.

Legal representative:

Ji Guanglin

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

Consolidated and Company Income Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

Item	Note	Unaudited Six Months Ended 30 June 2023 Consolidated	Unaudited Six Months Ended 30 June 2022 Consolidated	Unaudited Six Months Ended 30 June 2023 Company	Unaudited Six Months Ended 30 June 2022 Company
1. Revenue	4(36)/13(4)	2,108,966	2,129,289	856,970	782,855
Less: Cost of sales	4(36)/13(4)	(1,322,894)	(1,415,621)	(387,763)	(445,535)
Taxes and surcharges	4(37)	(22,648)	(21,948)	(9,302)	(8,193)
Selling expenses	4(38)	(11,184)	(12,718)	–	–
General and administrative expenses	4(38)	(96,756)	(90,313)	(44,652)	(41,363)
Research and development expenses	4(39)	(11,575)	(6,550)	(3,195)	(937)
Financial expenses – net	4(40)	(118,987)	(111,457)	(110,248)	(105,735)
Including: interest expenses		(192,106)	(176,345)	(122,653)	(116,827)
interest income		71,112	60,942	10,243	7,032
Add: Other income	4(41)	40,447	46,143	33,313	34,738
Investment income	13(5)	–	–	12,266	105,897
Including: Share of losses of investments in associates		–	–	–	–
Assets impairment losses		–	–	–	–
Credit impairment losses	4(42)	(1,878)	(8,331)	–	–
Gains on disposals of assets		–	–	–	–
2. Operating profit		563,491	508,494	347,389	321,727
Add: Non-operating income		5,416	135	5,003	–
Less: Non-operating expenses	4(43)	(2,213)	(847)	(2,168)	–
3. Total profit		566,694	507,782	350,224	321,727
Less: Income tax expenses	4(44)	(111,649)	(96,476)	(52,534)	(33,300)
4. Net profit		455,045	411,306	297,690	288,427
Classified by continuity of operations					
Net profit from continuing operations		455,045	411,306	297,690	288,427
Net profit from discontinued operations		–	–	–	–
Classified by ownership of the equity					
Minority interests		17,199	14,943	–	–
Attributable to shareholders of the Company		437,846	396,363	297,690	288,427
5. Other comprehensive income, net of tax		–	–	–	–
6. Total comprehensive income		455,045	411,306	297,690	288,427
Attributable to shareholders of the Company		437,846	396,363	297,690	288,427
Attributable to minority interests		17,199	14,943	–	–
7. Earnings per share (in RMB Yuan)					
Basic earnings per share (in RMB Yuan)	4(45)	0.28	0.28	–	–
Diluted earnings per share (in RMB Yuan)	4(45)	0.28	0.28	–	–

The accompanying notes form an integral part of these financial statements.

Legal representative:

Ji Guanglin

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

IX. Financial Reports

Consolidated and Company Cash Flow Statements

For the six months ended 30 June 2023
(All amounts in RMB thousand unless otherwise stated)

Item	Note	Unaudited Six Months Ended 30 June 2023 Consolidated	Unaudited Six Months Ended 30 June 2022 Consolidated	Unaudited Six Months Ended 30 June 2023 Company	Unaudited Six Months Ended 30 June 2022 Company
1. Cash flows from operating activities					
Cash received from sales of goods or rendering of services		1,837,518	1,556,816	778,420	553,389
Refund of taxes and surcharges		3,718	28,812	139	9,371
Cash received relating to other operating activities	4(46)(c)	95,630	128,837	655,029	138,355
Sub-total of cash inflows		1,936,866	1,714,465	1,433,588	701,115
Cash paid for goods and services		(713,581)	(851,376)	(272,427)	(394,259)
Cash paid to and on behalf of employees		(251,991)	(254,633)	(82,870)	(84,619)
Payments of taxes and surcharges		(147,208)	(147,322)	(64,776)	(52,977)
Cash paid relating to other operating activities	4(46)(d)	(108,333)	(138,729)	(837,562)	(175,133)
Sub-total of cash outflows		(1,221,113)	(1,392,060)	(1,257,635)	(706,988)
Net cash flows from operating activities	4(46)(a)	715,753	322,405	175,953	(5,873)
2. Cash flows from investing activities					
Cash received from returns on investments		–	–	–	103,040
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2	8	–	–
Sub-total of cash inflows		2	8	–	103,040
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,073,424)	(335,121)	(351,757)	(26,440)
Cash paid to acquire investments		–	–	(318,101)	(80,000)
Sub-total of cash outflows		(1,073,424)	(335,121)	(669,858)	(106,440)
Net cash flows from investing activities		(1,073,422)	(335,113)	(669,858)	(3,400)

Consolidated and Company Cash Flow Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

Item	Note	Unaudited Six Months Ended 30 June 2023 Consolidated	Unaudited Six Months Ended 30 June 2022 Consolidated	Unaudited Six Months Ended 30 June 2023 Company	Unaudited Six Months Ended 30 June 2022 Company
3. Cash flows from financing activities					
Cash received from borrowings		1,586,772	897,755	1,096,495	662,680
Cash received from capital contributions		56,583	2,812	–	–
Including: Cash received from capital contributions by minority shareholders of subsidiaries		56,583	2,812	–	–
Sub-total of cash inflows		1,643,355	900,567	1,096,495	662,680
Cash repayments of borrowings		(1,083,180)	(574,435)	(897,343)	(364,382)
Cash payments for interest expenses		(162,530)	(161,870)	(85,627)	(89,070)
Payments for distribution of dividends or profits		(228,392)	(208,530)	(225,615)	(207,330)
Including: Dividends and profits paid to minority shareholders by subsidiaries		(2,777)	(1,200)	–	–
Sub-total of cash outflows		(1,474,102)	(944,835)	(1,208,585)	(660,782)
Net cash flows from financing activities		169,253	(44,268)	(112,090)	1,898
4. Effect of foreign exchange rate changes on cash and cash equivalents		–	–	–	–
5. Net (decrease)/increase in cash and cash equivalents		(188,416)	(56,976)	(605,995)	(7,375)
Add: Cash and cash equivalents at beginning of period		3,188,344	2,093,556	2,275,272	979,607
6. Cash and cash equivalents at the end of period	4(46)(b)	2,999,928	2,036,580	1,669,277	972,232

The accompanying notes form an integral part of these financial statements.

Legal representative:

Ji Guanglin

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

IX. Financial Reports

Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2023
(All amounts in RMB thousand unless otherwise stated)

Item	Note	Attributable to owners of the parent				Minority interests	Total shareholders' equity
		Share capital	Capital surplus	Surplus reserve	Undistributed profits		
Balance at 1 January 2022 (Audited)		1,427,228	437,949	677,336	4,577,685	983,872	8,104,070
Movements for the period ended 30 June 2022							
Total comprehensive income							
Net profit		—	—	—	396,363	14,943	411,306
Total comprehensive income for the period		—	—	—	396,363	14,943	411,306
Capital contribution by shareholders							
Capital increase by shareholders		—	—	—	—	2,812	2,812
Amount recorded in shareholders' equity arising from share-based payment arrangements		—	3,214	—	—	209	3,423
Profit distribution							
Dividend distribution to shareholders	4(35)	—	—	—	(208,376)	(536)	(208,912)
Balance at 30 June 2022 (Unaudited)		1,427,228	441,163	677,336	4,765,672	1,001,300	8,312,699
Balance at 1 January 2023 (Unaudited)		1,570,418	1,111,156	722,389	5,075,510	1,022,820	9,502,293
Movements for the period ended 30 June 2023							
Total comprehensive income							
Net profit		—	—	—	437,846	17,199	455,045
Total comprehensive income for the period		—	—	—	437,846	17,199	455,045
Capital contribution by shareholders							
Capital increase by shareholders		—	—	—	—	56,583	56,583
Amount recorded in shareholders' equity arising from share-based payment arrangements		—	3,166	—	—	239	3,405
Profit distribution							
Dividend distribution to shareholders	4(35)	—	—	—	(226,140)	—	(226,140)
Balance at 30 June 2023 (Unaudited)		1,570,418	1,114,322	722,389	5,287,216	1,096,841	9,791,186

The accompanying notes form an integral part of these financial statements.

Legal representative:

Ji Guanglin

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

Item	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2022 (Audited)	1,427,228	388,158	677,336	3,410,902	5,903,624
Movements for the period ended 30 June 2022					
Total comprehensive income					
Net profit	—	—	—	288,427	288,427
Total comprehensive income for the period	—	—	—	288,427	288,427
Capital contribution by shareholders					
Amount recorded in shareholders' equity arising from share-based payment arrangements	—	3,421	—	—	3,421
Profit distribution					
Dividend distribution to shareholders	—	—	—	(208,376)	(208,376)
Balance at 30 June 2022 (Unaudited)	1,427,228	391,579	677,336	3,490,953	5,987,096
Balance at 1 January 2023 (Unaudited)	1,570,418	1,061,780	722,389	3,608,004	6,962,591
Movements for the period ended 30 June 2023					
Total comprehensive income					
Net profit	—	—	—	297,690	297,690
Total comprehensive income for the period	—	—	—	297,690	297,690
Capital contribution by shareholders					
Amount recorded in shareholders' equity arising from share-based payment arrangements	—	3,405	—	—	3,405
Profit distribution					
Dividend distribution to shareholders	—	—	—	(226,140)	(226,140)
Balance at 30 June 2023 (Unaudited)	1,570,418	1,065,185	722,389	3,679,554	7,037,546

The accompanying notes form an integral part of these financial statements.

Legal representative:

Ji Guanglin

Principal in charge of accounting:

Nie Yanhong

Head of accounting department:

Liu Tao

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB thousand unless otherwise stated)

1 GENERAL INFORMATION

Tianjin Capital Environmental Protection Group Company Limited was established on the basis of Tianjin Bohai Chemical Industry (Group) Company Limited (“Bohai Chemical Industry”). Bohai Chemical Industry was established on 8 June 1993 in Tianjin, the People’s Republic of China (the “PRC”). Shares (“H Shares”) were issued to foreign investors, listed in The Hong Kong Stock Exchange (“H shares”) in May 1994; then listed in The Shanghai Stock Exchange (“A Shares”) in June 1995. Due to significant losses, Bohai Chemical Industry Company had completed the equity and assets reorganization, becoming Tianjin Capital Environmental Protection Group Company Limited (the “Company”) at the end of 2000. As at 30 June 2023, the total share capital of the Company was RMB1.570 billion with a par value of RMB1 per share.

The registered address of the Company is TCEP Building 12th Floor, 76 Weijin South Road, Nankai District, Tianjin, the PRC. The parent company of the Company is Tianjin Municipal Investment Company Limited (“Tianjin Municipal Investment”) and the ultimate holding company of the Company is Tianjin Urban Infrastructure Construction Investment Group Company Limited (“Tianjin Infrastructure Investment Group”).

The principal business activities of the Company and its subsidiaries (hereafter collectively the “Group”) include the processing of sewage water, supply of tap water, recycled water business, heating and cooling supply services, hazardous waste treatment, the construction and management of related facilities, and contract operation services.

(a) Processing of sewage water

In accordance with the concession agreements signed with the relevant institutions affiliated to the governments of many places in China (“Service Concession Right Agreements”), the Group engages in processing sewage water through the following sewage treatment plants, obtaining the revenue of the processing of sewage at the agreed price. According to the changes in the factors affecting the cost of water price, the unit price of sewage treatment service will be adjusted periodically based on the contract:

Location	Agreement date	Authorised by
Guiyang, Guizhou	16 September 2004	Guiyang City Administration Bureau
Baoying, Jiangsu	13 June 2005	Baoying Construction Bureau
Chibi, Hubei	15 July 2005	Chibi Construction Bureau
Fuyang, Anhui	18 December 2005	Fuyang Construction Committee
Qujing, Yunnan	25 December 2005	Qujing Housing and Urban Construction Bureau
Honghu, Hubei	29 December 2005	Honghu Construction Bureau
Hangzhou, Zhejiang	20 November 2006	Hangzhou Municipal Facilities Supervision Center
Jinghai, Tianjin	12 September 2007	Management Committee of Tianjin Tianyu Science Technology Park
Wendeng, Weihai, Shandong	19 December 2007	Wendeng Construction Bureau
Xi’an, Shaanxi	18 March 2008	Xi’an Infrastructure Investment Group
Anguo, Hebei	28 September 2008	The People’s Government of Anguo City
Xianning, Hubei	16 October 2008	Xianning Construction Committee
Yingdong, Fuyang, Anhui	10 August 2009	Fuyang Yingdong Construction Bureau
Ninghe, Tianjin	21 September 2010	Management Committee of Modern Industrial Zone of Ninghe
Qujing, Yunnan	16 August 2011	Qujing Housing and Urban Construction Bureau

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

1 GENERAL INFORMATION (Continued)

(a) Processing of sewage water (Continued)

In accordance with the concession agreements signed with the relevant institutions affiliated to the governments of many places in China (“Service Concession Right Agreements”), the Group engages in processing sewage water through the following sewage treatment plants, obtaining the revenue of the processing of sewage at the agreed price. According to the changes in the factors affecting the cost of water price, the unit price of sewage treatment service will be adjusted periodically based on the contract: (Continued)

Location	Agreement date	Authorised by
Chaohu, Anhui	25 August 2011	Hanshan Housing and Urban Construction Bureau
Jingu, Jinnan, Tianjin	18 February 2014	Tianjin Urban-rural Construction Commission and Tianjin Water Authority Bureau
Xianyang Road, Xiqin, Tianjin	18 February 2014	Tianjin Urban-rural Construction Commission and Tianjin Water Authority Bureau
Dongjiao, Dongli, Tianjin	18 February 2014	Tianjin Urban-rural Construction Commission and Tianjin Water Authority Bureau
Beicang, Beichen, Tianjin	18 February 2014	Tianjin Urban-rural Construction Commission and Tianjin Water Authority Bureau
Yingshang County, Fuyang, Anhui	16 June 2016	Yingshang Housing and Urban Construction Bureau
Karamay, Xinjiang	4 November 2016	Karamay Construction Bureau
Linxia, Gansu	13 May 2017	Linxia Housing and Urban Construction Bureau
Ningxiang, Hunan	5 June 2017	Ningxiang Economic and Technological Bureau
Hefei, Anhui	16 June 2017	Hefei Urban Construction Committee
Dalian, Liaoning	1 November 2017	Dalian Urban Construction Bureau
Bayannur, Inner Mongolia	12 December 2017	Bayannur Water Bureau and Bayannur Hetao Water Group Company, Ltd.
Ningxiang, Hunan	27 April 2018	Ningxiang Economic and Technological Bureau
Honghu, Hubei	9 June 2018	Honghu Housing and Urban Construction Bureau
Shibing County, Qiandongnan, Guizhou	12 July 2018	Shibing Water Bureau
Hefei, Anhui	28 November 2018	Hefei Urban Construction Committee
Deqing County, Huzhou, Zhejiang	21 November 2018	Deqing Qianyuan Municipal Government
Jieshou, Anhui	2 March 2019	Jieshou Housing and Urban Construction Bureau
Gaocheng, Shijiazhuang, Hebei	2 April 2019	Hebei Gaocheng Economic and Technological Bureau
Jiuquan, Gansu	22 June 2019	Jiuquan Suzhou Municipal Government
Yingdong, Fuyang, Anhui	26 August 2019	Fuyang Urban-rural Construction Commission
Huoqiu County, Liuan, Anhui	2 January 2020	Huoqiu Housing and Urban Construction Bureau
Huize County, Qujing, Yunnan	24 February 2020	Huize Housing and Urban Construction Bureau
Honghu, Hubei	18 March 2021	Honghu Housing and Urban Construction Bureau
Xiqing, Tianjin	12 May 2021	Tianjin Xiqing District Water Affairs Center
Karamay, Xinjiang	27 March 2023	Karamay Housing and Urban Construction Bureau
Enshi, Hubei	17 June 2023	Enshi Municipal Government

1 GENERAL INFORMATION (Continued)

(2) Supply of tap water

Pursuant to Service Concession Right Agreements, tap water supply service of the Group was initially at the pre-determined price. According to the changes in the factors affecting the cost of water price, the unit price of tap water supply service would be adjusted periodically based on the contract. As shown below:

Location	Agreement date	Authorised by
Bayannur, Inner Mongolia	12 December 2017	Bayannur Water Bureau and Bayannur Hetao Water Group Company, Ltd.
Hanshou County, Changde, Hunan	11 March 2019	Hanshou Water Bureau
Qujing, Yunnan	25 December 2005	Qujing Sewage Company

(3) Recycled water business

The Group's recycled water business includes developing, constructing, and operating of recycled water projects, production and sales of recycled water, as well as provision of related research, development and technical consultation services.

(4) Heating and cooling supply services

Pursuant to Service Concession Right Agreements, the Group provides the following areas with the heating and cooling supply services, including design, construction, operations and transfer of centralised heating and cooling infrastructures, and provision of heating and cooling services:

Location	Agreement date	Authorised by
Xiqing, Tianjin	16 June 2016	Tianjin Urban-Rural Construction Commission
Binhai New Area, Tianjin	11 July 2017	Tianjin Urban-Rural Construction Commission and The People's government of Tianjin Binhai New Area
Hexi, Tianjin	16 June 2016	Tianjin Urban-Rural Construction Commission
Hexi, Tianjin	16 March 2011	Tianjin Urban-Rural Construction and Transportation Commission
Xiqing, Tianjin	30 December 2021	Tianjin Xiqing District Housing and Construction Committee and Tianjin Xiqing District Urban Management Committee

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

1 GENERAL INFORMATION (Continued)**(5) Hazardous waste treatment**

Hazardous treatment includes hazardous and general solid waste treatment. Currently, the Group conducts the disposal by way of incineration, landfill, physicochemical and curing treatment. Adoption of treatment method tailored to the local help to realise the aim of harmless, resource and reduction.

Subsidiaries included in the scope of consolidation for the year and newly consolidated subsidiaries are set out in Note 5.

These financial statements were approved by the Company's Board of Directors on 25 August 2023.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group determines the specific accounting policies and accounting estimates based on the characteristics of production and operation, which are mainly reflected in the measurement of expected credit losses on receivables and contractual assets (Note 2(9)), depreciation of fixed assets, amortization of intangible assets and right of use assets (Note 2(12), (15), and (24)), impairment of intangible assets and goodwill (Note 2(17)), the timing of revenue recognition (Note 2(21)), and deferred tax assets and deferred tax liabilities (Note 2(23)).

The Key judgments, significant accounting estimates and key assumptions adopted by the Group in determining material accounting policies are detailed in Note 2(27).

(1) Basis of preparation

The statements are prepared in accordance with the Accounting Standard for Business Enterprises – Basic Standard, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CAS”) and Circular of the China Securities Regulatory Commission on the Issuing of the Rules for the Information Disclosure and Compilation of Companies Publicly Issuing Securities No. 15 - General Provisions on Financial Statements.

The financial statements are prepared on a going concern basis.

The new Hong Kong Companies Ordinance came into effect on 3 March 2014. Some related matters in the financial statements have been disclosed in accordance with the requirements of the Hong Kong Companies Ordinance.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(2) Statement of compliance with Accounting Standards for Business Enterprises

The financial statements of the Company for the six months ended 30 June 2023 are in compliance with the Accounting Standards for Business Enterprises truly and completely presenting the consolidated and the Company's financial position as of 30 June 2023 and of their financial performance, cash flows and other information for the year then end.

(3) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December. The financial statement covers the period from 1 January 2023 to 30 June 2023.

(4) Recording currency

The Company's recording currency is Renminbi (RMB). The recording currency of the Company's subsidiaries is determined based on the primary economic environment in which they operate, and except the recording currency of Tianjin Capital Environmental Protection (Hong Kong) Limited is HK dollar, the remaining subsidiary companies' recording currency is RMB. The financial statements are presented in RMB.

(5) Business combination not under common control

The Group's consolidated costs incurred and the identifiable net assets acquired in connection with the merger are measured at a fair value at the acquisition date. The difference between the cost of consolidation that is greater than the share of the fair value of the recognisable net assets of the purchased party acquired in the merger on the acquisition date is recognised as goodwill. And the difference between the cost of consolidation and the difference between the share of the fair value of the recognisable net assets of the purchased party acquired in the merger shall be included in the profit or loss of the current period. Directly related expenses incurred for the purpose of a business combination are recognised in the profit or loss of the current period when incurred. Transaction fees for the issuance of equity or debt securities for a corporate merger are included in the initial recognition amount of equity or debt securities.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(6) Preparation of consolidated financial statements**

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases.

In preparing the consolidated financial statements, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries. For subsidiaries acquired from business combinations not under common control, the financial statements are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' equity, the portion of a subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to Company are recognised as minority interests and presented separately in the consolidated financial statements under equity, net profits and total comprehensive income respectively. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction which considers the Group as an accounting entity is different from that considers the Company or its subsidiaries as an accounting entity, it is adjusted from the perspective of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency translation

(a) *Foreign currency transactions*

Foreign currency transactions are translated into recording currency using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current year, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) *Translation of foreign currency financial statements*

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(9) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

(a) Financial assets**(i) Classification and measurement**

Based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

At initial recognition, the financial assets are measured at fair value. Transaction costs that are incremental and directly attributable to the acquisition of the financial assets are included in the initially recognised amounts, except for the financial assets at fair value through profit or loss, the related transaction costs of which are expensed in profit or loss for the current period. Accounts receivable or notes receivable arising from sales of products or rendering of services (excluding or without regard to significant financing components) are initially recognised at the consideration that is entitled to be received by the Group as expected.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Financial instruments (Continued)

(a) *Financial assets* (Continued)

(i) Classification and measurement (Continued)

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following two categories:

Measured at amortised cost:

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest rate method. The Group's financial assets mainly comprise cash at bank and on hand, notes receivable, accounts receivable, other receivables and long-term receivables, etc. Long-term receivables that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets.

Equity instruments

Investments in equity instruments, over which the Group has no control, joint control or significant influence, not held for trading are designated as financial assets at fair value through other comprehensive income under other investments in equity instruments. The relevant dividend income of such financial assets is recognised in profit or loss for the current period.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(9) Financial instruments** (Continued)**(a) Financial assets** (Continued)**(ii) Impairment**

The Group assesses the expected credit losses (“ECL”) for financial assets and contract assets at amortised cost. The Group recognises a loss allowance for such losses at each reporting date.

Giving consideration to reasonable and supportable information that is available without undue cost or effort at the balance sheet date on past events, current conditions and forecasts of future economic conditions weighted by the probability of default, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to collect.

For accounts receivable arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group recognises the lifetime ECL regardless of whether a significant financing component exists.

At each balance sheet date, the ECL of financial instruments other than aforesaid accounts receivable is measured based on different stages. A 12-month ECL is recognised for financial instruments in Stage 1 which have not had a significant increase in credit risk since initial recognition; a lifetime ECL is recognised for financial instruments in Stage 2 which have had a significant increase in credit risk since initial recognition but are not deemed to be credit-impaired; and a lifetime ECL is recognised for financial instruments in Stage 3 that are credit-impaired.

For those financial instruments with a low credit risk as at the balance sheet date, the Group assumes that there is no significant increase in credit risk since initial recognition and recognises a 12-month ECL.

For those financial instruments in Stages 1 and 2 and with lower credit risk, the interest income is calculated by applying the effective interest rate to the gross carrying amount (before net of ECL provision). For the financial instruments in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (net of ECL provision).

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Impairment (Continued)

The Group assessed the ECL on an individual basis for a single financial asset with huge amount and significant lower credit risk, as well as financial assets whose credit risk had significantly increased since initial recognition or whose credit impairment was recognised.

In case the ECL of an individually assessed financial asset cannot be evaluated with reasonable cost, the Group divides the receivables into certain groups on the basis of shared risk characteristics, and calculates the ECL for each group respectively. Basis for determining groups and method for provision are as follows:

Group 1	Related entities within the consolidation scope (for Company's financial statements only)	Receivables from related parties within the consolidation scope
Group 2	Banker's acceptance notes	Banker's acceptance from bank under low risk
Group 3	Government clients	Government clients other than those in provincial capital cities and municipalities
Group 4	Other customers	Other clients
Group 5	Projects' guarantee deposit	Projects' guarantee deposits
Group 6	Others	Other receivables other than VAT refund receivable and project guarantee deposits

For accounts receivable, notes receivable and long-term receivables arising from sales of goods and rendering of services in the ordinary course of operating activities which are classified into different groups for collective assessment, the Group calculates the ECL with reference to historical credit loss experience, current conditions and forecasts of future economic conditions, and based on the exposure at default and the lifetime ECL rates.

For other receivables that are classified into groups, the Group calculates the ECL with reference to historical credit loss experience, current conditions and forecasts of future economic conditions, and based on the exposure at default and the 12-month or lifetime ECL rates.

The Group recognises the loss provision made or reversed into profit or loss for the current period.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(9) Financial instruments** (Continued)*(a) Financial assets* (Continued)

(iii) Derecognition

A financial asset is derecognised when one of the following criteria is met: (i) the contractual rights to receive cash flows from the financial asset have expired, (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, or (iii) the financial asset has been transferred to the transferee and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

When an investment in equity instrument measured at fair value through other comprehensive income is derecognised, the difference between the carrying amount and the consideration received as well as any cumulative changes in fair value that were previously recognised directly in other comprehensive income is recognised in retained earnings. For other financial assets when they are derecognised, the difference between the carrying amount and the consideration received as well as any cumulative changes in fair value that were previously recognised directly in other comprehensive income is recognised in profit or loss for the current period.

(b) Financial liabilities

Financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortised cost, including accounts payables, other payables, borrowings, long-term payables, and debentures payable, etc. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities with maturity of less than 12 months (inclusive) are presented as current liabilities, and those with maturity of longer than 12 months but due within 12 months (inclusive) as from the balance sheet date are presented as current portion of non-current liabilities; and others are presented as non-current liabilities

When the underlying present obligation of a financial liability is fully or partly discharged, the portion of the financial liability which corresponds to the discharged present obligation is derecognised. The difference between the carrying amount of the derecognised portion of the financial liability and the consideration paid is recognised in profit or loss for the current period.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Financial instruments (Continued)

(c) *Determination of fair value of financial instruments*

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In valuation, the Group adopts valuation techniques applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

(10) Inventories

(a) *Classification*

Inventories include raw materials, finished goods, spare parts and low-cost consumables, and are measured at the lower of cost and net realisable value.

(b) *Costing of inventories*

Costs for raw materials and goods in stock are determined using the weighted average method. Spare parts and low value consumables are expensed in full when issued for use. The cost of goods in stock comprises raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

(c) The Group adopts the perpetual inventory system.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(10) Inventories** (Continued)*(d) Basis for determining net realisable values of inventories and method for making provision for decline in the value of inventories*

Provision for decline in the value of inventories is determined as the excess amount of the carrying amount of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion, the estimated costs of contract performance, the estimated selling and distribution expenses and related taxes.

(11) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its associates.

Subsidiaries are the investees over which the Company is able to exercise control. An associate is an investee over which the Group has significant influence on its financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are consolidated after the adjustment based on the equity method when preparing the consolidated financial statements. Investments in associates are accounted for using the equity method.

(a) Determination of investment cost

For long-term equity investment acquired from business combinations not under common control, the cost of the combination is the investment cost of the long-term equity investment.

For the long-term equity investment obtained by means other than business combination, the long-term equity investment obtained by paying cash shall be regarded as the initial investment cost according to the purchase price actually paid; for the long-term equity investment obtained by issuing equity securities, it shall be recognised as the initial investment cost according to the fair value of issuing equity securities.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(11) Long-term equity investments (Continued)

(b) *Subsequent measurement and recognition of related profit and loss*

Long-term equity investments accounted for using the cost method, are measured at the initial investment costs. Cash dividends or profit distribution declared by the investees are recognised as investment income in profit or loss.

Long-term equity investments accounted for using the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current year and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method of accounting, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group does not recognise further losses when the carrying amounts of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in investees are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. The Group's share of the changes in investee's owner's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognised in capital surplus with a corresponding adjustment to the carrying amounts of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investees. Unrealised gains or losses on transactions between the Group and its investees are eliminated to the extent of the Group's equity interest in the investees, based on which the investment income or losses are recognised. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

(c) *Basis for determination of control and significant influence over investees*

Control is the right over the investee that entitles enjoy variable returns from their involvement in the investee and the ability to exert the right to affect those returns.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(11) Long-term equity investments (Continued)***(d) Impairment of long-term equity investments*

The carrying amounts of long-term equity investments in subsidiaries, associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(17)).

(12) Fixed assets*(a) Recognition and initial measurement of fixed assets*

Fixed assets comprise buildings and structures, machinery and equipment, motor vehicles and others.

Fixed assets shall be recognised as an asset if, and only if it is probable that related future economic benefits will flow to the entity and the cost of the item can be measured reliably. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the year in which they are incurred.

(b) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(12) Fixed assets (Continued)****(b) Depreciation methods of fixed assets (Continued)**

	Estimated useful lives	Estimated residual values	Annual depreciation rates
Buildings and constructions	10-50 years	0% - 5%	1.9% - 10%
Machinery and equipment	10-20 years	0% - 5%	4.8% - 10%
Motor vehicles and others	5-10 years	0% - 5%	9.5% - 20%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed and adjusted as appropriate at each year-end.

(c) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(17)).

(d) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current year.

(13) Construction in progress

Construction in progress is measured at actual cost as incurred. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the construction in progress ready for its intended use. Construction in progress is transferred to fixed assets when the asset is ready for its intended use, and depreciation is charged starting from the month following the transfer. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(17)).

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(13) Construction in progress** (Continued)

The borrowing costs that are directly attributable to acquisition and construction of an asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of an asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

(14) Borrowing costs

For the specific borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the borrowings or applicable shorter period are discounted to the initial amount of the borrowings.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(15) Intangible assets

Intangible assets include concession rights, land use rights, technical know-how and software, and are measured at cost.

(a) Concession rights

As described in Note 1(1), (2) and (4), the Group is engaged in the development, financing, operating and maintenance of facilities for public service (the “Concession services”) by the government or its authorised institution over a specified period (the “Concession services period”). The Group is reimbursed for the Concession services related to the operation and franchising of the facility on behalf of the government in accordance with the terms of the Concession services’ agreements and hand over the facilities to the government or its authorised institution at the end of the Concession service period.

The Service Concession Right Agreements sets out the implementation criteria and price adjustment mechanism to stipulate the Concession services to be performed of the Group, which meets the dual control and dual characteristics of the *Interpretation No. 14 of Accounting Standards for Business Enterprises (“Interpretation No. 14”)*. Therefore, assets under the concession arrangement (“concession project assets”) should be recognised as intangible assets or financial assets accordingly based on the contract. In accordance with the *Service Concession Right Agreements*, the Group has the right to charge the recipients of services during the Concession services period, but the amount of the fees charged is uncertain, and this right does not constitute an unconditional right to receive cash, and the consideration amount of the relevant concession project assets or the amount of construction revenue recognised as intangible assets when they reach the intended usable state of the concession project assets. During the Concession services period, where the conditions for the right to receive a determinable amount of cash (or other financial assets) are met, it is recognised as a receivable when the Group has the right to receive the consideration (which depends only on the cause of the passage of time). When the concession project assets reach their intended usable state, the Group recognises the consideration amount of relevant concession project assets or the recognised amount of the constructed revenue, which exceeds the amount entitled to receive cash of a determinable amount, as intangible assets. Amortisation should be between 20 and 30 years on a straight-line basis during the Concession services period.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(15) Intangible assets** (Continued)*(b) Land use rights*

Land use rights are amortised on the straight-line basis over their approved use period of 25 or 50 years respectively. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(c) Technical know-how and software

Separately acquired technical know-how and software are shown at historical cost. Technical know-how and software have a finite useful life and is carried at cost net of accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of technical know-how and software over their useful lives.

(d) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end and its useful life and amortisation method are adjusted as appropriate.

(e) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(15) Intangible assets (Continued)

(e) *Research and development* (Continued)

Expenditure for the planned investigation, evaluation and selection phases for the study of the production process is expenditure for the research phase, which is recognised in profit or loss in the period in which it is incurred. Prior to mass production, expenditure in the relevant design and testing phases for the final application of the environmental protection equipment production process is expenditure on the development phase. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- The development of the environmental protection equipment production has been fully demonstrated by the technical team;
- Management has approved the budget for environmental protection equipment production development;
- Research and analysis of previous market research indicates that the products produced by the environmental protection equipment production have marketing capabilities;
- Adequate technical and financial support for the development of the environmental protection equipment production and subsequent mass production; and
- Expenditure on environmental protection equipment production development can be reliably collected.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(f) *Impairment of intangible assets*

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(17)).

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(16) Non-monetary asset exchange**

Non-monetary asset exchange refers to the exchange of non-monetary assets, such as fixed assets, intangible assets and long-term equity investments. The exchange does not involve or only involves a small amount of monetary assets (i.e. premiums). The exchange of non-monetary assets without commercial substance shall be measured on the basis of carrying amount. For the swapped-in assets, the Group shall use the carrying amount of the swapped-out assets and the relevant taxes payable as the initial measurement amount of the swapped-in assets; for the swapped-out assets, no profit or loss is recognised when the assets are derecognised. For non-monetary asset exchanges that are measured on the basis of carrying amount, and multiple assets are swapped in or out at the same time, for multiple assets that are swapped in at the same time, the assets will be exchanged in accordance with the relative proportion of the fair value of each asset being exchanged. The total carrying amount (involving the premium, plus the carrying amount of the premium paid or the fair value of the premium received) is apportioned to the swapped-in assets, plus the relevant taxes payable, as the initial measurement amount of the swapped-in assets. If the fair value of the swapped-in assets cannot be measured reliably, the carrying amount of the swapped-in assets may be apportioned according to the relative proportion of the original carrying amount of the swapped-in assets or other reasonable proportions. For multiple assets that are swapped out at the same time, no profit or loss is recognised when the swapped-out assets are derecognised.

(17) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives and long-term equity investments in subsidiaries and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. Intangible assets that are not yet available for their intended use are tested for impairment at least annually, irrespective of whether there is any indication of impairment. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for asset impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of the fair value less the cost of disposal and the present value of the future cash flows expected to be derived from it. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(17) Impairment of long-term assets (Continued)

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the impairment test, the carrying amount of goodwill is allocated to the related asset group or group of asset groups which are expected to benefit from the synergies of the business combination. If the impairment result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(18) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits and post-employment benefits.

(a) *Short-term employee benefits*

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running and employee education costs, short-term paid absences, etc. The short-term employee benefits actually incurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at fair value.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(18) Employee benefits** (Continued)*(b) Post-employment benefits*

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include the premiums or contributions on basic pensions and unemployment insurance, both of which are under the defined contribution plans.

Basic pensions

The Group's employees within China participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to profit or loss for the current period or the cost of relevant assets.

(19) Dividends distribution

Cash dividends are recognised as liabilities for the period in which the dividends are approved by the shareholders' meeting.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(20) Provisions

Provisions for maintenance of the sewage water processing facilities are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

(21) Revenue recognition

The Group recognises revenue at the amount of the consideration which the Group expects to be entitled to receive when the customers obtain control over relevant goods or services.

(a) *Revenue from processing of sewage water and heating and cooling supply services*

Revenue from processing of sewage water and heating and cooling supply services is recognised when services are rendered. Revenue from processing of sewage water and heating and cooling supply services is a series of single obligations with the same substance and transfer mode, which can be clearly distinguished. The Group issues bills to customers according to the fixed unit price, sewage treatment capacity and cooling and heating area, and the revenue is recognised according to the amount of bills issued.

(b) *Revenue from construction of the concession project assets*

Revenue from the construction services under the Service Concession Right Agreements is estimated on a “cost-plus” basis with reference to a prevailing market rate of gross margin applicable to similar construction services rendered, and contract assets are recognised as well.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(21) Revenue recognition** (Continued)*(c) Revenue from supply of tap water and recycled water*

Revenue from supply of tap water and recycled water is recognised when the service has been rendered. Supply of tap water and recycled water is a series of single obligations with the same substance and transfer mode, which can be clearly distinguished. The Group issues bills to customers according to the fixed unit price and water supply quantity, and the revenue is recognised according to the amount of bills issued.

(d) Revenue from provision of pipeline connection services for recycled water

The Group provides the pipeline connection services for recycled water and recognises the revenue within a period of time according to the stage of completion to the total results agreed in the contract. On the balance sheet date, the Group re-estimates the stage of completion to reflect the actual status of contract fulfilment.

When the Group recognises revenue based on the stage of completion, the amount with an unconditional collection right obtained by the Group is recognised within accounts receivable, and the remainder is recognised as a contract asset. Meanwhile, loss provisions for accounts receivable and contract assets are recognised on the basis of ECL (Note 2(9)). If the contract price received or receivable exceeds the amount for the completed service, the excess portion will be recognised within contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(21) Revenue recognition (Continued)****(d) Revenue from provision of pipeline connection services for recycled water (Continued)**

Contract costs include contract fulfilment costs and contract acquisition costs. Costs incurred for the provision of pipeline connection services for recycled water are recognised as contract fulfilment costs, which are recognised as the cost of sales of main operations based on the stage of completion when recognising revenue. Incremental costs incurred by the Group for the acquisition of service contracts for provision of pipeline connection services for recycled water are recognised as contract acquisition costs. For contract acquisition costs with an amortisation period within one year, the costs are recognised in profit or loss as incurred. For contract acquisition costs with an amortisation period beyond one year, the costs are included in profit or loss on the same basis as the recognition of revenue from the rendering of pipeline connection services for recycled water under the relevant contract. If the carrying amount of the contract costs is higher than the remaining consideration expected to be obtained by rendering of the services net of the estimated cost to be incurred, the Group makes a provision for impairment for the excess portion and recognises it as an asset impairment loss. As at the balance sheet date, based on whether the amortisation period of the contract fulfilment costs is less than one year or more than one year as determined upon initial recognition, the amount of the Group's contract fulfilment costs (net of related provision for asset impairment) is presented as inventories or other non-current assets respectively. For contract acquisition costs with an amortisation period more than one year as determined upon the initial recognition, the amount net of any related provision for asset impairment is presented as an other non-current asset.

(e) Revenue from provision of environmental protection equipment customisation services

The Group provides customisation services for environmental protection equipment and other deodorant equipment. If the stage of completion can be measured reliably, revenue and cost are recognised by reference to the percentage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the contract costs incurred as a percentage of total estimated costs of each contract. Variations in contract, claims and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured. The environmental protection equipment sold by the Group is mainly the result of the scientific research and transformation of environmental protection patent technology.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(21) Revenue recognition (Continued)***(f) Revenue from hazardous waste processing*

The Group provides incineration or landfill processing services for hazardous wastes and general solid wastes. The service is provided within a short period. The Group recognises the revenue when service is provided according to the actual processing amount of waste and the price agreed on the contract.

(g) Revenue from contract operation

Revenue from contract operation is based on the service agreement. The revenue of a fixed total amount contract is recognised during the service period evenly. For contracts with agreed unit price of services, revenue shall be recognised during the period of service provision according to the quantity of services provided.

(h) Technical services income

Technical service income shall be recognised within the service provision period specified in the contract according to the service unit price and the actual service quantity provided in the contract.

(22) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return and financial subsidy, etc.

Government grants are recognised when the grants can be received, and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction, or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(22) Government grants (Continued)

Government grants related to assets are recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss in the subsequent periods in which those costs, expenses or losses are recognised. Government grants related to income that compensate the incurred expenses or losses are recognised in profit or loss.

The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

For the policy based favourable interest rate loans, the Group records the loans at the actual amounts and calculates the borrowing costs based on the loan principals and the favourable interest rates. The interest subsidies directly received from government are recorded as a reduction of borrowing costs.

(23) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries and associates, except where the Group is able to control the timing of reversal of the temporary differences, and it is probable that the temporary differences will not be reversed in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(23) Deferred tax assets and deferred tax liabilities** (Continued)

Deferred tax assets and liabilities are offset when:

- the deferred tax assets and deferred tax liabilities are related to the same tax payer within the Group and the same taxation authority; and,
- That taxpayer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(24) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as the lessee

At the lease commencement date, the Group recognises the right-of-use asset and measures the lease liability at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, the exercise price of a purchase option or termination penalty if the lessee is reasonably certain to exercise that option. Variable lease payments which are determined in proportion to sales are excluded from lease payments and recognised in profit or loss as incurred. Lease liabilities that are due within one year (inclusive) as from the balance sheet date are presented as current portion of non-current liabilities.

Right-of-use assets of the Group comprise leased machinery and equipment. Right-of-use assets are measured initially at cost which comprises the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date and any initial direct costs, less any lease incentives received. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life and otherwise, depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(24) Leases (Continued)

The Group as the lessee (Continued)

For short-term leases with a term of 12 months or less and leases of a low value individual asset (when new), the Group chooses to include the lease payments in the cost of the underlying assets or in the profit or loss for the current period on a straight-line basis over the lease term, instead of recognising right-of-use assets and lease liabilities.

The Group accounts for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

For a lease modification that is not accounted for as a separate lease, the Group redetermines the lease term at the effective date of the lease modification, and remeasures the lease liability by discounting the revised lease payments using a revised discount rate, except the contract changes that may apply the practical expedient as specified by the Ministry of Finance. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group decreases the carrying amount of the right-of-use asset, and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other lease modifications which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amount of the right-of-use asset.

For the qualified rent concessions agreed on existing lease contracts, the Group applies the practical expedient and records the undiscounted concessions in profit or loss when the agreement is reached to discharge the original payment obligation with corresponding adjustment of lease liabilities.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(24) Leases** (Continued)*The Group Acts as a lessor* (Continued)

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

a. Operating leases

Where the Group leases out self-owned buildings under operating leases, rental income therefrom is recognised on a straight-line basis over the lease term. Variable rental that is linked to a certain percentage of sales is recognised as rental income when incurred.

(25) Share-based payment*(a) Types of share-based payments*

Share-based payments are transactions in which equity instruments are granted or liabilities are determined on the basis of obtaining services provided by employees. Equity instruments include equity instruments of the company itself, the parent company of the company or other accounting entities in the same group. Share-based payments are classified into equity-settled share-based payments and cash-settled share-based payments.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(25) Share-based payment (Continued)

(a) *Types of share-based payments* (Continued)

Equity-settled share-based payments

The Group's equity incentive plan is an equity-settled share-based payment transaction, in which the Group receives services from employees as consideration for equity instruments of the Group. Where the share-based payments are not exercisable until the agreed conditions are met, then at each balance sheet date within the vesting period, the service obtained in the current period shall be included in relevant costs or expenses and recognised in capital surplus at the fair value of the equity instruments on the grant date based on the best estimates of the quantity of exercisable equity instruments made by the Group, in accordance with subsequent information such as latest changes in completion of performance and conditions of in-service employees. Where subsequent information shows that the quantity of exercisable equity instruments is different from the previous estimate, adjustment will be carried out accordingly, and the quantity will be adjusted against the quantity of actually exercisable equity instruments on the exercisable date. On the exercise date, the amount determined to be recognised as the share capital is calculated based on the number of equity instruments ultimately exercised.

(b) *The method of determining the fair value of equity instruments*

Equity instruments are share options. The Group assess the fair value by using the binomial option pricing model.

(26) Segment information

The Group identifies operating segments based on its internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(26) Segment information (Continued)**

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenue and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about allocation of resources to the segment and to assess the component's performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

(27) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the relevant circumstances.

(a) Critical judgments in applying the accounting policies**(i) Recognition of non-monetary assets exchange that lack of commercial substance**

An exchange transaction has commercial substance: (1) the configuration (risk, timing and amount) of the future cash flows of the swapped-in asset differs from the configuration of the future cash flows of the swapped-out asset; or (2) the present value of estimated future cash flows arising from the use of the swapped-in asset differs from that arising from the continued use of the swapped-out asset, and the difference is significant relative to the fair value of the swapped-in and swapped-out assets.

The relocation of the Group's Xianyang Road Sewage Treatment Plant in Xiqing District, Tianjin and Dongjiao Sewage Treatment Plant in Dongli District, Tianjin and the corresponding reclaimed water plants as well as non-monetary assets exchange arrangements are conducted based on the instructions of Tianjin Municipal People's Government. The assets swapped in and out are under the same type, and the risks or rewards assumed or received by the Group have not changed significantly. Therefore, the non-monetary assets exchanges lack commercial substance.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(27) Critical accounting estimates and judgements (Continued)

(b) *Critical accounting estimates and key assumptions*

The critical accounting estimates and key assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) Measurement of ECL

The Group calculates ECL based on the exposure at default and the ECL rates. The determination of the ECL rates is based on the probability of default and the loss given default. In determining the ECL rates, the Group uses data such as internal historical credit loss experience, and adjusts the historical data based on current conditions and forward-looking information.

(ii) Income tax and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcomes of these matters are different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(27) Critical accounting estimates and judgements** (Continued)*(b) Critical accounting estimates and key assumptions* (Continued)**(ii) Income tax and deferred income tax** (Continued)

As stated in Note 3(2), some subsidiaries of the Group are high-tech enterprises. The qualification of high-tech enterprises is effective for an initial term of three years. After the termination of the qualification, it is necessary to submit a new application to the relevant government departments for the high-tech enterprises' status renewal. According to historical status renewal experience and the actual situation of these subsidiaries in the past, the Group believes that the subsidiaries can continue to obtain the approval for the renewal of the status of being high-tech enterprises. Hence, the Group calculates subsidiaries' corresponding deferred income tax at the preferential rate of 15%. If some of the subsidiaries' renewal application has not been approved after the expiry of the high-tech enterprises status, the income tax shall be calculated at the statutory tax rate of 25%. Deferred tax assets, deferred tax liabilities, and income tax expenses will be affected.

A deferred tax asset is recognised for the carryforward of unused deductible losses to the extent that it is probable that future taxable profits will be available against which the deductible losses can be utilised. Future taxable profits include taxable profits that can be achieved through normal operations and the increase in taxable profits due to the reversal of taxable temporary differences arising from previous period in future period. The Group needs to apply estimates and judgements in determining the timing and amount of future taxable profits. If there is any difference between the actual and the estimates, adjustment may be made to the carrying amount of deferred tax assets.

(iii) Impairment of long-term assets

The Group assesses at each balance sheet date whether there is any indication that assets may be impaired. When i) the current market price of assets decreases significantly compared with the expected significant decline due to the passage of time or normal use; ii) the economic, technological, or legal environment in which the Group operates has undergone major adverse changes recently; iii) market interest rates or other market investment returns increase which affects the discount rate of the present value of future cash flows; and iv) the assets are obsolete or have been damaged or have become idle, the Group considers that there are signs of asset impairment. At each balance sheet date, the Group will evaluate the recoverable amount of the long-term assets that have shown signs of impairment. The assessment of the recoverable amount requires the Group to estimate the future cash flow and other conditions. When accounting estimates change, the carrying amount of long-term assets and the amount included in asset impairment losses will also change. Once the impairment provision is accrued, it cannot be reversed.

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(27) Critical accounting estimates and judgements (Continued)

(b) *Critical accounting estimates and key assumptions* (Continued)

(iv) Accounting estimation of goodwill impairment provision

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of asset groups or groups of asset groups is the higher of fair value less the cost of disposal and the present value of the future cash flows expected to be derived from them. These calculations require the use of estimates (Note 4(15)).

If management revises the growth rate that is used in the calculation of the future cash flows of asset groups or groups of asset groups, and the revised rate is lower than the current rate, the Group would need to recognise further impairment against goodwill.

If management revises the gross profit margin that is used in the calculation of the future cash flows of asset groups or groups of asset groups, and the revised gross profit margin is lower than the one currently used, the Group would need to recognise further impairment against goodwill.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against goodwill.

If the actual growth rate and gross profit margin are higher or the actual pre-tax discount rate is lower than management's estimates, the impairment loss of goodwill as previously recognised is not allowed to be reversed by the Group.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

3 TAXATION

- (1) The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax base	Tax rate
Corporate income tax	Taxable income	0%-25%
Value added tax ("VAT")	Taxable value-added amount (Tax payable is calculated using the taxable sale amount multiplied by the applicable tax rate less deductible input VAT of the current period)	3%-13%
City maintenance and construction tax	Payment amount of VAT	5%-7%
Educational fund surcharge	Payment amount of VAT	3%

- (2) Preferential tax policies for enterprise income tax

The information of preferential tax policies granted to the subsidiaries is as below:

Name of subsidiaries	Enterprise income tax rate for 30 June 2023	Reason for the preferential tax policy
The Company	15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control issued on 13 April 2019 (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021. On 29 January 2022, the State Taxation Administration issued the Announcement on Extending the Implementation Period of Partial Preferential Tax Policies (Cai Shui [2022] No. 4), which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2023.
Fuyang Capital Water Co., Ltd.	Yingnan sewage project, Yingdong phase I sewage project 15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control issued on 13 April 2019 (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021. On 29 January 2022, the State Taxation Administration issued the Announcement on Extending the Implementation Period of Partial Preferential Tax Policies (Cai Shui [2022] No. 4), which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2023.
	Other sewage projects 12.5% and 0%	From 2018 to 2020, Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax for the first 3 years and reduction half for the next 3 years.

3 TAXATION (Continued)

(2) Preferential tax policies for enterprise income tax (Continued)

The information of preferential tax policies granted to the subsidiaries is as below: (Continued)

Name of subsidiaries	Enterprise income tax rate for 30 June 2023	Reason for the preferential tax policy
Gui Zhou Capital Water Co., Ltd.	Shibing sewage project, Niudachang sewage project: 0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from corporate income tax commencing from 2022 for the first 3 years and reduction half for the next 3 years.
	Other sewage projects: 15%	According to the Notice of Guizhou Provincial Tax Services of State Taxation Administration on Implementation of Preferential Tax Policy of Enterprises Relating to Development of Western Regions (Qian Guo Shui Han [2011] No. 19), the company is entitled to a preferential corporate income tax rate from 2011 to 2020. On 23 April 2020, the Ministry of Finance, the State Taxation Administration, and the National Development and Reform Commission issued the Announcement [2020] No. 23, the Announcement on Continuation of Preferential Tax Policy of Enterprises Relating to Development of Western Regions, stipulating that the implementation period of the policy would be extended to 31 December 2030.
Xi'an Capital Water Co., Ltd.	Upgrading sewage business 0 %	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2021 for the first 3 years and reduction half for the next 3 years.
	Other Businesses 15 %	According to the Notice of Shaanxi Provincial Tax Service of State Taxation Administration on Issuing Measures for Review and Management of Preferential Tax Policy of Enterprises Relating to Development of Western Regions (Notice [2010] No. 3), the company is entitled to a preferential corporate income tax rate from 2011 to 2020. On 23 April 2020, the Ministry of Finance, the State Taxation Administration, and the National Development and Reform Commission issued the Announcement [2020] No. 23, the Announcement on Continuation of Preferential Tax Policy of Enterprises Relating to Development of Western Regions, stipulating that the implementation period of the policy would be extended to 31 December 2030.
Hangzhou Tianchuang Capital Water Co., Ltd.	15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control issued on 13 April 2019 (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021. On 29 January 2022, the State Taxation Administration issued the Announcement on Extending the Implementation Period of Partial Preferential Tax Policies (Cai Shui [2022] No. 4, which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2023.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

3 TAXATION (Continued)

(2) Preferential tax policies for enterprise income tax (Continued)

The information of preferential tax policies granted to the subsidiaries is as below: (Continued)

Name of subsidiaries	Enterprise income tax rate for 30 June 2023	Reason for the preferential tax policy
Tianjin Caring Technology Development Co., Ltd.	15%	In 2021, Caring Company has obtained the High-tech Enterprise Certificate (Certificate No. GR202112000412) issued by Tianjin Science and Technology Bureau, Tianjin Finance Bureau and Tianjin Municipal Tax Service of the State Taxation Administration. The certificate is valid for 3 years. According to relevant provisions of the income tax law, the corporate income tax rate applicable for 2023 was 15%.
Tianjin Water Recycling Co., Ltd.	25%	According to Cai Shui [2008] No. 47, since 1 January 2008, for revenues generated from products which were in line with national or industry standards, the taxable income amount is 90% of the total revenue.
Karamay Tianchuang Capital Water Co., Ltd.	15%	On 29 January 2022, the State Taxation Administration issued the <i>Announcement on Extending the Implementation Period of Partial Preferential Tax Policies</i> (Cai Shui [2022] No. 4), which stipulates that the implementation period of the tax preferential policies of the Northwest Development will be extended to 31 December 2023
Linxia Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2018 for the first 3 years and reduction half for the next 3 years.
Bayannur Capital Water Co., Ltd.	Sewage water: 12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2018 for the first 3 years and reduction half for the next 3 years.
	Recycled water: The taxable income is 90% of revenue	According to Cai Shui [2008] No. 47, since 1 January 2008, for revenues generated from products which were in line with national or industry standards, the taxable income amount is 90% of the total revenue.
Yingshang Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2018 for the first 3 years and reduction half for the next 3 years.
Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2018 for the first 3 years and reduction half for the next 3 years.
Shandong Capital Environmental Protection Technology Consultant Co., Ltd.	12.5%	According to Cai Shui [2009] No. 166, income from engagement in qualified industrial solid waste treatment projects and hazardous waste treatment projects is subject to exemption from enterprise income tax commence from 2019 for the first 3 years and reduction half for the next 3 years.

3 TAXATION (Continued)

(2) Preferential tax policies for enterprise income tax (Continued)

The information of preferential tax policies granted to the subsidiaries is as below: (Continued)

Name of subsidiaries	Enterprise income tax rate for 30 June 2023	Reason for the preferential tax policy
Shandong Tanchuang Environmental Protection Technology Development Co., Ltd	12.5%	According to Cai Shui [2009] No. 166, income from engagement in qualified industrial solid waste treatment projects and hazardous waste treatment projects is subject to exemption from enterprise income tax commence from 2020 for the first 3 years and reduction half for the next 3 years.
Hanshou Tianchuang Capital Water Co., Ltd.	12.5%	According to Cai Shui [2019] No. 67, income from rural drinking water safety projects is subject to exemption from enterprise income tax commence from 2019 for the first 3 years and reduction half for the next 3 years.
Jiuquan Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2019 for the first 3 years and reduction half for the next 3 years.
Huize Capital Water Co., Ltd.	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2021 for the first 3 years and reduction half for the next 3 years.
Huoqiu Capital Water Co., Ltd.	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2022 for the first 3 years and reduction half for the next 3 years.
Wuhan Tianchuang Capital Water Co., Ltd.	Honghu sewage treatment plant business and Chibi sewage treatment plant business 15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control issued on 13 April 2019 (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021. On 29 January 2022, the State Taxation Administration issued the Announcement on Extending the Implementation Period of Partial Preferential Tax Policies (Cai Shui [2022] No. 4, which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2023.
	Xianning Yong'an sewage treatment plant business 12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2018 for the first 3 years and reduction half for the next 3 years.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

3 TAXATION (Continued)

(2) Preferential tax policies for enterprise income tax (Continued)

The information of preferential tax policies granted to the subsidiaries is as below: (Continued)

Name of subsidiaries	Enterprise income tax rate for 30 June 2023	Reason for the preferential tax policy
	Chibi Sewage Treatment Plant: 15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control issued on 13 April 2019 (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021. On 29 January 2022, the State Taxation Administration issued the Announcement on Extending the Implementation Period of Partial Preferential Tax Policies (Cai Shui [2022] No. 4, which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2023.
Honghu Tianchuang Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2018 for the first 3 years and reduction half for the next 3 years.
Jiangsu Yonghui Resources Utilization Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2019 for the first 3 years and reduction half for the next 3 years.
Changsha Tianchuang Capital Environmental Protection Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2018 for the first 3 years and reduction half for the next 3 years.
Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2021 for the first 3 years and reduction half for the next 3 years.
Changsha Tianchuang Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2019 for the first 3 years and reduction half for the next 3 years.
Anhui Tianchuang water Co., Ltd	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2019 for the first 3 years and reduction half for the next 3 years.
Hefei Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2019 for the first 3 years and reduction half for the next 3 years.

3 TAXATION (Continued)

(2) Preferential tax policies for enterprise income tax (Continued)

The information of preferential tax policies granted to the subsidiaries is as below: (Continued)

Name of subsidiaries	Enterprise income tax rate for 30 June 2023	Reason for the preferential tax policy
Wendeng Capital Water Co., Ltd.	15%	According to The Corporate Income Tax Policy of Third-party Enterprises Engaged in Pollution Prevention and Control issued on 13 April 2019 (Announcement [2019] No. 60 issued by the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment), corporate income tax shall be levied at a reduced rate of 15% from 1 January 2019 to 31 December 2021. On 29 January 2022, the State Taxation Administration issued the Announcement on Extending the Implementation Period of Partial Preferential Tax Policies (Cai Shui [2022] No. 4, which stipulates that the implementation period of the policy in Announcement [2019] No. 60 will be extended to 31 December 2023.
Deqing Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2019 for the first 3 years and reduction half for the next 3 years.
Hebei Guojin Tianchuang Capital Water Co., Ltd.	12.5%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2020 for the first 3 years and reduction half for the next 3 years.
Karamay Capital Water Co., Ltd.	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2023 for the first 3 years and reduction half for the next 3 years.
Enshi Capital Water Co., Ltd.	0%	Income from engagement in qualified projects of environmental protection and energy and water conservation is subject to exemption from enterprise income tax commence from 2023 for the first 3 years and reduction half for the next 3 years.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

3 TAXATION (Continued)**(3) Tax policies on VAT**

Pursuant to the Announcement on Relevant Policies for Deepening the Value-added Tax Reform (Cai Shui Haiguan [2019] No. 39) jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs and relevant regulations, the VAT rate for revenue from sewage water processing applicable to the Group and its subsidiaries is 6%; the tax rate for revenue from recycled water processing is 13%; the tax rate for revenue from heating and cooling supply services is 9%; the tax rate for revenue from hazardous waste treatment is 6%; the tax rate for revenue from tap water supply is 3%; the tax rate for revenue from environmental protection equipment customisation is 13%; the tax rate for revenue from auxiliary projects and facility construction is 9%; and the tax rate for other businesses is 5% to 13%.

According to the Announcement on Clarifying the Collection and Management of VAT on Second Hand Car Distribution and Other Issues (Announcement [2020] No. 9) issued by the State Taxation Administration, if no goods are produced after professional treatment by means of landfill, incineration, etc., and the trustee belongs to the “professional and technical services” in the “modern services” provided in the Sales Services, Intangible Assets, Real Estate Notes (Cai Shui [2016] No. 36), the treatment fee charged by the trustee is subject to the VAT rate of 6%.

(4) Preferential tax policies on VAT

On 15 April 2019, the Ministry of Finance and the State Taxation Administration issued the Announcement on Continued Implementation of Tax Preferential Policies for Rural Drinking Water Safety Projects (Cai shui [2019] No. 67), stipulating that from 1 January 2019 to 31 December 2020, in the tap water supply business of the Group, the tap water sales income obtained by providing rural residents with domestic water is exempt from VAT. On 15 March 2021, the Ministry of Finance and the State Taxation Administration issued the Announcement on Extending the Implementation Period of Partial Preferential Tax Policies (Cai Shui [2021] No. 6), which stipulates that the implementation period of the policy will be extended to 31 December 2023.

According to the Announcement on Improving the VAT Policy for Comprehensive Utilisation of Resources (Announcement [2021] No. 40) issued by the State Taxation Administration, and other relevant regulations, engagement in “sewage treatment service” and “recycled water business” included in the Catalogue of Preferential VAT on Products and Services for Comprehensive Utilisation of Resources is entitled to 70% refund of VAT upon collection, or applicable VAT exemption policies. The preferential policy, once selected, shall not be changed within 36 months. Some subsidiaries of the Group have chosen to adopt the VAT exemption policy since 2022.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	Unaudited 30 June 2023	Audited 31 December 2022
Cash on hand	1	3
Cash at bank	2,999,927	3,188,341
Other cash balances	45,834	63,716
	<u>3,045,762</u>	<u>3,252,060</u>
Including: Bank deposits overseas	<u>8,650</u>	<u>8,692</u>

(a) Cash listed in the cash flow statement comprises:

	Unaudited 30 June 2023	Audited 31 December 2022
Cash at bank and on hand	3,045,762	3,252,060
Less: Restricted bank deposits (Note (i))	<u>(45,834)</u>	<u>(63,716)</u>
Cash listed in cash flow statement (Note 4(46))	<u>2,999,928</u>	<u>3,188,344</u>

- (i) The restricted bank deposits represent the deposit for the purpose of applying for unconditional, irrevocable bank letters of guarantee.

(2) Notes receivable

	Unaudited 30 June 2023	Audited 31 December 2022
Bank acceptance notes	<u>7,813</u>	<u>7,535</u>

(a) As at 30 June 2023, the Group has no pledged notes receivable.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Notes receivable (Continued)

(b) As at 30 June 2023, notes receivable endorsed but unmatured were as follows:

	Derecognised	Not derecognised
Bank acceptance notes	16,151	–

For the six months ended 30 June 2023, insignificant portion of the bank acceptance notes were endorsed and derecognised by subsidiaries Water Recycling Company, Shandong Company, Gaoyou Compro and Jiangsu Yonghui.

(c) Provision for bad debts:

As at 30 June 2023, the Group does not have bank acceptance notes with an ECL assessed on an individual basis. And the Group considers that there is no significant credit risk in the bank acceptance notes

(3) Accounts receivable

	Unaudited 30 June 2023	Audited 31 December 2022
Trade receivables	3,279,064	2,959,595
Less: Provision for bad debts	(216,451)	(214,573)
	<u>3,062,613</u>	<u>2,745,022</u>

(a) The ageing analysis of accounts receivable is as follows:

	Unaudited 30 June 2023	Audited 31 December 2022
Within 1 year	2,440,281	2,364,118
1 to 2 years	516,908	336,156
2 to 3 years	156,990	111,184
3 to 4 years	72,732	63,061
4 to 5 years	49,633	42,588
Over 5 years	42,520	42,488
	<u>3,279,064</u>	<u>2,959,595</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable (Continued)

(b) *As at 30 June 2023 (unaudited), the accounts receivable from the top five debtors in respect of outstanding balance are analyzed as below:*

	Amount	Provision for bad debts	% of total balance
Trade receivables from the top five debtors	1,826,724	(71,988)	56%

(c) *Provision for bad debts:*

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.

(i) *As at 30 June 2023(unaudited), provision for bad debts by individual is analyzed as below:*

	Carrying amount	ECL rate	Provision	Reasons
Tianjin Water Authority Bureau	1,155,513	0.25%	(2,946)	1)
Qujing Sewage Company	262,662	16.13%	(42,369)	2)
Xi'an Infrastructure Investment Group	60,764	0.54%	(329)	1)
Guiyang Water Authority Bureau	50,888	0.68%	(346)	1)
Jinghai Development Area Management Committee	40,880	92.21%	(37,694)	3)
Tianjin City Appearance Sanitation Construction Development Co. Ltd.	28,554	62.77%	(17,923)	5)
Hangzhou City Water Facilities and River Protection Management Centre	17,125	0.22%	(38)	1)
Tianjin Ziya Environmental Protection Industrial Park Co. Ltd.	16,797	100.00%	(16,797)	6)
Tianjin Shuangkou Municipal Solid Waste Landfill	13,776	100.00%	(13,776)	5)
Urad Front Banner Finance Bureau	10,928	100.00%	(10,928)	4)
Urad Rear Banner Finance Bureau	10,392	100.00%	(10,392)	4)
Hangzhou Drainage Co., Ltd	10,383	0.08%	(8)	1)
Tianjin Goldin International Club Co. Ltd.	1,548	100.00%	(1,548)	7)
Inner Mongolia Zijin Zinc Industry Co., Ltd	1,314	100.00%	(1,314)	8)
Tianjin City Investment Urban Resources Management Co., Ltd.	1,200	100.00%	(1,200)	9)
Tianjin Tianbao Municipal Administration Co. Ltd.	152	100.00%	(152)	10)
Total	1,682,876		(157,760)	

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable (Continued)

(c) Provision for bad debts: (Continued)

(i) As at 30 June 2023 (unaudited), provision for bad debts by individual is analyzed as below: (Continued)

- 1) As these clients are provincial and municipal governments or their representatives, whose ability to meet their contractual cash flow obligations may not be weakened even if there are adverse changes in the economic and business situation over a long period, then the receivables of the Group from Tianjin Water Authority Bureau, Xi'an Infrastructure Investment Group, Hangzhou City Water Facilities and River Protection Management Center, Guiyang Water Authority Bureau, and Hangzhou Drainage Co., Ltd have a lower credit risk. Based on the historical experience, the Group maintains continuous receiving and there was no actual bad debt loss. Therefore, the Group estimates that the lifetime ECL rate of the receivables is 0.08% to 0.68%.
- 2) Receivables of Qujing Capital Water Co., Ltd. from Qujing Sewage Company are composed between regular sewage treatment fee and tap water fee. As the receivables of regular sewage treatment fee and tap water fee have a longer collection period than ordinary government clients; indicating high credit risk, the Group estimates that the lifetime ECL rate is 16.13%.
- 3) Receivables of Tianjin Jinghai Capital Water Co., Ltd from Tianjin Jinghai Development Area Management Committee comprise conventional sewage treatment fees, whose repayment period is longer than that of general government customers, are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group presumes that it has defaulted and estimates that the lifetime ECL rate is 92.21%.
- 4) Receivables from Urad Front Banner Finance Bureau and Urad Rear Banner Finance Bureau comprise conventional sewage treatment fees, whose repayment period is longer than that of general government customers, are under high credit risk. Considering factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group presumes that it has defaulted and estimates that the lifetime ECL rate is 100%.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable (Continued)

(c) Provision for bad debts: (Continued)

(i) As at 30 June 2023 (unaudited), provision for bad debts by individual is analyzed as below: (Continued)

- 5) Receivables of the Group from Tianjin City Appearance Sanitation Construction Development Co. Ltd. (“City Appearance Sanitation”) and Tianjin Shuangkou Municipal Solid Waste Landfill (“Shuangkou Solid Waste”) comprise technical services fees. The repayment period of City Appearance Sanitation is longer than that of general government clients; and there was also no transaction between the Company and Shuangkou Solid Waste during the year. The receivables from them are under high credit risk. Considering factors such as the debtor’s actual performance ability, historical repayment experience, and ageing, the Group estimates that the lifetime ECL rates of City Appearance Sanitation and Shuangkou Solid Waste are 62.77% and 100%, respectively.
- 6) Receivables of the Company from Tianjin Ziya Environmental Protection Industrial Park Co. Ltd. comprise contract operation fees. The customer had no transactions with the Company and the receivable amount had high credit risk. Considering factors such as the debtor’s actual performance, historical repayment experience, and ageing, the Group presumes that they have defaulted and estimates that the lifetime ECL rate is 100%.
- 7) Receivables of the Group from Tianjin Goldin International Club Co. Ltd. comprise recycled water supply fees. Tianjin Goldin International Club Co. Ltd. had no transactions with Tianjin Water Recycling Co., Ltd., whose receivables are under high credit risk. Taking into account that factors such as the debtor’s actual performance, historical repayment experience, and ageing, the Group presumes that they have defaulted and estimates that the lifetime ECL rate is 100%.
- 8) Receivables of the Group from Inner Mongolia Zijin Zinc Industry Co., Ltd. is the tap water supply fee. Considering that there has been a lawsuit dispute with the debtor, the collection period of the receivables is longer than that of ordinary customers, and the credit risk is high. Taking into account that factors such as the debtor’s actual performance, historical repayment experience, and ageing, the Group presumes that they have defaulted and estimates that the lifetime ECL rate is 100%.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable (Continued)

(c) Provision for bad debts: (Continued)

(i) As at 30 June 2023(unaudited), provision for bad debts by individual is analyzed as below: (Continued)

9) Receivables of the Group from Tianjin City Investment Urban Resources Management Co., Ltd. comprise rental fees. Tianjin City Investment Urban Resources Management Co., Ltd. had no transactions with the Company, whose receivables are under high credit risk. Considering the factors such as the debtor's actual performance, historical repayment experience, and ageing, the Group presumes that they have defaulted and estimates that the lifetime ECL rate of them is 100%.

10) Receivables of the Group from Tianjin Tianbao Municipal Administration Co. Ltd comprise contract operation fees. Considering the factors such as the debtor's actual performance ability, historical repayment experience, and ageing, the Group presumes that they have defaulted and estimates that the lifetime ECL rate is 100%.

(ii) provision for bad debts by group is analyzed as below:

	Unaudited 30 June 2023			Audited 31 December 2022		
	Carrying amount Amount	Provision ECL rate	Amount	Carrying amount Amount	Provision ECL rate	Amount
Group 3 – Government clients						
Not overdue	397,109	1.84%	(7,307)	465,781	1.84%	(8,553)
1-180 days overdue	298,775	3.19%	(9,531)	239,807	3.19%	(7,647)
>180 days overdue	502,763	5.49%	(27,577)	301,582	9.36%	(28,215)
	<u>1,198,647</u>		<u>(44,415)</u>	<u>1,007,170</u>		<u>(44,415)</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable (Continued)

(c) Provision for bad debts: (Continued)

(ii) provision for bad debts by group is analyzed as below: (Continued)

	Unaudited 30 June 2023			Audited 31 December 2022		
	Carrying amount Amount	Provision ECL rate	Amount	Carrying amount Amount	Provision ECL rate	Amount
Group 4 – other clients						
Not overdue	84,848	1.04%	(882)	182,474	1.04%	(1,905)
1-90 days overdue	133,025	1.53%	(2,035)	81,638	1.53%	(1,253)
>90 days overdue	179,668	6.32%	(11,358)	97,234	9.50%	(9,240)
	<u>397,541</u>		<u>(14,276)</u>	<u>361,346</u>		<u>(12,398)</u>

The provision for bad debts for the six months ended 30 June 2023 amounted to about 2 million, of which about 0 million was collected or reversed, the gross carrying amount of provision for bad debts was about 216 million.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Advances to suppliers

(a) *The ageing of advances to suppliers is analyzed as follows:*

	Unaudited 30 June 2023		Audited 31 December 2022	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	20,952	72%	25,225	72%
1 to 2 years	4,867	17%	9,236	26%
Over 2 years	3,484	11%	762	2%
	<u>29,303</u>	<u>100%</u>	<u>35,223</u>	<u>100%</u>

As at 30 June 2023, advances to suppliers of approximately RMB8 million (31 December 2022: RMB10 million) with aging over one year were mainly for supplemental projects.

(b) *As at 30 June 2023 (unaudited), the top five advances to suppliers in respect of outstanding balance of the Group are analyzed as follows:*

	Amount	% of total balance
Total amounts of advances to suppliers to the top five debtors in respect of outstanding balance	<u>7,659</u>	<u>26%</u>

(5) Other receivables

	Unaudited 30 June 2023	Audited 31 December 2022
Project deposits	8,194	7,576
VAT refund	268	628
Others	<u>13,282</u>	<u>8,238</u>
	21,744	16,442
Less: Provision for bad debts	<u>(230)</u>	<u>(230)</u>
	<u>21,514</u>	<u>16,212</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Other receivables (Continued)

(a) *The ageing analysis of other receivables is as follows:*

	Unaudited 30 June 2023	Audited 31 December 2022
Within 1 year	10,116	5,668
1 to 2 years	1,811	1,631
2 to 3 years	1,275	2,709
Over 3 years	<u>8,542</u>	<u>6,434</u>
Total	<u>21,744</u>	<u>16,442</u>

(b) As at 30 June 2023 and 31 December 2022, the Group did not have any other receivables for which the related provision for bad debts was provided on the individual basis, neither had any other receivables at Stage 2.

(c) *As at 30 June 2023 and 31 December 2022, other receivables provisioned bad debts by group were all belong to stage 1. The analysis is as below:*

	Unaudited 30 June 2023			Audited 31 December 2022		
	Carrying amount Amount	Provision Amount	%	Carrying amount Amount	Provision Amount	%
Group 5 – Project deposits						
Within 1 year	3,299	(50)	1.50%	2,446	(40)	1.62%
1-2 years	928	(14)	1.50%	1,551	(25)	1.62%
2 to 3 years	948	(14)	1.50%	1,416	(23)	1.62%
Over 3 years	<u>3,019</u>	<u>(45)</u>	1.50%	<u>2,163</u>	<u>(35)</u>	1.62%
Subtotal	<u>8,194</u>	<u>(123)</u>		<u>7,576</u>	<u>(123)</u>	
Group 6 – others						
Within 1 year	6,549	(52)	0.81%	2,594	(33)	1.30%
1-2 years	883	(7)	0.81%	80	(1)	1.30%
2 to 3 years	327	(3)	0.81%	1,293	(17)	1.30%
Over 3 years	<u>5,523</u>	<u>(45)</u>	0.81%	<u>4,271</u>	<u>(56)</u>	1.30%
Subtotal	<u>13,282</u>	<u>(107)</u>		<u>8,238</u>	<u>(107)</u>	
Total	<u>21,476</u>	<u>(230)</u>		<u>15,814</u>	<u>(230)</u>	

(d) For the six months ended 30 June 2023, the changes of other receivables' provision of the Group is not significant.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Other receivables (Continued)

(e) As at 30 June 2023 (unaudited), other receivables from the top five debtors in respect of outstanding balance are analyzed as below:

	Nature	Amount	Aging	% of total balance	Provision for bad debts
Hangzhou Municipal Engineering Group Co., Ltd	Civil engineering funds	3,788	Within 1 year	17.42%	(31)
Tianjin Installation Engineering Co., Ltd.	Deposits of migrant workers' wages	3,128	Over 3 years	14.39%	(54)
Shenyang Dongyuan Environmental Technology Co., Ltd	Project deposits	1,900	Within 1 year	8.74%	(29)
State Grid Tianjin Electric Power Company	Advance sludge disposal fee	1,074	Within 1 year and Over 3 years	4.94%	(10)
Tianjin Xiqing Water Authority Bureau	Advances	535	Within 1 year	2.46%	(8)
Total		<u>10,425</u>		<u>47.95%</u>	<u>(132)</u>

(f) As at 30 June 2023 (unaudited), the Group's analysis of government grants confirmed by the amount receivables is as follows:

	Government grants program	Amount	Aging
Baoying Capital Water Co., Ltd.	VAT refund	179	Within 1 year
Wendeng Capital Water Co., Ltd.	VAT refund	83	Within 1 year
Huoqiu Capital Water Co., Ltd.	VAT refund	6	Within 1 year
Anguo Capital Water Co., Ltd.	VAT refund	0.3	Within 1 year
		<u>268.30</u>	

Based on the previous year's collection situation, the VAT refund is expected to be fully collected by June 2024.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6) Inventories

(a) *The Group's inventory is classified as follows:*

	Unaudited 30 June 2023			Audited 31 December 2022		
	Ending balance	Provision for decline in the value of inventories	Carrying amount	Ending balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	23,408	—	23,408	25,364	—	25,364
Finished goods	5,057	—	5,057	5,240	—	5,240
Spare parts and low cost consumables	553	—	553	540	—	540
	<u>29,018</u>	<u>—</u>	<u>29,018</u>	<u>31,144</u>	<u>—</u>	<u>31,144</u>

(7) Long-term receivables and current portion of non-current assets

	Unaudited 30 June 2023	Audited 31 December 2022
Receivables from Tianjin Water Authority Bureau	2,402,741	2,402,741
Receivables from concession rights (a)	2,032,065	2,011,202
Toll road concession	179,287	193,539
Receivables from Bayannur Finance Bureau	116,800	116,800
Less: Bad debt provision	<u>(51,138)</u>	<u>(51,138)</u>
	4,679,755	4,673,144
Less: Current portion of non-current assets	<u>(188,439)</u>	<u>(197,367)</u>
	<u>4,491,316</u>	<u>4,475,777</u>

(a) As at 30 June 2023, among the Group's long-term receivables, the long-term borrowings of RMB364 million (31 December 2022: RMB375 million) were pledged by the concession right of "Jiuquan Suzhou the First and the Second Sewage Treatment Plant PPP Project", which had a carrying amount of about RMB531 million (31 December 2022: RMB518 million). The long-term borrowings of RMB138 million (31 December 2022: RMB138 million) were pledged by the concession right of "Huoqiu Chengbei the Second Sewage Treatment Plant Phase II. The carrying amount of such long-term receivables served as pledges for long-term borrowings, including current portion of non-current assets, was about RMB173 million (31 December 2022: RMB170 million).

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Other current assets

	Unaudited 30 June 2023	Audited 31 December 2022
Input VAT to be deducted	55,381	36,395
Anguo sewage project assets(a)	33,065	33,065
Input VAT to be verified	8,793	18,456
Income tax prepaid	–	9,470
	<u>97,239</u>	<u>97,386</u>
Less: Provision for impairment of other current assets(a)	<u>(33,065)</u>	<u>(33,065)</u>
	<u>64,174</u>	<u>64,321</u>

(a) The Group conducted an impairment assessment of the relevant assets of Anguo sewage processing plant in previous years and made full amount provision for assets impairment.

(9) Long-term equity investments

	Unaudited 30 June 2023	Audited 31 December 2022
Investment in an associate (a)	215,466	215,466
Less: Impairment of Long-term equity investments (b)	<u>(22,358)</u>	<u>(22,358)</u>
	<u>193,108</u>	<u>193,108</u>

(a) Investment in associate

	Type	Place of registration	Registered capital	Shareholding/ Voting rights (%)
Tianjin International Machinery Co., Ltd. (i)	Limited company	Tianjin	120,000	27.50%
Tianjin Bihai Sponge City Co., Ltd. (ii)	Limited company	Tianjin	650,000	30.00%

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Long-term equity investments (Continued)

(a) Investment in associate (Continued)

The movements of the Group's investment in International Machinery are as follows:

	Initial investment cost	31 December 2022 (Audited)	30 June 2023 (Unaudited)	Provision for impairment at the end of the period
International Machinery (i)	33,000	–	–	(22,358)
Tianjin Bihai (ii)	195,000	193,108	193,108	–
	<u>228,000</u>	<u>193,108</u>	<u>193,108</u>	<u>(22,358)</u>

- (i) International Machinery is a Sino-foreign joint venture registered in Tianjin, the PRC. The businesses of International Machinery include research and development, production, sales and installation of valve and actuating device, heater exchanger and the whole set, environment protection equipment, and general mechanical equipment. As at 30 June 2023, the carrying amount of the investment had been reduced to zero.
- (ii) Tianjin Bihai is a limited liability company registered in Tianjin. The businesses of Tianjin Bihai include constructions and operations of water treatment projects, procurement and maintenance of water treatment equipment, ecological maintenance, tourism development, ecological management, construction, operation and management of sponge city project, and construction and operation of municipal engineering. The Company, together with Origin Water Technology Co., Ltd. and Jiu'an Investment Group Co., Ltd., formed a consortium to win the bid for the construction PPP project of the sponge city in Jefang South Road area, Tianjin. After that, Tianjin Bihai was established on 30 July 2018. The Company invested RMB195 million and holds 30% equity interest. In 2022, Tianjin Bihai was still in the construction period. The construction is expected to be completed in 2023 and put into operation in 2024.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Long-term equity investments (Continued)

(b) Provision for impairment of long-term equity investments

	Audited 31 December 2022	Additions	Disposals	Unaudited 30 June 2023
International Machinery	22,358	–	–	22,358

(10) Investments in other equity instruments

	Unaudited 30 June 2023	Audited 31 December 2022
Equity of unlisted company Tianjin Beifang Rencaigang Company Ltd.		
– Cost	2,000	2,000
– Accumulated changes in fair value	–	–
	<u>2,000</u>	<u>2,000</u>

Investments in other equity instruments is the unlisted equity investments of Tianjin Beifang Rencaigang Company Limited held by the Group and the shareholding ratio is 6.10%. The Group does not participate in or influence the financial and operational decisions of Tianjin Beifang Rencaigang Company Limited in any way. Therefore, the Group has no significant influence on the above-mentioned invested company and accounts for it as other equity instruments.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Fixed assets

	Buildings and structures (note (i))	Machinery and equipment	Motor vehicles & others	Total
Cost –				
31 December 2022 (Audited)	752,205	644,259	112,885	1,509,349
Transfers from construction in progress	–	–	3,431	3,431
Other additions in the current period	167,396	305,317	130	472,843
Disposals in the current period	–	(8)	(446)	(454)
30 June 2023 (Unaudited)	<u>919,601</u>	<u>949,568</u>	<u>116,000</u>	<u>1,985,169</u>
Accumulated depreciation –				
31 December 2022 (Audited)	(203,061)	(326,515)	(68,426)	(598,002)
Other additions in the current period (note (i))	(13,623)	(26,181)	(6,054)	(45,858)
Disposals in the current period	–	7	424	431
30 June 2023 (Unaudited)	<u>(216,684)</u>	<u>(352,689)</u>	<u>(74,056)</u>	<u>(643,429)</u>
Carrying Amount –				
30 June 2023 (Unaudited)	<u>702,917</u>	<u>596,879</u>	<u>41,944</u>	<u>1,341,740</u>
31 December 2022 (Audited)	<u>549,144</u>	<u>317,744</u>	<u>44,459</u>	<u>911,347</u>

- (i) For the six months ended 30 June 2023, the amounts of depreciation expenses charged to cost of sales and general and administrative expenses were RMB40 million (for the six months ended 30 June 2022: RMB20 million) and RMB5 million (for the six months ended 30 June 2022: RMB5 million), respectively.
- (ii) As at 30 June 2023, the certificate of title to outsourced assets included in fixed assets, land use rights with cost of RMB172 million and carrying amount of RMB97 million (31 December 2022: cost of RMB172 million and carrying amount of RMB100 million) and non-monetary exchange assets with cost of RMB12 million and carrying amount of RMB8 million (31 December 2022: cost of RMB12 million and carrying amount of RMB8 million) have yet to be or are in the process of being transferred to the Group. As these assets are supported by legal sale and purchase agreements, management of the Company believes that the titles will be received in due course without any legal barrier or additional significant cost.
- (iii) As at 30 June 2023, fixed assets with cost of RMB413 million (31 December 2022: RMB364 million) and a carrying amount of RMB330 million (31 December 2022: RMB302 million) were used as collateral for long-term borrowings of RMB295 million (31 December 2022: RMB311 million).

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Construction in progress

Name	Budgeted amount	31 December 2022 (Audited)	Increase in the current period	Increase in the current period	Other decrease in the current year	30 June 2023 (Unaudited)	Proportion of expenditures incurred to budgeted amount	Progress	The accumulated balance of capitalization of requested fee	Including: borrowing costs capitalized in current period	Capitalisation rate	Source of funds
Recycled Water Pipeline Connection Project in Tianjin City	299,000	117,409	42,213	-	-	159,622	53%	53%	-	-	-	Special loan and Self-raised fund
Shandong-Dongying Transit Station Project	20,539	7,465	495	-	-	7,960	39%	39%	-	-	-	Special loan and Self-raised fund
Other projects		27,083	522	(3,431)	(258)	23,916			13,367	-	-	Special loan and Self-raised fund
Total		151,957	43,230	(3,431)	(258)	191,498			13,367	-	-	

(a) As at 30 June 2023, the factory and equipment under construction with carrying amount totalling RMB15 million (31 December 2022: RMB15 million) were pledged as collateral for the Group's long-term borrowings of RMB129 million (31 December 2022: RMB135 million).

(b) As at 30 June 2023, the Group has no provision for construction in progress (31 December 2022: Nil).

(13) Right-of-use assets

	Buildings	Machinery and equipment	Total
Cost			
31 December 2022 (Audited)	976	13,836	14,812
Increase in the current year	-	-	-
30 June 2023 (Unaudited)	976	13,836	14,812
Accumulated depreciation			
31 December 2022 (Audited)	(279)	(6,286)	(6,565)
Increase in the current year	(157)	(3,498)	(3,655)
30 June 2023 (Unaudited)	(436)	(9,784)	(10,220)
Carrying amount			
30 June 2023 (Unaudited)	540	4,052	4,592
31 December 2022 (Audited)	697	7,550	8,247

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Intangible assets

	Unaudited 30 June 2023	Audited 31 December 2022
Concession rights (a)	10,167,680	9,985,274
Land use rights (b)	132,573	134,198
Technical know-how and computer software (c)	10,577	10,792
	<u>10,310,830</u>	<u>10,130,264</u>

(a) The movements of concession rights are as follows:

Cost	
31 December 2022 (Note (i)) (Audited)	14,125,230
Transfers from construction in progress	<u>447,351</u>
30 June 2023 (Note (i)) (Unaudited)	<u>14,572,581</u>
Accumulated amortisation	
31 December 2022 (Note (i)) (Audited)	(3,988,256)
Charge for the period	<u>(264,945)</u>
30 June 2023 (Note (i)) (Unaudited)	<u>(4,253,201)</u>
Provision for impairment	
31 December 2022 (Note (i)) (Audited) and 30 June 2023 (Note (i)) (Unaudited)	<u>(151,700)</u>
Net Book Value	
30 June 2023 (Note (i)) (Unaudited)	<u>10,167,680</u>
31 December 2022 (Note (i)) (Audited)	<u>9,985,274</u>

- (i) As at 30 June 2023, certain concession rights with carrying amounts of RMB3601 million (cost of RMB5754 million) (31 December 2022: carrying amounts of RMB3,061 million (cost of RMB5,103 million)) have been pledged as securities for bank borrowing of RMB2,463 million (31 December 2022: RMB1,559 million) (Note 4(25)(b)).
- (ii) The amortisation period of concession rights ranges from 8 to 30 years.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Intangible assets

(b) The movements of land use rights are as follows:

Cost	
31 December 2022 (Audited) and 30 June 2023 (Unaudited)	148,881
Accumulated amortisation	
31 December 2022 (Audited)	(14,683)
Charge for the period	(1,625)
30 June 2023 (Unaudited)	(16,308)
Net Book Value	
30 June 2023 (Unaudited)	132,573
31 December 2022 (Audited)	134,198

- (i) As at 30 June 2023, bank borrowing of RMB267 million (31 December 2022: RMB280 million) is secured by land use right with carrying amount of RMB78 million and original cost of RMB87 million (31 December 2022: carrying amount of RMB80 million and original cost of RMB87 million) (Note 4(25)(c)).
- (ii) As at 30 June 2023, the land use right includes assets exchanged for non-monetary assets with an original cost of RMB5 million and a carrying amount of approximately RMB3 million (31 December 2022: original cost of RMB5 million and a carrying amount of approximately RMB3 million). Whose certificate of title to outsourced assets included has yet to be or is in the process of being transferred to the Group. As these assets are supported by legal sale and purchase agreements, the management of the Company believes that the titles will be received in due course without any legal barrier or additional significant cost.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Intangible assets (Continued)

(c) *The movements of technical know-how and software are as follows:*

Cost	
31 December 2022 (Audited)	21,225
Other Increase	<u>310</u>
30 June 2023 (Unaudited)	<u>21,535</u>
Accumulated amortisation	
31 December 2022 (Audited)	(10,433)
Charge for the period	<u>(525)</u>
30 June 2023 (Unaudited)	<u>(10,958)</u>
Net Book Value	
30 June 2023 (Unaudited)	<u>10,577</u>
31 December 2022 (Audited)	<u>10,792</u>

(d) For the six months ended 30 June 2023, the amounts of amortization charged to cost of sales and general and administrative expenses were RMB266 million (For the six months ended 30 June 2022: RMB268 million) and RMB1 million (For the six months ended 30 June 2022: RMB0.2 million), respectively.

(15) Goodwill

	Unaudited 30 June 2023	Audited 31 December 2022
Jiangsu Yonghui Resources Utilization Co., Ltd.	170,141	170,141
Gaoyou Compro Environmental Resources Co., Ltd.	<u>149,672</u>	<u>149,672</u>
	<u>319,813</u>	<u>319,813</u>

The Group will stay tuned the risk of goodwill impairment.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Provision for asset impairment and loss

	31 December 2022 (Audited)	Reclassification	Increase in the current period	Decrease in the current period		30 June 2023 (Unaudited)
				Reversal	Write-off	
Provision for trade receivables (Notes (i))	214,573	–	1,878	–	–	216,451
Including: Individual provision for bad debts	157,760	–	–	–	–	157,760
Combined provision for bad debts	56,813	–	1,878	–	–	58,691
Provision for other receivables	230	–	–	–	–	230
Provision for long-term receivables (including Current portion of non-current assets)	51,138	–	–	–	–	51,138
Subtotal	265,941	–	1,878	–	–	267,819
Provision for intangible assets	151,700	–	–	–	–	151,700
Provision for goodwill	185,307	–	–	–	–	185,307
Provision for other non-current assets	1,900	–	–	–	–	1,900
Provision for other current assets	33,065	–	–	–	–	33,065
Provision for Long-term equity investments	22,358	–	–	–	–	22,358
Subtotal	394,330	–	–	–	–	394,330

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) Other non-current assets

	Unaudited 30 June 2023	Audited 31 December 2022
Input VAT to be deducted	197,788	201,456
Prepayment for equipment (a)	-	94,365
Contract assets	86,612	92,851
Prepayment for construction projects	45,264	26,965
Others	7,093	7,142
	<u>435,157</u>	<u>422,779</u>
Less: Provision for impairment of contract assets	<u>(1,900)</u>	<u>(1,900)</u>
	<u>433,257</u>	<u>420,879</u>

(18) Short-term borrowings

	Unaudited 30 June 2023	Audited 31 December 2022
Unsecured	<u>2,532</u>	<u>1,001</u>

(19) Accounts payable

	Unaudited 30 June 2023	Audited 31 December 2022
Accounts payable (a)	<u>609,856</u>	<u>511,159</u>

- (a) As at 30 June 2023, accounts payable aged over one year were approximately RMB163 million (31 December 2022: RMB123 million), mainly representing payables for source water of RMB83 million from the subsidiary Qijing Capital Water Co., Ltd., of which payment was made in accordance with the requirements of Qijing Water Conservancy and Hydropower Development and Investment Co., Ltd., and payables for project of RMB26 million from the subsidiary Tianjin Water Recycling Co., Ltd. The settlement for the pipeline connection project was still pending as agreed in the contract.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(19) Accounts payable (Continued)

(b) The ageing analysis of accounts payable according to date recorded, is as follows:

	Unaudited 30 June 2023	Audited 31 December 2022
Within 1 year	446,388	387,931
Over 1 year	163,468	123,228
	<u>609,856</u>	<u>511,159</u>

(20) Contract Liabilities

	Unaudited 30 June 2023	Audited 31 December 2022
For pipeline connection service	449,614	487,613
For toll road fee	69,465	–
For hazard waste treatment	15,718	15,686
Others	2,744	10,172
	<u>537,541</u>	<u>513,471</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(21) Taxes payable

	Unaudited 30 June 2023	Audited 31 December 2022
Corporate income tax payable	33,362	22,213
Unpaid VAT	22,510	24,046
Others	4,605	7,805
	<u>60,477</u>	<u>54,064</u>

(22) Other payables

	Unaudited 30 June 2023	Audited 31 December 2022
Construction costs payable	613,508	658,283
Payable for purchases of fixed assets and intangible assets	91,233	66,999
Payable for the old Dongjiao sewage plant's assets transfer (a)	68,300	68,300
Dividends payable to non-controlling shareholders	780	3,557
Others	66,331	99,982
	<u>840,152</u>	<u>897,121</u>

As at 30 June 2023, other payables of RMB530 million (31 December 2022: RMB726 million) were aged over one year, which mainly represented construction costs payable and guarantee deposits for a sewage processing project in Dalian, Liaoning, a sewage processing project in Karamay, Xinjiang and Yuwan and Taochong sewage processing projects in Hefei, Anhui. The balance is yet to be settled as the projects have not been completed.

- (a) On behalf of Tianjin Land Consolidation Center, the Company received RMB68 million for the transfer of assets of an old Dongjiao sewage plant.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(23) Employee benefits payable

	Unaudited 30 June 2023	Audited 31 December 2022
Short-term employee benefits payable (a)	26,799	92,714
Defined contribution plans payable (b)	222	332
	<u>27,021</u>	<u>93,046</u>

(a) Short-term employee benefits payable

	Audited 31 December 2022	Increase in the current period	Decrease in the current period	Unaudited 30 June 2023
Wages and salaries, bonuses, allowances and subsidies	80,103	138,490	(204,836)	13,757
Staff welfare	128	6,290	(6,382)	36
Social security contributions	280	13,309	(13,390)	199
Including: Medical insurance	280	12,435	(12,516)	199
Work injury insurance	–	503	(503)	–
Maternity insurance	–	371	(371)	–
Housing funds	58	28,705	(28,646)	117
Labor union funds and employee education funds	12,145	4,322	(3,777)	12,690
	<u>92,714</u>	<u>191,116</u>	<u>(257,031)</u>	<u>26,799</u>

(b) Defined contribution plans payable

	Audited 31 December 2022	Increase in the current period	Decrease in the current period	Unaudited 30 June 2023
Basic pensions	321	18,037	(18,146)	212
Annuity	–	7,153	(7,153)	–
Unemployment	11	668	(669)	10
	<u>332</u>	<u>25,858</u>	<u>(25,968)</u>	<u>222</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(24) Current portion of non-current liabilities

	Unaudited 30 June 2023	Audited 31 December 2022
Long-term borrowings to be settled within one year	1,539,136	1,227,811
Long-term payables to be settled within one year	42,431	31,670
Lease liabilities to be settled within one year	3,822	3,822
Interest payable for the debentures to be settled within one year	31,490	13,168
	<u>1,616,879</u>	<u>1,276,471</u>

(25) Long-term borrowings

	Note	Unaudited 30 June 2023	Audited 31 December 2022
Long-term borrowings			
– Unsecured		2,703,298	3,022,411
– Guaranteed	(a)	2,487,474	2,527,349
– Pledged	(b)	3,342,995	2,463,688
– Mortgaged	(c)	294,590	311,668
		<u>8,828,357</u>	<u>8,325,116</u>
Less: Long-term borrowings to be settled within one year (Note 4(25))			
– Unsecured		(1,050,757)	(671,791)
– Guaranteed	(a)	(203,888)	(200,114)
– Pledged	(b)	(236,119)	(312,466)
– Mortgaged	(c)	(48,372)	(43,440)
		<u>(1,539,136)</u>	<u>(1,227,811)</u>
		<u>7,289,221</u>	<u>7,097,305</u>

- (a) As at 30 June 2023, the long-term borrowings of RMB2,183 million (31 December 2022: RMB2,235 million) were guaranteed by the Company for its subsidiaries. The long-term borrowings of RMB304 million (31 December 2022: RMB292 million) were guaranteed by the Company and Karamay City Urban Construction Investment and Development Co., Ltd.

The interests of guaranteed borrowings are paid monthly or quarterly; and the principal will be due for repayment in the years of 2023 to 2036.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(25) Long-term borrowings (Continued)

- (b) As at 30 June 2023, the long-term borrowings of RMB2,463 million (31 December 2022: RMB1,559 million) were pledged by intangible assets of the Group. The long-term borrowings of RMB378 million (31 December 2022: RMB392 million) were pledged by the long-term equity investment of the Group. The long-term borrowings of RMB502 million (31 December 2022: RMB513 million) were pledged by the long-term receivables.

The interests of pledged borrowings are paid quarterly; and the principals will be respectively due for repayment in the years of 2023 to 2041.

- (c) As at 30 June 2023, the long-term borrowings of RMB138 million (31 December 2022: RMB145 million) were mortgaged by land use rights and machinery and equipment of the Group. The long-term borrowings of RMB129 million (31 December 2022: RMB135 million) were mortgaged by land use rights, machinery and equipment, and construction in process. The long-term borrowings of RMB28 million (31 December 2022: RMB31 million) were mortgaged by the Group's plants.

The interests of mortgaged borrowings are paid quarterly; and the principals will be respectively due for repayment in the years of 2023 to 2030.

- (d) As at 30 June 2023, these long-term borrowings bore interest rates between 2.6% and 5.05% (31 December 2022: between 3.33% and 5.15%).

(26) Debentures payable

	Audited 31 December 2022	Issue	Payment	Amortization	Unaudited 30 June 2023
Debentures payable					
– Par value	880,000	–	–	–	880,000
– Transaction cost	(1,627)	–	–	315	(1,312)
Subtotal	878,373	–	–	315	878,688
Less: Current portion of debentures payable	–	–	–	–	–
	<u>878,373</u>	<u>–</u>	<u>–</u>	<u>315</u>	<u>878,688</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(26) Debentures payable (Continued)

General information of debentures payable are as follows:

	Per Value	Issuance date	Maturity	Issuance amount
Corporate debenture (a)	250,000	14 October 2021	5 years	250,000
Medium-term notes (b)	<u>630,000</u>	26 and 27 July 2022	3 years	<u>630,000</u>
	<u>880,000</u>			<u>880,000</u>

Interests payable of debentures are analyzed as follows:

	Audited 31 December 2022	Interest Accrued		Unaudited 30 June 2023
		Interest accrued in the current period	Interest paid in the current period	
Corporate debenture (a)	2,491	6,013	–	8,504
Medium-term notes (b)	<u>10,677</u>	<u>12,309</u>	<u>–</u>	<u>22,986</u>
	<u>13,168</u>	<u>18,322</u>	<u>–</u>	<u>31,490</u>

- (a) On 14 October 2021, the Company issued a 5-year debenture at par value of RMB250 million on The Shanghai Stock Exchange as approved by the Securities Regulatory Commission of China [2021]1702. The fixed interest rate of 4.85% has been accrued and settled per annum. The principal will be repaid on maturity date, which is 18 October 2026.
- (b) On 26 July 2022 and 27 July 2022, the Company issued 3-year green medium-term notes at par value of RMB630 million at the National Association of Financial Market Institutional Investors as approved by the National Association of Financial Market Institutional Investors [2020] GN22. The fixed interest rate of 3.94% has been accrued and settled per annum. The principal will be repaid on maturity date, which is 28 July 2025.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) Lease liabilities

	Unaudited 30 June 2023	Audited 31 December 2022
Lease liabilities	8,431	8,265
Less: Current portion of non-current liabilities (Note 4(24))	<u>(3,822)</u>	<u>(3,822)</u>
	<u>4,609</u>	<u>4,443</u>

(28) Long-term payables

	Unaudited 30 June 2023 Unrecognised financial charges			Audited 31 December 2022 Unrecognised financial charges		
	Payables	Total	Total	Payables	Total	Total
Payable for assets acquisition	313,353	(126,716)	186,637	332,913	(134,940)	197,973
Payable for sale-leaseback assets	<u>2,400</u>	-	<u>2,400</u>	<u>2,400</u>	-	<u>2,400</u>
	315,753	(126,716)	189,037	335,313	(134,940)	200,373
Less: Current portion of non-current liabilities (Note 4(24))			<u>(42,431)</u>			<u>(31,670)</u>
			<u>146,606</u>			<u>168,703</u>

(a) Information of long-term payables is as follows:

	Maturity date	Effective interest rate	Total	Current portion	Ending balance
Tianjin Sewage Company ("Sewage Company")	20 March 2041	5.94%	186,637	(40,031)	146,606
Tianjin City Infrastructure Construction and Investment Chuangzhan Leasing Co., Ltd.	3 September 2023	3.80%	<u>2,400</u>	<u>(2,400)</u>	-
			<u>189,037</u>	<u>(42,431)</u>	<u>146,606</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(28) Long-term payables (Continued)

(a) Information of long-term payables is as follows: (Continued)

As at 30 June 2023, long-term payable to Sewage Company is the consideration payable in respect of the acquisition of sewage water processing assets from Sewage Company, net of unrecognised financing charges.

Pursuant to *Assets Transfer Agreement From Foreign Banks Loans About Haihe River Tianjin Sewage Processing Project and Beicang Sewage Processing Project* (the “Transfer Agreement”), Sewage Company sold to the Company certain sewage processing assets. The down payment is RMB261 million, and remaining payments will be settled in RMB translated at exchange rates prevailing on each repayment date over the remaining years. The fair value of the initial recognition of the payable balance is RMB430 million, which was calculated based on discounted future cash payments and discount rate of 5.94%.

The balance of the long-term payables to Tianjin City Infrastructure Construction and Investment Chuangzhan Leasing Co., Ltd. is the amount of sale-leaseback assets of Shandong Capital Environmental Protection Technology Consultant Co., Ltd.

(b) The balance of long-term payable are denominated in the following currencies:

	Unaudited 30 June 2023	Audited 31 December 2022
JPY	137,729	150,404
USD	48,908	47,569
CNY	2,400	2,400
	<u>189,037</u>	<u>200,373</u>

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(28) Long-term payables (Continued)

(c) *The amounts of long-term payables (including interest) are denominated in the following currencies:*

	Unaudited 30 June 2023	Audited 31 December 2022
JPY	219,314	236,630
USD	94,039	96,283
CNY	2,400	2,400
	<u>315,753</u>	<u>335,313</u>

The balance denominated in USD bears an interest rate at 6-month LIBOR plus 0.6%, whilst the balance denominated in JPY bears fixed interest rates at 1% and 1.55% per annum respectively.

(d) The long-term payables mature as follows. As at 30 June 2023, the current portion of long-term payables of RMB42 million (31 December 2022: RMB32 million) was classified as current liabilities.

	Unaudited 30 June 2023	Audited 31 December 2022
Within 1 year	42,431	31,670
1-2 years	28,721	28,828
2-5 years	46,290	52,870
Over 5 years	71,595	87,005
	<u>189,037</u>	<u>200,373</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(29) Deferred income

Deferred revenue represents the subsidies received from governmental authorities with respects to Group's certain construction and research and development projects. Details of deferred revenue are as below:

	Audited 31 December 2022	Additions	Recognised in other income	Unaudited 30 June 2023	Relating to assets/costs
Sewage water processing project:					
– Jingu	1,053,405	–	(25,643)	1,027,762	assets
– Jingu upgrading project	136,920	–	(3,260)	133,660	assets
– Beichen upgrading project	75,600	–	(1,800)	73,800	assets
– Xianyang Road-upgrading project	49,627	–	(1,182)	48,445	assets
– Dongjiao upgrading project	34,824	–	(829)	33,995	assets
– Ningxiang upgrading project	21,476	–	(465)	21,011	assets
– Shijiazhuang Gaocheng Zhenxing plant upgrading project	30,081	–	–	30,081	assets
– Linxia reconstruction and extension project	8,426	–	(160)	8,266	assets
– Beishiqiao upgrading project	7,478	–	(358)	7,120	assets
– Chibi upgrading project	7,054	–	(149)	6,905	assets
Water recycling project:					
– Jingu	182,828	–	(2,772)	180,056	assets
– Dongjiao	18,381	–	(337)	18,044	assets
– Beichen	16,012	–	(262)	15,750	assets
– Xianyanglu	11,034	–	–	11,034	assets
Heating and cooling supply service project	196,842	–	–	196,842	assets
Others	5,657	–	(16)	5,641	costs
Total	<u>1,855,645</u>	<u>–</u>	<u>(37,233)</u>	<u>1,818,412</u>	

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(30) Deferred tax assets and deferred tax liabilities

(a) *Deferred income tax assets before offsetting*

	Unaudited 30 June 2023		Audited 31 December 2022	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for asset impairment	230,545	53,956	229,422	53,685
Sewage water processing services on instalment	230,666	52,517	231,423	52,708
Accrued expenses	22,557	5,639	22,557	5,637
Deductible losses	14,211	2,503	14,211	2,503
Recognition of concession gains in financial asset model	12,576	2,021	13,377	2,221
Lease liabilities	8,431	1,732	8,265	1,691
	<u>518,986</u>	<u>118,368</u>	<u>519,255</u>	<u>118,445</u>
Including:				
Expected to be recovered within one year (inclusive)		19,445		17,768
Expected to be recovered after one year		<u>98,923</u>		<u>100,677</u>
		<u>118,368</u>		<u>118,445</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(30) Deferred tax assets and deferred tax liabilities (Continued)

(b) Unrecognised deferred income tax assets

- (i) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analyzed as follows:

	Unaudited 30 June 2023	Audited 31 December 2022
Deductible temporary difference – provision for assets impairment	394,330	394,330
Deductible losses	179,475	174,392
Deductible temporary difference – credit impairment	37,274	36,519
Share-based payment	13,425	13,425
	<u>624,504</u>	<u>618,666</u>

- (ii) Deductible losses that are not recognised as deferred tax assets will expire in the following years:

	Unaudited 30 June 2023	Audited 31 December 2022
2023	–	2,369
2024	23,106	23,106
2025	20,034	20,034
2026	74,550	74,550
2027	54,333	54,333
2028	7,452	–
	<u>179,475</u>	<u>174,392</u>

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(30) Deferred tax assets and deferred tax liabilities (Continued)

(c) *Deferred income tax liabilities before offsetting*

	Unaudited 30 June 2023		Audited 31 December 2022	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Amortization of intangible assets	578,939	144,735	580,112	145,028
Business combinations involving entities not under common control	93,904	23,476	96,298	24,073
Recognition of concession gains in financial asset model	128,060	32,015	105,430	26,357
Right-of-use assets	4,592	762	8,247	1,678
	<u>805,495</u>	<u>200,988</u>	<u>790,087</u>	<u>197,136</u>
Including:				
Expected to be recovered within one year (inclusive)		14,316		8,710
Expected to be recovered after one year		<u>186,672</u>		<u>188,426</u>
		<u>200,988</u>		<u>197,136</u>

(d) *The net balances of deferred income tax assets and deferred income tax liabilities after offsetting are shown below:*

	Unaudited 30 June 2023		Audited 31 December 2022	
	Set-off amount	After offsetting the balance	Set-off amount	After offsetting the balance
Deferred income tax assets	(109,021)	9,347	(111,047)	7,398
Deferred income tax liabilities	<u>(109,021)</u>	<u>91,967</u>	<u>(111,047)</u>	<u>86,089</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) Other non-current liabilities

	Unaudited 30 June 2023	Audited 31 December 2022
Heating service subsidy	<u>30,000</u>	<u>30,000</u>

(32) Share capital

	Audited 31 December 2022	Issued in the current year	Unaudited 30 June 2023
Ordinary shares denominated in RMB	1,230,418	–	1,230,418
Foreign shares listed overseas	<u>340,000</u>	<u>–</u>	<u>340,000</u>
	<u>1,570,418</u>	<u>–</u>	<u>1,570,418</u>

	Audited 31 December 2022	Issued in the current year	Unaudited 30 June 2023
Ordinary shares denominated in RMB	1,087,228	143,190	1,230,418
Foreign shares listed overseas	<u>340,000</u>	<u>–</u>	<u>340,000</u>
	<u>1,427,228</u>	<u>143,190</u>	<u>1,570,418</u>

(33) Capital surplus

	Audited 31 December 2022	Increase in the current year	Decrease in the current year	Unaudited 30 June 2023
Share premium	1,098,591	–	–	1,098,591
Other capital surplus – Share-based payment (a)	<u>12,565</u>	<u>3,166</u>	<u>–</u>	<u>15,731</u>
	<u>1,111,156</u>	<u>3,166</u>	<u>–</u>	<u>1,114,322</u>

	Audited 31 December 2021	Increase in the current year	Decrease in the current year	Audited 31 December 2022
Share premium	431,024	667,567	–	1,098,591
Other capital surplus – Share-based payment (a)	<u>6,925</u>	<u>5,640</u>	<u>–</u>	<u>12,565</u>
	<u>437,949</u>	<u>673,207</u>	<u>–</u>	<u>1,111,156</u>

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(33) Capital surplus (Continued)

(a) Share-based payment

According to the approval of the meeting of Shareholder dated 23 December 2020, the Group is authorised to grant share options to certain directors and senior management. The number of share options proposed to be granted under the scheme was 14.27 million; and the corresponding number of underlying shares was 14.27 million RMB-denominated shares, representing not more than 1.0% of the Company's total issued share capital; where 12.17 million options were granted initially, representing approximately 0.85% of the total issued capital of the Company; and 2.1 million options will be reserved, representing approximately 0.15% of the total issued capital of the Company. On 21 January 2021 and 21 December 2021, the Board of Directors of the Company resolved to grant 12.17 million share options to 155 participants and 1.348 million share options to 17 participants, respectively. The exercise price of the share option granted under the scheme is RMB6.98 and RMB6.86 per share, respectively. The exercise price of RMB6.86 per share was based on the exercise price of RMB6.98 per share and adjusted accordingly after considering the impact of the cash dividend paid in 2020. The participants shall exercise the options according to the exercise periods, time and proportion as below, if exercise conditions and performance indicators assessment are fulfilled in 2021 to 2023:

Exercise periods	Exercise time	Proportion of exercise
First exercise period	From the first trading day after 24 months has passed since the date of grant to the last trading day within 36 months from the date of grant	1/3
Second exercise period	From the first trading day after 36 months has passed since the date of grant to the last trading day within 48 months from the date of grant	1/3
Third exercise period	From the first trading day after 48 months has passed since the date of grant to the last trading day within 60 months from the date of grant	1/3

Statement of changes in share-based payment:

	Unaudited For the six months ended 30 June 2023 Thousand shares	Unaudited For the six months ended 30 June 2022 Thousand shares
Number of ordinary shares subject to outstanding options at the beginning of year	11,352	12,542
Number of options granted during the year	–	–
Number of options lapsed during the year	–	(60)
Number of ordinary shares subject to outstanding options at the end of year	<u>11,352</u>	<u>12,482</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(33) Capital surplus (Continued)

(a) *Share-based payment* (Continued)**Determine the fair value of the share-based payment on the grant date**

The Company engages an independent valuation agency to assess the fair value of the shares option on the grant date. The fair value of the share option granted is calculated according to binomial option pricing model. This method is assessed based on vital parameters and assumptions, including the company's share price on grant date, the remaining vesting period, the expected resignation rate, the expected dividend yield, the risk-free rate corresponding to the share price volatility and the agreed exercise price.

As at the grant date of 21 January 2021 and 21 December 2021, the fair value of the share-based payments were RMB23 million and RMB3 million respectively. As at 30 June 2023, due to changes in the number of participants, the fair value adjustment of share options were adjusted to RMB19 million and RMB3 million (2022: RMB19 million and RMB3 million), respectively and was recognised as general and administrative expenses and cost of sales based on the type of services provided by the participants for the six months ended 30 June 2023, and the corresponding increase in capital surplus by RMB3 million and minority interests by RMB0.2 million (for the six months ended 30 June 2022: capital surplus by RMB3 million and minority interests by RMB0.2 million).

(34) Surplus reserve

	Audited 31 December 2022	Increase in the current period	Decrease in the current period	Unaudited 30 June 2023
Statutory surplus reserve	<u>722,389</u>	<u>–</u>	<u>–</u>	<u>722,389</u>
	Audited 31 December 2021	Increase in the current year	Decrease in the current year	Audited 31 December 2022
Statutory surplus reserve	<u>677,336</u>	<u>45,053</u>	<u>–</u>	<u>722,389</u>

Pursuant to the *PRC Companies Law* and the Company's Articles of Association, the Company is required to appropriate 10% of its net profit for the year to the statutory surplus reserve, which can be ceased till the reserve reaches 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) Undistributed profits

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Undistributed profits at the beginning of the period (audited)	5,075,510	4,577,685
Add: Net profit attributable to owners of the parent for the current period	437,846	396,363
Less: Appropriation for statutory surplus reserve	—	—
Ordinary share dividends payable (i)	<u>(226,140)</u>	<u>(208,376)</u>
Undistributed profits at the end of the period (unaudited)	<u>5,287,216</u>	<u>4,765,672</u>

- (i) As at 1 June 2023, the board of shareholders proposed a cash of RMB1.44 (gross tax) for every 10 shares to all shareholders on the basis of 1.57 billion shares issued. Cash dividends to be distributed amounted to RMB226 million.

(36) Revenue and cost of sales

	Unaudited For the six months ended 30 June 2023		Unaudited For the six months ended 30 June 2022	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operations	2,004,552	1,245,306	2,037,643	1,337,338
Other operations	<u>104,414</u>	<u>77,588</u>	<u>91,646</u>	<u>78,283</u>
	<u>2,108,966</u>	<u>1,322,894</u>	<u>2,129,289</u>	<u>1,415,621</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(36) Revenue and cost of sales (Continued)

(a) Revenue from principal operations and cost of sales

Analysis by the nature of services is as below:

	Unaudited For the six months ended 30 June 2023		Unaudited For the six months ended 30 June 2022	
	Revenue from principal operations	Cost of sales	Revenue from principal operations	Cost of sales
Processing of sewage water	1,573,511	966,734	1,548,179	996,479
Water recycling and connection project	197,208	101,412	180,852	108,902
Hazardous waste treatment	61,771	66,336	82,693	70,990
Tap water supplying	59,136	41,172	59,282	41,384
Heating and cooling supply services	74,748	58,902	130,194	112,488
Sale of environmental protection equipment	4,330	4,144	1,544	1,274
Others	33,848	6,606	34,899	5,821
	<u>2,004,552</u>	<u>1,245,306</u>	<u>2,037,643</u>	<u>1,337,338</u>

Analysis by locations is as follows:

	Unaudited For the six months ended 30 June 2023		Unaudited For the six months ended 30 June 2022	
	Revenue from principal operations	Cost of sales	Revenue from principal operations	Cost of sales
Tianjin	1,138,276	554,175	1,111,279	645,027
Hangzhou	130,259	73,900	136,883	93,902
Fuyang	122,150	64,771	127,397	87,517
Xi'an	111,648	69,110	137,928	88,870
Others	502,219	483,350	524,156	422,022
	<u>2,004,552</u>	<u>1,245,306</u>	<u>2,037,643</u>	<u>1,337,338</u>

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(36) Revenue and cost of sales (Continued)

(b) Revenue from other operations and cost of sales

	Unaudited For the six months ended 30 June 2023		Unaudited For the six months ended 30 June 2022	
	Revenue from other operations	Cost of sales	Revenue from other operations	Cost of sales
Contract operation income	78,477	68,658	81,096	68,647
Technical service fee	17,157	5,755	4,608	5,930
Others	8,780	3,175	5,942	3,706
	<u>104,414</u>	<u>77,588</u>	<u>91,646</u>	<u>78,283</u>

(c) The Group's operating income listed as follows:

	For the six months ended 30 June 2023 (Unaudited)						Total
	Sewage water processing and water plant facilities construction	Recycled water and pipeline connection	Heating and cooling supply and related facilities construction	Tap water and water plant facilities construction	Environmental protection equipment customisation	Others	
Revenue from main operations							
Recognised at a point in time	-	-	-	-	-	2,067	2,067
Recognised over a period of time	1,573,511	197,208	74,748	59,136	4,330	93,552	2,002,485
	<u>1,573,511</u>	<u>197,208</u>	<u>74,748</u>	<u>59,136</u>	<u>4,330</u>	<u>95,619</u>	<u>2,004,552</u>
Revenue from other operations							
Recognised over a period of time	-	-	-	-	-	104,414	104,414
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,414</u>	<u>104,414</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(36) Revenue and cost of sales (Continued)

(c) *The Group's operating income listed as follows:* (Continued)

	For the six months ended 30 June 2022 (Unaudited)						Total
	Sewage water processing and water plant facilities construction	Recycled water and pipeline connection	Heating and cooling supply and related facilities construction	Tap water and water plant facilities construction	Environmental protection equipment customisation	Others	
Revenue from main operations							
Recognised at a point in time	-	-	-	-	-	-	-
Recognised over a period of time	1,548,179	180,852	130,194	59,282	1,544	117,592	2,037,643
	<u>1,548,179</u>	<u>180,852</u>	<u>130,194</u>	<u>59,282</u>	<u>1,544</u>	<u>117,592</u>	<u>2,037,643</u>
Revenue from other operations							
Recognised over a period of time	-	-	-	-	-	91,646	91,646
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,646</u>	<u>91,646</u>

As at 30 June 2023, based on the pre-determined agreement price, and actual processing and supplying amount, the Group issues bills to customers at fixed period for its sewage operation services, supplies of recycled water and tap water. The bill can represent the value that the Group has transferred to customers. All consideration is included in the bills amount thus the Group did not disclose the transaction price allocated to the remaining performance obligations.

(37) Taxes and surcharges

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Land use tax	10,544	10,150
Property tax	8,707	8,141
Stamp duty	1,121	378
City maintenance and construction tax	1,049	1,615
Others	1,227	1,664
	<u>22,648</u>	<u>21,948</u>

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(38) Selling expenses and general and administrative expenses

	Unaudited For the six months ended 30 June 2023		Unaudited For the six months ended 30 June 2022	
	General and administrative expenses	Selling expenses	General and administrative expenses	Selling expenses
Employee benefits	66,926	3,643	63,007	3,620
Consulting service fees	5,561	6,620	6,811	5,664
Depreciation of fixed assets	4,825	137	5,773	60
Share-based amortisation	2,984	–	3,102	–
General office expenses	2,859	45	2,675	46
Repair and maintenance expenses	2,845	–	2,310	–
Travelling, meeting and business entertainment expenses	1,918	592	1,266	354
Audit fees	1,605	–	1,559	–
Expenses of secretary of the board	1,563	–	782	–
Amortisation of intangible assets	1,368	–	222	–
Utilities expenses	652	–	617	–
Other taxes	31	–	1	–
Packing charge	–	–	–	2,262
Freight expenses	–	4	–	246
Others	3,619	143	2,188	466
	<u>96,756</u>	<u>11,184</u>	<u>90,313</u>	<u>12,718</u>

(39) Research and development expenses

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Employee benefits	7,466	3,958
Technological development expenses	1,395	66
Depreciation and Amortisation	933	620
Utilities expenses	799	1,099
Raw materials consumption	614	240
Repair and maintenance expenses	158	162
Travelling, meeting and business entertainment expenses	73	4
General office expenses	28	6
Others	109	395
	<u>11,575</u>	<u>6,550</u>

IX. Financial Reports

Notes to the Financial Statements

For the six months ended 30 June 2023
(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(40) Financial expenses

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Loan Interest expenses	193,337	177,769
Add: Interest costs on lease liabilities	166	185
Less: Amount capitalized on qualifying assets	(1,397)	(1,609)
	<hr/>	<hr/>
Interest expenses	192,106	176,345
Less: Interest income	(71,112)	(60,942)
Including: From long-term receivables	(62,737)	(53,314)
From bank deposits	(8,375)	(7,628)
Exchange gains	(2,407)	(4,365)
Others	400	419
	<hr/>	<hr/>
	118,987	111,457

For the six months ended 30 June 2023, the exchange gains on the long-term payables denominated in JPY and US dollar were RMB2.41 million (For the six months ended 30 June 2022: the exchange gains were RMB4.37 million).

(41) Other Income

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022	Related to assets/incomes
Government Grants (a)	39,691	41,575	Assets/Incomes
VAT refund	697	4,528	Incomes
Withholding and paying individual income tax refund	59	40	
	<hr/>	<hr/>	
	40,447	46,143	

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(41) Other Income (Continued)

(a) Details of government grants

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022	Related to assets/incomes
Compensation for construction of Jingu sewage processing plant	25,643	25,643	Assets
Allowance for Jingu-upgrading energy conservation	3,260	3,260	Assets
Jingu water recycling project	2,772	2,772	Assets
Allowance for Beichen-upgrading energy conservation	1,800	1,800	Assets
Special construction fund of Xianyanglu upgrading project	1,182	1,182	Assets
Special construction fund of Dongjiao sewage water processing plant	829	829	Assets
Ningxiang Economic Development Zone Sewage Treatment Plant Standard Renovation Project	465	465	Assets
Others-Related to assets	3,740	5,624	Assets/Incomes
	<u>39,691</u>	<u>41,575</u>	

(42) Credit impairment losses

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Trade receivables losses	<u>1,878</u>	<u>8,331</u>

IX. Financial Reports

Notes to the Financial Statements
For the six months ended 30 June 2023
(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(43) Non-operating expenses

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022	Unaudited Amount recognised in non-recurring profit or loss for the six months ended 30 June 2023
Donation	2,150	–	2,150
Losses on scrapping of fixed assets	18	–	18
Fine for Tax Overdue	–	733	–
Others	45	114	45
	<u>2,213</u>	<u>847</u>	<u>2,213</u>

(44) Income tax expenses

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Current income tax calculated based on tax law and related regulations	107,720	95,156
Deferred income tax	3,929	1,320
	<u>111,649</u>	<u>96,476</u>

The reconciliation from income tax calculated based on the applicable tax rates and total profits presented in the consolidated financial statements to the income tax expenses is set below:

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Total profit	<u>566,694</u>	<u>507,782</u>
Income tax expenses calculated at statutory rate of 25%	141,674	126,946
Effect of favorable tax rates	(54,140)	(39,379)
Income not subject to tax	(12,490)	(9,200)
Costs, expenses and losses not deductible for tax purposes	32,801	12,243
Utilization of previously tax temporary deductible losses	(7,219)	(1,252)
Deductible losses for which no deferred tax asset was recognised	10,560	5,043
Deductible temporary differences for which no deferred tax asset was recognised	463	2,075
Income tax expenses	<u>111,649</u>	<u>96,476</u>

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(45) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated based on the profit attributable to owners of the parent of RMB438 million (For the six months ended 30 June 2022: RMB396 million) and weighted average number of ordinary shares of 1,570 million shares in issue during the year (For the six months ended 30 June 2022: 1,427 million shares).

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Consolidated net profit attributable to ordinary shareholders of the Company	437,846	396,363
Weighted average number of ordinary shares in issue (thousand shares)	<u>1,570,418</u>	<u>1,427,228</u>
Basic earnings per share (RMB Yuan)	<u>0.28</u>	<u>0.28</u>
Including:		
– Basic earnings per share for operations on a going concern	0.28	0.28
– Basic earnings per share for discontinued operations	–	–

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the six months ended 30 June 2023 (For the six months ended 30 June 2022: Nil), diluted earnings per share equal to basic earnings per share.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(46) Notes to the cash flow statements and supplementary information

(a) Reconciliation of net profit to cash flows from operating activities

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Net profit	<u>455,045</u>	<u>411,306</u>
Add:		
Provision for asset impairments	–	–
Credit impairment losses	(1,878)	(8,331)
Depreciation of fixed assets	45,858	31,863
Depreciation of right-of-use assets	3,655	1,561
Amortisation of intangible assets	267,095	269,093
Net financial expenses	189,699	171,980
(Increase)/decrease in deferred tax assets	(1,949)	969
Increase in deferred tax liabilities	5,878	4,719
Decrease/(increase) in inventories	2,126	(1,281)
Increase in operating receivables	(367,706)	(395,712)
Increase/(decrease) in operating payables	<u>117,930</u>	<u>(163,762)</u>
Net cash flows from operating activities	<u>715,753</u>	<u>322,405</u>
Net movement in cash		
Cash at the end of the period	2,999,928	2,036,580
Less: Cash at the beginning of the period	<u>(3,188,344)</u>	<u>(2,093,556)</u>
Net decrease in cash	<u>(188,416)</u>	<u>(56,976)</u>

(b) Cash listed in the cash flow statement comprises:

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Cash		
Including: Cash on hand	1	31
Cash at bank that can be readily drawn on demand	<u>2,999,927</u>	<u>2,036,549</u>
Cash listed in cash flow statement	<u>2,999,928</u>	<u>2,036,580</u>

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(46) Notes to the cash flow statements and supplementary information (Continued)

(c) Cash received relating to other operating activities

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Interest income from bank deposits	11,021	7,676
Government grants received	2,458	30,884
Deposit on project bids received	4,078	2,144
Others	78,073	88,133
	<u>95,630</u>	<u>128,837</u>

(d) Cash paid relating to other operating activities

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Repair and maintenance expenses	74,430	90,699
Consulting service fees	10,873	17,402
Deposit on project bids paid	5,364	20,118
Travelling, meeting and business entertainment expenses	2,829	526
Expenses of secretary of the board	1,563	782
Others	13,274	9,202
	<u>108,333</u>	<u>138,729</u>

5 CHANGE IN CONSOLIDATION SCOPE

For the six months ended 30 June 2023, the Company contributed RMB114 million to set up Karamay Capital Water Co., Ltd. and RMB162 million to set up Enshi Capital Water Co., Ltd. The shareholding ratio is 100% and 95%, respectively.

6 EQUITY IN OTHER ENTITIES

(a) Subsidiaries

Name of subsidiaries	Type of subsidiary	Major business location	Place of registration	Nature of business and business activity	Shareholding (%)		Establishment
					Direct	Indirect	
Qijing Capital Water Co., Ltd.	A	Qijing	Qijing	Processing of sewage water, tap water supply	87	–	Capital contribution
Guizhou Capital Water Co., Ltd.	A	Guizhou	Guizhou	Processing of sewage water	95	–	Capital contribution
Baoying Capital Water Co., Ltd.	A	Baoying	Baoying	Processing of sewage water	70	–	Capital contribution
Hangzhou Tianchuang Capital Water Co., Ltd.	A	Hangzhou	Hangzhou	Processing of sewage water	70	–	Capital contribution
Tianjin Capital New Materials Co., Ltd.	A	Tianjin	Tianjin	Manufacturing and sale of new building materials	71	–	Capital contribution
Fuyang Capital Water Co., Ltd.	B	Fuyang	Fuyang	Processing of sewage water	100	–	Capital contribution
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.	B	Hong Kong	Hong Kong	Processing of sewage water	100	–	Capital contribution
Wendeng Capital Water Co., Ltd.	B	Wendeng	Wendeng	Processing of sewage water	100	–	Capital contribution
Tianjin Jing Hai Capital Water Co., Ltd.	B	Tianjin	Tianjin	Processing of sewage water	100	–	Capital contribution
Tianjin Water Recycling Co., Ltd.	B	Tianjin	Tianjin	Production and sales of recycled water, development and construction of water recycling facilities, and technical consulting for water recycling business	100	–	Capital contribution
Xi'an Capital Water Co., Ltd.	B	Xi'an	Xi'an	Processing of sewage water	100	–	Capital contribution
Tianjin Caring Technology Development Co., Ltd.	A	Tianjin	Tianjin	Environment governance, technical consulting, etc.	48	12	Capital contribution
Anguo Capital Water Co., Ltd.	B	Anguo	Anguo	Processing of sewage	100	–	Capital contribution
Wuhan Tianchuang Capital Water Co., Ltd.	B	Wuhan	Wuhan	Processing of sewage water, tap water supply	100	–	Capital contribution
Tianjin Jinning Capital Water Co., Ltd.	B	Tianjin	Tianjin	Processing of sewage water	100	–	Capital contribution
Tianjin Jiayuan Xingchuang Energy Technology Co., Ltd.	B	Tianjin	Tianjin	Energy saving, innovative energy research, consulting and transfer services, property management	100	–	Capital contribution
Yingshang Capital Water Co., Ltd.	B	Yingshang	Yingshang	Processing of sewage water	100	–	Capital contribution
Shandong Capital Environmental Protection Technology Development Co., Ltd.	A	Shandong	Shandong	Collection, storage and transfer of hazardous waste	55	–	Capital contribution
Changsha Tianchuang Environmental Protection Co., Ltd.	A	Changsha	Changsha	Processing of sewage water	81	–	Capital contribution
Karamay Tianchuang Capital Water Co., Ltd.	A	Karamay	Karamay	Processing of sewage water	90	–	Capital contribution
Anhui Tianchuang Capital Water Co., Ltd.	B	Hefei	Hefei	Processing of sewage water	100	–	Capital contribution
Linxia Capital Water Co., Ltd.	B	Linxia	Linxia	Processing of sewage water	100	–	Capital contribution
Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.	A	Dalian	Dalian	Processing of sewage water	64	–	Capital contribution
Changsha Tianchuang Capital Water Co., Ltd.	A	Changsha	Changsha	Processing of sewage water	80	–	Capital contribution
Inner Mongolia Bayannur Capital Water Co., Ltd.	A	Bayannur	Bayannur	Processing of sewage water, producing and sailing of recycled water, supplying tap water	70	–	Business combinations involving entities not under common control
Honghu Tianchuang Capital Water Co., Ltd.	A	Honghu	Honghu	Processing of sewage water	85	–	Capital contribution
Hefei Capital Water Co., Ltd.	B	Hefei	Hefei	Processing of sewage water	100	–	Capital contribution
Deqing Capital Water Co., Ltd.	A	Deqing	Deqing	Processing of sewage water	90	–	Capital contribution
Hebei Guojin Tianchuang Sewage Water Processing Co., Ltd.	A	Gaocheng	Gaocheng	Processing of sewage water, producing and sailing of recycled water	59	–	Capital contribution
Hanshou Tianchuang Capital Water Co., Ltd.	A	Hanshou	Hanshou	Supplying tap water	75	–	Capital contribution

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

6 EQUITY IN OTHER ENTITIES (Continued)

(a) Subsidiaries (Continued)

Name of subsidiaries	Type of subsidiary	Major business location	Place of registration	Nature of business and business activity	Shareholding (%)		Establishment
					Direct	Indirect	
Jiuquan Capital Water Co., Ltd.	A	Jiuquan	Jiuquan	Processing of sewage water and reusing of reclaimed water	89	-	Capital contribution
Huize Capital Water Co., Ltd.	A	Huize	Huize	Centralized water supply, Processing of sewage water	79	-	Capital contribution
Huoqiu Capital Water Co., Ltd.	A	Huoqiu	Huoqiu	Processing of sewage water	90	-	Capital contribution
Dongying Tianchi Environmental Protection Technology Consultant Co., Ltd.	A	Dongying	Dongying	Solid waste treatment	51	-	Capital contribution
Honghu Tianchuang Environmental Protection Co., Ltd.	A	Honghu	Honghu	Processing of sewage water	89	-	Capital contribution
Tianjin Xiqing Tianchuang Environmental Protection Co., Ltd.	B	Tianjin	Tianjin	Processing of sewage water	100	-	Capital contribution
Jiangsu Yonghui Resources Utilization Co., Ltd.	B	Gaoyou	Gaoyou	Collection, storage and transfer of hazardous waste	100	-	Business combinations involving entities not under common control
Gaoyou Compro Environmental Resources Co., Ltd.	B	Gaoyou	Gaoyou	Collection, storage and transfer of hazardous waste	100	-	Business combinations involving entities not under common control
Shandong Tanchuang Environmental Protection Technology Development Co., Ltd.	A	Tancheng	Tancheng	Hazardous waste treatment and disposal	55	-	Division of existing subsidiary
Tianjin Jiayuan Kaichuang New Energy Technology Co., Ltd	B	Tianjin	Tianjin	Energy saving, innovative energy research, consulting and transfer services, property management	100	-	Capital contribution
Tianjin Tianchuang Green Energy Investment Management Co., Ltd.	B	Tianjin	Tianjin	Investment management; power generation business, transmission business, and power supply (distribution) business; heating services.	100	-	Capital contribution
Enshi Capital Water Co., Ltd.	A	Enshi	Enshi	Processing of sewage water	95	-	Capital contribution
Karamay Capital Water Co., Ltd.	B	Karamay	Karamay	Processing of sewage water	100	-	Capital contribution

A: Holding subsidiary

B: Wholly-owned subsidiary

6 EQUITY IN OTHER ENTITIES (Continued)

(b) Subsidiaries with significant minority interests (Continued)

Name	Minority interests	Minority interests for the six months ended 30 June 2023	Declared distribution of cash dividends for the six months ended 30 June 2023	Minority interests as at 30 June 2023 (Unaudited)
Bayannur Capital Water Co., Ltd. ("Bayannur Company")	30.00%	2,107	–	328,185
Hangzhou Tianchuang Capital Water Co., Ltd. ("Hangzhou Company")	30.00%	8,648	–	230,606
Hebei Guojin Tianchuang Sewage Water Processing Co., Ltd. ("Guojin Company")	41.00%	3,717	–	100,308
Shandong Capital Environmental Protection Technology Development Co., Ltd. ("Shandong Company")	45.00%	(2,861)	–	60,014
Tianjin Caring Technology Development Co., Ltd. ("Caring Company")	40.00%	2,433	–	52,707

The major financial information of the significant holding subsidiaries of the Group is listed below:

Balance Sheet

	30 June 2023 (Unaudited)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Bayannur Company	70,605	1,055,612	1,126,217	20,683	11,610	32,293
Hangzhou Company	348,526	458,356	806,882	34,575	49,444	84,019
Guojin Company	91,408	301,215	392,623	55,639	92,424	148,063
Shandong Company	93,230	235,343	328,573	75,227	120,000	195,227
Caring Company	178,389	4,877	183,266	51,339	161	51,500
	<u>782,158</u>	<u>2,055,403</u>	<u>2,837,561</u>	<u>237,463</u>	<u>273,639</u>	<u>511,102</u>
	31 December 2022 (Audited)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Bayannur Company	49,608	1,074,857	1,124,465	25,719	11,845	37,564
Hangzhou Company	296,298	550,279	846,577	36,464	70,275	106,739
Guojin Company	82,498	300,511	383,009	53,763	93,751	147,514
Shandong Company	238,008	240,104	478,112	85,821	252,588	338,409
Caring Company	189,683	5,079	194,762	68,918	161	69,079
	<u>856,095</u>	<u>2,170,830</u>	<u>3,026,925</u>	<u>270,685</u>	<u>428,620</u>	<u>699,305</u>

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

6 EQUITY IN OTHER ENTITIES (Continued)

(b) Subsidiaries with significant minority interests (Continued)

Income Statement

	For the six month ended 30 June 2023 (Unaudited)			
	Revenue	Net profit	Total comprehensive income	Net cash flows from operating activities
Bayannur Company	46,276	7,023	7,023	(4,595)
Hangzhou Company	131,034	28,826	28,826	99,317
Guojin Company	29,632	9,066	9,066	(875)
Shandong Company	19,606	(6,357)	(6,357)	680
Caring Company	73,480	6,083	6,083	(12,347)
	<u>300,028</u>	<u>44,641</u>	<u>44,641</u>	<u>82,180</u>
	For the six month ended 30 June 2022 (Unaudited)			
	Revenue	Net profit	Total comprehensive income	Net cash flows from operating activities
Bayannur Company	41,773	2,927	2,927	(805)
Hangzhou Company	137,204	29,118	29,118	4,567
Guojin Company	28,963	5,313	5,313	1,825
Caring Company	23,596	(4,546)	(4,546)	20,186
Shandong Company	60,146	5,493	5,493	13,494
	<u>317,059</u>	<u>31,204</u>	<u>31,204</u>	<u>34,325</u>

The information above is the amount before offsetting between the companies in the Group.

(c) Non-essential information of associates

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Total book value of investment	193,108	195,000
The total of the following items calculated according to the shareholding ratio		
Net profit (i)	—	—
Other comprehensive income (i)	—	—
Total comprehensive income	—	—

- (i) Both net profit and other comprehensive income have considered the fair value of identifiable assets and liabilities at the time of investment and the adjustment effect of the unified accounting policies.

7 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 the business from both service and geographical perspective. From a service perspective, 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 plant and other plants). The environmental protection equipment sold by the Group is mainly the result of scientific research transformation of the technical know-how in the environment protection area. Other services include contract operation services, rental income and technical services etc. These are not separately presented within the reportable operating segments, but 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 based on the proportion of each segment's revenue.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

7 SEGMENT INFORMATION (Continued)

(a) Segment information as at and for the six months ended 30 June 2023 (unaudited) is as follows:

	Processing of sewage			Recycled water and pipeline connection	Heating and cooling supply	Tap water	Sale of environmental protection equipment	All other segments	Group
	Tianjin	Hangzhou	Others						
Revenue from external customers (Note 4(36))	841,483	130,259	601,769	197,208	74,748	59,136	4,330	200,033	2,108,966
Cost for operations	(503,745)	(75,525)	(387,464)	(101,412)	(58,902)	(41,172)	(4,144)	(150,530)	(1,322,894)
Interest income (Note 4(40))	6,342	1,273	56,389	715	606	1,970	17	3,800	71,112
Interest expenses (Note 4(40))	(113,569)	(1,064)	(64,871)	(1,397)	(567)	(2,221)	-	(8,417)	(192,106)
Results before share of profits of an associate	207,021	50,620	151,236	102,921	14,480	12,214	583	27,619	566,694
Segment total profit	207,021	50,620	151,236	102,921	14,480	12,214	583	27,619	566,694
Income tax expenses	(30,059)	(22,569)	(21,136)	(24,030)	(4,684)	(2,314)	(87)	(6,770)	(111,649)
Segment net profit	176,962	28,051	130,100	78,891	9,796	9,900	496	20,849	455,045
Net profit									455,045
Depreciation expenses	(1,253)	-	(2,200)	(9,109)	(1,058)	(211)	(443)	(35,239)	(49,513)
Amortization	(86,811)	(29,347)	(113,539)	(2,950)	(12,510)	(9,214)	-	(12,724)	(267,095)
Segment assets	8,438,931	859,131	8,223,027	1,165,109	829,204	661,924	41,536	3,334,167	23,553,029
Long-term equity investment in associate									193,108
Total assets									23,746,137
Total liabilities	7,232,602	97,328	3,856,950	739,833	357,529	137,171	5,683	1,527,855	13,954,951
Non-current assets addition (i)	(9,122)	(3,788)	429,435	42,422	31,094	-	-	473,693	963,734

7 SEGMENT INFORMATION (Continued)

(b) Segment information as at and for the six months ended 30 June 2022 (unaudited) is as follows:

	Processing of sewage			Recycled water and pipeline connection	Heating and cooling supply	Tap water	Sale of environmental protection equipment	All other segments	Group
	Tianjin	Hangzhou	Others						
Revenue from external customers (Note 4(36))	772,856	136,883	638,440	180,852	130,194	59,282	1,544	209,238	2,129,289
Cost for operations	(446,249)	(94,306)	(455,924)	(108,902)	(112,488)	(41,384)	(1,274)	(155,094)	(1,415,621)
Interest income (Note 4(40))	2,975	222	46,037	4,434	538	3,403	12	3,321	60,942
Interest expenses (Note 4(40))	(93,735)	(1,433)	(71,751)	(1,329)	(867)	(2,308)	–	(4,922)	(176,345)
Results before share of profits of an associate	188,396	35,834	153,507	85,679	9,394	15,081	185	19,706	507,782
Segment total profit	188,396	35,834	153,507	85,679	9,394	15,081	185	19,706	507,782
Income tax expenses	(27,572)	–	(17,762)	(27,393)	(3,603)	(3,634)	(28)	(16,484)	(96,476)
Segment net profit	160,826	35,834	135,745	58,286	5,791	11,447	158	3,219	411,306
Net profit									411,306
Depreciation expenses	(574)	–	(1,058)	(12,013)	(1,155)	(102)	(444)	(18,078)	(33,424)
Amortization	(92,252)	(29,316)	(110,361)	(2,705)	(12,387)	(9,345)	–	(12,727)	(269,093)
Segment assets	8,125,185	838,957	7,150,053	1,012,319	733,856	655,276	37,920	2,706,032	21,259,598
Long-term equity investment in associate									195,000
Total assets									21,454,598
Total liabilities	6,898,996	135,807	3,654,606	52,664	309,448	111,077	5,113	1,974,188	13,141,899
Non-current assets addition (i)	75	28,398	81,424	6,196	86,033	–	6	2,158	204,290

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

The Group's revenue from external customers comes from China.

The Group's non-current assets are located within China.

For the six months ended 30 June 2023, the income from processing of sewage water segment of RMB806 million is derived from a single customer, accounting for 38% of the Group's total revenue (for the six months ended 30 June 2022: RMB741 million, 35%).

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

8 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**(1) Information of the parent of the Company***(a) General information of the parent company*

	Type	Place of registration	Legal representative	Nature of business and principal activities
Municipal Investment	Limited liability company	Tianjin, the PRC	Mr. An Pindong	Development and operation of municipal infrastructures

The Company's ultimate controlling party is City Infrastructure Construction and Investment.

(b) Registered capital and changes in registered capital of the parent company

	Audited 31 December 2022	Increase in the period	Decrease in the period	Unaudited 30 June 2023
Municipal Investment	1,820,000	–	–	1,820,000

(c) The percentages of shareholding and voting rights in the Company held by the parent company

	Unaudited 30 June 2023		Audited 31 December 2022	
	Share holding (%)	Voting Rights (%)	Share holding (%)	Voting Rights (%)
Municipal Investment	45.57%	45.57%	45.57%	45.57%

(2) Information of subsidiaries

The general information and other related information of the subsidiaries is set out in Note 6.

(3) Information of associates

The general information and other related information of the associates is set out in Note 4(9) (a).

8 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Information of other related parties

	Relationship with the Group
Tianjin Lecheng Properties Co., Ltd.	Controlled by the same ultimate holding company
Tianjin City Resource Operation Co., Ltd.	Controlled by the same ultimate holding company
Tianjin Chengtou Chuangzhan Leasing Co., Ltd.	Controlled by the same ultimate holding company
Tianjin Tongsheng Municipal Landscape Engineering Project Management Co., Ltd.	Controlled by the same ultimate holding company
Tianjin Environmental Investment Green Engineering Company Limited	Controlled by the same ultimate holding company
Tianjin Investment Group Infrastructure Management and Consultant Co., Ltd.	Controlled by the same ultimate holding company
Tianjin Environmental Construction Investment Co., Ltd.	Controlled by the same ultimate holding company

(5) Related party transactions

The Group's material transactions with related parties are as follows:

(a) Purchase of goods, receive of services

Related Party Name	Nature of Transaction	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Tianjin Infrastructure Investment Group	Contracted operating expenses	6,253	18,549
Tianjin Infrastructure Investment Group	Sewage mud processing expenses	21,722	36,165
Tianjin Tongsheng Municipal Landscape Engineering Project Management Co., Ltd.	Expenses for project engineering measurement	24,267	—
Tianjin Environmental Investment Green Engineering Company Limited	Expenses for project engineering measurement	8,722	—
Tianjin Investment Group Infrastructure Management and Consultant Co., Ltd.	Consulting expenses	283	—
		61,247	54,714

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

8 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(b) Rendering of services

Related party name	Nature of transaction	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Tianjin Lecheng Properties Co., Ltd.	Heating and cooling supply income	10,868	11,296
Tianjin Infrastructure Investment Group	Revenue from contract operation	13,791	27,831
		<u>24,659</u>	<u>39,127</u>

(c) Sale-leaseback

Related party name	Type of the leased assets	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Tianjin Chengtou Chuangzhan Leasing Co., Ltd.	Fixed assets	–	3,800
		<u>–</u>	<u>3,800</u>

(d) Asset acquisition

The Resolution on the Transfer of Assets of Jinnan Sludge Treatment Plant was deliberated and approved at the 7th meeting of the 9th Board of Directors of the Company on 21 December 2022. The Company intends to transfer the assets of Jinnan sludge treatment plant subordinated to Tianjin Infrastructure Investment Group at a transfer price of RMB471,825.9 thousand. As at 30 June 2023, the Company had paid deposits of RMB424,643.31 thousand for asset transfer, which was not completed yet.

8 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(e) Remuneration of key management

Related party name	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Remuneration of key management	4,261	4,608
Share-based incentive payment	185	192
	<u>4,446</u>	<u>4,800</u>

(6) Receivables from and payables to related parties

Receivables from related parties

	Related party name	Unaudited 30 June 2023		Audited 31 December 2022	
		Carrying amount	Provision	Carrying amount	Provision
Trade receivable	Tianjin Infrastructure Investment Group	131,158	(16,395)	121,368	(15,177)
	Tianjin Lecheng Properties Co., Ltd.	2,965	(59)	5,641	(59)
	Tianjin City Resource Operation Co., Ltd.	1,200	(1,200)	1,200	(1,200)
		<u>135,323</u>	<u>(17,654)</u>	<u>128,209</u>	<u>(16,436)</u>

Payables to related parties

	Related party name	Unaudited 30 June 2023	Audited 31 December 2022
Accounts payable	Tianjin Infrastructure Investment Group	17,885	11,632
	Tianjin Tongsheng Municipal Landscape Engineering Project Management Co., Ltd.	58,603	33,027
	Tianjin Environmental Investment Green Engineering Company Limited	21,875	14,163
		<u>98,363</u>	<u>58,822</u>
Current portion of non-current assets	Tianjin Chengtou Chuangzhan Leasing Co., Ltd.	<u>2,400</u>	<u>2,400</u>

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

8 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**(7) Transactions/balances with other state owned enterprises in the PRC**

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government (hereinafter collectively referred to as “state-owned entities”). The company is also a state-owned entity.

During the period, the Group’s significant transactions with these state controlled entities include treatment of sewage and construction and management of related facility, supply of tap water and recycled water, and supply of heating and cooling services. At the end of the year, the majority of the Group’s cash and cash equivalents and borrowings are with state controlled banks.

9 COMMITMENTS**(1) Capital commitments**

The Group’s capital commitments at the balance sheet date are as follows:

	Contracted but not provided for		Authorised but not contracted for	
	Unaudited 30 June 2023 RMB million	Audited 31 December 2022 RMB million	Unaudited 30 June 2023 RMB million	Audited 31 December 2022 RMB million
Intangible assets –Concession				
– Sewage processing project	230	76	12	–
– Heating and cooling supply project	117	109	–	–
Jinnan sludge treatment project	47	334	–	–
Fixed assets project	253	171	20	–
	<u>647</u>	<u>690</u>	<u>32</u>	<u>–</u>

(2) Investment commitments

On 7 April 2023, the Board of Directors of the company agreed to establish Anyang Chuangye Chengfa Water Service Co., Ltd. to implement the first phase of the Anyang Municipal Sewage Treatment Center project. The registered capital is 20 million, of which 11.8 million is contributed in cash by the company, accounting for 59.0% of the shares; Anyang Urban Development Investment Co., Ltd. makes a cash contribution of 8 million, accounting for 40.0% of the shares; China Railway 10th Bureau Group Co., Ltd. makes a cash contribution of 0.2 million, accounting for 1% of the shares. During the reporting period, the project company has not yet been established and the capital investment has not been completed.

On 14 June 2023, the Board of Directors of the company agreed to establish Tianjin Tianchuang Environmental Technology Co., Ltd. to carry out asset-light business. The registered capital is 20 million, and the initial registered capital investment is 7 million. During the reporting period, the initial capital investment has not been completed.

10 FINANCIAL INSTRUMENTS AND THEIR RISKS

The Group's activities expose it to a variety of financial risks: market risk (primarily including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The above financial risks and the Group's risk management policies to mitigate the risks are as follows:

The Board of Directors is responsible for the planning and establishment of the risk management framework of the Group, the formulation of the risk management policies and related guidelines of the Group, and the supervision of the implementation of risk management measures. The Group has established risk management policies to identify and analyse the risks faced by the Group, which clearly define specific risks and cover many aspects such as market risk, credit risk and liquidity of risk management. The Group regularly assesses the market environment and changes in the Group's activities to determine whether the risk management policies and systems are updated. The risk management of the Group is carried out by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, assesses and avoids risks through close cooperation with other business units of the Group. The internal audit department of the Group periodically conducts audits on risk management control and procedures, and reports the results to the Audit Committee of the Group.

(1) **Market risk:**

(a) *Foreign exchange risk:*

The Group's major operational activities and clients are carried out in the Chinese mainland and a majority of the transactions are denominated in RMB. The Group has no significant foreign exchange risk. All of the Group's borrowings are denominated in RMB. The sole foreign exchange risk of the Group arises from long-term payables, which arise from the asset transfer agreement entered into between the Company and the sewage company for the purchase of foreign bank loans, mainly involving USD and JPY (Note 4(28)(b)).

As at 30 June 2023, if the RMB had strengthened/weakened by 5% against the USD with all other variables held constant, the Group's net profit for the year would have been RMB2 million (30 June 2022: RMB3 million) higher/lower. Similarly, if the RMB had strengthened/weakened by 5% against the JPY with all other variables held constant, the Group's net profit for the year would have been RMB9 million (30 June 2022: RMB7 million) higher/lower.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

10 FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

(1) Market risk: (Continued)

(b) Interest rate risk:

The Group's interest rate risk arises mainly from interest bearing borrowings including long-term bank borrowings, long-term payables and debentures payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 30 June 2023, the Group's long-term interest bearing borrowings were USD-denominated borrowings with floating rates linked to six-month LIBOR of RMB49 million (Note 4(28)). As at 30 June 2023, the Group is still yet to complete the replacement of benchmark interest rate.

The Group continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest costs with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. Management makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the six months ended 30 June 2023 and 30 June 2022, the Group did not enter into any interest rate swap agreements.

The Group's and the Company's interest rate risk arises from interest bearing borrowings are reflected in the following form. The liabilities included in the following form are carrying amounts, and classified by maturity date.

	Fixed	Floating	Total
At 30 June 2023 (Unaudited)			
Short-term borrowings	2,532	–	2,532
Current portion of non-current liabilities:			
Long-term borrowings to be settled within one year	250,229	1,288,907	1,539,136
Debentures payable and interest to be settled within one year	31,490	–	31,490
Long-term payables to be settled within one year	14,959	27,472	42,431
Other current liabilities	990	–	990
Long-term borrowings	489,852	6,799,369	7,289,221
Long-term payables	125,170	21,436	146,606
Debentures payable	878,688	–	878,688
	<hr/>	<hr/>	<hr/>
Total	1,793,910	8,137,184	9,931,094
	<hr/>	<hr/>	<hr/>

10 FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

(1) Market risk: (Continued)

(b) Interest rate risk: (Continued)

	Fixed	Floating	Total
At 31 December 2022(Audited)			
Short-term borrowings	1,001	–	1,001
Current portion of non-current liabilities:			
Long-term borrowings to be settled within one year	36,855	1,190,956	1,227,811
Long-term payables to be settled within one year	15,973	15,697	31,670
Debentures payable and interest to be settled within one year	13,168	–	13,168
Other current liabilities	490	–	490
Long-term borrowings	683,794	6,413,511	7,097,305
Long-term payables	136,831	31,872	168,703
Debentures payable	878,373	–	878,373
	<u>1,766,485</u>	<u>7,652,036</u>	<u>9,418,521</u>
Total	<u>1,766,485</u>	<u>7,652,036</u>	<u>9,418,521</u>

As at 30 June 2023, if interest rates on bank borrowings had been 1% higher/lower with all other variables held constant, the Group's net profit for the year would have been RMB56 million (At 30 June 2022: RMB43 million) lower/higher.

The Group also considers to adopt refinancing, extension of existing borrowings and other alternative financing schemes to mitigate its interest rate risk.

(2) Credit risk:

Credit risk of the Group arises mainly from cash at bank and on hand, accounts receivable and other receivables. As at the balance sheet date, the carrying amount of the Group's financial assets represented the maximum exposure of the Group.

The Group expects that there is no significant credit risk associated with cash at bank and on hand since they are deposited at state-owned banks and other large or medium size listed banks with good reputation and high credit rating, and there will be almost no significant losses from non-performance by these banks.

In addition, the Group has set related policies to limit the credit exposure on accounts receivable and other receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will chase settlement by using written payment reminders, or shorten/cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

10 FINANCIAL INSTRUMENTS AND THEIR RISKS (Continued)

(2) Credit risk:(Continued)

As at 30 June 2023, the Group had no significant collateral or other credit enhancements held as securities from debtors (31 December 2022: Nil).

(3) Liquidity risk:

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department at headquarters level. The Group monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs; continuously monitors whether the covenant terms in borrowing agreements are complied; and maintains sufficient headroom on the Group's committed undrawn banking facilities from major financial institutions so as to meet the short-term and long-term liquidity requirements.

As at the balance sheet date, the undiscounted contractual cash flows of the Group's financial liabilities, analysed by their maturity dates, are as below:

	30 June 2023 (Unaudited)					Total	Carrying amount
	Within 1 year	1-2 years	2-5 years	Over 5 years			
Short-term borrowings	2,607	–	–	–	2,607	2,532	
Long-term borrowings	1,868,343	1,810,741	3,073,510	3,488,899	10,241,493	8,828,357	
Long-term payables	46,103	34,279	51,904	183,467	315,753	189,037	
Accounts payable	609,856	–	–	–	609,856	609,856	
Other payables	840,152	–	–	–	840,152	840,152	
Debentures payable	36,947	36,947	915,904	–	989,798	910,178	
Lease liabilities	4,087	2,920	2,228	–	9,235	8,431	
Other current liabilities	990	–	–	–	990	990	
	3,409,085	1,884,887	4,043,546	3,672,366	13,009,884	11,389,533	
	31 December 2022 (Audited)					Total	Carrying amount
	Within 1 year	1-2 years	2-5 years	Over 5 years			
Short-term borrowings	1,026	–	–	–	1,026	1,001	
Long-term borrowings	1,525,962	2,339,467	3,289,776	2,579,343	9,734,548	8,325,116	
Long-term payables	34,421	33,418	63,580	203,893	335,312	200,373	
Accounts payable	511,159	–	–	–	511,159	511,159	
Other payables	897,121	–	–	–	897,121	897,121	
Debentures payable	36,947	36,947	903,791	–	977,685	891,541	
Lease liabilities	4,087	2,920	2,228	–	9,235	8,265	
Other current liabilities	490	–	–	–	490	490	
	3,011,213	2,412,752	4,259,375	2,783,236	12,466,576	10,835,066	

11 FAIR VALUE ESTIMATION

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

(1) Assets measured at fair value on a recurring basis:

As at 30 June 2023 (unaudited) and as at 30 June 2022 (unaudited), the assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 3
Other equity instruments investment — Unlisted equity instrument investments of Tianjin Beifang Rencaigang Co., Ltd.	<u>2,000</u>

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. The inputs of the valuation technique mainly include illiquidity discount.

Amounts of the Group's financial instruments not traded in an active market are of no significance.

(2) Assets and liabilities not measured at fair value but disclosed

Financial assets and liabilities of the Group measured at amortized cost mainly include notes receivable, accounts receivable, other receivables, long-term receivables, payables, short-term borrowings, long-term borrowings, debenture payable and long-term payables.

The carrying amount of the financial assets and liabilities of the Group not measured at fair value is a reasonable approximation of their fair value.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

12 CAPITAL MANAGEMENT

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

Consistent with others in the industry, the Group monitors its capital by the debt-to-capital ratio. This ratio is calculated by taking net debt and dividing it by the total capital. Net debt represents total borrowings (including short-term borrowings, long-term borrowings, debentures payable and long-term payables of the Group) less cash and cash equivalents. Total capital is equity (as shown on the consolidated balance sheet) plus net debt.

The Group's strategy is to maintain a gearing ratio below 50%. The gearing ratio of the Group is as follows:

	Unaudited 30 June 2023	Audited 31 December 2022
Total borrowings	9,931,094	9,418,521
Short-term borrowings	2,532	1,001
Long-term borrowings	8,828,357	8,325,116
Debentures payable	910,178	891,541
Long-term payables	189,037	200,373
Other current liabilities	990	490
Less: Cash at bank and on hand	<u>(2,999,928)</u>	<u>(3,188,344)</u>
Net debt	6,931,166	6,230,177
Total equity	<u>9,791,186</u>	<u>9,502,293</u>
Total capital	<u>16,722,352</u>	<u>15,732,470</u>
Gearing ratio	<u>41%</u>	<u>40%</u>

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS

(1) Accounts receivable

	Unaudited 30 June 2023	Audited 31 December 2022
Accounts receivable	1,404,557	1,237,270
Less: Provision for bad debts	<u>(69,015)</u>	<u>(69,015)</u>
	<u>1,335,542</u>	<u>1,168,255</u>

(a) *The ageing analysis of accounts receivable is as follows:*

	Unaudited 30 June 2023	Audited 31 December 2022
Within 1 year	1,337,841	1,085,069
1 to 2 years	30,413	54,782
2 to 3 years	6,719	51,923
3 to 4 years	11,212	11,979
4 to 5 years	4,164	13,141
Over 5 years	<u>14,208</u>	<u>20,376</u>
Total	<u>1,404,557</u>	<u>1,237,270</u>

(b) *As at 30 June 2023 (unaudited), the trade receivables from the top five debtors in respect of outstanding balance are analyzed as below:*

	Amount	Provision for bad debts	% of total balance
Trade receivables from the top five debtors	<u>1,366,785</u>	<u>(35,762)</u>	<u>95%</u>

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(1) Accounts receivable (Continued)

(c) Provision for bad debts:

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

(i) Provision for bad debts made on an individual basis as at 30 June 2023(unaudited):

	Carrying amount	ECL rate	Provision	Reasons
Tianjin Water Authority Bureau	1,155,513	0.25%	(2,946)	Note 4 (3)(c)(i)
Tianjin City Appearance Sanitation Construction Development Co. Ltd.	28,554	62.77%	(17,923)	Note 4 (3)(c)(i)
Tianjin Ziya Environmental Protection Industrial Park Co. Ltd.	16,797	100.00%	(16,797)	Note 4 (3)(c)(i)
Tianjin Shuangkou Municipal Solid Waste Landfill	13,776	100.00%	(13,776)	Note 4 (3)(c)(i)
Tianjin City Investment Urban Resources Management Co., Ltd.	1,200	100.00%	(1,200)	Note 4 (3)(c)(i)
Tianjin Tianbao Municipal Administration Co. Ltd.	152	100.00%	(152)	Note 4 (3)(c)(i)
Total	1,215,992		(52,794)	

(ii) Provision for bad debts made on a collective basis for accounts receivable is analysed as follows:

	Unaudited 30 June 2023			Audited 31 December 2022		
	Carrying amount Amount	Provision ECL rate	Amount	Carrying amount Amount	Provision ECL rate	Amount
Group 3 – Government clients						
Not overdue	23,155	–	–	–	–	–
Overdue within 1 to 180 days	180	2.22%	(4)	3,906	2.07%	(81)
Overdue over 180 days	98,021	15.20%	(14,895)	94,295	15.71%	(14,818)
	121,356		(14,899)	98,201		(14,899)

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(1) Accounts receivable (Continued)

(c) Provision for bad debts: (Continued)

(ii) Provision for bad debts made on a collective basis for accounts receivable is analysed as follows: (Continued)

	Unaudited 30 June 2023			Audited 31 December 2022		
	Carrying amount Amount	Provision ECL rate	Amount	Carrying amount Amount	Provision ECL rate	Amount
Group 4 – Other clients						
Not overdue	42,144	0.90%	(379)	42,646	0.90%	(386)
Overdue within 1 to 90 days	3,719	1.80%	(67)	9,693	1.79%	(173)
Overdue over 90 days	21,346	4.10%	(876)	8,058	9.47%	(763)
	<u>67,209</u>		<u>(1,322)</u>	<u>60,397</u>		<u>(1,322)</u>

(2) Other receivables

	Unaudited 30 June 2023	Audited 31 December 2022
Receivables from subsidiaries	19,990	19,937
Dividends receivable from subsidiaries	4,000	4,000
Project deposits	1,581	1,007
Others	728	607
	<u>26,299</u>	<u>25,551</u>
Less: Provision for bad debts	(18)	(18)
	<u>26,281</u>	<u>25,533</u>

As at 30 June 2023, there were no other receivables overdue but unimpaired (31 December 2022: Nil).

(a) The ageing analysis of other receivable is as follow:

	Unaudited 30 June 2023	Audited 31 December 2022
Within 1 year	24,707	23,959
1 to 2 years	–	75
2 to 3 years	75	–
Over 3 years	1,517	1,517
	<u>26,299</u>	<u>25,551</u>

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(2) Other receivables (Continued)

- (b) As at 30 June 2023 and 31 December 2022, the Group has no other receivables belonging to stage 2 and stage 3. Provisions for bad debts of other receivables in stage 1 are analyzed as follows:

	Unaudited 30 June 2023			Audited 31 December 2022		
	Carrying amount Amount	Provision Amount	Percentage	Carrying amount Amount	Provision Amount	Percentage
Group 1 – Related parties within consolidation scope:						
Within 1 year	24,837	–	0.00%	23,937	–	0.00%
1 to 2 years	–	–	0.00%	–	–	0.00%
Subtotal	24,837	–		23,937	–	
Group 5 – Project deposits						
Within 1 year	–	(0)	1.54%	7	(0)	1.47%
Over 3 years	974	(15)	1.54%	1,000	(15)	1.47%
Subtotal	974	(15)		1,007	(15)	
Group 6 – Others:						
Within 1 year	3	(0)	0.61%	15	(0)	0.45%
1 to 2 years	39	(0)	0.61%	75	(0)	0.45%
2 to 3 years	–	–	0.61%	–	–	0.45%
Over 3 years	446	(3)	0.61%	517	(3)	0.45%
Subtotal	488	(3)		607	(3)	
Total	26,299	(18)		25,551	(18)	

- (c) For the six months ended 30 June 2023, the changes of other receivables' provision of the Company is not significant.

- (d) As at 30 June 2023 (unaudited), other receivables from the top five debtors in respect of outstanding balance are analyzed as below:

	Nature	Balance	Aging	% of total balance	Provision for bad debts
Tianjin Water Recycling Co., Ltd.	Receivables from subsidiaries	8,680	Within 1 year	38.93%	–
Wendeng Capital Water Co., Ltd.	Dividends receivable from subsidiaries	4,000	Within 1 year	17.94%	–
Tianjin Capital New Materials Co., Ltd.	Receivables from subsidiaries	1,744	Within 1 year	7.82%	–
State Grid Tianjin electric power company	Project deposits	1,074	Within 1 year and Over 3 years	4.82%	(10)
Anhui Tendering Group Co., Ltd	Project deposits	500	Within 1 year	2.24%	(5)
Total		15,998		71.75%	(15)

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(3) Long-term equity investments

	Unaudited 30 June 2023	Audited 31 December 2022
Investment in subsidiaries (a)	5,657,666	5,303,807
Associate (b)	193,108	193,108
Less: Impairment of Long-term equity investments (c)	(419,311)	(419,311)
	<u>5,431,463</u>	<u>5,077,604</u>

(a) Subsidiaries

	31 December		Movement for the period			30 June	Provision for impairment
	Investment cost	2022 (Audited)	Additions	Disposals	Provision	2023 (Unaudited)	
Inner Mongolia Bayannur Capital Water Co., Ltd.	777,071	777,046	25	-	-	777,071	-
Xi'an Capital Water Co., Ltd. (note(i))	476,512	476,437	75	-	-	476,512	-
Fuyang Capital Water Co., Ltd.(note(ii))	456,365	456,284	81	-	-	456,365	-
Gaoyou Compro Environmental Resources Co., Ltd. (note(iv))	383,022	297,947	23	-	-	297,970	(85,052)
Hangzhou Tianchuang Capital Water Co., Ltd.	264,324	264,301	23	-	-	264,324	-
Jiangsu Yonghui Resources Utilization Co., Ltd. (note(iii))	350,090	249,835	-	-	-	249,835	(100,255)
Hefei Capital Water Co., Ltd.	206,143	206,118	25	-	-	206,143	-
Wuhan Tianchuang Capital Water Co., Ltd.	197,427	197,385	42	-	-	197,427	-
Tianjin Jiayuan Xingchuang Energy Technology Co., Ltd	213,172	192,044	21,128	-	-	213,172	-
Enshi Capital Water Co., Ltd.	162,318	-	162,318	-	-	162,318	-
Jiuquan Capital Water Co., Ltd.	158,352	158,327	25	-	-	158,352	-
Qijing Capital Water Co., Ltd.	155,204	155,140	64	-	-	155,204	-
Hebei Guojin Tianchuang Capital Water Co., Ltd.	128,752	128,656	96	-	-	128,752	-
Guizhou Capital Water Co., Ltd	114,543	114,422	121	-	-	114,543	-
Karamay Capital Water Co., Ltd.	113,873	-	113,873	-	-	113,873	-
Honghu Tianchuang Capital Water Co., Ltd.	111,887	111,831	56	-	-	111,887	-
Karamay Tianchuang Capital Water Co., Ltd.	108,200	108,155	45	-	-	108,200	-
Tianjin Water Recycling Co., Ltd.	135,174	100,940	34,234	-	-	135,174	-
Tianjin Jiayuan Kaichuang New Energy Technology Co., Ltd	80,000	80,000	-	-	-	80,000	-
Wendeng Capital Water Co., Ltd.	68,814	68,750	64	-	-	68,814	-
Tianjin Tianchuang Green Energy Investment Management Co., Ltd.	62,590	62,590	-	-	-	62,590	-
Tianjin Xiqing Tianchuang Capital Environmental Protection Co., Ltd. (note(vi))	62,106	62,106	-	-	-	62,106	-
Subtotal	<u>4,785,939</u>	<u>4,268,314</u>	<u>332,318</u>	<u>-</u>	<u>-</u>	<u>4,600,632</u>	<u>(185,307)</u>

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(3) Long-term equity investments (Continued)

(a) Subsidiaries (Continued)

	Investment cost	31 December 2022 (Audited)	Movement for the year			30 June 2023 (Unaudited)	Provision for impairment
			Additions	Disposals	Provision		
Shandong Tianchuang Environmental Protection Technology Development Co., Ltd.	60,500	60,500	-	-	-	60,500	-
Baoying Capital Water Co., Ltd.	58,301	58,256	45	-	-	58,301	-
Deqing Capital Water Co., Ltd.	54,286	54,222	64	-	-	54,286	-
Honghu Tianchuang Capital Environmental Protection Co., Ltd.	53,400	53,400	-	-	-	53,400	-
Yingshang Capital Water Co., Ltd.	53,201	53,156	45	-	-	53,201	-
Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd.	48,325	48,248	77	-	-	48,325	-
Shandong Company	45,234	45,215	19	-	-	45,234	-
Linxia Capital Water Co., Ltd.	65,996	45,067	20,929	-	-	65,996	-
Changsha Tianchuang Capital Environmental Protection Co., Ltd.	37,756	37,692	64	-	-	37,756	-
Huoqiu Capital Water Co., Ltd.	37,355	37,310	45	-	-	37,355	-
Hanshou Tianchuang Capital Water Co., Ltd.	34,035	33,972	63	-	-	34,035	-
Huize Capital Water Co., Ltd.	32,831	32,793	38	-	-	32,831	-
Tianjin Jinghai Capital Water Co., Ltd.	37,553	-	-	-	-	-	(37,553)
Changsha Tianchuang Capital Water Co., Ltd.	17,002	17,002	-	-	-	17,002	-
Tianjin Caring Technology Development Co., Ltd.	16,600	16,467	133	-	-	16,600	-
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.	62,987	12,706	-	-	-	12,706	(50,281)
Tianjin Jinning Capital Water Co., Ltd.	22,560	7,560	-	-	-	7,560	(15,000)
Dongying Tianchi Environmental Protection Technology Consultant Co., Ltd.	2,550	2,550	-	-	-	2,550	-
Tianjin Capital New Materials Co., Ltd.	26,585	66	19	-	-	85	(26,500)
Anguo Capital Water Co., Ltd.	41,000	-	-	-	-	-	(41,000)
Anhui Tianchuang Capital Water Co., Ltd.	63,670	-	-	-	-	-	(63,670)
Subtotal	871,727	616,182	21,541	-	-	637,723	(234,004)
Total	5,657,666	4,884,496	353,859	-	-	5,238,355	(419,311)

- (i) For the six months ended 30 June 2023, the Company contributed RMB114 million to set up Karamay Capital Water Co., Ltd. and RMB162 million to set up Enshi Capital Water Co., Ltd. The shareholding ratio is 100% and 95%, respectively.
- (ii) As at 30 June 2023, the Company increased its long-term equity investments of RMB1.7 million to its subsidiaries as a result of share-based payments.

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(3) Long-term equity investments (Continued)

(b) Associate

In 2018, the consortium formed by Bishuiyuan Technology Co., Ltd., Jiu'an Investment Group Co., Ltd. and the Company won the bidding for the PPP project of sponge city construction in the Jiefang Nan road of Tianjin. After winning the bid, the parties jointly set up the project company Tianjin Bihai Sponge City Co., Ltd. The Company invested RMB195 million, and the shareholding ratio is 30% (Note 4(9)(a)).

(c) Provision for impairment of long-term equity investments

	Audited 31 December 2022	Additions	Disposals	Unaudited 30 June 2023
Jiangsu Yonghui	100,255	–	–	100,255
Gaoyou Compro	85,052	–	–	85,052
Anhui Yuwan	63,670	–	–	63,670
Tianjin Capital Environmental Protection (Hong Kong) Co., Ltd.	50,281	–	–	50,281
Anguo Capital Water Co., Ltd.	41,000	–	–	41,000
Tianjin Capital New Materials Co., Ltd.	26,500	–	–	26,500
Tianjin Jing Hai Capital Water Co., Ltd.	37,553	–	–	37,553
Tianjin Jinning Capital Water Co., Ltd.	15,000	–	–	15,000
	<u>419,311</u>	<u>–</u>	<u>–</u>	<u>419,311</u>

(4) Revenue and cost of sales

	Unaudited For the six months ended 30 June 2023		Unaudited For the six months ended 30 June 2022	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operations	835,828	376,444	774,368	421,400
Other operations	21,142	11,319	8,487	24,135
	<u>856,970</u>	<u>387,763</u>	<u>782,855</u>	<u>445,535</u>

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(4) Revenue and cost of sales (Continued)

(a) Revenue from principal operations and cost of sales

Analysis by the nature of services is as below:

	Unaudited For the six months ended 30 June 2023		Unaudited For the six months ended 30 June 2022	
	Revenue from principal operations	Cost of sales	Revenue from principal operations	Cost of sales
Processing of sewage water	805,877	372,884	740,855	417,840
Road tolls	29,951	3,560	33,513	3,860
	<u>835,828</u>	<u>376,444</u>	<u>774,368</u>	<u>421,400</u>

(b) Revenue from other operations and cost of sales

	Unaudited For the six months ended 30 June 2023		Unaudited For the six months ended 30 June 2022	
	Revenue from other operations	Cost of sales	Revenue from other operations	Cost of sales
Contract operation income	21,142	11,319	8,487	24,135

(c) The Company's operating income is analyzed as follows:

	For the six months ended 30 June 2023 (Unaudited)						
	Processing of sewage water Tianjin	Road tolls	Contract operation income	Rental	Technical service	Others	Total
Revenue from main operations	805,877	29,951	-	-	-	-	835,828
- Recognised over at a point in time	-	-	-	-	-	-	-
- Recognised over a period of time	805,877	29,951	-	-	-	-	835,828
Revenue from other operations	-	-	21,142	-	-	-	21,142
	<u>805,877</u>	<u>33,513</u>	<u>21,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>856,970</u>

13 NOTES TO THE COMPANY FINANCIAL STATEMENTS (Continued)

(4) Revenue and cost of sales (Continued)

(c) *The Company's operating income is analyzed as follows:* (Continued)

	For the six months ended 30 June 2022 (Unaudited)						Total
	Processing of sewage water Tianjin	Road tolls	Contract operation income	Rental	Technical service	Others	
Revenue from main operations	740,855	33,513	-	-	-	-	774,368
- Recognised over at a point in time	-	-	-	-	-	-	-
- Recognised over a period of time	740,855	33,513	-	-	-	-	774,368
Revenue from other operations	-	-	8,487	-	-	-	8,487
	<u>740,855</u>	<u>33,513</u>	<u>8,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>782,855</u>

As at 30 June 2023, service bills of the Company's sewage water processing service are regularly issued to customers, based on the agreed unit price in contract, and actual sewage water treatment capacity. And the amount of bills represents the value of the Company's cumulative portion of performance to date transferred to customers. And there is no consideration amount which is not included in the transaction price; thus, it's not included in the required information to be disclosed for the transaction price allocated to the remaining performance obligation.

(5) Investment income

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Interest income from entrusted loans	12,266	6,167
Dividends distribution by subsidiaries	-	99,730
	<u>12,266</u>	<u>105,897</u>

Supplementary Information to The Financial Statements for The Six Months Ended 30 June 2023

For the six months ended 30 June 2023

(All amounts in RMB thousand unless otherwise stated)

1 STATEMENT OF NON-RECURRING PROFIT OR LOSS

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Government Grants	39,691	41,575
Losses on disposal of non-current assets	(18)	–
Other non-operating expenses – net	3,221	(712)
	<u>42,894</u>	<u>40,863</u>
Effect of corporate income tax	(6,981)	(6,769)
Effect of minority interests, net of tax	611	366
	<u>36,524</u>	<u>34,460</u>
Total	<u>36,524</u>	<u>34,460</u>

Basis for preparation of statement of non-recurring profit or loss

Under the requirements in *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Profit or Loss [2008]* issued by the China Security Regulatory Commission (“CSRC”), non-recurring profit or loss refers to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to happen frequently that would have an influence to the financial statements users’ making economic decisions based on the financial performance and profitability of an enterprise.

2 RECONCILIATION STATEMENT OF INLAND AND ABROAD FINANCIAL STATEMENT

There is no difference between the financial statements of the Group issued inside and outside the Chinese mainland.

3 RATE OF RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average income rate of net assets (%)		Basic/Diluted earnings per share	
	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Net profit attributable to ordinary shareholders of the Company	5.10	5.49	0.28	0.28
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	4.67	5.02	0.26	0.25

X. List of Documents Available for Inspection

1. The financial statements signed and sealed by the person in charge of the Company, the officer in charge of accounting operations and the officer in charge of the accounting department (the accounting management officer).
2. Original copies of all documents and announcements of the Company publicly disclosed during the reporting period.
3. The interim report released on other stock markets.

Tianjin Capital Environmental Protection Group Company Limited
Chairman: Ji Guanglin